March 20, 2019

PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
6F PSE Tower One Bonifacio High Street
28th Street corner 5th Avenue Bonifacio Global City
Taguig City

Attention: **MS. JANET A. ENCARNACION**
Head - Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue cor Paseo de Roxas
Makati City

Attention: **ATTY. JOSEPH B. EVANGELISTA**
Head- Issuer Compliance and Disclosure Department

Gentlemen:

We are pleased to furnish your good office with a copy of our SEC Form 20 Information Statement Definitive (pursuant to section 20 of the Securities Regulation Code) 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

P R O X Y

That I/we, the undersigned stockholder/s of **CHINA BANKING CORPORATION** ("China Bank"), do hereby appoint ____ or in his absence, the Chairman of the meeting, as my/our proxy, to represent me/us and vote all shares of stocks registered in my/our name, at the Annual Meeting of Stockholders of China Bank on May 2, 2019, Thursday, and at any of the adjournments and postponements thereof, for the purpose of acting on the following matters:

1. Election of Directors

___ Vote for all nominees listed below:

Hans T. Sy	Harley T. Sy
Gilbert U. Dee	Jose T. Sio
William C. Whang	Alberto S. Yao*
Peter S. Dee	Margarita L. San Juan*
Joaquin T. Dee	Philip S.L. Tsai*
Herbert T. Sy	Angeline Ann H. Hwang*
	*Independent

___ Withhold authority for all nominees listed above

___ Withhold authority to vote for the nominee/s listed below:

____________________ ____________________

____________________ ____________________

____________________ ____________________

2. Approval of Minutes of the May 3, 2018 Annual Meeting of Stockholders

___ Yes ___ No ___ Abstain

3. Approval of Annual Report

___ Yes ___ No ___ Abstain

4. Approval of financial statements for the year ended December 31, 2018

___ Yes ___ No ___Abstain

5. Ratification of all acts of the Board of Directors, Executive Committee, Other Committees, and Management, including ratification of related party transactions

___ Yes ___ No ___Abstain

6. Appointment of SyCip Gorres Velayo & Co. as external auditors

___ Yes ___ No ___ Abstain

7. Delegation to the Board of Directors of Power to Amend By-laws

___ Yes ___ No ___ Abstain

8. Such other matters as may properly come before the meeting

___ Yes ___ No ___ Abstain

This proxy should be received by the Corporate Secretary on or before April 25, 2019, the deadline for submission of proxies.

This proxy shall continue until such time as the same is withdrawn by me/us through notice in writing, or superseded by subsequent proxy, delivered to the Secretary at least three (3) business days before any scheduled meeting, but shall not apply in instances where I/we personally attend the meeting, or be effective beyond five (5) years from date hereof.

This proxy is not required to be notarized, and when properly executed, will be voted in the manner as directed herein. If no direction is made, this proxy will be voted "for" the election of all nominees and "for" the approval of the matters stated above and "for" such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by Management or the Board of Directors.

IN WITNESS WHEREOF, I/we have hereunto set my/our hand/s in ____________________ this __________ day of __________, 2019.

SIGNED IN THE PRESENCE OF:

________________________________ ________________________________

Signature of Stockholder/s

________________________________ ________________________________

Name/s in Print

CHINABANK
www.chinabank.ph Since 1920

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Please be notified that pursuant to Article III, Section 1 of the Amended By-Laws of China Banking Corporation (China Bank), the annual meeting of stockholders will be held on May 2, 2019, Thursday, 4:00 P.M., at the Penthouse, China Bank Building, 8745 Paseo de Roxas corner Villar St., Makati City, for the following purposes:

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Annual Meeting of Stockholders on May 3, 2018
5. Annual Report to Stockholders
6. Approval of the Financial Statements for the year ended December 31, 2018
7. Ratification of all acts of the Board of Directors, Executive Committee, other Committees, and Management during the year 2018, including the ratification of related party transactions
8. Election of the Board of Directors
9. Appointment of External Auditors
10. Delegation to the Board of Directors of Power to Amend By-laws
11. Other Matters
12. Adjournment

Only stockholders of record as of March 21, 2019 shall be entitled to notice of and vote at the meeting. The stock and transfer books of China Bank will be closed from April 12 to May 2, 2019.

In case a stockholder cannot personally attend the meeting and wish to be represented thereat, he/she may designate an authorized representative by submitting a proxy instrument to the Office of the Corporate Secretary, 11th Floor, China Bank Building, 8745 Paseo de Roxas corner Villar St., Makati City, not later than 5:00 p.m. of April 25, 2019.

Makati City, March 20, 2019.

ATTY. CORAZON I. MORANDO
Vice President & Corporate Secretary

*For the explanation of each agenda item, please refer to the attached Annex "A".

Annex “A”

EXPLANATION OF AGENDA ITEMS

1. **Call to Order**
   Chairman Hans T. Sy will welcome the stockholders and guests and formally begin the 2019 annual meeting of stockholders of China Bank. He will also highlight that stockholders will be given the opportunity to ask questions or raise their comments prior to submitting each agenda item for their action.

2. **Proof of Notice of Meeting**
   Atty. Corazon I. Morando, Corporate Secretary, will certify the date the notice of meeting with the information statement was sent to stockholders of record as of March 21, 2019 and to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), in accordance with the China Bank by-laws and the SEC and PSE rules and regulations, and the date such notice was published in a newspaper of general circulation.

3. **Certification of Quorum**
   Atty. Morando will certify the existence of quorum. A meeting where the stockholders holding a majority of the outstanding capital stock of China Bank are present either in person or by proxy shall constitute a quorum and competent to transact business.

4. **Approval of the Minutes of the Annual Meeting of Stockholders on May 3, 2018**
   Stockholders will be asked to approve the minutes of the stockholders' meeting held on May 3, 2018, which contain, among others, the annual report to stockholders and approval of financial statements, ratification of all acts of the Board of Directors, Executive Committee, other committees and Management, during the fiscal year 2017 and immediately preceding the meeting, election of the Board of Directors, appointment of external and internal auditors, amendment of the articles of incorporation and by-laws to increase the number of directors from 11 to 12, and announcement of the declaration of cash dividends. The minutes may be accessed through China Bank website, www.chinabank.ph. Copies of the minutes will also be provided to the stockholders before the meeting.

5. **Annual Report to Stockholders**
   Stockholders will be provided information about the Bank’s activities, business and financial performance, and other relevant data for the preceding year. Copies of the annual report will be provided to the stockholders before the meeting.

6. **Approval of the Audited Financial Statements for the year ended December 31, 2018**
   Stockholders will be provided information about the financial position, performance and changes in financial position of the Bank. The financial statements will be included in the Information Statement to be sent to the stockholders prior to the meeting.

7. **Ratification of all acts of the Board of Directors, Executive Committee, other Committees, and Management during the year 2018, including the ratification of related party transactions**
   All acts of the Board of Directors, Executive Committee, other Committees, and Management during the year 2018, including the ratification of related party transactions, will be presented to the stockholders for their approval and ratification.

8. **Election of the Board of Directors**
   The Chairman will present the nominees for election as members of the Board of Directors, including the independent directors. The list of nominees, with their profiles, will be included in the Information Statement to be sent to the stockholders prior to the meeting.

9. **Appointment of External Auditors**
   The stockholders will be asked to ratify the selection by the Audit Committee and Board of auditors.

10. **Delegation to the Board of Directors of Power to Amend By-laws**
    The Board resolution delegating the amendments of by-laws to the Board of Directors, will be presented to the stockholders for their approval.

11. **Other Matters**
    All matters that arise after the notice, agenda, and information statement have been sent out may be presented for the consideration of the stockholders. Other businesses as may properly come before the stockholders may also be raised.

12. **Adjournment**
    The Chairman will adjourn the meeting when the scheduled order of business is completed and no further business or matter is considered or raised.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter: **China Banking Corporation**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **443**

5. BIR Tax Identification Code: **000-444-210-000**

6. Address of principal office: **China Bank Bldg., 8745 Paseo de Roxas cor. Villar St., Makati City** Postal Code: **1226**

7. Registrant's telephone number, including area code: **(632) 885-5555**

8. Date, time and place of the meeting of security holders:

   Date: **May 2, 2019**
   Time: **4:00 p.m.**
   Place: **Penthouse, China Bank Bldg., 8745 Paseo de Roxas cor. Villar St., Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 1, 2019**

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 Outstanding
Common	2,685,899,812

11. Are any or all of registrant's securities listed in a Stock Exchange? Yes [✓] No [ ]

    The above common shares are listed in the Philippine Stock Exchange.

A. GENERAL INFORMATION

1. Date, Time and Place of Meeting of Security Holders

Date : May 2, 2019
Time : 4:00 P.M.
Place : Penthouse, China Bank Bldg.
8745 Paseo de Roxas cor. Villar St., Makati City

Mailing address of principal office: China Bank Bldg., 8745 Paseo de Roxas cor. Villar St., Makati City

Approximate date on which copies of the Information Statement
are first to be sent or given to security holders : **April 1, 2019**

We are not asking you for a proxy and you are requested not to send us a proxy.

2. Dissenter's Right of Appraisal

A stockholder has a right to dissent and demand payment of the fair value of his shares in any of the following instances under Section 80 of the Revised Corporation Code of the Philippines (Republic Act No. 11232): (a) in case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (c) in case of merger or consolidation; and (d) in case of investment of corporate funds for any purprose other than the primary purpose of the corporation.

There are no matters or proposed corporate actions included in the agenda of the meeting which may give rise to the exercise by a security holder of the right of appraisal.

Should any proposed corporate action be passed upon at the meeting which may give rise to the right of appraisal, any stockholder who votes against the proposed corporate action may avail himself of the right of appraisal by making a written demand on the Bank for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken. In order to perfect such right, the stockholder shall follow the procedures as described under Sections 81 to 85 of the Revised Corporation Code.

3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, officer, nominee for election as director, or any associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon as contained in the agenda of the meeting other than election to office.

No director has informed the Bank in writing that he intends to oppose any action to be taken as contained in the agenda of the meeting.

B. CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Securities: 2,685,899,812 common shares entitled to vote as of February 28, 2019

(b) Record Date: Stockholders of record as of March 21, 2019 are entitled to notice of and vote at the meeting

(c) Nomination and Election of Directors and Independent Directors and Manner of Voting:

In accordance with Sections 22 and 26 of the Revised Corporation Code, Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Rule 38 of the Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 5, 2019. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.

As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 23 of the Revised Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned, or distribute them on the same principle among as many candidates as may be seen fit, provided that the total number of votes cast shall not exceed the number of shares owned by the stockholder as shown in the books of the Bank multiplied by the whole number of directors to be elected. Item D.19 of the Information Statement further discusses the voting and tabulation procedures of the Bank.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(i) Record and beneficial owners holding 5% or more of voting securities as of February 28, 2019:

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	720,955,761	26.842%
Common	SM Investments Corporation 10th Floor L.V. Locsin Bldg., 6752 Ayala Avenue, Makati City Stockholder	Sy Family PCD Nominee Corporation Stockholders	Filipino	461,975,661	17.200%
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	431,441,259	16.063%
Common	Sysmart Corporation 10th Floor L.V. Locsin Bldg., 6752 Ayala Avenue, Makati City Stockholder	Henry Sy, Sr. and Family Sycamore Pacific Corporation Stockholders	Filipino	415,995,323	15.488%

* Based on the list provided by the Philippine Depository & Trust Corporation to the Bank's transfer agent, Stock Transfer Service, Inc., as of February 28, 2019, The Hongkong and Shanghai Banking Corporation Limited (396,732,386 shares or 14.770%) holds 5% or more of the Bank's securities. The beneficial owners, such as the clients of PCD Nominee Corporation, have the power to decide how their shares are to be voted.

Mr. Henry Sy Sr.'s (+) family is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation and, as such, could direct the voting or disposition of the shares of said companies.

Except as stated above, the Bank has no knowledge of any person holding more than 5% of the Bank's outstanding shares under a voting trust or similar agreement. The Bank is likewise not aware of any arrangement which may result in a change in control of the Bank, or of any additional shares which the above-listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligation, or otherwise.

(ii) Directors and Management as of February 28, 2019:

Title of Class	Name	Position	Amount & Nature of Beneficial / Record Ownership	Citizenship	Percent
(a) Directors					
Common	Hans T. Sy	Chairman of the Board	3,741,419	Filipino	0.140%
Common	Gilbert U. Dee	Vice Chairman	12,832,906	Filipino	0.480%
Common	William C. Whang	Director and President	17,518	Filipino	0.001%
Common	Peter S. Dee	Director	301,305	Filipino	0.010%
Common	Joaquin T. Dee	Director	51,686,912	Filipino	1.920%
Common	Herbert T. Sy	Director	510,592	Filipino	0.019%
Common	Harley T. Sy	Director	261,211	Filipino	0.010%
Common	Jose T. Sio	Director	3,517	Filipino	0.000%
Common	Alberto S. Yao	Independent Director	548,876	Filipino	0.020%
Common	Philip S.L. Tsai	Independent Director	2,000	Filipino	0.000%
Common	Margarita L. San Juan	Independent Director	95,238	Filipino	0.004%
		Total	70,001,494		2.606%
(b) Executive Officers (in addition to Messrs. Gilbert U. Dee and William C. Whang)					
Common	Rosemarie C. Gan	Executive Vice President	130,032	Filipino	0.005%
Common	Patrick D. Cheng	Senior Vice President & CFO	617,756	Filipino	0.023%
Common	Alexander C. Escucha	Senior Vice President	83,886	Filipino	0.003%
Common	Benedict L. Chan	First Vice President II & Treasurer	15,678	Filipino	0.001%
Common	Renato K. De Borja, Jr.	First Vice President II	669	Filipino	0.000%
Common	Gerard T. Dee	First Vice President II	277,864	Filipino	0.010%
Common	Delia Marquez	First Vice President II	23,560	Filipino	0.001%
Common	Lilibeth R. Cariño	First Vice President	4,167	Filipino	0.000%
Common	Angela D. Cruz	First Vice President	1,639,876	Filipino	0.061%
Common	Elizabeth C. Say	First Vice President	3,433	Filipino	0.000%
Common	Shirley G.K.T. Tan	First Vice President	12,863	Filipino	0.000%
Common	Maria Rosanna Catherina L. Testa	First Vice President	6,340	Filipino	0.000%
Common	Stephen Y. Tan	First Vice Presdent	2,746	Filipino	0.000%
Common	Marisol M. Teodoro	First Vice President	21,323	Filipino	0.001%
Common	Layne Y. Arpon	First Vice President	10,732	Filipino	0.000%
		Total	2,850,925	Filipino	0.106%
GRAND TOTAL			72,852,419		2.712%

5. Directors and Principal Officers

(a) Incumbent Directors and Advisor

Hans T. Sy, 63, Filipino, is the Chairman of the Board since May 5, 2011. He became a member of the China Bank Board on May 21, 1986, and was elected Vice Chairman in 1989. Chairman Sy also serves in the Boards of other companies listed in the Philippine Stock Exchange (PSE): as Director and Chairman of the Executive Committee in SM Prime Holdings, Inc. and Adviser to the Board of SM Investments Corporation. He holds key positions in several companies within the SM Group. He earned his Bachelor of Science degree in Mechanical Engineering from the De La Salle University. He participates in numerous trainings and seminars, the latest of which is the Corporate Governance training program conducted by the Institute of Corporate Directors (ICD) in November 2018.

Gilbert U. Dee, 83, Filipino, is the Vice Chairman of the Board since May 5, 2011. He became a member of China Bank Board on March 6, 1969, and served as Board Chairman from 1989 to 2011. He also serves in other companies not listed in the PSE, namely, as Chairman of the Boards of Union Motor Corporation and China Bank subsidiary CBC Properties and Computer Center, Inc. (CBC-PCCI). He previously held directorship positions in Philippine Pacific Capital Corporation, Philex Mining Corporation, CBC Finance Corporation and Super Industrial Corporation. Vice Chairman Dee is a graduate of Bachelor of Science in Banking from the De La Salle University, and has a Master's in Business Administration (MBA) degree in Finance from the University of Southern California. He has had extensive training in banking over the years which include participation in ICD's Corporate Governance training program in 2018.

William C. Whang, 60, Filipino, is Director and President of the Bank since November 1, 2017. He does not hold any directorship position in any other PSE-listed company apart from China Bank. He also serves in the boards of Bank subsidiaries China Bank Savings, Inc. (CBSI), China Bank Insurance Brokers, Inc. (CBC-IBI), CBC-PCCI, China Bank Capital Corporation (CBCC), and China Bank Securities Corporation (CBSC). He is actively involved in the boards of BancNet, Inc., Banker's Association of the Philippines, Philippine Payments Management Inc., and Manulife China Bank Life Assurance Corporation (MCBLife). He has more than 38 years of banking experience, previously holding key positions in various financial institutions including Metrobank, Republic National Bank of New York, International Exchange Bank, Security Bank, and Sterling Bank of Asia. Director and President Whang is a Bachelor of Science degree holder in Commerce, Major in Business Management, from the De La Salle University. He participated in numerous seminars and conferences such as on corporate governance, Anti-Money Laundering (AML), branch based marketing, quality service management, sales management, and corporate strategy.

Peter S. Dee, 77, Filipino, has been on the China Bank Board since April 14, 1977. He is currently independent director of PSE-listed companies City & Land Developers, Inc. and Cityland Development Corporation. He serves in other non-listed companies including China Bank subsidiaries CBC-PCCI and CBC-IBI, Hydee Management & Resources Corporation, Commonwealth Foods, Inc., and GDSK Development Corporation. He was the President and Chief Executive Officer of China Bank from 1985 to 2014, and a director of Sinclair (Phils.) Inc., Can Lacquer, Inc., and CBC Forex Corporation. Director Dee took his Bachelor of Science degree in Commerce at the De La Salle University/University of the East. He attended a Special Banking Course at the American Institute of Banking. He has had extensive trainings which include AML in December 2017, and corporate governance in December 2017 and November 2018.

