14 November 2018

MS. JANET A. ENCARNACION
Head, Disclosure Department
Philippine Stock Exchange, Inc.
6F PSE Tower One Bonifacio High Street
28th Street corner 5th Avenue Bonifacio Global City
Taguig City

MS. PAULA BEATRICE A. BUENO
OIC- Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corp.
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue cor Paseo de Roxas
Makati City

Gentlemen:

We are pleased to furnish your good office with a copy of our SEC Form 17-Q as of September 30, 2018 filed with the Securities and Exchange Commission (SEC).

For your information and guidance.

Thank you.

Very truly yours,

CAEscucha

ALEXANDER C. ESCUCHA
Senior Vice President & Head
Investor & Corporate Relations Group

CHINA BANKING CORPORATION
8745 Paseo de Roxas corner Villar Street, Makati City, Philippines
Tel. No. 885-5555 • Fax No. 815-3169 • www.chinabank.

COVER SHEET

443

SEC Registration Number

CHINA BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

8745 Paseo de Roxas corner Villar Streets, Makati City

(Business Address: No. Street City/Town/Province)

Patrick D. Cheng	885-5555
(Contact Person)	(Company Telephone Number)

0 9	3 0	17-Q		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

Corporate Governance and Finance Dept.	
(Department Requiring this document)	(Amended Articles Number/Section)

Total Amount of Borrowings

1,932		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

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

1. For the quarter period ended **September 30, 2018**

2. Commission identification number **443**

3. BIR Tax Identification No.. **000-444-210-000**

4. **CHINA BANKING CORPORATION**
   Exact name of issuer as specified in its charter

5. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **CHINA BANK BUILDING 8745 PASEO DE ROXAS COR. VILLAR STS., MAKATI CITY** **1226**
   Address of registrant's principal office — Postal Code

8. Issuer's telephone number, including area code **(02) 885-5555**

9. Former name, former address and former fiscal year, if changed since last report **NA**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock Outstanding	Amount of debt outstanding
COMMON	**2,685,899,812**	

11. Are any or all of the securities listed on the Stock Exchange?

    Yes [**X**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    PHILIPPINE STOCK EXCHANGE **COMMON**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past 90 days

Yes [**X**] No [ ]

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached are the following:

Annex I:	Interim Consolidated Statements of Financial Position
Annex II:	Interim Consolidated Statements of Income
Annex III:	Interim Consolidated Statements of Comprehensive Income
Annex IV:	Interim Consolidated Statements of Changes in Equity
Annex V:	Interim Consolidated Statements of Cash Flows
Annex VI:	Aging of Loans and Receivables
Annex VII:	Profitability Report by Business Segment
Annex VIII:	Financial Soundness Indicators

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

Annex IX: Management’s Discussion

PART II OTHER INFORMATION

There are no material disclosures that were not reported under SEC Form 17-C during the period covered by this report.

SIGNATURES

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

Issuer …………………………………………………..............	**CHINA BANKING CORPORATION**
Principal Financial/Accounting Officer/Controller ……………..	Patrick Cheng **PATRICK D. CHENG**
Signature and Title ……………………………………………….	Chief Finance Officer
Date…………………………………………………………………..	November 14, 2018

Part I – Financial Information

Item 1. Financial Statements

a. **Accounting Policies and Methods of Computation**. The interim condensed consolidated financial statements of China Banking Corporation (the Parent Company) and its subsidiaries (the Group) have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS). The interim condensed consolidated financial statements are presented in Philippine peso, and all values are rounded to the nearest thousand peso except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as of December 31, 2017.

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to PFRS which became effective as of January 1, 2018.

PFRS 9, *Financial Instruments*
PFRS 9 replaces PAS 39, Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018.

PFRS 9 is required to be applied on a retrospective basis, with certain exceptions. As permitted, the Group did not restate the prior period comparative consolidated financial statements when it adopted the requirements of the new standard on January 1, 2018. Differences in the carrying amounts of financial instruments resulting from the adoption of PFRS 9 will be recognized in the opening January 1, 2018 surplus and OCI as if the Group had always followed the new requirements.

In the period of initial application, the requirements of PFRS 9 on the classification and measurement of financial assets and on the recognition of expected credit losses would have an impact on the Group's and Parent Company's financial statements. The opening January 1, 2018 equity in the Group's and Parent Company's statement of financial position increased by P1.77 billion and P1.67 billion, respectively, before deferred tax effects, as a result of applying PFRS 9's requirements on classification and measurement of financial assets. This change resulted from reclassifications of financial assets depending on the Group's and the Parent Company's application of its business models and its assessment of the financial assets' cash flow characteristics. The opening January 1, 2018 equity in the Group's and Parent Company's statement of financial position decreased by P3.54 billion and P3.03 billion, respectively, before deferred tax effects, as a result of applying PFRS 9's requirements on the recognition of expected credit losses. This change was dependent upon whether there have been significant increases in the credit risk of the Group's and Parent Company's financial assets since initial recognition and on the Group's and Parent Company's evaluation of factors relevant to the measurement of expected credit losses such as a range of possible outcomes and information about past events, current conditions and forecasts of future economic conditions. During 2018, PFRS 9's requirements will have an impact on the Group's and Parent Company's financial statements depending on certain factors such as the financial assets' corresponding business models, cash flow characteristics, and changes in credit risks.

In the period of initial application, the requirements of PFRS 9 on the classification and measurement of financial liabilities and on the application of hedge accounting are not expected to have an impact on the Group's and Parent Company's financial statements.

The key changes to the Group's accounting policies resulting from the adoption of PFRS 9 are described below.

Classification and measurement
The PFRS 9 classification and measurement model requires that all debt financial assets that do not meet the “solely payment of principal and interest” (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as at fair value through profit or loss (FVPL). The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVPL. Subsequent measurement of instruments classified as FVPL under PFRS 9 operates in a similar manner to financial instruments held for trading under PAS 39.

For debt financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a “held for trading” or “fair value” basis will be classified as at FVPL. Debt instruments that are managed on a “hold to collect and for sale” basis will be classified as at fair value through OCI (FVOCI) for debt. Debt instruments that are managed on a “hold to collect” basis will be classified as at amortized cost. Subsequent measurement of instruments classified as at FVOCI and amortized cost classifications under PFRS 9 operate in a similar manner to AFS financial assets for debt financial assets and loans and receivables, respectively, under existing PAS 39, except for the impairment provisions which are discussed below.

For those debt financial assets that would otherwise be classified as at FVOCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVPL under the fair value option (FVO) if doing so eliminates or significantly reduces an accounting mismatch.

All equity financial assets are required to be classified at initial recognition as at FVPL unless an irrevocable designation is made to classify the instrument as at FVOCI for equities. Unlike AFS for equity securities under PAS 39, the FVOCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current PAS 39 requirements, except that changes in fair value of FVO liabilities attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss.

Derivatives will continue to be measured at FVPL under PFRS 9.

Impairment
The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FVOCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVPL.

Expected Credit Loss Methodology
The application of ECL will significantly change the Group credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment. This compares to the present incurred loss model that incorporates a single best estimate, the time value of money and information about past events and current conditions and which

recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses.

Stage Migration and Significant Increase in Credit Risk
Financial instruments subject to the ECL methodology are categorized into three stages.

For non-impaired financial instruments:
Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL. In contrast to stage 1 and stage 2, inherent within the incurred loss methodology under PAS 39, allowances are provided for non-impaired financial instruments for credit losses that are incurred but not yet identified.