Joaquin T. Dee, 83, Filipino, is a member of the China Bank Board since May 10, 1984. He does not hold directorship position in any PSE-listed company other than China Bank. At present, he is the Director/Chairman of JJACCIS Development Corporation, Director/President of Enterprise Realty Corporation, and Director/Treasurer of Suntree Holdings Corporation. From 1964 to 1994, he served as Vice President for Sales and Administration of Wellington Flour Mills. Director Dee is a Bachelor of Science degree holder in Commerce from the Letran College. He continues to attend in various trainings and seminars related to banking, the most recent of which is the Corporate Governance Training conducted by the ICD in November 2018.

Herbert T. Sy, 62, Filipino, was first elected to the China Bank Board on January 7, 1993. Aside from the Bank, he serves in PSE-listed SM Prime Holdings, Inc. as Director, and in various non-listed companies including Supervalue, Inc., Super Shopping Market, Inc., Sondrik, Inc., and Sanford Marketing Corp. as Chairman, and in the National University as Director. He has been involved in companies engaged in food retailing, investment, real estate development and mall operations. Director Sy earned his Bachelor of Science degree in Management at the De La

Salle University. He participated in numerous banking-related trainings, including those on corporate governance in 2018 and AML in 2017.

Harley T. Sy, 59, Filipino, is China Bank Director since May 24, 2001. He is also a Executive Director of SM Investments Corporation, one of the largest publicly listed companies in the Philippines, and of other non-listed companies in the SM group. A graduate of Bachelor of Science degree in Commerce, Major in Finance, from the De La Salle University, Director Sy has had extensive trainings on enhancing banking skills, including programs on enterprise risk management, Anti-Money Laundering and corporate governance.

Alberto S. Yao, 72, Filipino, is the Lead Independent Director of the Bank. He was elected to the China Bank Board on July 7, 2004. He holds directorship in companies not listed in the PSE – as President & CEO of Richwell Philippines, Inc. and Internationale Globale Marques, Inc.; President of Richphil House Incorporated; and Member of` the Philippine Constitution Association. He is also Independent Director in the Bank subsidiaries: CBSI, CBCC, and CBSC. In the past, he was Vice President for Merchandising of Zenco Sales, Inc., Director of Planters Development Bank, President and CEO of Richwell Trading Corporation and Europlay Distributor Co., Inc., and President of Megarich Property Ventures Corporation. A graduate of Bachelor of Science in Business Administration, Minor in Accounting, from the Mapua Institute of Technology, Director Yao participated in various seminars including ICD's Corporate Governance Training Program in 2018 and AMLA seminar in 2017.

Jose T. Sio, 79, Filipino, was first elected to the China Bank Board on November 7, 2007. He is presently affiliated with the following PSE-listed companies: (1) SM Investments Corporation, as Chairman of the Board; (2) Atlas Consolidated Mining and Development Corporation, as Director; (3) Belle Corporation, as Director; (4) Concrete Aggregates Corporation, as Director; (5) SM Prime Holdings, Inc. as Adviser of Audit Committee/Risk Oversight Committee; (6) BDO Unibank, Inc., as Adviser to the Board; and (7) Premium Leisure Corporation, as Adviser to the Board. Mr. Sio also serves in the boards of companies not listed in the PSE, including OCLP Holdings, Inc., and NLEX Corporation. He is the President of SM Foundation, Inc. In the past, he was a Senior Partner at SyCip Gorres Velayo & Co. (SGV). He was voted as CFO of the Year in 2009 by the Financial Executives of the Philippines (FINEX); and in various years, he was awarded as Best CFO (Philippines) by Hong Kong-based business publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset. Director Sio is a Certified Public Accountant and obtained his Bachelor of Science degree in Commerce, major in Accounting, from the University of San Agustin. He obtained his Master's degree in Business Administration from the New York University, U.S.A. He participated in various trainings such as on investments, loans and financial instruments, debt and equity financing during the Euromoney Conference in China in 2005, AML in 2017 and Advanced Corporate Governance in 2018.

Margarita L. San Juan, 65, Filipino, is an Independent Director of the Bank. On May 4, 2017, she was first elected to the China Bank Board. She does not hold directorship position in any other PSE-listed company. She is currently Independent Director of Bank subsidiaries CBSI, CBCC, and CBC-IBI. She worked with Ayala Investment and Development Corporation, Commercial Bank and Trust Co., and in the Bank's Account Management Group as Senior Vice President and Group Head until her retirement in 2012. Director San Juan graduated with a Bachelor of Science degree in Business Administration, Major in Financial Management, from the University of the Philippines, and completed the Advance Bank Management Program from the Asian Institute of Management (AIM). She attended various trainings including development financing, international banking operations, marketing, financial analysis and control, credit and risk management, and the latest on AML in 2017 and corporate governance in 2018.

Philip S.L. Tsai, 68, Filipino, was first elected as Independent Director on November 7, 2018 to serve the unexpired term of Mr. Roberto F. Kuan who passed away on September 15, 2018. Aside from the Bank, he does not hold any position in other PSE-listed companies. He currently serves as Independent Director of China Bank subsidiaries CBSI, CBCC and CBC-IBI. He has had more than 35 years of banking experience. He previously held positions in First CBC Capital (Asia) Limited, Midwest Medical Management, Fortune Paper Inc., Chemical Bank New York, Consolidated Can Corp., Plastic Container Packaging, and in the Bank's Retail Banking Business until his retirement in 2015. Director Tsai earned his Bachelor of Science degree in Business Administration from the University of the Philippines, and received his Master's degree in Business Administration from the Roosevelt University in Chicago, Illinois. He has attended several trainings on corporate governance, bank protection, AML, and branch-based marketing, among others.

Ricardo R. Chua, 67, Filipino, is Advisor to the Board since November 1, 2017. He held several key positions with the Bank including Director from 2008 up to October 2017, President and Chief Executive Officer from September 2014 up to October 2017, and Chief Operating Officer from 2012 to 2014. He is Chairman of the Bank's Technology Steering Committee. He currently sits in the boards of China Bank subsidiaries: Chairman of CBSI, CBC-IBI, CBC-PCCI, and CBCC; and in other companies not listed in the PSE – CAVACON Corporation, and Sun & Earth Corporation, among others. A Certified Public Accountant, Mr. Chua earned his Bachelor of Science degree in Business Administration, Major in Accounting, *cum laude*, from the University of the East, and finished his Master's in Business Management (MBM) degree from the AIM. He has had extensive training in banking operations and corporate directorship, and attended AML and corporate governance seminars, among others.

Note: Messrs. Gilbert U. Dee and Peter S. Dee are related within the fifth civil degree of consanguinity. Messrs. 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. Mr. Henry Sy, Sr. was the Bank's Honorary Chairman and Advisor to the Board until his passing on January 19, 2019.

For the period January to December 2018, the Board had 19 meetings, including the organizational meeting. The incumbent directors attended/participated in more than 50% of all the meetings, as follows:

Director	Attendance
Hans T. Sy	14
Gilbert U. Dee	18
William C. Whang	19
Peter S. Dee	16
Joaquin T. Dee	18
Herbert T. Sy	14
Harley T. Sy	19
Alberto S. Yao	19
Roberto F. Kuan	14 [a]
Jose T. Sio	17
Margarita L. San Juan	18
Philip S.L. Tsai	2 [b]

[a] from January 2018 until his passing on September 15, 2018
[b] from his election effective November 7, 2018

(b) Principal Officers

Romeo D. Uyan, Jr., 56, Filipino, Executive Vice President, is the Chief Operating Officer of the Bank. He also sits in the Boards of Bank subsidiaries China Bank Capital Corporation (CBCC) and China Bank Securities Corporation (CBSC) as Vice Chairman. Prior to joining the Bank, he was an investment banker with more than two decades of experience in trading, financing, and structuring in the Asia Pacific region with various foreign investment houses. Mr. Uyan was Managing Director and Co-Head of Special Situations and Leveraged Capital Markets at UBS AG-Singapore Branch, and he also worked as Managing Director and Head of Asia Credit Products in Barclays Capital, where he was member of the Asia Pacific Executive Committee as well as Global Emerging Markets Committee. He earned his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University, c*um laude*, and obtained his Master's degree in Business Administration (MBA) and graduated with distinction at the Johnson Graduate School of Management in Cornell University, New York. He attended trainings in banking, the most recent of which are on anti-money laundering (AML) in 2017 and corporate governance in 2018.

Rosemarie C. Gan, 61, Filipino, Executive Vice President, is the Segment Head of Retail Banking Business (RBB). She also serves as Director in the Bank subsidiaries China Bank Savings, Inc. (CBSI) and CBC Properties and Computer Center, Inc. (CBC-PCCI). With nearly 41 years of experience with the Bank, she has had wide exposure and training in marketing, financial analysis, credit portfolio management, strategic planning and corporate governance. Ms. Gan holds a Bachelor of Science degree in Business Administration, Major in Management, from the University of Santo Tomas, where she graduated *magna cum laude* and received the distinguished Rector's Award. She attended the Asian Institute of Management's (AIM) Advanced Bank Management Program in 2013. She also participated in the BAI Retail Delivery Conference conducted by the Bank Administration Institute in 2012, and Corporate Governance workshops/seminars conducted by the Institute of Corporate Directors (ICD) from 2014 to 2018, and AMLA seminar conducted by ICD in December 2017, among others.

Alberto Emilio V. Ramos, 59, Filipino, Executive Vice President, is Director and President of Bank subsidiary CBSI since his secondment in 2011. At present, he sits in the Boards of Manulife China Bank Life Assurance Corporation (MCBLife) and CBCC. He is also a Trustee/First Vice President of the Chamber of Thrift Banks. Prior to joining the Bank in 2006 as Head of Private Banking Group, he was President of Philam Asset Management, Inc., and worked in key positions in local and international banks, including the Bank of the Philippine Islands and Citytrust Banking Corporation. Mr. Ramos is a graduate of Bachelor of Arts in Political Science and Bachelor of Science in Commerce, Major in Marketing Management, from the De La Salle University. He earned his Master's in Business Management (MBM) degree from the AIM and he has a Treasury Professional Certificate from the Bankers Association of the Philippines. He is actively involved in numerous training programs on SME Banking, corporate governance, treasury products, asset-liability management, credit and financial analysis, and strategic marketing planning.

Patrick D. Cheng, 56, Filipino, Senior Vice President, is the Chief Finance Officer of the Bank. He also serves in the Bank subsidiaries - in China Bank Insurance Brokers, Inc. (CBC-IBI) as Chairman of the Board, and in CBSI as Director. He also serves in the boards of Manila Overseas Commercial Inc. and SR Holdings Corporation. In the past, he held several key positions at the Philippine Bank of Communications, HSBC Savings Bank (Philippines), HSBC (Philippine Branch), Citicenter Condominium Corp., and Citibank N.A. (Philippine Branch). He was the President and Chief Executive Officer of HSBC Savings Bank (Philippines) from 2008 to 2013 and was also a two-term President of the Chamber of Thrift Banks from 2011 to 2012. A Certified Public Accountant placing 7th in the National Exams, Mr. Cheng graduated *magna cum laude* from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy. He earned his Master's in Management degree, with Distinction, from the Hult International Business School in Cambridge, Massachusetts, and finished the Trust Operations and Investment Management course, also with Distinction, from the Trust Institute of the Philippines. In 2010, he received the Distinguished Alumnus Award from the Virata School of Business of the University of the Philippines – Diliman. He has had extensive training on corporate governance, AML, asset liability management, operational risk, and information security.

Alexander C. Escucha, 62, Filipino, Senior Vice President, is the Head of the Investor and Corporate Relations Group. He is also a Director of Bank subsidiary CBSI and Chairman of the UP Visayas Foundation, Inc. Board of Trustees. He is a fellow of the Foundation for Economic Freedom (FEF) and a member of the Shareholders Association of the Philippines (SharePhil). He has served as president of the Philippine Economic Society (PES) and concurrent Chairman of the Federation of ASEAN Economic Associations (FAEA), and president of the Corporate Planning Society of the Philippines (CPSP) and Bank Marketing Association of the Philippines (BMAP). As an international resource person, he chaired the Technology Conferences at the Asian Banker Summit from 2006 to 2016 and chaired its Technology awards from 2007 to 2011. Prior to joining the Bank, he was Vice President of International Corporate Bank (InterBank). Mr. Escucha obtained his Bachelor of Arts degree in Economics, *cum laude*, from the University of the Philippines and was the G.P. Sicat awardee for Most Outstanding Undergraduate Thesis. Over the years, he participated in various seminars here and abroad – the BSP/IFC Sustainable Finance Forum in February 2018, Moody's ASEAN Briefing in June 2018, the CFA Society Training on ETHICS in June 2018, the SEC-PSE Corporate Governance Summit in October 2018, Microsoft CEO Forum, Investment Conferences of CFA Society Philippines and The Asset, GRI Sustainability Summit in October 2018, the Annual conventions of the PES and FAEA in November 2018, and BSP Financial Education Forum and Expo in November 2018 and the UN ARISE Disaster Resilience Summit in December 2018.

Lilian Yu, 53, Filipino, Senior Vice President, is the Head of Institutional Banking Group. She also serves as Director in the boards of Bank subsidiaries CBSC and CBCC. Her extensive experience in the financial industry spans the areas of credit, project and structured finance, and debt capital markets. She was an International Consultant for the Asian Development Bank before joining the Bank. She worked for various international financial institutions abroad such as Barclays Capital, ABN Amro Bank, Deutsche Bank and the International Finance Corporation (IFC) of the World Bank Group. A Certified Public Accountant (CPA), Ms. Yu is a graduate of Bachelor of Science in Business Administration and Accountancy, *magna cum laude,* from the University of the Philippines. She obtained her MBA degree from the Wharton School of the University of Pennsylvania. She was also conferred the Certified Financial Analyst (CFA) designation by the CFA Institute.

Benedict L. Chan, 42, Filipino, First Vice President II, is the Bank Treasurer and Head of Treasury Group. He has over 20 years of experience on trading and portfolio management gained from various financial institutions including Trinitus Asset Management, BNP Paribas Singapore, BNP Paribas London, ING Bank Singapore, ING Bank Hongkong, and ING Bank Manila. Mr. Chan is a Bachelor of Science degree holder in Management Engineering from the Ateneo de Manila University. He is also a recipient of Financial Markets Regulatory and Practice Certificate from the Singapore's Institute of Banking and Finance in 2013, and has successfully passed the Hongkong Securities Paper Exam 1 conducted by the HK FEC (Hongkong) in 2016.

Ananias S. Cornelio III, 43, Filipino, First Vice President II, is the Chief Risk Officer of the Bank. He spent more than 20 years of banking experience, handling risk, treasury or audit functions at Development Bank of the Philippines, Rizal Commercial Banking Corporation, First Metro Investment Corporation, and Solidbank Corporation. Mr. Cornelio graduated with a Bachelor of Science degree in Commerce, with academic distinction, from the San Beda College, and a Master's degree in Public Administration, academic scholar, from the National University of Singapore. He has also attended the Bank Management Course from the AIM. He has had extensive trainings on corporate governance, macro prudential supervision and regulatory change, risk management, Basel Standards, fixed income, credit derivatives and structured products, interest rate and currency derivatives, ISDA documentation, and economic forecasting, among others. He has been a panelist/speaker in major events in the region which include The Asian Banker Summit, ASEAN Risk Forum, Risk Minds Asia, and ADB Regional Forum on Financial Asset and Liability, and a resource person/lecturer for the Bankers Institute of the Philippines (BAIPHIL), and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He is presently the Sub-Committee Chairman on Basel Standards Implementation of the Bankers Association of the Philippines.

Renato K. De Borja, Jr., 47, Filipino, First Vice President II, is the Head of the Remittance and Cards Business Group. He also serves as Director and Treasurer in the Bank's subsidiary CBC-IBI. He has more than 25 years of banking experience, previously holding positions of Director at East West Rural Bank and Green Bank (a Rural Bank), Chief Finance Officer (CFO) at East West Banking Corporation, Citigroup Business Process Solutions and ROHQ, and Metrobank Card Corporation, and different Finance and Accounting roles at Standard Chartered Bank and Far East Bank and Trust Co. Mr. De Borja holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of Santo Tomas. He obtained his Global Executive MBA from the IE Business School. He is a Certified Public Accountant (CPA) and BAP Certified Treasury Professional for money markets and foreign exchange. He attended various trainings, seminars and workshops on profitability card management, corporate governance, AML, risk management, and other relevant banking subjects.

Gerard T. Dee, 55, Filipino, First Vice President II, is the Head of Institutional Banking Group – Commercial Banking Division 2. He previously held various positions at Security Bank Corporation, TA Bank of the Philippines, and Banco de Oro. Mr. Dee obtained his Bachelor of Science degree in Marketing from the De La Salle University and an MBA degree from the New Hampshire College. He is involved in banking-related trainings on core credit, remedial management and relationship marketing, among others. He is related within the first civil degree of consanguinity to Mr. Gilbert U. Dee, Vice Chairman of the Board.

Antonio Jose S. Dominguez, 51, Filipino, First Vice President II, is the Head of the Multi-Purpose Loans Division. He has more than 30 years' experience in the financial industry primarily in the key areas of Sales Management and Business Development. Most of his experience was gained in HSBC Philippines, under its two management training programs that led to holding various senior roles in Consumer Loans, Cards, Corporate Banking, Global Custody, Retail Banking and Wealth Management. Prior to joining the Bank, he headed the Sales and Marketing Groups of City Savings Bank and Rosehill Memorial Management, Inc. Earlier in his career, he worked in All Asia Capital and Trust Corporation, All Asia Securities Management Corporation, DMT Securities Inc. and AGJ Securities Corporation. His professional training includes various leadership skills, sales management, performance management, and digital marketing. He is a graduate of Bachelor of Science in Commerce, Major in Management, from the Colegio de San Juan de Letran.

Delia Marquez, 57, Filipino, First Vice President II, is the Head of the Centralized Operations Group and concurrent Head of Business Process Management Division. In the past, she worked as Auditor at SGV & Co. and Transunion Corporation. A Certified Public Accountant, she obtained her Bachelor of Science degree in Commerce, Major in Accounting, *cum laude*, from the University of Santo Tomas. She participated in various seminars on corporate governance, Internal Capital Adequacy Assessment Process (ICAAP), risk model validation, Internal Credit Risk Rating System (ICRRS), and Philippine Financial Reporting Standards (PFRS), among others. In 2017, Ms. Marquez participated in The Asian Banker's Future of Finance Summit 2017, SAS Management, Inc.'s Intro to Agile Project Management, GGAPP and PWC Phils.'s Annual GGAPP Forum on Good Governance, Ethics and Compliance, and ICD's Corporate Governance Training Program.

Victor O. Martinez, 53, Filipino, First Vice President II, is one of the Division Heads of Corporate Banking at Institutional Banking Group. He has extensive experience in banking and related fields, having worked as Director of Corporate and Institutional Relationships at Australia and New Zealand Banking Group Limited, and held senior management positions in Security Bank Corporation, Saudi British Bank, and Far East Bank. Mr. Martinez graduated with a Bachelor of Science degree in Commerce/Management of Financial Institutions from the De La Salle University, and earned his Master's of Management degree from the Willamette University in Oregon, USA. He has had training on strategic account planning and management, cash management, credit analysis, treasury products and derivatives, and financial statements analysis, among others.

Jose L. Osmeña, Jr., 59, Filipino, First Vice President II, is the Deputy Group Head of RBB. He has been with the Bank for more than 27 years and sits in the board of Bank subsidiary CBSI. Before joining the Bank, he worked at Insular Bank of Asia and America and at Producers Bank. Mr. Osmeña earned his Bachelor of Science degree in Commerce, Major in Accounting, from the University of San Carlos, and took up his Masters of Science degree in Business Administration also from the same university. He attended the AIM's Advance Bank Management Program. His various trainings include export financing, loan documentation, money market, corporate governance, and AML.

Shirley G.K.T. Tan, 63, Filipino, First Vice President II, is the Region Head of RBB - Metro Manila - West Region. She has worked with the Bank for about 40 years. A CPA, Ms. Tan obtained her Bachelor of Science degree in Business Administration, Major in Accounting, from the Philippine School of Business Administration in Manila. She attended trainings and seminars on sales management and leadership skills, among others.

Cristina P. Arceo, 50, Filipino, First Vice President, is the Treasury Fixed Income Head. She has more than 25 years of banking and asset management experience, formerly holding officership positions at Philam Asset Management Inc. and Philippine National Bank. Ms. Arceo earned her Bachelor of Science degree in Economics from the University of the Philippines and finished MBA studies from the De La Salle University. She has had trainings on foreign exchange, money and capital markets, interest rate swaps and options, derivatives documentation and portfolio management, among others. She received awards for *"Best in Bond Trading"* from The Asset for six (6) years. She obtained her CFA charter in 2011 and currently sits as Chairman of the Board of Trustees of the CFA Society Philippines.

Layne Y. Arpon, 58, Filipino, First Vice President, is one of the Heads at Institutional Banking Group. She previously worked in various financial institutions including BDO Unibank, The Manila Banking Corporation, Security Banking Corporation, and Land Bank of the Philippines, with exposure in commercial banking, corporate banking, investment banking, credit review and underwriting, project finance and audit. A Certified Public Accountant (CPA), Ms. Arpon is a graduate of Bachelor of Science in Commerce, major in Accounting, from the Far Eastern University. She participated in various trainings on trade finance, core credit, financial analysis, project financing, and credit investigation and property appraisal, among others.

Amelia Caridad C. Castelo, 55, First Vice President, is the Head for Enterprise Business Intelligence Division. Before joining the Bank, she worked with United Laboratories, Standard Chartered Bank, HSBC Manila, East West Banking Corporation, and BDO Unibank in roles related to Risk Analytics, Marketing Analytics, and Business Intelligence. Ms. Castelo took up her Bachelor of Science in Statistics from the University of the Philippines – Diliman and went on to take post-graduate units in Industrial Engineering from the same university. She also finished the Executive Program in Data Science and Analytics from the University of California-Berkeley. She attended extensive training on Basel, concentration risk, related party transactions, model validation, control and governance, credit, enterprise and operational risk management, PFRS, financial consumer protection, credit risk management, and AML.

Lilibeth R. Cariño, 62, Filipino, First Vice President, is the Head of Consumer Banking Group. She spent her career with the Bank for over 40 years, and had extensive exposure and training in consumer banking, real estate, corporate planning, treasury, credit, project finance, and branch based marketing, among others. Ms. Cariño is a graduate of Bachelor of Science in Statistics from the University of the Philippines, and obtained her MBA studies from the Ateneo Graduate School of Business. She also attended the Asian Development Bank's seminar on institutional strengthening of financial institution, Allen Management Program's Professional Management seminar/workshop, and ICD's training programs on corporate governance and AML.

Melissa F. Corpus, 50, Filipino, First Vice President, is the Credit Management Group Head. She has 30 years of experience in banking and finance, having previously worked with Far East Bank and Trust Co., The Hongkong and Shanghai Banking Corporation, and Citibank, N.A. She has gained a wide span of banking exposure in the areas of credit analysis, credit risk management, relationship management (corporate and financial institutions), loan syndications, project finance, credit policy formulation and documentation management. She was an academic scholar at the Ateneo de Manila University where she graduated with a Bachelor of Science in Management degree. Apart from having participated in different trainings on credit, risk management, treasury, derivatives, international trade, property appraisal, and various external regulations, she also completed a comprehensive Executive Training Program at the HSBC Group Management Training College in Bricket Wood, United Kingdom.

Angela D. Cruz, 59, Filipino, First Vice President, is the Head of Wealth Management Group. She also currently serves as Director of Wellington Investment and Manufacturing Corporation and has offership positions in Suntree Holdings Corporation and JJACCIS Development Corporation. She held executive positions at Citibank N.A., Far East Bank and Trust Company, and Equitable PCI Bank before joining the Bank. Ms. Cruz obtained her Bachelor of Science degree in Commerce, Major in Management of Financial Institutions, from the De La Salle University. She attended trainings related to banking operations, including Bourse Game, account management, and customer service. She is related within the first civil degree of consanguinity to Director Joaquin T. Dee.

Ma. Luz B. Favis, 58, Filipino, First Vice President, is the Head of Asset Quality and Recovery Management Division. She formerly held several positions in Philippine Commercial International Bank (PCIBank) and Planters Development Bank where her exposure was concentrated on account management, commercial lending and credit. She has had extensive training on loan marketing, credit risk management and financial analysis and attended training programs on foreign exchange trading, mergers and acquisitions, bank sales and marketing strategies and real estate management. Ms. Favis holds a Bachelor of Arts degree in Economics from the De La Salle University and obtained her Master's degree in Business Management from the AIM.

Jerry Ron T. Hao, 38, Filipino, First Vice President, is the Head of Foreign Exchange and Derivatives Division. In the past, he worked with ING Bank and International Exchange Bank. He earned his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He completed several trainings on credit derivatives and structured products.

Elizabeth C. Say, 60, Filipino, First Vice President, is the Head of the Branches Administration Division of RBB. She has been with the Bank for more than 30 years. Previously, she was internal auditor at Morrison Forwarding Corporation and money market trader at State Investment House, Inc. Ms. Say is a Bachelor of Science degree holder in Commerce, Major in Accounting, from the University of Santo Tomas. She has had trainings on corporate governance, integrated risk management, credit risk management, foreign exchange, loan review and classification and AML, among others.

Belenette C. Tan, 54, First Vice President effective March 16, 2019, is the Bank's Chief Legal Counsel and Group Head of Legal and Collections. She is also the concurrent Corporate Secretary of Bank subsidiary CBC-IBI. She has been with the Bank for more than 25 years. Before joining the Bank, Atty. Tan worked with Yap, Apostol, Gumaru and Balgua Law Offices. She earned her Bachelor of Laws from the University of Santo Tomas, after taking up Bachelor of Arts in Political Science from the University of the Philippines. She participated in various trainings and seminars, including on the mandatory continuing legal education, AML and various aspects of commercial, criminal, and civil law.

Stephen Y. Tan, 52, Filipino, First Vice President, is the Region Head of RBB-Visayas Region. He has more than 30 years of banking experience, having handled various positions at Metropolitan Bank & Trust Co., Far East Bank & Trust Co., Equitable PCI Bank, and International Exchange Bank, before joining the Bank in 2007. A CPA, Mr. Tan is a graduate of Bachelor of Science in Commerce, Major in Accounting, at the University of San Carlos. He completed various trainings on account management strategies and other trainings in banking and other related fields.

Manuel M. Te, 64, First Vice President effective March 16, 2019, is the Region Head of RBB – Metro Manila South Region, and also the head of National Marketing Unit. He joined the Bank in 1976 up to 1996 and was rehired in 1997. He has extensive exposure and training on retail banking. Mr. Te graduated with a Bachelor of Science in Commerce degree, major in Accounting, from the University of Mindanao Digos City and went on to take his post-graduate units in the MBA program of the Ateneo de Davao University. He attended trainings on AML, forgery detection, credit management, position planning, branch-based marketing, and Leadership Training under Allen Management, among others.

Maria Rosanna Catherina L. Testa, 59, Filipino, First Vice President, is the Head of Human Resources Group. She spent more than 30 years of her career in human resource management. Prior to joining the Bank, she held various positions at Goodyear Phils., Equitable-PCI Bank, Far East Bank and Trust Company, The Manila Banking Corporation, and John Clements Consultants, among others. Ms. Testa earned her Bachelor of Arts degree, major in Business Administration, from the Assumption College, and obtained her Master's degree in Business Administration from the Ateneo Business School. She has had various trainings on corporate governance, AML, leadership, and trends and challenges in human resource management.

Geoffrey D. Uy, 53, Filipino, First Vice President, is the Head of Market and Liquidity Risk. Before joining the Bank, he held various positions at Citibank - Treasurer, Risk Analytics Head, Funds Management Head, and Corporate Auditor. Mr. Uy is a Bachelor of Science degree holder in Mechanical Engineering from the De La Salle University and earned his MBA from the New Hampshire College. He has had trainings on risk management, ICAAP, and financial derivatives, among others.

Marisol M. Teodoro, 57, Filipino, First Vice President, is the Director, President and Chief Executive Officer of Bank subsidiary, CBSC since her secondment in 2017. She previously held positions in other financial institutions such as Security Bank and International Corporate Bank/Union Bank of the Philippines. She took her Bachelor of Science degree in Business Economics and her MBA from the University of the Philippines-Diliman. She also completed various trainings on trust, financial planning, and treasury.

Corazon I. Morando, Filipino, is the Vice President and Corporate Secretary of the Bank. She also serves as Consultant on Legal and Corporate Affairs of the SM Group. She is a recipient of "Asian Company Secretary of the Year" award by the Corporate Governance Asia in Hongkong, recognizing her vital role in promoting and upholding corporate governance in the Bank. Atty. Morando was formerly a Director of the Corporate Legal Department of the Securities and Exchange Commission of the Philippines. She earned her Bachelor of Laws degree from the University of the Philippines, and obtained her graduate studies under the MBA-Senior Executive Program from the Ateneo de Manila University. She participates in the continuous development of her competence, attending various trainings which include seminars on non-bank financial intermediaries, AML, and corporate governance, among others.

Note 1: All the foregoing officers have been involved in the banking industry for more than five (5) years.

Note 2: None of the above-mentioned directors and officers works with the government.

(c) Nominees for election as Directors and Independent Directors

Nominee as Director	Person who nominated	Nominee as Independent Director	Person who nominated and Relationship with Nominee
Hans T. Sy	Sysmart Corporation	Alberto S. Yao	Lucky Securities, Inc., no relation
Gilbert U. Dee	Linda Susan T. Mendoza	Margarita L. San Juan	Zenaida C. Milan, no relation
William C. Whang	George C. Yap	Philip S.L. Tsai	Alvin A. Quintanilla, no relation
Peter S. Dee	Nancy D. Yang	Angeline Ann H. Hwang	Regina Capital Development Corporation, no relation
Joaquin T. Dee	Christopher T. Dee		
Herbert T. Sy	Sysmart Corporation		
Harley T. Sy	SM Investments Corporation		
Jose T. Sio	SM Investments Corporation		

All the above-mentioned nominees are incumbent members of the Board except for:

Angeline Ann H. Hwang, 68, Filipino, is a nominee for independent director. She currently does not hold directorship position in any PSE-listed company. She is presently President of Wingsan Properties Corporation and Oxleyrise Properties Inc, which are both private family-owned corporations. She has 45 years of experience in Philippine banking, ranging from international trade finance to account management/relationship management for SME and middle market segments as well as branch banking, branch administration and branch expansion. She previously held positions in Philippine Business Bank, Solidbank Corporation, Far East Bank & Trust Company and Bank of the Philippine Islands. Ms. Hwang is a graduate of Bachelor of Science in Business Administration, major in Banking and Finance, from the University of the Philippines. She has had various trainings on International Financing Reporting Standards (IFRS), financing, related party transactions, data privacy, SME, credit risk management, AML and corporate governance.

The Certifications of the above-named nominees for independent directors, in accordance with SEC Memorandum Circular No. 5, Series of 2017, are attached as Exhibits “A” to “D”.

Upon initial determination, based on the Nomination Forms and attachments submitted to the Nominations and Corporate Governance Committees, the nominees for directors and independent directors were found to possess all the qualifications and none of the disqualifications of a director or independent director, and their qualities are aligned with the Bank’s strategic directions.

The Nominations Committee is currently composed of Mr. Philip S.L. Tsai, Mr. Alberto S. Yao and Ms. Margarita L. San Juan.

(d) Involvement in Legal Proceedings

To the knowledge and information of the Bank, none of the above-named directors, nominees, and executive officers have been involved in any of the following events during the past five (5) years: (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (ii) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (iii) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (iv) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

For the past five (5) years, the Bank, its affiliates, subsidiaries, directors and officers have not been involved in any legal proceedings that would affect their ability, competence or integrity, and/or would involve a material or substantial portion of their property before any court of law, quasi-judicial body or administrative body in the Philippines or elsewhere, except in the usual routine cases directed against the Bank, arising from the ordinary conduct of its business.

All legal proceedings involving the Bank are efficiently and competently attended to and managed by a group of seventeen (17) in-house lawyers who are graduates of reputable law schools in the country. For its external counsels, the Bank retains the services of respected law firms, among which are Medialdea Ata Bello & Suarez Law Offices, ACCRA Law Office, Britanico Sarmiento & Ringler Law Offices, Divina Law Office, and Tagayuna Panopio & Escober Law Firm.

(e) Significant Employees

The Bank highly values its human resources. It expects each employee to do his share in achieving the Bank's set goals; in return, the Bank has in place policies and programs for the protection and growth of employees.

(f) Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders, and related interests (DOSRI), which were made substantially on fair terms or at an arm's length basis, that is, terms not less favorable to the Bank than those offered to others. Full disclosures for these transactions were made through reports with the appropriate regulatory agency.

The Bank has the following subsidiaries or affiliates/associates:

i. *China Bank Savings, Inc. (CBSI)* – formerly known as The Manila Banking Corporation (TMBC), was acquired by China Bank in June 2007. It was incorporated on May 23, 1960 and was formed to carry on, engage in the business of, and exercise the general powers of a commercial bank as provided by law, and on June 23, 1999, the Bangko Sentral ng Pilipinas granted TMBC authority to operate as a thrift bank. In 2008, in pursuance of the Bank's acquisition of TMBC, the BSP and SEC approved the change of name to CBSI. Further, the Monetary Board and SEC gave their approvals on November 21, 2013 and January 20, 2014, respectively, to the merger with Unity Bank, A Rural Bank, Inc. (Unity Bank), a Pampanga-based rural bank, with CBSI as the surviving bank. On August 14, 2014, the stockholders owning at least 2/3 of the outstanding capital stock of CBSI approved the Plan of Merger of Planters Development Bank and CBSI, with the latter as the surviving bank. BSP approved the merger on November 6, 2015 and SEC registered/approved the merger on December 17, 2015. China Bank now owns 98.29% of the total outstanding capital stock of CBSI. Sitting as directors and/or officers of CBSI are the following: Mr. Ricardo R. Chua as Chairman, Ms. Nancy D. Yang as Vice Chairman, Mr. Alberto Emilio V. Ramos as Director and President, and the rest of the Board members are Messrs. William C. Whang, Jose L. Osmeña, Jr., Alexander C. Escucha, Alberto S. Yao, Philip S.L. Tsai, and Patrick D. Cheng, and Mesdames Rosemarie C. Gan and Margarita L. San Juan.

ii. *China Bank Capital Corporation (CBCC)* – was incorporated on November 27, 2015 as a full-service investment house with broker/dealer of securities functions. CBCC is also licensed to deal with government securities. CBCC is 100% owned by the Bank. CBCC's Board of Directors is composed of: Messrs. Ricardo R. Chua (Chairman), Romeo D. Uyan, Jr. (Vice Chairman), Ryan Martin L. Tapia (President), William C. Whang, Alberto Emilio V. Ramos, Philip S.L. Tsai, Alberto S. Yao, and Mesdames Lilian Yu and Margarita L. San Juan. CBCC's business is supplemented by its wholly-owned subsidiaries: a) China Bank Securities Corporation (formerly ATC Securities, Inc.), an equity broker-dealer; and b) CBC Assets One (SPC) Inc., a special purpose corporation.

iii. *CBC Assets One (SPC) Inc. (CBC Assets)* – is a special purpose subsidiary of CBCC. It was incorporated on June 15, 2016, with the primary purpose of securitization of assets which include receivables, mortgage loans and other debt instruments. CBC Assets is 100% owned by CBCC, with the following Board members: Messrs. Ryan Martin L. Tapia (Chairman/President/CEO), Rhodin Evan O. Escolar (Treasurer/CFO), Juan Paolo E. Colet (Legal Director/Corporate Secretary), and Ariel A. Soner, and Ms. Marjorie T. Esplana.