For impaired financial instruments:
Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under PAS 39 for impaired financial instruments.

b. **Seasonality or Cyclicality of Interim Operations.** Changes in the Group's financial condition or operation were due more to external factors such as interest movements and cost of borrowings rather than seasonality or cyclical aspects.

c. **Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.** Changes in nature and amounts in the financial statements were due more to market-related factors inherent in the nature of the issuer's business operations and are not considered unusual. Below are some significant changes as explained in the Management's Discussions of Financial Condition and Results of Operation:

	September 30, 2018	**December 31, 2017**	**Increase (Decrease)**
Assets			
Cash and Other Cash Items	10,096,193	12,685,984	(2,589,791)
Due from Other Banks	10,125,164	15,641,476	(5,516,312)
Interbank Loans Receivable and Securities Purchased Under Resale Agreement	6,890,700	18,751,845	(11,861,145)
Financial Assets at Fair Value through Profit or Loss	6,607,675	16,238,888	(9,631,213)
Financial Assets at Fair Value through Other Comprehensive Income/AFS	10,075,230	46,445,391	(36,370,161)
Financial Assets at Amortized Cost/HTM	142,162,499	65,286,267	76,876,232
Loans and Receivables - net	500,068,672	448,970,942	51,097,730
Accrued Interest Receivable	4,724,723	3,718,505	1,006,218
Investments in Associates	254,286	329,422	(75,136)
Deferred Tax Assets	2,432,993	1,778,081	654,912
Liabilities			
Bills Payable	24,062,279	20,118,031	3,944,248
Manager's Checks	1,725,907	2,441,042	(715,135)
Income Tax Payable	564,633	362,041	202,592
Accrued Interest and Other Expenses	3,184,604	2,627,619	556,985
Derivative Liabilities	296,793	267,533	29,260

Other Liabilities	7,956,274	5,720,701	2,235,573

	September 30, 2018	September 30, 2017	Increase (Decrease)
Income			
Interest on Loans and Receivable	20,227,279	15,752,808	4,474,471
Interest on Trading and investments	4,210,477	2,892,499	1,317,978
Trading and Securities Gain (Loss)	(250,834)	578,830	(829,664)
Foreign Exchange Gain (Loss) - net	150,223	407,404	(257,181)
Income from Asset Acquired	674,340	541,621	132,719
Miscellaneous	1,182,951	1,568,727	(385,776)
Expense			
Interest on Deposit Liabilities	7,502,683	4,642,825	2,859,858
Bills payable and other borrowings	373,999	299,474	74,525
Compensation and Fringe Benefits	4,630,290	4,197,187	433,103
Occupancy costs	1,690,872	1,512,231	178,641
Provision for impairment and credit losses	409,200	579,728	(170,528)
Insurance	1,198,106	1,014,690	183,416
Repairs and Maintenance	93,095	81,812	11,283
Entertainment, amusement and recreation	254,683	186,106	68,577
Miscellaneous	2,262,054	1,960,381	301,673
Provision for Income Tax	1,637,125	1,166,344	470,781

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

e. **Issuances, Repurchases, and Repayments of Debt and Equity Securities.**
Long Term Negotiable Certificates of Deposits (LTNCD). On July 12, 2018, the Parent Company issued at par LTNCDs with aggregate principal amount of P10.25 billion due January 12, 2024, representing the first tranche of the P20 billion LTNCD approved by BSP on June 14, 2018. The LTNCDs are included under the 'Time deposit liabilities' account. The LTNCDs bear a fixed coupon rate of 4.55% per annum, payable quarterly in arrears. The P20 billion LTNCD program is part of the Group's funding program amounting to P50 billion.

f. **Segment Information.** Operating businesses are recognized and managed separately according to the nature of business served, with each segment representing a strategic business unit. The Bank's comparative revenues and expenses by business segments are shown in Annex VII.

g. **Dividends.** At the annual stockholders meeting held on May 3, 2018, the stockholders approved the declaration of ₱0.83 per share cash dividends. Cash dividend was paid on June 1, 2018.

h. **Effect of Changes in the Composition of the Enterprise during the Interim Period.** There were no changes in the composition of the issuer including business combinations, acquisitions, or disposal of subsidiaries and long term investments, restructuring, and discontinuing operations during the period.

i. **Changes in Contingent Liabilities or Contingent Assets.** There are various outstanding commitments and contingent liabilities but management does not anticipate any material losses as a result of these transactions.

j. **Material Contingencies and Any Other Events.** *Issuance of Additional Shares.* On January 24, 2018, the Parent Company issued additional 1,128,096 common shares to CBC Employees Retirement Plan at a price of 33.40 per share (closing price of the Group's shares at the Philippine Stock Exchange on October 20, 2017 which is the record date of the Parent Company's stock dividend).

Capital Infusion to China Bank Savings, Inc. On June 6, 2018, the Parent Company Board of Directors approved the Bank's capital infusion of ₱500 million to China Bank Savings, Inc.(CBSI) to support its business expansion.

k. **Financial Risk Disclosure**. On April 4, 2018, the BOD affirmed the priority risk areas of the Bank considered in the 2018 ICAAP submission.

The Bank submitted its annually updated ICAAP document, in compliance with BSP requirements, on March 27, 2018. In the said document, the Bank retained the Pillar 1 Plus approach using the Pillar 1 capital as the baseline. The process of allocating capital for all types of risks above the Pillar 1 capital levels include quantification of capital buffer for Pillar 2 risks under normal business cycle/condition, in addition to the quantification based on the results of the Integrated Stress Test (IST). The adoption of the IST allows the Bank to quantify its overall vulnerability to market shocks and operational losses in a collective manner driven by events rather than in silo. The capital assessment in the document discloses that the Group and the Parent Company has appropriate and sufficient level of internal capital.

l. **Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period**. *USD 150M Green Bond*. On October 19, 2018, the Bank signed an agreement with International Finance Corporation (IFC) for the Bank's first green bond issue worth US$150 million to finance environmentally-beneficial projects.

m. **Material commitment for capital expenditures**. The Bank expects to incur capital expenditures related to the ongoing branch expansion plan and technology-related investments. Funding will be sourced internally.

n. **Fair Value Measurement**. As of September 30, 2018 and December 31, 2017, 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:

	September 30, 2018		**December 31, 2017 (Audited)**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial Assets at Amortized Cost/HTM				
Government bonds	**₱ 109,371,615**	**₱ 99,817,350**	₱52,998,477	₱51,488,294
Private bonds	**32,790,883**	**31,721,001**	12,287,790	12,110,870
Loans and receivables				
Corporate and commercial loans	**410,581,677**	**367,978,993**	365,117,654	349,880,762
Consumer loans	**74,799,676**	**71,227,824**	71,577,984	74,207,566
Trade-related loans	**14,055,237**	**14,212,326**	12,062,711	12,041,107
Others	**632,083**	**667,057**	212,593	196,307
Sales contracts receivable	**966,431**	**1,090,840**	918,147	1,060,191
Financial Liabilities				
Deposit liabilities	**296,673,282**	**289,978,895**	292,083,031	282,586,204
Bills payable	**24,062,279**	**23,614,711**	–	–

As of September 30, 2018 and December 31, 2017, the fair value hierarchy of the Group's assets and liabilities are presented below:

	September 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	**602,853**	**206,756**	**-**	**809,609**
Treasury notes	**-**	**473,631**	**-**	**473,631**
Treasury bills		**1,900,766**	**-**	**1,900,766**
Private bonds	**1,673,313**		**-**	**1,673,313**
Quoted equity shares	**480,645**			**480,645**
Financial assets designated at	**880,391**			**880,391**

	September 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
FVPL		**-**	**-**	
Derivative assets	**-**	**389,319**	**-**	**389,319**
Financial Assets at FVOCI	**-**			
Government bonds	**4,845,559**	**5,118,969**	**-**	**9,964,528**
Quoted private bonds	**1,703**		**-**	**1,703**
Quoted equity shares	**90,633**	**-**	**5,109**	**95,742**
	8,575,097	**8,089,441**	**5,109**	**16,669,647**
Financial liabilities at FVPL				
Derivative liabilities	**-**	**296,793**	**-**	**296,793**
	-	**296,793**	**-**	**296,793**
Fair values of assets carried at amortized cost/cost				
Financial Assets at Amortized Cost				
Government bonds	**99,817,350**	**-**	**-**	**99,817,350**
Private bonds	**31,721,001**	**-**	**-**	**31,721,001**
Loans and receivables				
Corporate and commercial loans	**-**	**-**	**367,978,993**	**367,978,993**
Consumer loans	**-**	**-**	**71,227,824**	**71,227,824**
Trade-related loans	**-**	**-**	**14,212,326**	**14,212,326**
Others	**-**	**-**	**667,057**	**667,057**
Sales contracts receivable	**-**	**-**	**1,090,840**	**1,090,840**
Investment properties				
Land	**-**	**-**	**6,279,095**	**6,279,095**
Buildings and improvements	**-**	**-**	**2,853,175**	**2,853,175**
	131,538,351	**-**	**464,309,310**	**595,847,661**
Fair values of liabilities carried at amortized cost				
Deposit liabilities	**-**	**-**	**289,978,895**	**289,978,895**
Bills payable	**-**	**-**	**23,614,711**	**23,614,711**
	-	**-**	**313,593,606**	**313,593,606**

	December 31, 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	₱5,792,345	₱119,314	₱–	₱5,911,659
Treasury notes	1,413,940	479,252	–	1,893,192
Treasury bills	315,996	1,709,371	–	2,025,367
Private bonds	2,663,397	–	–	2,663,397
Financial assets designated at FVPL	3,411,686	–	–	3,411,686
Derivative assets	–	333,587	–	333,587
AFS financial assets				
Government bonds	25,761,577	9,467,927	–	35,229,504
Quoted private bonds	11,051,657	38,781	–	11,090,438
Quoted equity shares	67,903	–	–	67,903
	₱50,478,501	₱12,148,232	₱–	₱62,626,733
Financial liabilities at FVPL				
Derivative liabilities	₱–	₱267,533		₱267,533
	₱–	₱267,533		₱267,533
Fair values of assets carried at amortized cost				
HTM financial assets				
Government bonds	₱51,488,294	₱–		₱51,488,294
Private bonds	12,110,870	–		12,110,870
Loans and receivables				
Corporate and commercial loans	–	–	349,880,762	349,880,762
Consumer loans	–	–	74,207,566	74,207,566
Trade-related loans	–	–	12,041,107	12,041,107
Others	–	–	196,307	196,307
Sales contracts receivable	–	–	1,060,191	1,060,191
Investment properties				
Land	–	–	7,091,280	7,091,280
Buildings and improvements	–	–	2,406,887	2,406,887
	₱63,599,164	₱–	₱446,884,100	₱510,483,264
Fair values of liabilities carried at				

	December 31, 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
amortized cost				
Deposit liabilities	₱–	₱–	₱625,596,566	₱625,596,566
Bills payable	–	–	19,825,796	19,825,796
	₱–	₱–	₱645,422,362	₱645,422,362

o. **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.

Transactions with Retirement Plans

Income earned by the Group from managing the retirement plans amounted to ₱35.82 million, and ₱33.37 million for the nine-month periods ended September 30, 2018 and 2017. 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 (TIC) of the Parent Company. The members of the TIC are directors and key management personnel of the Parent Company.

Transactions with related party retirement plan follow:

	September 30, 2018	December 31, 2017 (Audited)
Balance Sheet		
Deposit in banks	**₱460,505**	₱486,822
Equity Investments	**1,574,611**	1,777,250
Total market value	**1,574,611**	1,777,250
Number of shares held	**54,579**	51,571

	Nine Months Ended September 30	
	2018	2017
Income Statement		
Dividend income	**₱45,301**	₱47,751
Interest income	**10,952**	1,473

AFS financial assets represent shares of stock of the Parent Company. Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

Other Related Party Transactions

Related party transactions of the Group by category of related party are presented below:

	September 30, 2018		
Category	**Amount / Volume**	**Outstanding Balance**	**Terms and Conditions**
Significant Investor			
Loans and receivables		**6,813,300**	These are secured loans with interest rate of 5.13% and maturity of 5.12 years; collateral includes shares of stocks with fair value of ₱5.1 billion.
Issuances	**132,925**		
Repayments	**(2,350)**		
Deposit liabilities		**299**	These are checking accounts with annual average rate of 0.13%.
Deposits	**2,234,813**		
Withdrawals	**(2,234,771)**		
Associates			
Deposit Liabilities		**4,591**	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	**325,980**		
Withdrawals	**(399,112)**		
Key Management Personnel			
Loans		**547**	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%;Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuance	**332**		
Repayments	**(39,098)**		
Deposit Liabilities		**23,744**	These are checking, savings and time deposit account with annual
Deposits	**278,095**		

	September 30, 2018		
Category	**Amount / Volume**	**Outstanding Balance**	**Terms and Conditions**
Withdrawals	**(273,124)**		average interest rates ranging from 0.25% to 1.00%
Other Related Parties			
Deposit Liabilities		**45,050**	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposit	**19,560,948**		
Withdrawals	**(19,567,462)**		

	December 31, 2017 (Audited)		
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans		₱6,682,725	Partially secured Loans with interest rate of 2 - 5.12% and maturity of two to seven years..
Issuances	₱5,624,213		
Repayments	(1,651,488)		
Deposit Liabilities		257	These are checking accounts with annual average rate of 0.13%.
Deposit	3,164,475		
Withdrawals	(3,164,441)		
Associates			
Deposit Liabilities		77,722	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	1,175,969		
Withdrawals	(1,386,319)		
Key Management Personnel			
Loans		39,312	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%;Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuances	417		
Repayments	2,238		
Deposit Liabilities		18,772	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	279,554		
Withdrawals	(276,612)		
Other Related Parties			
Deposit Liabilities		51,563	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposit	16,038,034		
Withdrawals	(16,008,489)		

Other related parties pertain to subsidiaries of the significant investor.

Interest income earned and interest expense incurred from the above loans and deposit liabilities, respectively, for the nine-month periods ended September 30, 2018 and September 30, 2017 are presented below:

	Significant Investor		**Associate**	
	September 30			
	2018	2017	**2018**	2017
Interest income	**₱ 10,942**	₱117,242	**₱–**	₱–
Interest expense	**2**	2	**57**	1,751

	Key Management Personnel		**Other Related Parties**	
	September 30			
	2018	2017	**2018**	2017
Interest income	**₱1,326**	₱408	**₱912**	₱–
Interest expense	**13**	33	**106**	9

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.