iv. *China Bank Securities Corporation (CBSC)* – formerly known as ATC Securities, Inc. (ATC), is a wholly-owned subsidiary of China Bank Capital Corporation (CBCC). CBSC operates as a stock brokerage licensed by the SEC to engage in dealing, for its own and its customers' accounts, securities listed in the PSE as well as providing securities research and analysis services. On April 19 2018, CBSC became one of the PSE Trading Participants eligible to trade dollar-denominated securities or DDS. ATC originally started out as Cathay Asia Securities, Inc. which was incorporated on December 13, 1978. On April 12, 1984, Cathay Asia Securities changed its name to ATC Securities, Inc. On June 29, 2016, CBCC and the stockholders of ATC executed a Share Purchase Agreement for the purchase by CBCC of 100% shares in ATC. The SEC approved CBCC's intended purchase of ATC on August 23, 2016, subject to certain documentary filing. The acquisition of ATC was eventually approved by the PSE on February 22, 2017 and the closing of the purchase of ATC was completed on March 6, 2017. On July 6, 2017, the SEC approved CBSC's amended articles of incorporation, including its change in corporate name from ATC Securities, Inc. to China Bank Securities Corporation. The company's Board of Directors is comprised of: Messrs. William C. Whang (Chairman), Romeo D. Uyan, Jr. (Vice Chairman), Ryan Martin L. Tapia, and Alberto S. Yao, and Mesdames Marisol M. Teodoro (President & CEO) and Lilian Yu.

v. *CBC Properties and Computer Center, Inc. (CBC PCCI)* – incorporated on April 14, 1982 to render general services of computer and other computer-related products and services solely to the Bank and its business group. CBC PCCI is 100% owned by the Bank, with the following Board members: Messrs. Gilbert U. Dee (Chairman), Peter S. Dee (President), Ricardo R. Chua, and William C. Whang (Treasurer), and Ms. Rosemarie C. Gan.

vi*. Chinabank Insurance Brokers, Inc. (CBC-IBI)* – incorporated on November 3, 1998 as a full service insurance broker, providing direct insurance brokerage for retail and corporate customers, with a wide and comprehensive range of plans for non-life and life insurance. For non-life insurance, CBC-IBI offers Property, Motor, Marine, Accident, Bonds, Construction All Risk and Liability for the bank clients. CIBI is 100% owned by the Bank, with the following Board members: Messrs. Patrick D. Cheng (Chairman), William C. Whang, and Philip S.L. Tsai, and Mesdames Rosa Maria L. Musico (President) and Margarita L. San Juan.

vii. Manulife Chinabank Life Assurance Corporation (MCBLife) – the Board approved on August 2, 2006 the joint project proposal of the Bank with The Manufacturers Life Insurance Company (Manulife). In September 2007, the BSP approved the Bank's request to invest in Manulife-owned insurance company that would offer innovative insurance and financial products for health, wealth and education through the branch network. The life insurance company was initially incorporated as The Pramerica Life Insurance Company, Inc. in 1998 but the name was changed to Manulife China Bank Life Assurance Corporation (MCBLife) on March 23, 2007. The Bank initially held a 5% interest in MCBLIfe, the minimum stake required by the BSP. On September 12, 2014, the BSP approved the increase of the Bank's capital investment in the venture to 40%, giving the Bank better opportunities to expand its fee-based business. The following are MCBLife's Board members: Messrs. Joachim Wessling (Chairman), Jude Pijush Gomes (Director/President & CEO), Ryan Charland, Ka Ming Dai, Alberto Ramos, William Whang, Conrado Favorito, Rhoda Regina Rara and Janette Peña.

Further, the Bank has several business relationships with related parties. Transactions with such parties are thoroughly reviewed and verified as having been entered into in the best interest of the Bank, in the ordinary course of business and on substantially same terms as those prevailing at the time for comparable transactions with other parties. As required under BSP Circular No. 749 (Guidelines in Strengthening Corporate Governance in BSP

Supervised Financial Institutions), the table below shows the Bank's significant related party transactions as of December 2018:

Name of Related Party	Transaction	Amount
Allfirst Equity Holdings, Inc. (Related Party)	FX Pre-Settlement Risk Line	$ 8.0 M
Anchor Land Holdings, Inc. and Subsidiaries (Related Party)	Purchase of CTS Receivables	₱ 140.7 M
Anchor Properties Corporation (APC) (Related Party)	8-Year Term Loan Outstanding	₱ 4.7 B ₱ 765.0 M
	Bridge Loan Facility	₱ 1.3 B
	Omnibus Line Outstanding - CTS	₱ 1.0 B ₱ 24.5 M
Belle Corporation (Affiliate)	5-year Term Loan	₱ 2.5 B
BDO Private Bank (Affiliate)	Buy Bond	₱ 601.1 M
	Buy FX	₱ 674.4 M
	Sell Bond	₱ 250.0 M
	Sell FX	₱ 570.4 M
BDO Private Wealth Advisory and Trust Group (Affiliate and a Group in the Bank)	Sell Bond	₱ 640.1 M
	Sell BondMMDiscount	₱ 1.2 B
BDO Securities (Affiliate)	Buy Equity	₱ 964.7 M
	Sell Equity	₱ 964.7 M
BDO Universal Bank (Affiliate)	Buy Bond	₱ 200.8 M
	Buy FX	₱ 12.5 B
	Buy FX Swap	₱ 4.9 B
	Sell Bond	₱ 1.1 B
	Sell FX	₱ 5.1 B
	Sell FX Swap	₱ 1.3 B
	Investment in SSA	₱ 4.4 B
	Counterparty – SSA	₱ 1.5 B
Carmen Copper Corporation (Related Party)	1-year Bridge Loan Facility	₱ 170.0 M
	Extension of Bridge Loan Facility Outstanding	$ 170.0 M
China Bank Capital (Subsidiary)	Buy BondMMDiscount	₱ 750.0 M
	Sell Bond	₱ 735.6 M
	Sell BondMMDiscount	₱ 100.0 M
	Purchase of corporate bonds	₱ 200.0 M
	Additional contribution to IMA account	₱ 900.0 M
China Bank Savings (Subsidiary)	IBCL	$ 5.0 M
	Fixed Income	₱ 3.2 B
	Trade transactions	₱ 200.0 M
	Fund transfer to HO	₱ 64.3 M
	Buy FX	₱ 74.8 M
	Sell Bond	₱ 550.0 M
	Sell BondMMDiscount	₱ 2.6 B
	Investment in SSA	₱ 1.8 B
	Counterparty – SSA	₱ 562.1 M

Name of Related Party	Transaction	Amount
	Renewal of Omnibus Line Outstanding	₱ 200.0 M ₱ 39.6 M
China Bank Securities (Subsidiary)	Broker – Purchase / sale of stocks	₱ 431.8 M
		$ 14.8 M
	Domestic Bills Purchase Line	₱ 50.0 M
CBC Trust Group (A Group in the Bank)	Buy Bond	₱ 900.0 M
	Buy BondMMDiscount	₱ 1.5 B
	Sell Bond	₱ 783.7 M
	Sell BondMMDiscount	₱ 558.3 M
Clara Sy (Officer)	Initial contribution to IMA account	₱ 60.0 M
Elizabeth Tan Sy and Eric Charles Sy Uy (Close family members of a Director)	Additional contribution to IMA account	₱ 864.5 M
GOTAMCO Realty Investment Corporation (GRIC) (Related Party)	New Loan Line 7.5-year Term Loan Outstanding	 ₱ 1.6 B ₱ 220.0 M
	7-year Term Loan Outstanding	₱ 1.1 B ₱ 170.0 M
	Bridge Loan Facility	₱ 1.3 B
	Renewal of Omnibus Line (Loan Limit Shared with Anchor Holdings) Outstanding	₱ 1.0 B ₱ 13.0 M
	Renewal of 6-year term loan Outstanding	₱ 4.1 B ₱ 1.1 B
Hans Sy (Director)	Equities purchase	₱ 2.9 B
Hans Sy, Jr. (Close family member of a Director)	Initial contribution to PMT account	₱ 425.0 M
	Equities purchase	₱ 418.5 M
Henry Sy, Sr. (Related Interest)	Renewal of Loan Line	₱ 300.0 M
Herbert Sy and Hendrick Sy (Director / Related Interest)	Additional contribution to IMA account	₱ 709.6 M
Herbert Sy and Herbert Sy, Jr. (Director / Related Interest)	Additional contribution to IMA account	₱ 206.5 M
JJACCIS Development Corporation / Suntree Holdings Corporation (Stockholder / Related Interest)	Renewal and increase of Omnibus Line Outstanding	₱ 690.0 M ₱ 387.4 M
	Cancellation of Loan Line	₱ 100.0 M
Manulife Asset Management and Trust Corporation (Related Party)	Sell Bond	₱ 59.0 M
MMPC Auto Financial Services Corporation (Related Party)	Loan Line	₱ 200.0 M
	5-year Term Loan	₱ 1.0 B
National Grid Corporation of the Philippines (Related Party)	Extension of the Standby LC Outstanding	 $ 79.0 M
	Renewal of Pre-Settlement Risk Line	$ 1.0 M
New Golden City Builders and Development (Related Interest)	L/C Line	$ 1.0 M
	Additional contribution to IMA account	₱ 200.0 M
	Initial contribution to UITF account	₱ 70.0 M

Name of Related Party	Transaction	Amount
NLEX Corporation (Related Party)	Initial public offering of bonds	₱ 325.0 M
One Network Bank (Affiliate)	Sell Bond	₱ 430.9 M
Ortigas & Company, Limited Partnership (Related Party)	Participation up the full amount of the 10-year P5B Corporate Note Facility Outstanding	₱ 5.0 B ₱ 2.5 B
	Loan Line	₱ 500.0 M
Pasajero Motors Corporation (Related Party)	Omnibus Loan Line Outstanding	₱ 55.0 M ₱ 53.0 M
Petrogreen Energy Corporation (Related Party)	Omnibus Line Outstanding	₱ 600.0 M ₱ 382.7 M
	Domestic Bills Purchase Line	₱ 5.0 M
	Pre-settlement Risk Line	$ 200,000
	Settlement Risk Line	$ 1.0 M
	Review of Term Loan Outstanding	₱ 500.0 M ₱ 421.4 M
Planters Development Bank Employees' Retirement Fund (Subsidiary)	Initial contribution to IMA account	₱ 81.0 M
Posh Properties Development Corporation (PPDC) (Related Party)	Bridge Loan Facility	₱ 1.3 B
	Review of Term Loans 10-year term loan Outstanding	 ₱ 4.1 B
	10-year term loan Outstanding	₱ 1.2 B ₱ 1.0 B
	7-year term loan (PPDC) Outstanding	₱ 3.7 B ₱ 1.7 B
	Omnibus Line Outstanding – CTS Outstanding	₱ 1.0B ₱ 218.4 M ₱ 300.0 M
Reynaldo Jardin Macaraig & Teresita Catalya Macaraig & Rowena Macaraig Chuabio & Ruel Antonio Catalya Macaraig (Related Interest)	Initial contribution to IMA account	₱ 100.0 M
Rizal Commercial Banking Corporation (Related Party)	Buy Bond	₱ 800.4 M
	Sell Bond	₱ 1.0 B
	Sell BondMMDiscount	₱ 70.9 M
RCBC Savings Bank (Related Party)	Buy Bond	₱ 50.0 M
	Sell Bond	₱ 100.0 M
	Sell BondMMDiscount	₱ 50.0 M
SM Development Corporation (Affiliate)	Renewal of Loan Line	₱ 1.0 B
	Renewal of Bills Purchase Line	₱ 50.0 M
	3-year Term Loan	₱ 1.5 M
	Term Loan	₱ 2.1 M
SM Investments Corp. / Sybase Equity Investments Corp. / Multi-Realty Development Corp. (Stockholder / Affiliate)	Renewal of Loan Line	₱ 15.5 B
	Grant of FX Pre-Settlement Line (for SMIC)	$ 12.5 M
SM Prime Holdings Inc. / SM Hotels and	Renewal of Loan Line	₱ 3.0 B

Name of Related Party	Transaction	Amount
Conventions Corp. / Costa del Hamillo, Inc. (Affiliate / Related Party)	Renewal of Bills Purchase Line	₱ 100.0 M
Sps. Irwin and Consuelo Ponce (Related Interest)	Increase of Loan Line Outstanding	₱ 95.0 M ₱ 89.8 M
St. Luke's Hospital (Global City), Inc. (Related Party)	7-year Term Loan	₱ 3.0 B
	Renewal of Omnibus Line	$ 2.0 M
Summerhills Home Development Corporation (Related Party)	Renewal of Loan Line	₱ 500.0 M
Sun Life Grepa Financial, Inc. (Related Party)	Buy Bond	₱ 134.0 M
Sysmart Corporation (Stockholder)	Renewal of Loan Line Outstanding	₱ 5.0 B ₱ 2.5 B
2GO Group, Inc./ 2GO Express, Inc./Special Container and Value Added Services (Related Party)	Loan Line	₱ 1.0 B
	Domestic Bills Purchase Line	₱ 100.0 M

Related party transactions are also discussed in Note 29 of the Audited Financial Statements as presented in Annex F.

6. Compensation of Directors and Executive Officers

Name	Year	Salary	Bonuses & Other Compensation	TOTAL
Total for the 5 most highly compensated executive officers*	2019 (estimates) 2018 (actual) 2017 (actual)	50,019,761.00 46,747,440.00 46,539,430.00	48,732,142.00 40,084,898.00 48,208,445.00	98,751,903.00 86,832,338.00 94,747,875.00
Total for all officers and directors	2019 (estimates) 2018 (actual) 2017 (actual)	1,542,156,291.00 1,454,423,412.00 1,239,546,562.00	890,104,525.00 859,813,381.00 742,856,659.00	2,432,260,816.00 2,314,236,793.00 1,982,403,221.00

* For years 2018 and 2019: Messrs. Gilbert U. Dee, William C. Whang, Romeo D. Uyan, Jr., and Patrick D. Cheng, and Ms. Rosemarie C. Gan
* For year 2017: Messrs. Gilbert U. Dee, Ricardo R. Chua, William C. Whang, Romeo D. Uyan, Jr., and Patrick D. Cheng, and Ms. Rosemarie C. Gan

Other than those relating to the foregoing figures, there are no actions to be taken as regards any bonus, profit sharing, pension or retirement plan, granting of or extension of any option warrant or right to purchase any securities between the Bank and its directors and officers. The officers receive compensation based on their performance, banking experience, employment status, position and rank in the Bank. On the other hand, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committee and to 4% of the Bank's net earnings, in accordance with Article IV, Section 11, and Article VIII, Section 1 (a) of the Bank's Amended By-Laws. The directors and officers have no other compensatory arrangement with the Bank.

7. Independent Public Accountants

SyCip Gorres Velayo & Co. (SGV & Co.) has been the Bank's independent auditor for more than 20 years and is again recommended for appointment at the scheduled annual stockholders' meeting. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Mr. Ray Francis C. Balagtas was assigned since 2016 as SGV & Co. partner-in-charge for the Bank.

None of the Bank's external auditors have resigned during the two (2) most recent fiscal years (2018 and 2017) or any interim period.

Representatives of SGV & Co. are expected to be present at the stockholders' meeting to respond to any matter that may be pertinently raised during the meeting. Their representative will be given the opportunity to make a statement if they so desire.

Fiscal Year	Audit and Audit-Related Fees	Tax Fees	All Other Fees
2018	P7,766,528	---	P6,312,320
2017	P8,192,800	---	P 254,240

Audit and Audit-Related Fees cover services rendered for the performance of the audit or review of the Bank's financial statements including the combined financial statements of Trust Group, and the issuance of comfort letters relative to the Stock Rights and Long Term Negotiable Certificates of Deposits offering. The 2018 and 2017 audit fees were taken up and approved by the Audit Committee at its regular meetings on February 28, 2019 and February 21, 2018, respectively.

Tax fees related to the audit of tax accounting and compliance are already incorporated in the year-end audit fees under Audit and Audit-Related Fees category as this is part of the audit process conducted by the external auditors.

The Board/Audit Committee likewise discussed, approved, and authorized to engage the services of SGV & Co in non-audit work for the independent review of PFRS 9 Expected Credit Loss Models, independent validation of votes in the annual stockholders' meeting and for the compliance certificate issued to the international bank lenders. Payment for these services, and seminar fees are included under All Other Fees.

The Bank's Audit Committee, which is composed of Messrs. Alberto S. Yao (Chairman), Joaquin T. Dee, and Philip S.L. Tsai, approves the audit fees and fees for non-audit services of external auditors, as emphasized in Article V.12 of the Committee's Charter.

SGV & Co. also confirmed that they did not have any disagreement with Management that could be significant to the Bank's financial statements or their auditor's report. Further, there are no matters that in their professional judgment may reasonably be thought to bear on their independence or that they gave significant consideration to in reaching the conclusion that independence has not been impaired.

8. Compensation Plans – Not applicable

C. ISSUANCE AND EXCHANGE OF SECURITIES

9. <u>Authorization or Issuance of Securities Other than for Exchange</u> – Not applicable

- Dividend

The Bank is allowed to declare dividends out of its unrestricted retained earnings at such times and in such percentages based on the recommendation of the Board of Directors. Such recommendation will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among other things.

The Bank's Board of Directors is authorized to declare dividends. A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds of the Bank's outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares". Such shareholders' approval may be given at a general or special meeting duly called for such purpose. See "Dividend Policy".

- Voting

Each Common Share entitles the holder to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting,

In accordance with Section 23 of the Revised Corporation Code, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

- Pre-emptive Rights

The Revised Corporation Code confers pre-emptive rights on shareholders of a Philippine corporation, which entitle them to subscribe to all issues or other disposition of shares of any class by the corporation in proportion to their respective shareholdings, subject to certain exceptions. A Philippine corporation may provide for the exclusion of these pre-emptive rights in its articles of incorporation. The Board has proposed and the stockholders of the Bank approved on May 8, 2014 to amend the Articles of Incorporation to include a waiver of such pre-emptive rights. The Articles of Incorporation of the Bank provides that stockholders shall have no pre-emptive rights to subscribe to any or all issues or dispositions of any class of shares.