The following table shows the amount and outstanding balance of other related party transactions included in the financial statements:

	Subsidiaries		
	September 30, 2018	December 31, 2017	**Nature, Terms and Conditions**
Balance Sheet			
Accounts receivable	**₱7,402**	₱2,741	This pertains to various expenses advanced by CBC in behalf of CBSI
Security deposits	**2,685**	2,736	This pertains to the rental deposits with CBSI

	Subsidiaries		
	September 30, 2018	December 31, 2017	**Nature, Terms and Conditions**
			and CBCC for office space leased out to the Parent Company
Accounts payable	**14,942**	10,607	This pertains to various unpaid rental to CBSI

	Subsidiaries		
	September 30, 2018	September 30, 2017	**Nature, Terms and Conditions**
Income Statement			
Miscellaneous income	**₱1,350**	₱1,350	Human resources functions provided by the Parent Company to its subsidiaries such as recruitment and placement, training and development, salary and benefits development, systems and research, and employee benefits. Under the agreement between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee
Occupancy cost	**18,193**	18,033	Certain units of the condominium owned by CBSI are being leased to the Parent Company for a term of five years, with no escalation clause
Miscellaneous expense	**150,873**	152,966	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION **ANNEX I**
(Amounts in thousands)

		September 2018 Unaudited	December 2017 Audited
ASSETS			
Cash and Other Cash Items	P	10,096,193	12,685,984
Due from Bangko Sentral ng Pilipinas		100,166,843	98,490,014
Due from Other banks		10,125,164	15,641,476
Interbank Loans Receivable and Securities Purchased under Resale Agreements		6,890,700	18,751,845
Financial Assets at Fair Value through Profit or Loss		6,607,675	16,238,888
Financial Assets at Fair Value through Other Comprehensive Income/Available-for-Sale Financial Assets		10,075,230	46,445,391
Financial Assets at Amortized Cost/Held-to-Maturity Financial Assets		142,162,499	65,286,267
Loans and Receivables - net		500,068,672	448,970,942
Accrued Interest Receivable		4,724,723	3,718,505
Investments in Associates		254,286	329,422
Bank Premises, Furniture, Fixtures and Equipment - net		7,062,251	6,875,864
Investment Properties		4,706,550	5,072,156
Deferred Tax Assets		2,432,993	1,778,081
Intangible Assets		3,858,113	4,104,032
Goodwill		839,748	839,748
Other Assets		6,131,450	6,218,895
	P	816,203,090	751,447,510
LIABILITIES AND EQUITY			
Liabilities			
Deposit Liabilities			
Demand		161,296,573	154,286,415
Savings		233,687,294	188,723,947
Time		296,673,282	292,083,031
		691,657,149	635,093,393
Bills Payable		24,062,279	20,118,031
Manager's Checks		1,725,907	2,441,042
Income Tax Payable		564,633	362,041
Accrued Interest and Other Expenses		3,184,604	2,627,619
Derivative Liabilities		296,793	267,533
Deferred Tax Liabilities		1,157,929	1,161,653
Other Liabilities		7,956,274	5,720,701
		730,605,568	667,792,013
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital Stock			
Common Stock - P10 par value			
Authorized - 3,300,000,000 shares			
Issued - 2,685,899,812 shares		26,858,998	26,847,717
Capital paid in excess of par value		17,122,626	17,096,228
Surplus Reserves		924,742	926,689
Surplus		41,015,958	40,360,563
Net Unrealized Gains (Losses) on Financial Assets at FVOCI/AFS		(603,510)	(1,813,280)
Remeasurement Gain on Defined Benefit Asset		338,867	283,763
Remeasurement on Life Insurance Reserve of Associate		2,050	(12,221)
Cumulative Translation Adjustment		(72,598)	(38,698)
		85,587,132	83,650,761
Non-controlling Interest		10,390	4,736
		85,597,522	83,655,497
	P	816,203,090	751,447,510

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands)

	September 2018 Unaudited	December 2017 Audited
CONTINGENT ACCOUNTS		
Unused commercial letters of credit	**16,111,623**	**21,596,174**
Outstanding guarantees Issued	**247,246**	**3,079,993**
Inward bills for collection	**2,266,495**	**2,386,848**
Outward bills for collection	**162,336**	**93,772**
IRS receivable	**13,036,160**	**9,991,390**
Spot exchange bought	**9,311,859**	**996,333**
Spot exchange sold	**6,289,279**	**1,399,180**
Forward exchange bought	**28,829,436**	**18,736,175**
Forward exchange sold	**33,441,379**	**15,179,964**
Trust department accounts	**130,640,546**	**131,813,251**
Credit card Lines	**9,347,918**	**10,359,997**
Late deposits/payments received	**390,742**	**127,832**
Deficiency claims receivable	**290,404**	**291,831**
Standby credit commitment	**4,016,169**	**2,274,398**
Others	**1,890**	**1,614**
	254,383,482	**218,328,752**

CHINA BANKING CORPORATION AND SUBSIDIARIES **ANNEX II**

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands)

		For the Three Quarters Ended Sept 30		For the Quarter Ended Sept 30	
		2018	**2017**	**2018**	**2017**
INTEREST INCOME					
Loans and receivable	P	20,227,279	15,752,808	7,427,337	5,563,252
Trading and investments		4,210,477	2,892,499	1,622,596	992,445
Due from BSP and other banks		523,450	559,087	187,276	169,114
		24,961,206	19,204,394	9,237,208	6,724,811
INTEREST EXPENSES					
Deposit liabilities		7,502,683	4,642,825	3,047,894	1,622,715
Bills payable and other borrowings		373,999	299,474	163,122	69,754
		7,876,682	4,942,299	3,211,016	1,692,469
NET INTEREST INCOME		**17,084,524**	**14,262,095**	**6,026,192**	**5,032,342**
Trading and securities gain/(loss)		(250,834)	578,830	(56,473)	280,105
Service charges, fees and commissions		1,878,449	1,804,879	682,088	569,359
Foreign exchange gain- net		150,223	407,404	74,519	239,465
Income from asset acquired		674,340	541,621	449,745	170,800
Miscellaneous		1,182,951	1,568,727	398,963	574,378
TOTAL OPERATING INCOME		**20,719,652**	**19,163,556**	**7,575,034**	**6,866,449**
Compensation and fringe benefits		4,630,290	4,197,187	1,574,491	1,644,676
Taxes and licenses		2,026,477	1,877,428	662,834	686,569
Occupancy costs		1,690,872	1,512,231	621,529	575,554
Depreciation and amortization		956,971	903,529	310,198	304,034
Provision for impairment and credit losses		409,200	579,728	434,968	255,324
Insurance		1,198,106	1,014,690	392,389	332,002
Repairs and maintenance		93,095	81,812	33,245	32,052
Entertainment, amusement and recreation		254,683	186,106	118,207	76,686
Miscellaneous		2,262,054	1,960,381	780,217	591,621
TOTAL OPERATING EXPENSES		**13,521,747**	**12,313,091**	**4,928,078**	**4,498,517**
INCOME BEFORE INCOME TAX		**7,197,905**	**6,850,465**	**2,646,955**	**2,367,931**
PROVISION FOR INCOME TAX		1,637,125	1,166,344	651,253	283,146
NET INCOME	**P**	**5,560,780**	**5,684,121**	**1,995,702**	**2,084,785**
Attributable to:					
Equity holders of the parent		**5,555,189**	**5,677,014**	**1,993,732**	**2,081,379**
Minority interest		5,591	7,107	1,970	3,406
	P	**5,560,780**	**5,684,121**	**1,995,702**	**2,084,785**
Earnings Per Share					
a. Basic		2.07	2.48	0.74	0.91
b. Diluted *		2.07	2.48	0.74	0.91
Net Income		5,555,189	5,677,014	1,993,732	2,081,379
Weighted Ave. Number of Common Shares Outstanding		2,685,801	2,292,651	2,685,801	2,292,651

* Same as basic earnings per share. No preferred shares, convertible bonds and stock warrants issued.