10. <u>Modification or Exchange of Securities</u> – Not applicable

11. Financial and Other Information

(a) Brief Description of the general nature and scope of the business of the Bank, attached as Annex "A"
(b) Market Information, Dividends, and Top 20 Stockholders, attached as Annex "B"
(c) Discussion of Compliance with leading practice on Corporate Governance, attached as Annex "C"
(d) Management's Discussion and Analysis or Plan of Operation, attached as Annex "D"
(e) Statement of Management Responsibility for Financial Statements, attached as Annex "E"
(f) Audited Financial Statements, attached as Annex "F"

12. Mergers, Consolidations, Acquisitions and Similar Matters – Not applicable

13. Acquisition or Disposition of Property – Not applicable

14. Restatement of Accounts – Please refer to the Audited Financial Statements, attached as Annex "F".

D. OTHER MATTERS

15. Action with Respect to Reports

The following are to be submitted for approval during the stockholders' meeting:

a. Minutes of the Stockholders' Meeting held on May 3, 2018, which contain, among others, the: (i) annual report to stockholders and approval of financial statements; (ii) ratification of all acts of the Board of Directors, including the conduct of a rights issue, approval of related party transactions, and all the acts of the Executive Committee and of the various committees of the Bank and Management, during the fiscal year 2017 and immediately preceding the stockholders' meeting; (iii) election of the Board of Directors; (iv) appointment of external and internal auditors; (v) amendment of the articles of incorporation and by-laws to increase the number of directors from 11 to 12; and (vi) announcement of the declaration of P0.83/per share cash dividend;

b. Annual Report to Stockholders – to provide information about the Bank's activities, business and financial performance, and other relevant data for the preceding year;

c. Approval of the Financial Statements for the year ended December 31, 2018 – to provide information about the financial position, performance and changes in financial position of the Bank;

d. Ratification of all acts of the Board of Directors, Executive Committee, other Committees, and Management, including the ratification of related party transactions and additional capital infusions of P500 Million to China Bank Savings, Inc. and P40 Million to Manulife China Bank Life Assurance Corporation, during the year 2018- to further bind the Bank of the actions made for the covered period;

e. Election of the Board of Directors, who will serve as such for the ensuing year;

f. Appointment of external and internal auditors – for the stockholders to ratify the Audit Committee's and Board's selection of auditors;

g. Delegation to the Board of Directors of Power to Amend By-laws_ – for the stockholders to approve, confirm and ratify the Board resolution on the delegation of the power to amend or repeal the by-laws or adopt new by-laws, in order to update and clarify the processes and practices of the business, and to comply with the requirements under the Revised Corporation Code and other relevant regulatory issuances.

h. All matters as contained in the agenda of the meeting, and other businesses as may properly come before the stockholders.

16. <u>Matters Not Required to be Submitted</u> – Not applicable

17. <u>Amendment of Charter, By-laws or Other Documents</u>

On March 21, 2018, the Board of Directors approved to amend the Fifth Article of the Articles of Incorporation and Article IV, Section 1 of the By-laws to increase the number of directors from eleven (11) to twelve (12). During the regular annual meeting of the stockholders on May 3, 2018, such Board approval was approved, confirmed and ratified by the stockholders owning or representing more than 2/3 of the subscribed capital stock of the Bank. The BSP approved the amendments on August 15, 2018 and issued a Certificate of Authority dated August 31, 2018, stating that the amendments to the Articles of Incorporation and By-laws are in accordance with law. The SEC approved such amendments on January 31, 2019.

For 2019, the Board resolution on the delegation of the power to amend or repeal the by-laws or adopt new by-laws, will be presented to the stockholders for their approval.

18. <u>Other Proposed Action</u> – Not applicable

19. <u>Voting Procedures</u>

In accordance with Article III, Section 6 of the Bank's Amended By-Laws, no meeting of stockholders shall be competent to transact business unless a majority of the outstanding capital stock is represented. Unless the Revised Corporation Code of the Philippines requires otherwise, the majority vote of the shares present or represented at the stockholders' meeting, provided there is a quorum, shall be required to carry a stockholders' action on any matter taken up during the meeting.

Stockholders as of record date of March 21, 2019 shall be entitled to vote at the annual stockholders' meeting. Voting will be by ballot. Upon registration and after verification, the registrant (stockholder or representative) shall be issued a ballot, indicating the number of shares represented for purposes of the meeting. The registrant shall indicate in the ballot his voting position for each item in the agenda.

Each common share of stock entitles its holder as of record date to one vote. However, with respect to the election of the members of the Board of Directors, Article III, Section 7 of the Bank's Amended By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 23 of the Revised Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned, or distribute them on the same principle among as many candidates as may be seen fit, provided that the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the Bank multiplied by the whole number of directors to be elected. Twelve (12) nominees receiving the highest number of votes shall be elected directors. For the delegation of power to the Board to amend or repeal the by-laws or adopt new by-laws, the affirmative vote by stockholders representing at least 2/3 of the outstanding capital stock shall be required, in accordance with Section 47 of the Revised Corporation Code.

All votes will be counted and tabulated by the Office of the Corporate Secretary, to be assisted by the transfer agent, Stock Transfer Service, Inc., and the results are set to be validated by the external auditor, SGV & Co.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 20th day of March 2019.

CHINA BANKING CORPORATION

By:

ATTY. CORAZON I. MORANDO
Vice President & Corporate Secretary

Exhibit "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ALBERTO S. YAO**, Filipino, of legal age and a resident of No. 22 Samar Avenue, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of China Banking Corporation (Bank) and have been its independent director since July 7, 2004.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Richwell Philippines, Inc.	President & CEO	1990 – present
Internationale Globale Marques, Inc.	President & CEO	2011 – present
Richphil House Incorporated	President	1992 – present
China Bank Savings, Inc.	Independent Director	2009 - present
China Bank Capital Corporation	Independent Director	2015 – present
China Bank Securities Corporation (formerly ATC Securities, Inc.)	Independent Director	2017 – present
Philippine Constitution Association	Member	2017 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of the Bank and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Bank of any changes in the above-mentioned information within five (5) days from its occurrence.

Done, this 5 MAR 2019 day of March 2019, at Makati City.

ALBERTO S. YAO

0 5 MAR 2019

SUBSCRIBED AND SWORN to before me this ____________ day of March 2019 at Makati City, affiant personally appeared before me and exhibited to me his SSS No. 03-1300449-2.

Doc. No. 226;
Page No. 47;
Book No. 112;
Series of 2019.

BELENETTE Y. CHING-TAN
Notary Public for Makati City
Appt. No. M-190 until 31 December 2019
4/F Philcom Building,
8755 Paseo de Roxas, Makati City
PTR No. 7341566; 01-07-19; Makati City
IBP No. 063174; 01-07-19; Makati City
Roll of Attorney's No. 37110

Exhibit "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARGARITA L. SAN JUAN**, Filipino, of legal age and a resident of 15 First St., St. Ignatius Village, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of China Banking Corporation (Bank) and have been its independent director since May 4, 2017.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
China Bank Savings, Inc.	Independent Director	2013 – present
China Bank Capital Corporation	Independent Director	2018-present
China Bank Insurance Brokers, Inc.	Independent Director	2018-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of the Bank and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Bank of any changes in the above-mentioned information within five (5) days from its occurrence.

Done, this 0 5 MAR 2019 day of March 2019, at Makati City.

MARGARITA L. SAN JUAN

0 5 MAR 2019

SUBSCRIBED AND SWORN to before me this __________ day of March 2019 at Makati City, affiant personally appeared before me and exhibited to me her SSS No. 03-3300959-0.

Doc. No. 228;
Page No. 47;
Book No. 112;
Series of 2019.

BELENETTE Y. CHING-TAN
Notary Public for Makati City
Appt. No. M-190 until 31 December 2019
4/F Philcom Building,
8755 Paseo de Roxas, Makati City
PTR No. 7341566; 01-07-19; Makati City
IBP ...3174; 01-07-19; Makati City
Roll of Attorney's No. 37110

Exhibit "C"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **PHILIP S.L. TSAI**, Filipino, of legal age and a resident of 157 Oscar Arellano St., San Juan City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of China Banking Corporation (Bank) and have been its independent director since November 7, 2018.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
China Bank Savings, Inc.	Independent Director	2018 - present
China Bank Capital Corporation	Independent Director	2019
China Bank Insurance Brokers, Inc.	Independent Director	2018 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of the Bank and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Bank of any changes in the above-mentioned information within five (5) days from its occurrence.

Done, this 0 5 MAR 2019 day of March 2019, at Makati City.

PHILIP S.L. TSAI

0 5 MAR 2019

SUBSCRIBED AND SWORN to before me this ___________ day of March 2019 at Makati City, affiant personally appeared before me and exhibited to me his Passport No. P7396029A valid until May 30, 2028.

Doc. No. 227;
Page No. 47;
Book No. 112;
Series of 2019.

BELENETTE Y. CHING-TAN
Notary Public for Makati City
Appt. No. M-190 until 31 December 2019
4/F Philcom Building,
8755 Paseo de Roxas, Makati City
PTR No. 7341566; 01-07-19; Makati City
IBP No. 059174; 01-07-19; Makati City
Roll of Attorney's No. 37110

Exhibit "D"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ANGELINE ANN H. HWANG**, Filipino, of legal age and a resident of 13 Celery Drive, Valle Verde 5, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a new nominee for independent director of China Banking Corporation (Bank).

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Wingsan Properties Corp.	President	2007-present
Oxleyrise Properties Inc.	President	2014-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of the Bank and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Bank of any changes in the above-mentioned information within five (5) days from its occurrence.

05 MAR 2019

Done, this _______ day March 2019, at Makati City.

ANGELINE ANN H. HWANG

05 MAR 2019

SUBSCRIBED AND SWORN to before me this _________ day of March 2019 at Makati City, affiant personally appeared before me and exhibited to me her Passport No. P2180943A valid until March 6, 2022.

BELENETTE Y. CHING-TAN
Notary Public for Makati City
Appt. No. M-190 until 31 December 2019
4/F Philcom Building,
8755 Paseo de Roxas, Makati City
PTR No. 7341566; 01-07-19; Makati City
IBP No. 059174; 01-07-19; Makati City
Roll of Attorney's No. 37110

Doc. No. 221;
Page No. 46;
Book No. 112;
Series of 2019.

ANNEX "A"

BUSINESS AND GENERAL INFORMATION

1. Description of Business

China Banking Corporation (stock symbol CHIB, China Bank) was incorporated on July 20, 1920 and commenced business on August 16 of the same year as one of the first privately-owned local commercial bank in the Philippines. It resumed operations after World War II on July 23, 1945 and played a key role in the post-war reconstruction and economic recovery by providing financial support to businesses and entrepreneurs. CHIB was listed on the local stock exchange in September 1927 and acquired its universal banking license in 1991. The Bank started by mainly catering to the Chinese-Filipino commercial sector, but has since expanded its market scope to include the retail and consumer segments. Its core banking franchise stems mainly from its 98-year history in the Philippines, a factor that has enabled it to become deeply entrenched within the socioeconomic fabric of the Chinese-Filipino community. The Bank's market comprises the corporate, commercial, middle, and retail markets. It provides a wide range of domestic and international banking services, and is one of the largest commercial banks in the country in terms of assets and capital.

Key milestones in the China Bank history include:

- **1920** - China Bank established as the first privately owned local commercial bank in the Philippines.
- **1927** - China Bank was listed at the Manila Stock Exchange
- **1969** - China Bank became the first bank in Southeast Asia to process deposit accounts on-line
- **1988** - China Bank joined seven other banks in setting up BancNet, the country's largest ATM network
- **1991** - China Bank acquired its universal banking license; the first Philippine bank to offer telephone banking
- **1996** - China Bank tapped offshore fund markets by issuing USD 50 million FRCD, followed by USD 75 million in 1997
- **1997** - China Bank raised P1.34 billion via 2 for 3 stock right issue starting August 1996 and completed in March 1997
- **2005** - China Bank launched China Bank Online e-banking portal for retail and corporate customers
- **2006** - China Bank completed its first international secondary stock offering for USD53 million
- **2007** - China Bank acquired Manila Bank with 75 branch licenses; launched bancassurance joint venture with Manulife Phils. through a 5% equity stake in Manulife China Bank Life Assurance Corp. (MCBLife)
- **2008** - China Bank issued its maiden offering of 5-year long-term negotiable certificates of deposits (LTNCD); former Manila Banking Corporation main office in Ayala Avenue was relaunched as the China Bank Savings headquarters; branch network exceeded the 200-mark
- **2009** - China Bank was cited as one of the 11 Philippine companies and one of two Philippine banks which outperformed their peers of Top 100 publicly-listed ASEAN companies in creating wealth for shareholders, based on the study by Stern Stewart & Co.
- **2010** - China Bank was gold awardee on corporate governance, one of the top-scoring Publicly Listed Company by the Institute of Corporate Directors (ICD)
- **2011** - China Bank was awarded Best Wealth Management House in the Philippines by the Asset Triple A Investment Awards in Hong Kong; also cited as a "rising star"—an emerging private banking powerhouse in the country ; Gold awardee (score of at least 95%) for corporate governance from ICD
- **2012** - China Bank received the Bell Award for Corporate Governance conducted by the Philippine Stock Exchange (PSE), the only bank among the five publicly-listed companies awarded, distinguished from among 255; ten-to-one stock split from par value of P100 per share to P10; acquired Unity Bank, a Pampanga-based rural bank.
- **2013** - China Bank breached the 300- mark in branch network; Unity Bank branches merged with the China Bank Savings, Inc.; Memorandum of Agreement (MOA) to acquire Plantersbank
- **2014** - China Bank received approval from the Monetary Board to acquire at least 84.77% of Plantersbank; increased stake on MCB Life from 5% to 40%; conducted an P8.0 billion stock rights offering in May; was Bell awardee for the third consecutive year, and the only bank among the top five awardees; considered an Outstanding Company in Corporate Governance by Corporate Governance Asia; and ranked among the top 50 publicly-listed companies in the ASEAN Corporate Governance Scorecard Country Reports and Assessments 2013-2014
- **2015** - China Bank launched its investment house subsidiary, China Bank Capital Corporation; SEC approved merger of China Bank Savings and Plantersbank with the former as the surviving entity; USD 158 million syndicated loan from international banks; publicly launched China Bank MasterCard; migrated to the Finacle Core Banking System; was PSE Bell Awardee for the fourth consecutive year and the only Bank among the top five awardees
- **2016** - Set up China Bank Capital's stock brokerage subsidiary, China Bank Securities Corp, and special purpose company, CBC Assets Once (SPC), Inc.; converted all cards to the Europay MasterCard Visa (EMV) standard ahead of the regulatory deadline; issued P9.6 billion worth of LTNCDs, the first tranche from the planned P20 billion shelf issue; upgraded personal online banking platform, China Bank Online; named PSE Bell Awardee for the fifth consecutive year and the only Bank among the top five awardees; and received various distinctions from Corporate Governance

Asia, CFA Society Philippines, Finance Monthly, Global Banking & Finance Review, Enterprise Asia, and Capital Finance

- **2017** - China Bank completed the P15 billion Stock Rights Offer; received an investment grade rating from Moody's and rating upgrade from Capital Intelligence; launched second tranche of LTNCDs amounting to P6.35 billion; garnered Special Citation from PSE for having won the PSE Bell Award for 5 consecutive years (2012-2016); and received various distinctions from Corporate Governance Asia, The Asset, The Asian Banker, CFA Society Philippines, and Philippine Dealing System, Global Banking & Finance Review, among others
- **2018 -** China Bank listed P10.25 billion worth of LTNCDs; signed a USD 150 million Green Bond agreement with International Finance Corporation (IFC); received an issuer rating of PRS Aaa (corp.) from Philippine Rating Services Corporation (PhilRatings), the highest corporate credit rating assigned on the PRS scale; received an affirmation from Moody's (Baa2), Fitch Ratings (BB+) and un upgrade Capital Intelligence (BBB); ranked among the Top 50 Publicly listed companies at the *ASEAN Corporate Governance Awards* and Top 3 in the Philippines by the ASEAN Capital Market forum, received various awards and distinctions from the Bangko Sentral ng Pilipinas, Corporate Governance Asia, Global Banking & Finance, The Asset, and Alpha Southeast Asia; China Bank launched China Bank Mobile Banking App offering many firsts: AutoSweep RFID Loading; InstaPay transfer in real time; Location map for ATMs w/ availability indication; JUMP – 1st mobile banking app to allow transfer via receiver's cellphone number

China Bank's main business include corporate and SME lending, retail loans (e.g. credit cards, housing, auto, personal (e.g. automatic payroll deduction), treasury & foreign exchange trading, trust & asset management, investment banking & advisory services, wealth management, cash management, insurance products through China Bank Insurance Brokers, Inc. & MCBLife, internet & mobile banking, and remittances through tie-ups in the Middle East, Asia, and major US cities. The Bank also offers foreign currency deposits in three currencies, US Dollar, Euro, and Yuan.

China Bank offers a comprehensive suite of products and services through its 620 branches complemented by convenient and secure electronic banking channels which are available 24/7 — 966 ATMs, Cash Accept Machine, China Bank TellerPhone (phone banking), China Bank Online, and China Bank Mobile App.

	Effective Percentages of Ownership			
Subsidiary	**2018**	2017	Country of Incorporation	Principal Activities
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
China Bank Savings, Inc. (CBSI)	**98.29%**	98.29%	Philippines	Retail and consumer banking
China Bank Capital Corporation (CBCC)	**100.00%**	100.00%	Philippines	Investment house
CBC Assets One (SPC) Inc.	**100.00%**	100.00%	Philippines	Special purpose corporation
China Bank Securities Corporation (CBCSec)*	**100.00%**	100.00%	Philippines	Stock Brokerage

**Obtained control on March 6, 2017, 100% owned through CBCC*

The Parent Company has no ultimate parent company. SM Investments Corporation, its significant investor, has effective ownership in the Parent Company of 20.3% and 19.9% as of December 31, 2018 and 2017, respectively.