CHINA BANKING CORPORATION **ANNEX III**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)

	For the Three Quarters Ended Sept 30		For the Quarter Ended Sept 30	
	2018	2017	2018	2017
Net Income	5,560,780	5,684,121	1,995,703	2,084,785
Other Comprehensive Income:				
Items that recycle to profit or loss in subsequent periods:				
Net Unrealized Gains (Losses) on Financial Assets at FVOCI/AFS				
Fair value gain(loss) for the year, net of tax	(471,339)	761,431	(96,476)	251,769
Gains taken to Profit or Loss	(5,596)	(376,925)	9,862	(294,600)
Share in Net Unrealized Loss on Available-for-Sale	14,271	6,568	-	126,504
Financial Assets of an Associate	-	-	-	-
Surplus Reserves	(25,459)	-	(27,911)	-
Cumulative Translation Adjustment	(33,857)	(10,973)	20,922	(10,630)
Items that do not recycle to profit or loss in subsequent	-	-	-	-
periods:	-	-	-	-
Remeasurement Gain on Defined Benefit Asset or Liability	55,104	(12,882)	58,371	138,307
Other Comprehensive Income for the year	(466,877)	367,219	(35,231)	211,351
Total Comprehensive Income for the year	5,093,902	6,051,340	1,960,474	2,296,136
Total comprehensive income attributable to:				
Equity holders of the Parent Company	5,088,249	6,043,206	1,958,534	2,292,407
Non-controlling Interest	5,653	8,134	1,940	3,729
	5,093,902	6,051,340	1,960,474	2,296,136

CHINA BANKING CORPORATION **ANNEX IV**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands)

	Capital Stock	Capital Paid in Excess of Par Value	Stock dividend Distributable	Surplus Reserves	Surplus Free	Net unrealized gains (losses) on FVOCI	Remeasurement gain on defined benefit asset or liability	Remeasurement on life insurance reserve of an associate	Cumulative Translation Adjustment	Total	Minority Interest	Total Equity
Balance at December 31, 2017, as previously reported	**26,847,717**	**17,096,228**	**-**	**926,689**	**40,360,564**	**(1,813,280)**	**283,763**	**(12,221)**	**(38,698)**	**83,650,763**	**4,736**	**83,655,500**
Effect of PFRS 9 adoption:					**(2,646,985)**	**1,686,724**				**(960,261)**		**(960,261)**
Balance at December 31, 2017, as restated	**26,847,717**	**17,096,228**	**-**	**926,689**	**37,713,579**	**(126,556)**	**283,763**	**(12,221)**	**(38,698)**	**82,690,502**	**4,736**	**82,695,239**
Total comprehensive income for the year	**-**	**-**	**-**	**(25,459)**	**5,555,189**	**(476,955)**	**55,104**	**14,271**	**(33,901)**	**5,088,249**	**5,653**	**5,093,902**
Transfer from Surplus to Surplus Reserves	**-**	**-**	**-**	**23,512**	**(23,512)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CBC shares subscription	**11,281**	**26,397**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37,678**	**-**	**37,678**
Cash Dividends - P0.83 per share	**-**	**-**	**-**	**-**	**(2,229,297)**	**-**	**-**	**-**	**-**	**(2,229,297)**	**-**	**(2,229,297)**
Balance at September 30, 2018	**26,858,998**	**17,122,626**	**-**	**924,742**	**41,015,959**	**(603,510)**	**338,867**	**2,050**	**(72,598)**	**85,587,132**	**10,390**	**85,597,522**
Balance at December 31, 2016	20,020,278	6,987,564	-	861,631	36,889,100	(1,598,600)	253,945	-	(22,500)	**63,391,418**	(5,214)	**63,386,204**
Total comprehensive income for the year	-	-	-	-	5,677,014	390,104	(12,761)	-	(11,151)	6,043,206	8,134	6,051,340
Transfer from Surplus to Surplus Reserves	-	-	-	22,959	(22,959)	-	-	-	-	0.00	-	0.00
Transaction costs	-	(40,233)	-	-	-	-	-	-	-	(40,233)	-	(40,233)
Issuance of common shares	4,838,710	10,149,434	-	-	-	-	-	-	-	14,988,144	-	14,988,144
Stock Dividend 8%	-	-	1,988,719	-	(1,988,719)	-	-	-	-	-	-	-
Cash Dividend P1.00 per share	-	-	-	-	(1,988,719)	-	-	-	-	(1,988,719)	-	(1,988,719)
Balance at September 30, 2017	**24,858,988**	**17,096,765**	**1,988,719**	**870,781**	**38,565,716**	**(1,208,496)**	**241,184**	**-**	**(33,651)**	**82,380,007**	**2,920**	**82,382,927**

CHINA BANKING CORPORATION **ANNEX V**
STATEMENTS OF CASH FLOWS
For the periods ended

		SEPTEMBER 2018		SEPTEMBER 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	7,197,905	P	6,850,465
Adjustment to reconcile income before income tax to net				
cash provided operations:				
Provision for probable losses		409,200		579,728
Depreciation and amortization		956,971		903,529
Trading Gain/Loss on AFS		(504,924)		390,104
Gain on sale of investment properties		(674,340)		(138,937)
Operating income before changes in operating assets and liabilities		**7,384,811**		**8,584,889**
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Financial assets at FVPL		9,631,214		(6,661,366)
Loans and receivables		(32,808,213)		(43,316,217)
Other assets		(440,509)		147,400
Increase (decrease) in the amounts of:				
Deposit liabilities		56,563,756		36,455,182
Manager's checks		(715,135)		746,594
Accrued interest and other expenses		556,985		420,116
Other liabilities		2,264,834		(1,045,125)
Net cash provided by operations		**42,437,742**		**(4,668,527)**
Income taxes paid		(1,288,169)		(1,250,885)
Net cash provided by operating activities		**41,149,573**		**(5,919,412)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net additions to bank premises, furniture, fixtures and equipment		(1,143,358)		(1,179,851)
Proceeds from sale of investment properties		831,572		1,027
Adjustment of minority interest		121		(48,616)
Decrease (increase) in equity investments		75,137		
Decrease (increase) in the amounts of:				
AFS financial assets		38,076,959		(2,175,648)
HTM financial assets		(99,033,052)		(5,673,256)
Net cash provided by (used in) investing activities		**(61,192,622)**		**(8,573,770)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in bills payable		3,944,248		3,923,226
Payments of cash dividend		(2,229,297)		(1,988,719)
Issuance of additional shares		37,678		14,947,911
Net cash provided by financing activities		**1,752,630**		**16,882,418**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(18,290,420)**		**2,389,236**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		12,685,984		12,010,543
Due from Bangko Sentral ng Pilipinas		98,490,014		91,964,495
Due from Other banks		15,641,476		11,332,236
Interbank loans receivable and securities purchased under				
resale agreements		18,751,845		3,451,543
		145,569,320		**118,758,816**
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		10,096,193		8,941,075
Due from Bangko Sentral ng Pilipinas		100,166,843		98,520,187
Due from Other banks		10,125,164		12,186,790
Interbank loans receivable and securities purchased under				
resale agreements		6,890,700		1,500,000
	P	**127,278,901**	**P**	**121,148,052**

Bills payable		
December 31, 2017		**20,118,031**
Cash Flows		
Proceeds	121,817,542	
Settlement	(123,819,525)	(2,001,982)
Foreign exchange movement	1,600,230	
Rediscounting	4,346,000	5,946,230
September 30, 2018		**24,062,279**

China Banking Corporation

ANNEX VI

Aging of Loans and Receivables

September 30, 2018

,

	Total	Current	90 days or less	91 to 180 days	181 days to 1 year	More than 1 year	Total Past Due	Items in Litigation
Loans and Receivables	**507,647,972**	499,065,078	3,581,715	882,184	870,364	2,319,209	**7,653,472**	929,422
Less: Allow for Probable Losses & Unamotized Discount	7,579,300							
Net Loans and Receivables	**500,068,672**							
Accounts Receivables	**2,163,589**	**1,199,398**	4,415	59,488	53,708	273,170	**390,781**	573,410
Less:Allowance for Probable Losses	331,088							
Net Accounts Receivables	**1,832,502**							
Accrued Interest Receivables	**5,056,072**	5,056,072						
Less:Allowance for Probable Losses	331,349							
Net Accrued Interest Receivables	**4,724,723**							

CHINA BANKING CORPORATION — ANNEX VII
PROFITABILITY REPORT BY BUSINESS SEGMENT

Segment Report

China Bank'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 Bank's business segments are as follows:

a. Lending Business - principally handles all the lending, trade finance and corollary banking products and services offered to corporate and institutional customers as well as selected middle market clients. It also handles home loans, contract-to-sell receivables, auto loans, and credit cards for individual and/or corporate customers. Aside from the lending business, it also provides cash management services and remittance transactions;

b. Retail Banking Business - principally handles retail and commercial loans, individual and corporate deposits, overdrafts and funds transfer facilities, trade facilities and all other services for retail customers;

c. Financial Markets - principally provides money market, trading and treasury services, manages the Bank's funding operations through the use of government securities, placements and acceptances with other banks as well as offers advisory and capital-raising services to corporate clients and wealth management services to high net-worth customers; and

d. Others – handles other services including but not limited to trust and investment management services, asset management, insurance brokerage, credit management, thrift banking business, operations and financial control, and other support services.

The Bank reports its primary segment information on the basis of the above-mentioned segments.

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 a measure of performance, instead of 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 of funds 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.

The Bank has no significant customers which contribute 10% or more of the consolidated revenues.

The Bank's asset-producing revenues are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is not presented.

The following tables present relevant information regarding business segments as of September 30, 2018:

CHINABANK

PROFITABILITY REPORT BY BUSINESS SEGMENT
FOR THE PERIOD ENDING SEPTEMBER 30, 2018
CONSOLIDATED
(Amounts in thousands of Pesos)

	LENDING BUSINESS	RETAIL BANKING BUSINESS	FINANCIAL MARKETS	OTHER BUSINESS & SUPPORT UNITS	BANKWIDE
Net interest income	13,432,019	(428,742)	3,045,042	1,036,205	17,084,524
Third Party Intersegment	(8,952,979)	8,197,107	(146,500)	902,372	-
Net Interest Income after Intersegment Transactions	4,479,040	7,768,365	2,898,542	1,938,577	17,084,524
Other Operating Income	1,016,917	1,186,552	325,807	1,105,852	3,635,128
Total Revenue	5,495,957	8,954,918	3,224,349	3,044,428	20,719,652
Other Operating expense	(1,468,730)	(5,401,935)	(673,197)	(5,977,885)	(13,521,747)
Income before income tax	4,027,227	3,552,983	2,551,152	(2,933,457)	7,197,905
Income tax provision	165,673	-	(513,878)	(1,288,920)	(1,637,125)
Net Income	4,192,900	3,552,983	2,037,274	(4,222,377)	5,560,780
Total Assets	349,774,670	472,352,601	162,846,834	(168,771,015)	816,203,090
Total Liabilities	5,003,998	494,714,348	73,655,145	157,232,077	730,605,568
Depreciation & Amortization	47,502	321,449	34,905	553,115	956,971
Provision for impairment and credit losses	43,877	137,395	43,675	184,253	409,200
Capital Expenditures	24,802	106,641	58,907	220,695	411,045

ANNEX VIII

Financial Soundness Indicators

PROFITABILITY (%)	***Jan – Sep 2018***	*Jan – Sep 2017*
Return on Average Equity	**8.77**	10.41
Return on Average Assets	**0.97**	1.16
Cost-to-income ratio	**63.29**	61.23
Net Interest Margin	**3.17**	3.09
LIQUIDITY (%)	***Sep 2018***	*Dec 2017*
Liquid Assets to Total Assets	**35.06**	36.40
Loans to Deposit Ratio	**72.30**	70.69
ASSET QUALITY (%)	***Sep 2018***	*Dec 2017*
Gross NPL Ratio	**1.23**	1.41
Non-performing Loan (NPL) Cover	**121.42**	99.02
SOLVENCY	***Sep 2018***	*Dec 2017*
Debt to Equity Ratio	**8.54**	7.98
Asset to Equity Ratio	**9.54**	8.98
Interest Coverage Ratio	**1.91**	2.39*
CAPITAL ADEQUACY (%)	***Sep 2018***	*Dec 2017*
CET 1 Capital Ratio	**12.29**	13.47
Tier 1 Capital Ratio	**12.29**	13.47
Total Capital Adequacy Ratio	**13.02**	14.22

**for Jan-Sep 2017*

Definition of Ratios

Profitability Ratios:

Return on Average Equity	-	Net Income after Income Tax / Average Total Equity
Return on Average Assets	-	Net Income after Income Tax / Average Total Assets
Cost-to-Income Ratio	-	Operating Expenses excl Provision for Impairment & Credit Losses / Total Operating Income
Net Interest Margin	-	Net Interest Income / Average Interest Earning Assets

Liquidity Ratios:

Liquid Assets to Total Assets	-	Total Liquid Assets / Total Assets
Loans to Deposit Ratio	-	Loans (Net) / Deposit Liabilities

Asset Quality Ratios:

Gross NPL Ratio		Gross Non-Performing Loans / Gross Loans
Non-Performing Loan (NPL) Cover	-	Gross Loan Loss Reserves / Gross Non-Performing Loans

Solvency Ratios

Debt to Equity Ratio	-	Total Liabilities / Total Equity
Asset to Equity Ratio	-	Total Assets / Total Equity
Interest Coverage Ratio	-	Net Income Before Tax and Interest Expense / Interest Expense

Capital Adequacy Ratio

Capital to Risk Assets Ratio	-	BSP prescribed formula:
CET 1 CAR	-	CET 1 Capital / Total Risk Weighted Assets
Tier 1 CAR	-	Tier 1 Capital / Total Risk Weighted Assets
Total CAR	-	Total Qualifying Capital / Total Risk Weighted Assets

ANNEX IX

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation (Including Subsidiaries)

Financial Highlights (Consolidated)

In Million Pesos	***Jan – Sep 2018***	*Jan – Sep 2017*
Gross Revenues	**28,596**	24,106
Gross Expenses	**23,036**	18,422
Net Income	**5,561**	5,684

In Million Pesos	***Sep 2018***	*Dec 2017*
Total Resources	**816,203**	751,448
Loan Portfolio (Net)	**500,069**	448,971
Total Deposits	**691,657**	635,093
Equity	**85,598**	83,655