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

2. Business of Issuer

(a) Principal Products and Services

China Bank's main businesses include deposit taking, corporate and middle market lending, retail loans including mortgage and auto loans, investment banking, insurance products through its subsidiaries, treasury and foreign exchange trading, trust and investment management, wealth management, cash management, internet banking and mobile banking services, inward remittances through tie-ups with remittance companies and exchange houses in the Middle East, Asia and major US cities. The income from these products/services is divided into two categories, namely (1) interest income from the Bank's deposit taking and lending/investment activities which accounts for 86 % of revenues and (2) other income (includes service charges, fees & commissions, trading gain, foreign exchange gain, trust fees, income from sale of acquired assets and other miscellaneous income) which account for 14% of revenues.

Percentage of sales or revenues and net income contribution from foreign sales (broken down into major markets such as Western Europe, Southeast Asia, etc.) for each of the last three years. Not applicable.

DEPOSITS & RELATED SERVICES

Peso Deposits: Checking - ChinaCheck Plus; Savings - Passbook Savings, ATM Savings, MoneyPlus Savings; SSS Pensioner's Account; Premium Savings Account; Time - Regular Time Deposit, Special Time Deposit, Diamond Savings; Foreign Currency Deposits – (USD, Euro, RMB and JPY) - Savings,Time; Cash Card; Manager's/Gift Check/Demand Draft; Safety Deposit Box; Night Depository Services; Cash Delivery and Deposit Pick-up Services; Out-of-town Checks

LOANS & CREDIT FACILITIES

Corporate Notes and Loans; Commercial Loans; Loan Syndications; Project Finance Facilities; Structured Financing, Trade Financing, Working Capital and Revolving Credit Facilities; Receivable Factoring; Consumer Loans - HomePlus Real Estate Loans, AutoPlus Vehicle Loans, Contract to Sell Financing, Credit Cards

INTERNATIONAL BANKINGPRODUCTS & SERVICES

Letters of Credit; Standby Letters of Credit; Shipping Guarantee; Documents against Payment; Documents against Acceptance; Open Account; Advance Payments; Trust Receipt Loans; Negotiation of Export Letter of Credit; Import / Export Finance; Customs and Duties Tax Payments; Advising of Letters of Credit and Standby Letters of Credit; Telegraphic Transfer (Domestic and International); Foreign Currency Accounts (Time Deposit, Savings); Foreign Currency Loans; Foreign Currency Bank Drafts; Purchase and Sale of Foreign Exchange; Inward and Outward Remittance Service -Domestic and International

INVESTMENT BANKING SERVICES

Arranging and underwriting of Debt and Equity Financing Transactions. Debt Financing - Bonds, Syndicated Loans, Corporate Notes, Structured Loan, Project Finance, LTNCD,Short Dated Notes/QB Notes; Equity Financing – Initial Public Offering (Common Shares), Follow On Offering (Common Shares), Preferred Shares, Convertible/Exchangeable Shares; Mergers & Acquisition / Financial Advisory / Corporate Restructuring/Valuation/Securitization

OVERSEAS KABABAYAN SERVICES

China Bank Remittance; Overseas Kababayan Savings (OKS) Account (PHP and USD)

TRUST SERVICES

Unit Investment Trust Funds - China Bank Money Market Fund, China Bank Cash Fund, China Bank Short- Term Fund, China Bank Intermediate Fixed Income Fund, China Bank Fixed Income Fund, China Bank Balanced Fund, China Bank Equity Fund, China Bank High Dividend Equity Fund, China Bank Dollar Fund; Wealth Management - Investment Management Arrangement, Personal Management Trust; Corporate Trust Services - Escrow Services, Employee Benefit Plan, Collecting and Paying Agency, Facility Agency, Security Trusteeship and Paying Agency

TREASURY SERVICES

Peso-Denominated Government and Corporate Bond Issues and Perpetual Notes; Dollar-Denominated Government and Corporate Bond Issues and Perpetual Notes; Treasury Certificate of deposit ,LTNCD; Promissory Notes; Foreign Exchange – Spot Forward and Swaps; asset swap, Derivatives - Interest Rate and Cross Currency Swaps

INSURANCE PRODUCTS

Bancassurance: Protection - Base Protect Plus; Education - MCBL Invest; Wealth - Platinum Invest Elite, MCBL Enrich Max, MCBL Affluence Income; Retirement - MCBL Enrich, MCBL Invest; Group Life Insurance - Group Yearly Renewable Term, Group Personal Accident, Group Credit Life

Non-Life Insurance: Fire Insurance - Residential, Commercial (Industrial All- Risk Insurance, Commercial All- Risk Insurance, Condominium Insurance), Trust Receipts; Motor Car Insurance - Individual, Fleet Program; Marine Insurance - Hull Insurance, Cargo Insurance; Engineering Insurance - Contractors ALL-Risk Insurance, Electronic Equipment Insurance, Erectors All- Risk Insurance, Machinery Breakdown Insurance, Equipment Floater; Liability Insurance - Comprehensive General Liability Insurance, Product Liability Insurance, Professional Indemnity Insurance, Directors and Officers Liability Insurance; Crime Insurance - Money, Security & Payroll Insurance, Fidelity Insurance, Cyber Crime Insurance, Kidnap and Ransom Insurance; Bonds: Surety Bonds - Bidder Bond, Surety / Downpayment Bond, Performance Bond, Warranty Bond, Heirs Bond; Fidelity Bonds; Employee Benefit - Group Personal Accident Insurance, Group Life Insurance, HMO, Travel Insurance

PAYMENT & SETTLEMENT SERVICES

Electronic Banking Channels: China Bank Automated Teller Machine (ATM); China Bank TellerPhone; China Bank Online; China Bank Mobile Banking App; Cash Accept Machine; Point-of-Sale (POS)

CASH MANAGEMENT SOLUTIONS

Account Management via China Bank Online Corporate - Account Portfolio, Transaction History, Checkbook Reorder, Bank Certification Request, Stop Payment Order, Buy Foreign Currency, Sell Foreign Currency, Fund Transfer Own, Fund Transfer Third Party, Outward Remittance, Value Added Services - Host-to-Host ;

Liquidity Management - Multi-Bank Cash SOA Concentration (*via China Bank Online Corporate*); Account Sweeping (*via China Bank Online Corporate*); Reverse Account Sweeping (*via China Bank Online Corporate*); SCCP Broker's Solution; e – SOA in SWIFT MT940 Format; ; Deposit Pick-Up (DPU) Arrangement

Receivables Management - Automatic Debit Arrangement (ADA); Check Depot; Bills Pay Plus; Collection Arrangement Report (*via China Bank Online Corporate);*Over-the-Counter (OTC) Deposit Referencing

Payables Management – Check Write Plus Outsourced (Manager's Check or Corporate Check); Check Write Plus Software; Corporate Inter-Bank Fund Transfer; Outward Remittance (*via China Bank Online Corporate*); Automatic Credit Arrangement (ACA); Payroll Crediting; China Pay (Payroll Software); Payroll Processing; Direct Debit Arrangement; InterBank Fund Transfer (via Bancnet & PesoNet)

POS Solutions - ChinaBank Debit POS; ChinaBank POS Cash Out

Government Payments and Collections - BIR eTax Payment; eGov Payment - Social Security System (SSS), Philippine Health Insurance Corporation (PhilHealth), Pag-IBIG; SSS Sickness Maternity and Employee Compensation (SSS SMEC); Auto Tax Payment Facility for Realty Developers

(b) Distribution Methods of Products and Services:

China Bank's products and services are made available across multiple distribution and delivery channels: 620 branch network (of which 458 are China Bank branches, 162 ChinaBank Savings branches; 966 ATM network (623 in-branch and 343 off-site ATMs nationwide; founding member of the BancNet consortium, access to more than 15,000 ATMs nationwide of BancNet networks; online banking (through the Bank's e-portal www.chinabank.ph); China Bank EZPay Kiosk (tax payment); TellerPhone (phone banking) and Mobile Banking. Its head office is located at 8745 Paseo de Roxas corner Villar Streets, Makati City.

Metro Manila Branches

1. MAKATI MAIN BRANCH (Head Office) - CBC Bldg., 8745 Paseo de Roxas cor. Villar Sts., Makati City***
2. BINONDO BUSINESS CENTER - CBC Bldg., Dasmariñas cor. Juan Luna Sts. Binondo, Manila*
3. 999 MALL BRANCH (formerly TUTUBAN CENTER BRANCH) – Unit 3D-5 & 3D-7 999 Shopping Mall, Bldg. 2, Recto – Soler Sts., Binondo, Manila*
4. A. BONIFACIO - MAUBAN BRANCH - G/F Urban Oasis Residences, 423-431., A. Bonifacio Ave., Brgy. San Jose, QC*
5. ALABANG HILLS BRANCH - G/F RBC-MDC Corporate Center, Don Jesus Blvd., Alabang Hills Village, Brgy. Cupang, Muntinlupa City*
6. ALVARADO BRANCH - HS Commercial Tower, 854 Alvarado St. Binondo, Manila
7. ANONAS BRANCH – Anonas corner Marang Streets, Brgy. Quirino, Project 2, Quezon City*
8. ANTIPOLO CITY BRANCH - G/F Budget Lane Arcade, No. 6, Provincial Road, Brgy. San Jose, Antipolo City, Rizal*
9. ANTIPOLO - SUMULONG HIGHWAY BRANCH - No. 219 Sumulong Highway, Bgry. Mambugan, Antipolo City, Rizal*
10. ANTIPOLO CITY-TAKTAK BRANCH - Sumulong Highway corner Taktak Road, Brgy. Dela Paz, Antipolo City, Rizal*
11. ARANETA AVE. BRANCH - Philippine Whithasco Bldg., 420 Araneta Ave., cor. Bayani St., Quezon City*
12. ARNAIZ AVE. BRANCH – United Life Assurance Building, A. Arnaiz Ave. (Pasay Road), Makati City*
13. ARRANQUE BRANCH – Don Felipe Bldg., 675 Tomas Mapua St., Brgy. 301 Sta. Cruz, Manila*
14. ASUNCION BRANCH – Units G6 & G7 Chinatown Steel Towers, 531 Asuncion St., San Nicolas, Manila*
15. AURORA BLVD. – NEW MANILA BRANCH - Aurora Blvd., Brgy. Valencia, Quezon City*
16. AYALA-ALABANG BRANCH - CBC Bldg., Acacia Ave., Madrigal Business Park, Ayala Alabang, Muntinlupa City*
17. AYALA AVE. – AMORSOLO BRANCH - G/F Teleperformance Bldg., Ayala Ave., Legaspi Village, Makati City*
18. AYALA - COLUMNS BRANCH – G/F The Columns Tower 3, Ayala Ave cor. Sen. Gil Puyat Ave., Brgy. Bel-Air., Makati City*
19. BACLARAN - FB HARRISON BRANCH- BAGPI Main Bldg., 2935 Ortigas St. near cor. F.B. Harrison St., Pasay City*
20. BALINTAWAK - BONIFACIO BRANCH - 657 A. Bonifacio Ave., Balintawak, Quezon City*
21. BALUT BRANCH - North Bay Shopping Center, Honorio Lopez Boulevard, Balut, Tondo, Manila*
22. BANAWE BRANCH – CBC Bldg., 680 Banawe Ave., Sta.Mesa Heights, District I, Quezon City*
23. BANAWE - CALAMBA BRANCH - G/F One Banawe Complex Bldg., #119 Banawe St. cor Calamba St., Brgy. Sto. Domingo, QC*
24. BEL - AIR BRANCH - 2/F Saville Bldg., 8728 Paseo de Roxas, Makati City*
25. BEL - AIR – JUPITER BRANCH – Buendia Car Exchange, Jupiter Street, Makati City*
26. BETTER LIVING SUBD. BRANCH – 128 Doña Soledad Ave., Better Living, Brgy. Don Bosco, Parañaque City*
27. BF HOMES BRANCH - Aguirre cor. El Grande Aves., United BF Homes, Parañaque City*
28. BF HOMES - AGUIRRE BRANCH – Margarita Centre, Aguirre Ave. cor. Elsie Gaches St., BF Homes, Parañaque City*
29. BF RESORT VILLAGE BRANCH - BF Resort Drive cor. Gloria Diaz St., BF Resort Village, Talon Dos, Las Piñas City*
30. BGC - ICON PLAZA BRANCH - G/F Icon Plaza Bldg., 25th cor 5th Sts. Bonifacio South, Fort Bonifacio Global City, Taguig City*
31. BGC - ONE WORLD PLACE BRANCH - G/F One World Place, 32nd Avenue, Fort Bonifacio Global City, Taguig City*
32. BGC - WORLD PLAZA BRANCH- G/F World Plaza, L4B5 E-Square Information Technology Park, Crescent Park West, 5th Avenue, Bonifacio Global City, Taguig City *
33. BGC – W TOWER - G/F W Tower, 39th St., North Bonifacio Triangle, Fort Bonifacio Global City, Taguig City,1634*
34. BINANGONAN BRANCH - National Highway, Bo. Tagpos, Binangonan, Rizal*
35. BLUMENTRITT BRANCH - 1777-1781 Cavite cor. Leonor Rivera St., Blumentritt, Sta. Cruz, Manila*
36. BO. KAPITOLYO BRANCH - G/F P&E Bldg., 12 United cor. First Sts., Bo. Kapitolyo, Pasig City*
37. BONNY SERRANO BRANCH – G/F Greenhills Garden Square, 297 Col. Bonny Serrano Ave., Bagong Lipunan ng Crame, QC*
38. CAINTA BRANCH - CBC Bldg, F.P. Felix Ave., Brgy. San Isidro, Cainta, Rizal*
39. CAINTA - POBLACION BRANCH- A. Bonifacio Ave., Poblacion, Brgy. Sto. Domingo, Cainta, Rizal*
40. CAPITOL HILLS BRANCH - G/F Design Pro Bldg., Capitol Hills, Old Balara, Quezon City*
41. CENTURY CITY – KNIGHTS BRIDGE BRANCH - Unit 17 & 18 Knightsbridge Residences, Century City, Kalayaan Ave. Makati City*
42. CIRCUIT MAKATI BRANCH – Level 3, Ayala Mall, Circuit Makati, Hippodromo St., Brgy. Carmona, Makati City*
43. COMMONWEALTH AVE. BRANCH - LGF Ever Gotesco Mall, Commonwealth Ave. cor. Don Antonio Road, QC*
44. COMMONWEALTH AVE. EXTENSION – CASA MILAN BRANCH- ALX Center Building, Commonwealth Ave. Ext., Brgy. North Fairview, Quezon City*
45. CONGRESSIONAL AVENUE BRANCH – G/F Unit C, The Arete Square, Congressional Ave., Project 8, Quezon City*
46. CONGRESSIONAL AVE. EXTENSION – MIRA NILA BRANCH - CBC Building, #71 Lot 28 Blk 2 Mira Nila Homes, Congressional Ave. Ext., Quezon City*
47. CORINTHIAN HILLS BRANCH - G/F The Clubhouse, Corinthian Hills, Temple Drive, Brgy. Ugong Norte, Quezon City*
48. CUBAO - ARANETA BRANCH – Level 2, Ali Mall, Araneta Center, Cubao, Quezon City*
49. CUBAO - AURORA BRANCH - 911 Aurora Boulevard Extension cor. Miami St., Cubao, Quezon City
50. CUBAO - P. TUAZON BRANCH - No. 287 P. Tuazon Ave. near corner 18th Avenue, Brgy. San Roque, Cubao, Quezon City*
51. CULIAT- TANDANG SORA BRANCH - G/F Royal Midway Plaza, No. 419, Tandang Sora Ave. Brgy. Culiat, 1128 QC*