Key Performance Indicators

PROFITABILITY (%)	***Jan – Sep 2018***	*Jan – Sep 2017*
Return on Average Equity	**8.77**	10.41
Return on Average Assets	**0.97**	1.16
Cost to income ratio	**63.29**	61.23
Net Interest Margin	**3.17**	3.09
LIQUIDITY (%)	***Sep 2018***	*Dec 2017*
Liquid Assets to Total Assets	**35.06**	36.40
Loans to Deposit Ratio	**72.30**	70.69
ASSET QUALITY (%)	***Sep 2018***	*Dec 2017*
Gross NPL Ratio	**1.23**	1.41
Non-performing Loan (NPL) Cover	**121.42**	99.02
SOLVENCY	***Sep 2018***	*Dec 2017*
Debt to Equity Ratio	**8.54**	7.98
Asset to Equity Ratio	**9.54**	8.98
Interest Coverage Ratio	**1.91**	2.39*
CAPITAL ADEQUACY (%)	***Sep 2018***	*Dec 2017*
CET 1 Capital Ratio	**12.29**	13.47
Tier 1 Capital Ratio	**12.29**	13.47
Total Capital Adequacy Ratio	**13.02**	14.22

**for Jan-Sep 2017*

Economic Environment

The US economy grew at a slower pace in the third quarter (+3.5%) amid the dip in exports and non-residential fixed investments. Consumer spending remained the biggest contributor to growth with Personal Consumption Expenditure Index (+1.6%) settling within the US Fed target of 2%. Despite trade frictions, policy rate was raised for the third time this year by 25 bps to 2.00% - 2.25% in view of robust economic activity and sustained labor market strength. Non-farm payrolls grew by 250,000 month-on-month in October. Meanwhile, China's GDP growth slowed to 6.5% with continued deleveraging and downturn in exports. Brent crude oil price went up by to 20% year-to-date to $83 per barrel in end-September.

On the domestic front, GDP growth slightly decelerated to 6.1% from the previous quarter's 6.2% owing to the slowdown in household consumption, which grew by only 5.2%. Inflation rate spiked to 6.2% (from 2Q's 4.8%) due to higher food and energy prices. Overseas Filipino remittances grew at a muted pace (+2.5%) year-on-year to US$ 19.1 billion which was mainly attributed to the US$ 904 million drop in cash transfers from the Middle East. The main driver of growth was Capital Formation spending (+17%) which accounted for 78% of the increment. Infrastructure spending from January to August went up by 50% year-on-year to P506 billion, bloating the government's fiscal deficit by 78% to P378.2 billion.

External volatility and surging domestic inflation weakened the peso which depreciated by 6% year-on-year in end-September to US$1.00:P54.02. Gross international reserves continued its downtrend to US$75 billion which could cover 6.8 months' worth of imports.

Domestic liquidity grew 9.7% in September to P11.2 trillion. The BSP increased policy rates twice in increments of 50 bps each in the third quarter to 4.5% in order to contain inflation pressures and abate outflow of investments. Tighter monetary conditions resulted in softer loans growth (+16.4%) to P8.9 trillion. Loans-to-deposit ratio was higher at 73% with slower deposits growth at 9.6%. Gross NPL ratio improved to 1.8%, while loan loss coverage declined to 115%. Major banks raised about P31 billion in fresh funds to support business expansion and meet regulatory capital requirements. The UK/B industry recorded total CAR ratios of 15.21% on a solo basis and 15.75% on a consolidated basis in June. The UK/B & TB industry asset base expanded 10.4% to P15.9 trillion in September 2018.

Results of Operation

Analysis of Consolidated Statements of Income (unaudited)
For the period ended September 30, 2018 and September 30, 2017

For the first nine months of the year, the Bank recorded a **net income** of P5.56 billion, 2.17% lower than the P5.68 billion recorded in the same period last year as the growth in operating expenses outpaced the increase in operating income. Return on equity was recorded at 8.77%, while return on assets was at 0.97%.

Total interest income increased 29.98% to P24.96 billion from P19.20 billion in the same period last year. **Interest income from loans and receivables** was up 28.40% to P20.23 billion from P15.75 billion on the back of robust year-on-year loan portfolio expansion. **Interest income from trading and investments** was 45.57% higher at P4.21 billion from the annual build-up in securities holdings. Meanwhile, interest income from **due from BSP and other banks** fell 6.37% to P523.45 million because of the year-on-year drop in placements with other banks.

Total interest expense amounted to P7.88 billion, P2.93 billion or 59.37% larger than last year due to the build-up in funds, including the new tranche of LTNCDs amounting to P10.25 billion issued in Q3. **Interest expenses on deposit liabilities** increased 61.60% to P7.50 billion arising from deposit expansion and higher borrowing costs. **Interest expenses on bills payable and other borrowings** was 24.89% higher at P373.99 million due to larger foreign-currency denominated liabilities and placements with the BSP.

Net Interest income increased P2.82 billion or 19.79% to P17.08 billion. As a result, the Bank's consolidated **net interest margin** improved by 8 bps to 3.17% from 3.09% last year from the larger volume of earning assets and yield pick-up.

Provision for impairment and credit losses totaled P409.20 million, P170.53 million or 29.42% lower from adjustments related to the implementation of PFRS-9.

Total **non-interest income** declined by P1.27 billion or 25.84% from the drag from trading operations, and the booking of significant one-off gains last year. **Trading and securities gain** fell P829.66 million to (P250.83) million because of rate volatility that affected both the dealership business and returns on tradable securities. **Foreign exchange gain** decreased to P150.22 million from P407.40 million because of volatility in the Peso-Dollar exchange rate. **Income from assets acquired** increased 24.50% to P674.34 million from P541.62 million from the higher sales of foreclosed properties. **Miscellaneous income** decreased 24.59% to P1.18 billion due lower trust revenues and the booking of one-off gains in the same period last year.

Operating expenses (excluding provision for impairment and credit losses) increased 11.75% to P13.11 billion as the Bank carried out its expansion by investing in new branches, staffing, and up-to-date technology to support the growth of new businesses. **Compensation and fringe benefits** increased 10.32% to P4.63 billion from the increase in human resource complement. **Taxes and licenses** were up 7.94% to P2.03 billion from higher gross receipts and documentary stamp taxes. The ongoing branch expansion and technology upgrade resulted in the 11.81% growth in **occupancy costs** to P1.69 billion. **Insurance**, which includes PDIC premium payments, grew 18.08% to P1.20 billion with the expansion in deposits. **Repairs and maintenance** were also 13.79% higher at P93.10 million due to network expansion and technology upgrade. **Entertainment, amusement and recreation** increased 36.85% to P254.68 million from the booking of larger marketing- and selling-related expenses. Meanwhile, **miscellaneous expenses** went up by 15.39% or P301.67 million primarily from higher information technology-related expenses, freight, litigation and provision for year-end expenses.

Financial Condition

Analysis of Consolidated Statement of Financial Condition
As of September 30, 2018 (unaudited) and December 31, 2017 (audited)

Assets expanded by 8.62% to P816.20 billion with the build-up in loans and liquid assets.

Cash and other cash items fell 20.41% to P10.10 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from other banks** decreased 35.27% to P10.13 billion from the year-to-date drop in placements with correspondent banks. The Bank also reduced **interbank loans receivable and securities purchased under resale agreements** to P6.89 billion from smaller overnight placements with the BSP.

Total investment securities amounted to P158.85 billion, 24.13% higher year-to-date. **Financial assets at fair value through profit & loss (FAVPL)** decreased P9.63 billion or 59.31% to P6.61 billion. **Financial Assets at Fair Value through Other Comprehensive Income *(formerly Available-for-sale financial assets)*** declined P36.37 billion to P10.08 billion due to the sale of securities and PFRS-9 related adjustments. **Financial Assets at Amortized Cost (*formerly Held-to-Maturity financial assets*)** climbed P76.88 billion to P142.16 billion from PFRS-9 related reclassification. The Bank's securities portfolio accounted for 19.46% of consolidated resources, higher than the 17.03% at year-end.