52. D. TUAZON BRANCH - 148 D. Tuazon St., Brgy. Lourdes, Sta. Mesa Heights, Quezon City*
53. DAMAR VILLAGE BRANCH – The Clubhouse, Damar Loop, Damar Village, Quezon City*
54. DASMARIÑAS VILLAGE BRANCH – 2283 Pasong Tamo Ext. cor. Lumbang St., Makati City*
55. DEL MONTE AVENUE BRANCH – No. 497 Del Monte Ave., Brgy. Manresa, Quezon City*
56. DEL MONTE - MATUTUM BRANCH – No. 202 Del Monte Ave. near cor. Matutum St., Brgy. St. Peter, Quezon City*
57. DILIMAN – MATALINO BRANCH – J&L Building, #23 Matalino Street, Brgy. Central, Diliman, Quezon City*
58. DIVISORIA - STA. ELENA BRANCH - Unit G22 New Divisoria Condominium Ctr., 632 Sta. Elena St., Binondo, Manila
59. DON ANTONIO BRANCH - G/F Royale Place, Don Antonio Ave., Old Balara, Quezon City*
60. EASTWOOD CITY BRANCH – Unit D, Techno Plaza One, Eastwood City Cyberpark, E. Rodriguez Jr. Ave., (C-5) Bagumbayan, QC*
61. EDSA - KALOOKAN BRANCH - No. 531 EDSA near cor. Biglang Awa St., Kalookan City*
62. EDSA - PHILAM BRANCH - 917 EDSA, Brgy. Philam, Quezon City*
63. EDSA - TIMOG AVE. BRANCH - G/F Richwell Corporate Center, 102 Timog Ave., Brgy. Sacred Heart, Quezon City*
64. ELCANO BRANCH – G/F Elcano Tower, Elcano St., San Nicolas, Manila
65. E. RODRIGUEZ - ACROPOLIS BRANCH - G/F Suncrest Building, 82 E. Rodriguez Jr. Ave., Bagumbayan, Quezon City*
66. E. RODRIGUEZ - CORDILLERA BRANCH - 291 E. Rodriguez Sr. Blvd., Brgy. Doña Josefa, Quezon City*
67. E. RODRIGUEZ - HILLCREST BRANCH – No. 402 E. Rodriguez Sr. Blvd., Cubao, Quezon City*
68. E. RODRIGUEZ SR. BLVD. BRANCH - CBC Bldg., #286 E. Rodriguez Sr. Blvd., Brgy. Damayang Lagi, Quezon City*
69. ERMITA BRANCH – G/F Ma. Natividad Bldg., #470 T. M. Kalaw cor. Cortada Sts., Brgy. 666, Ermita, Manila*
70. ESPAÑA BRANCH - España cor. Valencia Sts., Sampaloc, Manila*
71. EVANGELISTA BRANCH – 1748 AMV Building, Evangelista cor. Gen Estrella Sts., Bangkal, Makati City*
72. EXAMINER BRANCH - No. 1525 Quezon Ave. cor. Examiner St., West Triangle, Quezon City*
73. FAIRVIEW BRANCH - G/F Angelenix House, Commonwealth Ave. cor. Camaro Sts., Fairview Park Subdivision, Fairview, Quezon City*
74. FAIRVIEW TERRACES BRANCH - LGF Fairview Terraces, Quirino Hiway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches, QC*
75. FILINVEST CORPORATE CITY BRANCH - G/F Wilcon Depot, Alabang- Zapote Rd cor. Bridgeway Ave., Filinvest Corp City, Alabang, Muntinlupa City*
76. FILINVEST CORP. CITY – COMMERCENTER BRANCH - G/F Commercenter Bldg., Commerce Ave. cor. Filinvest Ave., Filinvest Corp City, Alabang, Muntinlupa City
77. FILINVEST CORP. CITY - NORTHGATE BRANCH - G/F Aeon Centre Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City*
78. FIVE E - COM CENTER BRANCH - G/F Five E-com Center, Harbor Drive, MOA Complex, Pasay City*
79. FORT BONIFACIO GLOBAL CITY BRANCH – G/F Marajo Tower, 26th St. cor. 4th Avenue, Fort Bonifacio Global City, Taguig City*
80. GEN. LUIS - KATIPUNAN-CBC Building, Gen. Luis St. corner Katipunan SB Road, Brgy. Nagkaisang Nayon, Novaliches, Quezon City*
81. GIL PUYAT AVENUE BRANCH - Mitsu Bldg., No. 65 Sen. Gil Puyat Ave., Brgy. Palanan, Makati City*
82. GIL PUYAT - ELIZABETH PLACE BRANCH - G/F Elizabeth Place Condominium, 322 H.V. Dela Costa St., Brgy. Bel-Air, Makati City*
83. GIL PUYAT - REPOSO BRANCH - 331 Sen. Gil Puyat Ave., Brgy. Bel-Air, Makati City*
84. GREENBELT 1 BRANCH - G/F Greenbelt 1, Legaspi St. near cor. Paseo de Roxas, San Lorenzo, Makati City*
85. GREENHILLS BRANCH - G/F Gift Gate Bldg., Greenhills Shopping Center, San Juan City, Metro Manila**
86. GREENHILLS – ANNAPOLIS BRANCH – Mercedes 1 Condominium, Annapolis St., Greenhills, San Juan City*
87. GREENHILLS - CONNECTICUT BRANCH - 101 Missouri Square Bldg., Missouri cor. Connecticut St., Northeast Greenhills, San Juan City*
88. GREENHILLS - ORTIGAS BRANCH – CBC Bldg., 14 Ortigas Ave. Greenhills, San Juan City, Metro Manila*
89. HEROES HILLS BRANCH – Quezon Ave. cor. J. Abad Santos St., Heroes Hills, Brgy. Sta. Cruz, Quezon City*
90. HOLY SPIRIT DRIVE BRANCH - CBC Building Lot 18 Block 6 Holy Spirit Drive, Don Antonio Heights, Brgy. Holy Spirit, Quezon City*
91. ILAYA BRANCH - #947 APL-YSL Bldg., Ilaya, Tondo, Manila
92. INTRAMUROS BRANCH - Sitio Grande, No. 409 A. Soriano Ave., Intramuros, Manila*
93. J. ABAD SANTOS AVENUE BRANCH - 2159 J. Abad Santos Ave. cor. Batangas St., Tondo, Manila*
94. J. ABAD SANTOS AVE. – QUIRICADA BRANCH - #1714 J. Abad Santos Ave. near corner Quiricada Street, Brgy. 252, Tondo, Manila*
95. JUAN LUNA BRANCH – G/F Aclem Bldg., 501 Juan Luna St., Binondo, Manila*
96. KALAYAAN AVE. BRANCH – G/F PPS Bldg., Kalayaan Ave., Quezon City*
97. KALOOKAN - 8TH AVE.BRANCH - No. 279 Rizal Ave. cor, 8th Ave., Grace Park, Kalookan City*
98. KALOOKAN - 10TH AVE. BRANCH - No. 275 10th Ave. corner 3rd Street, Grace Park, Kalookan City*
99. KALOOKAN BRANCH - CBC Bldg., 167 Rizal Ave. Extension, Grace Park, Kalookan City*
100. KALOOKAN - CAMARIN BRANCH – L8B4 La Forteza Subd., Brgy. 175, Camarin, Kalookan City*
101. KALOOKAN - MONUMENTO BRANCH – CBC Bldg., 779 McArthur Highway, District 2, Brgy. 78. Kalookan City*
102. KAMIAS BRANCH – G/F CRM Bldg., 116 Kamias Road cor. Kasing-Kasing St., Quezon City*
103. KAMUNING BRANCH - SKY47 Bldg., #47 Kamuning Road, Quezon City*
104. KARUHATAN BRANCH – No. 253-B McArthur Highway cor, Bizotte St., Karuhatan, Valenzuela City*

105. KATIPUNAN AVE. – LOYOLA HEIGHTS BRANCH – GF Elizabeth Hall Bldg., Katipunan Ave., Loyola Heights, QC*
106. KATIPUNAN AVE.- ST. IGNATIUS BRANCH – CBC Bldg., No. 121 Katipunan Ave., Brgy. St. Ignatius, Quezon City*
107. LAGRO BRANCH - CBC Building, Lot 32 Blk 125, Quirino Highway, Greater Lagro, Quezon City*
108. LAS PIÑAS BRANCH - CBC Bldg., Alabang-Zapote Road cor. Aries St., Pamplona Park Subd., Las Piñas City*
109. LAS PIÑAS - MANUELA BRANCH – CBC Bldg., Alabang-Zapote Road cor. Philamlife Ave., Pamplona Dos, Las Piñas City*
110. LAS PIÑAS - MARCOS ALVAREZ BRANCH - Metro Towne Center, 2020 Marcos Alvarez Ave., Talon V, Moonwalk, Las Piñas City*
111. LAS PIÑAS – NAGA ROAD BRANCH - Lot 3, Naga Road, Pulanglupa2, Las Piñas City*
112. LAVEZARES BRANCH - 412 Lavezares Street, San Nicolas, Manila*
113. LEGASPI VILLAGE - AIM BRANCH - G/F Cacho-Gonzales Bldg, 101 Aguirre cor. Trasierra Sts., Legaspi Vill., Makati City*
114. LEGASPI VILLAGE - AMORSOLO BRANCH - G/F CAP Bldg., Herrera cor. Amorsolo Sts., Legaspi Village, Makati City*
115. LEGASPI VILLAGE - C. PALANCA BRANCH - Suite A, G/F Basic Petroleum Bldg., 104 C. Palanca Jr. St., Legaspi Village, Makati City*
116. LEGASPI VILLAGE – ESTEBAN BRANCH - G/F PPI Bldg., No. 109 Esteban St., Legaspi Village, Makati City*
117. LEGASPI VILLAGE - PEREA BRANCH - G/F Greenbelt Mansion, 106 Perea St., Legaspi Village, Makati City*
118. LEGASPI VILLAGE - SALCEDO BRANCH - G/F Fedman Suites, 199 Salcedo St., Legaspi Village, Makati City*
119. M. DELA FUENTE – TRABAJO MARKET BRANCH – #771 M. Dela Fuente St., Sampaloc, Manila*
120. MACAPAGAL AVE. – ASEANA SQUARE BRANCH - Aseana Square (Caltex Area), D. Macapagal Ave., Aseana City, Brgy. Tambo, Parañaque City*
121. MACAPAGAL AVE. – BIOPOLIS BRANCH - G/F The Biopolis, Central Business Park, 1-A Diosdado Macapagal Avenue, Pasay City*
122. MACAPAGAL AVE. – DOUBLE DRAGON BRANCH – G/F Phase 1, DD Meridian Park Plaza, Macapagal Ave. cor. EDSA Ext., Pasay City*
123. MAGALLANES VILLAGE BRANCH – G/F DHI Bldg., No. 2 Lapu-Lapu Ave. cor. EDSA, Magallanes Village, Magallanes, Makati City*
124. MAKATI AVENUE BRANCH - G/F CBC Bldg., Makati Ave. cor. Hercules St., Bel-Air Village, Brgy. Bel-Air, Makati City*
125. MAKATI – COMEMBO BRANCH – F & V Bldg., No. 46 JP Rizal Ext., Brgy. Comembo, Makati City*
126. MAKATI - JP RIZAL BRANCH – GF Casa Catalina Bldg., JP Rizal corner Honradez Streets, Brgy. Olympia, Makati City*
127. MAKATI - KALAYAAN AVE. BRANCH - Kalayaan Avenue,, Makati City*
128. MALABON - CONCEPCION BRANCH - Gen. Luna cor. Paez Sts., Concepcion, Malabon City*
129. MALABON - GOV. PASCUAL BRANCH – CBC Bldg., Gov. Pascual Ave., Brgy. Acacia, Malabon City*
130. MALABON - POTRERO BRANCH - CBC Bldg., McArthur Highway, Potrero, Malabon*
131. MALANDAY BRANCH - CBC Bldg. McArthur Highway, Malanday, Valenzuela City*
132. MANDALUYONG - BONI AVE. BRANCH - G/F VOS Bldg. Boni Ave. cor. San Rafael St., Plain View, Mandaluyong City*
133. MANDALUYONG BONI – SAN ROQUE BRANCH - #768 Bonifacio Ave. cor. San Roque St., Brgy. Barangka Ilaya, Mandaluyong City*
134. MANDALUYONG - D. GUEVARA BRANCH - Libertad Plaza, #19 Domingo Guevara St., Highway Hills, Mandaluyong City*
135. MANDALUYONG - PIONEER BRANCH - UG-05 Globe Telecom Plaza Tower I, Pioneer St., Brgy. Ilaya, Mandaluyong City*
136. MANILA - MACEDA BRANCH – M. Daguman Bldg., A. Maceda St., Sampaloc Manila*
137. MARIKINA - FAIRLANE BRANCH – G/F E & L Patricio Bldg., No. 809 J.P. Rizal Ave., Concepcion Uno, Marikina City*
138. MARIKINA - GIL FERNANDO BRANCH - Block 9 Lot 14 Gil Fernando Ave., Marikina City*
139. MARIKINA - SSS VILLAGE BRANCH - Lilac corner Rainbow Sts., Rancho Estate IV, Concepcion Dos, Marikina City*
140. MARIKINA - STA. ELENA BRANCH - 250 J.P. Rizal St., Sta. Elena, Marikina City*
141. MASANGKAY BRANCH - 959-961 G. Masangkay St., Binondo, Manila*
142. MASANGKAY - LUZON BRANCH – 1192 G. Masangkay St., Tondo, Manila*
143. MAYON BRANCH – 480 Mayon St., Sta. Mesa Heights, Quezon City *
144. MINDANAO AVE. BRANCH - G/F LJC Building, 189 Mindanao Ave., Bahay Toro, Quezon City*
145. MUNTINLUPA - PUTATAN BRANCH - G/F Teknikos Bldg., National Highway, Brgy. Putatan, Muntinlupa City*
146. N. DOMINGO BRANCH – G/F The Main Place, No.1 Pinaglabanan cor. N. Domingo Sts., San Juan City*
147. NAVOTAS BRANCH - No. 500 M. Naval St. near cor. Lacson St. Brgy. North Bay Blvd. North (NBBN), Navotas City*
148. NOVALICHES - GULOD BRANCH – 858 Krystle Building, Quirino Highway, Gulod, Novaliches, Quezon City*
149. NOVALICHES - SANGANDAAN BRANCH – CBC Bldg., Quirino Highway cor. Tandang Sora Ave., Brgy. Sangandaan, Novaliches, QC*
150. NOVALICHES - STA. MONICA BRANCH - G/F E & V Bldg., Quirino Highway corner Dumalay St., Novaliches, Quezon City*
151. NOVALICHES - TALIPAPA BRANCH - 528 Copengco Bldg., Quirino Highway, Talipapa, Novaliches, Quezon City*
152. NOVALICHES - ZABARTE – G/F C.I. Bldg 1151 Quirino Highway cor. Zabarte Road, Brgy. Kaligayahan, Novaliches, Quezon City*
153. NUEVA BRANCH – Unit Nos. 557 & 559 G/F Ayson Bldg., Yuchengco St., Binondo, Manila*
154. ONGPIN BRANCH - G/F Se Jo Tong Bldg., 814 & 816 Ongpin St., Brgy. 297, Sta. Cruz, Manila*
155. OROQUIETA BRANCH – No. 1225 Oroquieta St., Sta. Cruz, Manila*
156. ORTIGAS - ADB AVE. BRANCH - LGF Cityland Mega Plaza Bldg., ADB Ave. cor. Garnet Road, Ortigas Center, Brgy. San Antonio, Pasig City*

157. ORTIGAS AVE. EXT. - RIVERSIDE BRANCH – Unit 2-3 Riverside Arcade, Ortigas Ave Ext. cor. Riverside Drive, Brgy. Sta. Lucia, Pasig City*
158. ORTIGAS CENTER BRANCH - Unit 101 Parc Chateau Condominium Onyx cor. Sapphire Sts, Ortigas Center, Pasig City*
159. ORTIGAS COMPLEX BRANCH - G/F Padilla Bldg., F. Ortigas Jr. Road, Ortigas Center, Brgy. San Antonio, Pasig City*
160. ORTIGAS - JADE DRIVE BRANCH - Unit G-03, Antel - Global Corporate Center, Jade Drive, Ortigas Center, Brgy. San Antonio, Pasig*
161. ORTIGAS - TEKTITE BRANCH- Unit EC-06B PSE Center (Tektite), Exchange Road, Ortigas Center, Pasig City*
162. PACO BRANCH – Gen. Luna cor. Escoda St., Paco, Manila*
163. PACO - ANGEL LINAO BRANCH - Unit 1636 & 1638 Angel Linao St. Paco, Manila*
164. PACO - OTIS BRANCH – G/F Union Motor Corporation Bldg., 1760 Dra. Paz Guanzon St., Paco, Manila*
165. PADRE FAURA BRANCH - G/F Regal Shopping Center, A. Mabini cor. Padre Faura Sts., Ermita, Manila*
166. PARAÑAQUE - BACLARAN BRANCH - Quirino Avenue cor. Aragon St., Baclaran, Parañaque City*
167. PARAÑAQUE - MOONWALK BRANCH – Milky Way St. cor. Armstrong Avenue, Moonwalk Village, Brgy. Moonwalk, Parañaque City*
168. PARAÑAQUE - NAIA BRANCH- Ninoy Aquino Ave., Brgy. San Dionisio, Parañaque City*
169. PARAÑAQUE - SAN ANTONIO VALLEY BRANCH - San Antonio Shopping Center, San Antonio Road, Brgy. San Antonio Valley 1, Parañaque City*
170. PARAÑAQUE - SUCAT BRANCH - No. 8260 Dr. A. Santos Ave., Brgy. San Isidro, Parañaque City*
171. PASAY - LIBERTAD BRANCH – CBC Bldg., 184 Libertad St., Antonio Arnaiz Ave., Pasay City*
172. PASAY - ROXAS BLVD. BRANCH - GF Unit G-01 Antel Seaview Towers, 2626 Roxas Blvd., Pasay City*
173. PASIG - A. MABINI BRANCH - A. Mabini Street, Brgy. Kapasigan, Pasig City*
174. PASIG - C. RAYMUNDO BRANCH – G/F MicMar Apartments No. 6353 C. Raymundo Ave., Brgy. Rosario, Pasig City*
175. PASIG - DELA PAZ BRANCH- Amang Rodriguez Avenue, Brgy. Dela Paz, Pasig City*
176. PASIG - MERCEDES BRANCH - Commercial Motors Corp. Compound., Mercedes Ave., Brgy. San Miguel, Pasig City**
177. PASIG - SAN JOAQUIN BRANCH - No. 43 M. Concepcion Ave., San Joaquin, Pasig City*
178. PASIG - SANTOLAN BRANCH - G/F Felmarc Business Center, Amang Rodriguez Ave., Santolan, Pasig City*
179. PASIG - SM SUPERCENTER BRANCH – G/F SM Supercenter Pasig, Frontera Drive, C-5, Brgy. Ugong, Pasig City*
180. PASIG - VALLE VERDE BRANCH - G/F Reliance IT Center, E. Rodriguez Jr. Ave., Ugong, Pasig City*
181. PASO DE BLAS BRANCH – G/F CYT Bldg., No 178 Paseo de Blas, Valenzuela City*
182. PASONG TAMO - BAGTIKAN BRANCH – G/F Trans-Phil House, 1177 Chino Roces Ave. cor. Bagtikan St., Makati City*
183. PASONG TAMO - CITYLAND BRANCH - Units UG29-UG32 Cityland Pasong Tamo Tower, 2210 Pasong Tamo St., Makati City*
184. PASONG TAMO - LA FUERZA- La Fuerza Plaza 1, Chino Roces Ave., Makati City*
185. PATEROS BRANCH - G/F Adela Bldg., M. Almeda St., Brgy. San Roque, Pateros*
186. PHILAM BRANCH - #8 East Lawin Drive, Philam Homes, Quezon City*
187. PROJECT 8 - SHORTHORN – CBC Bldg., 43 Shorthorn Street, Bahay Toro, Project 8, Quezon City*
188. PUREZA BRANCH – G/F Solicarel Building, Ramon Magsaysay Blvd. near corner Pureza St., Sta. Mesa, Manila
189. QUEZON AVE. BRANCH - G/F G&D Bldg., No. 18 Quezon Ave. cor. D. Tuazon St., Brgy. Doña Josefa, Quezon City*
190. QUIAPO BRANCH - 216-220 Villalobos St., Quiapo, Manila
191. REGALADO AVE. - CBC Building, #34 Regalado Ave., North Fairview, Quezon City*
192. REGALADO AVE. – WEST FAIRVIEW – CBC Building, Regalado Ave. corner Bulova St., Quezon City*
193. RIZAL - ANGONO - Lot 3 Blk. 4 M.L Quezon Ave., Richmond Subd., Angono, Rizal*
194. RIZAL - SAN MATEO BRANCH - #63 Gen. Luna corner Simon St., Banaba, San Mateo, Rizal*
195. ROCKWELL – ORTIGAS BRANCH - G/F Tower 1, Rockwell Business Center, Ortigas Avenue, Pasig City
196. ROOSEVELT AVE. BRANCH - CBC Bldg., #293 Roosevelt Ave., San Francisco Del Monte, Quezon City*
197. ROOSEVELT AVE. – FRISCO BRANCH - G/F Norita Bldg., #51 H. Francisco St. corner Roosevelt Ave., Brgy. Paraiso, QC*
198. SALCEDO VILLAGE - LP LEVISTE BRANCH - Unit 1-B G/F The Athenaeum – #160 LP Leviste St., Salcedo Village, Brgy. Bel-Air, Makati City*
199. SALCEDO VILLAGE - TORDESILLAS BRANCH - G/F Prince Tower Condominium, 14 Tordesillas St., Salcedo Village, Makati City*
200. SALCEDO VILLAGE - VALERO BRANCH - G/F Valero Tower, 122 Valero St., Salcedo Village, Makati City*
201. SALES - RAON BRANCH – 611 Sales St., Quiapo, Manila*
202. SAN ANTONIO VILLAGE - KAMAGONG BRANCH - Kamagong near corner St. Paul Streets, San Antonio Vill., Makati City*
203. SAN ANTONIO VILLAGE - P. OCAMPO BRANCH - JM Macalino Auto Center, P. Ocampo Street cor. Dungon St., San Antonio Village, Makati*
204. SAN JUAN - J. ABAD SANTOS BRANCH - Unit 3 Citiplace Bldg., 8001 Jose Abad Santos St., Little Baguio, San Juan City*
205. SAN JUAN BRANCH 17 F. Blumentritt St., San Juan, Metro Manila*
206. SCT. BORROMEO BRANCH - G/F The Forum Building, 71- A Sct. Borromeo St., Diliman, Quezon City*
207. SCT. CHUATOCO BRANCH - Estuar Building, No.880 Quezon Ave., Brgy. Paligsahan, Quezon City
208. SHAW - HAIG BRANCH – G/F First of Shaw Bldg, Shaw Blvd, cor. Haig St, Mandaluyong City*
209. SHAW-PASIG BRANCH - G/F RCC Center, No. 104 Shaw Boulevard, Pasig City*