Gross loan portfolio (inclusive of UDSCL) was at P507.83 billion, 11.46% higher year-to-date, while **loans (net, inclusive of UDSCL)** stood at P500.07 billion, up P51.10 billion or 11.38%. Year-on-year, gross loans expanded P70.98 billion or 16.25%.

Accrued interest receivable amounted to P4.72 billion, up 27.06% from the relatively larger receivables from investment securities. **Investment in associates** saw a P75.14 million drop to P254.29 million due to adjustments on the contribution of its affiliate. **Deferred tax assets** grew by P654.91 million to P2.43 billion due to the recognition of DTA on additional allowance for credit losses arising from PFRS-9 adjustments. **Intangible Assets** fell 5.99% to P3.86 billion due to the amortization and depreciation of the Bank's information technology software.

Total deposits ended at P691.66 billion, of which CASA (demand and savings deposits) totaled P394.98 billion. Low-cost funding mix of 57.11% exceeded the 2017-end ratio of 54.01%.

Bills payable grew P3.94 billion or 19.61% to P24.06 billion from the increase in other sources of funding. **Manager's checks** declined 29.30% to P1.73 billion because of lower demand from branch customers. **Income tax payable** was at P564.63 million, a P202.59 million or 55.96% uptrend from the regular corporate income tax payable for the year. **Accrued interest and other expenses** were 21.20% larger at P3.18 billion because of the booking of accruals and payroll expenses. **Derivative liabilities** increased to P296.79 million from P267.53 million from higher volume of currency swaps during the period. **Other liabilities** increased P2.24 billion to P7.96 billion mainly from higher commitments and inter-agency liabilities.

Total equity (including minority interest) reached to P85.60 billion, P1.94 billion higher than last year's P83.66 billion. **Net unrealized loss on FVOCI** improved by P1.21 billion to (P603.51) million from (P1.81) billion in December because of mark-to-market revaluation in the Bank's securities portfolio. **Remeasurement gain on defined benefit asset** registered a P55.10 million uptrend to P338.87 million because of actuarial adjustments on the valuation of retirement plan. Meanwhile, **remeasurement gain on life insurance reserve of associate** improved by P14.27 million to P2.05 million. **Cumulative translation adjustment** fell to (P72.60) million from (P38.70) million due to exchange rate difference.

The Bank's Common Equity Tier 1 (CET 1 / Tier 1) ratio and total CAR were computed at 12.29% and 13.02%, respectively; well above the minimum regulatory requirement.

Total Comprehensive Income
For the period ended September 30, 2018 and September 30, 2017

The Bank recorded **total comprehensive income** of P5.09 billion for January to September, a P957.44 million drop from the P6.05 billion recorded in the same period last year mainly from the P861.44 million drag in net unrealized loss on FVOCI investments.

Key Performance Indicators

Profitability

The Bank posted a net income of P5.56 billion resulting in an 8.77% ROE and 0.97% ROA. Cost-to-income ratio was higher at 63.29% from the 61.23% as the Bank continued its expansion program. Net interest margin improved to 3.17% from 3.09% from higher volume of earning assets and yield pick-up.

Liquidity

The Bank's liquidity ratio (the ratio of liquid assets to total assets) was lower at 35.06% from 36.40% in December 2017 due to faster increase in loans.

Asset Quality

Tighter loan monitoring and remedial efforts enabled the Bank to maintain asset quality amid the loan expansion. Gross NPL ratio dropped 18 bps to 1.23% from 1.41%, despite the year-to-date loan build-up. Consolidated NPL coverage ratio also improved to 121.42% from 99.02% in December 2017 (196.65% for Parent bank).

Solvency Ratios

Debt-to-equity ratio was at 8.54 in September 2018 versus 7.98 in December 2017; asset-to-equity ratio at 9.54 versus 8.98 from year-end. Interest coverage ratio for the period stood at 1.91 as against 2.39 for January to September of 2017.

Capitalization

China Bank's CET 1 / Tier 1 CAR and total CAR ratios were computed at 12.29% and 13.02%, respectively. The Bank's capital is largely comprised of CET 1 / Tier 1 (core) capital.

Corporate Developments

2018 marks China Banking Corporation's 98 years of enduring partnerships with its customers, employees, and shareholders. To celebrate this milestone and in preparation for its centennial anniversary in 2020, the Bank continues to strengthen its physical and digital connections to build on its foundation of strong relationships. As of September, the Bank maintained a consolidated network of 616 branches and 951 Automated Teller Machines (ATMs).

In October, the Bank inked a US$150-million agreement to issue a bond to International Finance Corporation (IFC), the sole investor, in order to fund a fresh wave of environmentally-beneficial projects to mitigate climate change. The bond proceeds will be used to finance climate-smart projects, including renewable energy, green buildings, energy efficiency, and water conservation, in accordance with the Green Bond Principles.

The Bank partnered with AF Payments, Inc., operator of the beep™ tap-and-go payment system, for the beep™ card reloading via ATM. This makes China Bank the first bank in the convenient and secure card reloading network of beep™. The service is initially offered in 100 select China Bank and China Bank Savings ATMs that strategically located within LRT/ MRT stations and Point-toPoint (P2P) bus terminals. The Bank also launched first-in-the-market mobile app features such as *"Just Use your Moble Phone"* (JUMP) which allows easy fund transfer using cellphone number only; the *"No card On Withdrawal"* (NOW) feature which enables cardless withdrawals at China Bank ATMs; and the *Autosweep RFID Loading*.

In August, China Bank bested 82 participating funds and 16 investment houses & Trust institutions when two of the its Unit Investment Trust Funds (UITFs)—China Bank DollarFund and China Bank Balanced Fund—were recognized by the Chartered Financial Analyst (CFA) Society Philippines as the *Best Managed Fund* in their respective categories and among. Likewise, China Bank Capital, the Bank's investment banking arm, was awarded by regional finance publication FinanceAsia as *Best Debt Capital Markets House in the Philippines*. The award is determined by the number and value of bond deals executed, the league table position as of April 1, 2017, and the relevance and impact of the deals on the local bond market. During the said award period, China Bank Capital raised over P32 billion and captured nearly 16% market share, exceeding those of other investment banks in the country.

Subsidiaries

The Bank's subsidiaries include China Bank Insurance Brokers, Inc., CBC Properties and Computer Center, Inc., China Bank Savings, Inc., and China Bank Capital Corporation. These subsidiaries comprised about 12% of the total consolidated resources.

- **China Bank Insurance Brokers, Inc.**

(In Mn Pesos)	***Jan-Sep '18***	*Jan-Dec '17*	*Jan-Sep '17*
Net Income	93	(12)	38
Total Assets	767	586	764

- **CBC Properties and Computer Center, Inc.**

(In Mn Pesos)	***Jan-Sep '18***	*Jan-Dec '17*	*Jan-Sep '17*
Net Income	27	6	36
Total Assets	63	39	55

- **China Bank Savings, Inc. (CBS)**

(In Mn Pesos)	***Jan-Sep '18***	*Jan-Dec '17*	*Jan-Sep '17*
Net Income	334	502	403
Total Assets	91,866	87,178	86,669

- **China Bank Capital Corporation**

(In Mn Pesos)	***Jan-Sep '18***	*Jan-Dec '17*	*Jan-Sep '17*
Net Income	201	280	195
Total Assets	1,811	1,627	1,501