210. SHAW-SUMMIT ONE BRANCH - Unit 102 Summit One Office Tower, 530 Shaw Boulevard, Mandaluyong City*
211. SM AURA PREMIER BRANCH – LGF SM Aura Premier, McKinley Parkway, Fort Bonifacio Global City, Taguig City*
212. SM CITY BF PARAÑAQUE BRANCH - G/F SM City BF Parañaque, Dr. A. Santos Ave. cor. President's Ave., BF Homes, Parañaque City*
213. SM CITY BICUTAN BRANCH - LGF Bldg. B, SM City Bicutan Doña Soledad Ave. cor. West Service Road, Parañaque City**
214. SM CITY FAIRVIEW BRANCH – LGF SM City Fairview, Quirino Ave. cor. Regalado Ave. Fairview, Quezon City*
215. SM CITY MARIKINA BRANCH – G/F SM City Marikina, Marcos Highway, Brgy. Calumpang, Marikina City*
216. SM CITY MASINAG BRANCH – LGF SM City Masinag, Marcos Highway, Brgy. Mayamot Antipolo City, Rizal*
217. SM CITY SAN LAZARO BRANCH - UGF (Units 164-166) SM City San Lazaro, Felix Huertas St. cor. A.H. Lacson Ext., Sta. Cruz, Manila*
218. SM CITY TAYTAY BRANCH - Unit 147 Bldg. B, SM City Taytay, Manila East Road, Brgy. Dolores, Taytay, Rizal*
219. SM MALL OF ASIA BRANCH - G/F Main Mall Arcade, SM Mall of Asia, Bay Blvd., Pasay City**
220. SM MEGAMALL BRANCH - LGF Bldg. A, SM Megamall, E. delos Santos Ave. cor. Julia Vargas St., Mandaluyong City*
221. SM NORTH EDSA BRANCH – GF Cyberzone Carpark Bldg., SM City North Ave cor. EDSA, Quezon City*
222. SM NORTH TOWERS BRANCH – SM City North EDSA North Towers, SM City North EDSA Complex, Quezon City*
223. SM SOUTHMALL BRANCH – UGF SM Southmall, Alabang-Zapote Road, Almanza Uno, Las Piñas City *
224. SOLEMARE BRANCH - G-11 Solemare Parksuites, 5A Bradco Avenue, Aseana Business Park, Parañaque City*
225. SOLER - 168 BRANCH – G/F R&S Bldg., Soler St., Binondo, Manila*
226. SOUTH TRIANGLE BRANCH - G/F Sunshine Blvd. Plaza, Quezon Ave. cor. Sct. Santiago and Panay Ave., Bgry. South Triangle, Quezon City*
227. STA. MESA BRANCH - 1-B G. Araneta Avenue, Brgy.Doña Imelda, Quezon City*
228. STO. CRISTO BRANCH – E-Square Bldg., 622 Sto. Cristo St. Binondo, Manila
229. STO. CRISTO – CM RECTO BRANCH – 858 Sto. Cristo Street, San Nicolas, Manila
230. STO. DOMINGO AVE. BRANCH – GF JRich Holdings Bldg., Sto. Domingo Ave., Brgy. Sto. Domingo, Quezon City*
231. T. ALONZO BRANCH – Anttan Residences, 908 T. Alonzo cor. Espeleta Sts., Brgy. 298, Sta. Cruz, Manila*
232. TAFT AVE. - NAKPIL BRANCH – G Square Taft Ave. corner Nakpil St., Malate, Manila*
233. TAFT AVE. - QUIRINO BRANCH – The Gregorian Bldg., 2178 Taft Ave. near cor. Quirino Ave., Malate, Manila*
234. TANDANG SORA - VISAYAS AVE. BRANCH - #250 Tandang Sora Ave., Brgy. Tandang Sora, Quezon City*
235. TAYTAY - ORTIGAS EXTENSION BRANCH- The Gate, Baltao Compound, Ortigas Ave. Ext., San Isidro Taytay, Rizal*
236. TAYTAY - SAN JUAN BRANCH - Velasquez St., Sitio Bangiad, Brgy. San Juan, Taytay, Rizal*
237. TIMOG AVE. BRANCH - G/F Prince Jun Condominium, 42 Timog Ave., Quezon City*
238. TOMAS MAPUA - LAGUNA BRANCH - CBC Building, Tomas Mapua St., Sta. Cruz, Manila*
239. TOMAS MORATO - E. RODRIGUEZ BRANCH – #42 Metrofocus Bldg., Tomas Morato Avenue, Brgy. Kristong Hari, Quezon City*
240. TOMAS MORATO EXTENSION BRANCH – G/F QY Bldg., Tomas Morato Avenue, Brgy. South Triangle, Quezon City*
241. TRINOMA BRANCH - Unit P002, Level P1, Triangle North of Manila, North Ave. cor. EDSA, Brgy. Pag-asa, Quezon City*
242. TUTUBAN PRIME BLOCK BRANCH - Rivera Shophouse, Podium Area, Tutuban Center Prime Block, C.M. Recto Ave. cor. Rivera St., Manila*
243. UP TECHNO HUB BRANCH – UP Ayala Land Techno Hub, Commonwealth Ave., Quezon City*
244. UP VILLAGE – MAGINHAWA BRANCH - LTR Bldg, No. 46 Maginhawa St., UP Village, Quezon City*
245. V. LUNA BRANCH - G/F AGGCT Bldg. No. 32 V. Luna cor Matapat Sts., Brgy. Pinyahan, Quezon City**
246. VALENZUELA BRANCH – CBC Bldg., McArthur Highway cor. V. Cordero St., Marulas, Valenzuela City*
247. VALENZUELA - GEN. LUIS BRANCH – AGT Bldg., 425 Gen. Luis St., Paso de Blas, Valenzuela City*
248. VALENZUELA – MALINTA BRANCH MacArthur Highway, Brgy. Malinta, Valenzuela City*
249. VISAYAS AVE. BRANCH – CBC Bldg., Visayas Ave. cor. Congressional Ave. Ext., Quezon City*
250. WEST AVE. BRANCH - 82 West Ave., Brgy. Philam, Quezon City*
251. XAVIERVILLE BRANCH – G/F Lexington Condominium, 65 Xavierville Ave., Loyola Heights, Quezon City*

Provincial Branches

1. ALBAY BRANCH - Rizal St. cor. Gov. Reynold Street, Old Albay District, Legazpi City, Albay*
2. ANGELES CITY BRANCH – CBC Bldg., 949 Henson St., Angeles City, Pampanga*
3. ANGELES CITY – BALIBAGO BRANCH - Diamond Square Bldg., Service Road McArthur Highway cor. Charlotte St., Balibago, Angeles City, Pampanga*
4. ANGELES CITY - MARQUEE MALL BRANCH – G/F Marquee Mall, Angeles City, Pampanga*
5. ANGELES - MCARTHUR HIGHWAY BRANCH – CBC Bldg., San Pablo St. cor. McArthur Highway, Brgy. CM Recto, Angeles City, Pampanga*
6. ANGELES - STO. ROSARIO BRANCH – Angeles Business Center Bldg., Teresa Ave., Nepo Mart Complex, Angeles City, Pampanga*

7. ANTIQUE - SAN JOSE BRANCH - Felrosa Bldg., Gen. Fullon St. cor. Cerdena St., San Jose, Antique*
8. APALIT BRANCH – CBC Bldg., McArthur Highway, San Vicente, Apalit, Pampanga*
9. BACOLOD - ARANETA BRANCH - CBC Bldg., Araneta cor. San Sebastian Sts., Bacolod City, Negros Occidental*
10. BACOLOD - LACSON BRANCH- GF Soliman Bldg., Lacson corner Luzuriaga Sts., Brgy. 29, Bacolod City, Negros Occidental*
11. BACOLOD - LIBERTAD BRANCH - Libertad St., Brgy. 40, Bacolod City, Negros Occidental*
12. BACOLOD – MANDALAGAN BRANCH – Azotea Bldg., Lacson St., Mandalagan, Bacolod City, Negros Occidental*
13. BACOLOD - NORTH DRIVE BRANCH – Unit 1, Anesa Bldg., B.S. Aquino Drive, Brgy. Villamonte, Bacolod City, Negros Occidental*
14. BAGUIO CITY BRANCH - G/F Juniper Bldg., A. Bonifacio St., Brgy. ACBR, Baguio City, Benguet*
15. BAGUIO CITY - ABANAO BRANCH – G/F Paladin Hotel, No. 136 Abanao Ext. cor. Cariño St., Baguio City, Benguet*
16. BALANGA CITY BRANCH - G/F Dilig Bldg., Don Manuel Banzon St., Balanga City, Bataan*
17. BALER BRANCH – Quezon St., Barrio Suklayain, Baler, Aurora**
18. BALIWAG BRANCH – Km. 51, Doña Remedios Trinidad (DRT) Highway, Baliwag Bulacan*
19. BATAAN - DINALUPIHAN BRANCH – GNI Building, San Ramon Highway corner Doña Rosa Street and Mabini Ext., Dinalupihan, Bataan*
20. BATANGAS CITY BRANCH - P. Burgos St., Brgy. 10, Poblacion, Batangas City, Batangas*
21. BATANGAS CITY – KUMINTANG ILAYA BRANCH – CBC Building, Brgy. Kumintang Ilaya, Batangas City, Batangas*
22. BATANGAS - BALAYAN BRANCH - CBC Building, Barrio Ermita, Balayan, Batangas*
23. BATANGAS - BAUAN BRANCH - 62 Kapitan Ponso St., Bauan, Batangas*
24. BATANGAS – LEMERY BRANCH – Miranda Bldg., Ilustre Ave. Lemery, Batangas*
25. BATANGAS - ROSARIO BRANCH - Dr. Gualberto Ave., Brgy. Namunga, Rosario, Batangas*
26. BATANGAS – SAN JUAN BRANCH – Rizal St. near corner Gen. Luna St., Poblacion, San Juan, Batangas*
27. BATANGAS - TANAUAN BRANCH - J.P Laurel Highway, Tanauan City, Batangas*
28. BAYBAY CITY BRANCH – Magsaysay Ave., Baybay City, Leyte*
29. BORONGAN BRANCH – Balud II, Poblacion Borongan, Eastern Samar*
30. BULACAN - BALAGTAS BRANCH – Dr. A Bldg. II, McArthur Highway, Brgy. San Juan, Balagtas, Bulacan*
31. BULACAN – GUIGUINTO BRANCH – CBC Building, Cagayan Valley Road, Brgy. Sta. Rita, Guiguinto, Bulacan*
32. BULACAN - PLARIDEL BRANCH - CBC Building, Cagayan Valley Road, Plaridel, Bulacan*
33. BULACAN - STA. MARIA BRANCH - J.P Rizal cor. C. De Guzman St., Poblacion, Sta. Maria, Bulacan*
34. BUTUAN CITY BRANCH - CBC Building, J.C. Aquino Avenue, Butuan City, Agusan del Norte*
35. CABANATUAN CITY BRANCH - Melencio cor. Sanciangco Sts. Cabanatuan City, Nueva Ecija*
36. CABANATUAN - MAHARLIKA BRANCH – CBC Bldg., Maharlika Highway, Brgy. Dicarma, Cabanatuan City, Nueva Ecija*
37. CAGAYAN DE ORO - CARMEN BRANCH - G/F GT Realty Bldg., Max Suniel St. cor. Yakal St., Carmen, Cagayan De Oro City, Misamis Oriental*
38. CAGAYAN DE ORO - DIVISORIA BRANCH - RN Abejuela St., South Divisoria, Cagayan de Oro City, Misamis Oriental*
39. CAGAYAN DE ORO - GAISANO CITY MALL BRANCH - G/F Gaisano City Mall, C. M. Recto Ave. cor. Corrales Ext., Cagayan De Oro City, Misamis Oriental*
40. CAGAYAN DE ORO - LAPASAN BRANCH - CBC Bldg, Claro M. Recto Ave., Lapasan, Cagayan de Oro City, Misamis Oriental*
41. CAGAYAN DE ORO - PUERTO BRANCH - Luis A.S. Yap Building, Sayre Highway, Zone 6, Brgy. Puerto, Cagayan De Oro City, Misamis Oriental*
42. CALAPAN BRANCH – J.P. Rizal St., San Vicente, Calapan City, Oriental Mindoro*
43. CALBAYOG BRANCH - Cajurao cor. Gomez Sts., Balud, Calbayog Dist., Calbayog City, Samar*
44. CAMALANIUGAN BRANCH - CBC Building, National Highway, Brgy. Dugo, Camalaniugan, Cagayan*
45. CANDON CITY BRANCH - CBC Bldg., National Road, San Isidro, Candon City, Ilocos Sur*
46. CARMONA BRANCH – CBC Bldg, Paseo de Carmona, Brgy. Maduya, Carmona, Cavite*
47. CATARMAN BRANCH – Cor. Rizal & Quirino Sts, Brgy. Jose P. Rizal, Catarman, Northern Samar*
48. CATBALOGAN BRANCH - CBC Bldg. Del Rosario St. cor. Taft Ave., Catbalogan City, Samar*
49. CAUAYAN CITY BRANCH - G/F Prince Christopher Bldg. Maharlika Highway, Cauayan City, Isabela*
50. CAVITE - DASMARIÑAS BRANCH - G/F CBC Bldg., Gen. E. Aguinaldo Highway, Dasmariñas, Cavite**
51. CAVITE – GEN. TRIAS BRANCH – Lot 12 Brookeside Lane 5 Arnaldo Highway, Brgy. San Francisco, Gen. Trias City, Cavite*
52. CAVITE - IMUS BRANCH - G/F CBC Bldg., Nueno Ave., Tanzang Luma, Imus, Cavite*
53. CAVITE - MOLINO BRANCH - Patio Jacinto, Molino Road, Molino 3, Bacoor, Cavite*
54. CAVITE - ROSARIO BRANCH - G/F CBC Bldg., Gen Trias Drive, Rosario, Cavite*
55. CAVITE - SILANG BRANCH - CBC Building, J.P Rizal St., Poblacion, Silang, Cavite*
56. CAVITE - SM CITY BACOOR BRANCH - LGF SM City Bacoor Tirona Highway cor. Aguinaldo Highway Bacoor, Cavite*
57. CEBU - AYALA BRANCH - Unit 101 G/F Insular Life Cebu Business Center, Mindanao Ave. cor. Biliran Road, Cebu Business Park, Cebu City, Cebu*

58. CEBU - BANAWA BRANCH - G/F The J Block, Duterte St., Banawa, Guadalupe, Cebu City, Cebu*
59. CEBU - BANILAD BRANCH - CBC Bldg., A.S. Fortuna St., Banilad, Cebu City, Cebu*
60. CEBU – BASAK - SAN NICOLAS BRANCH – Bai Center, N. Bacalso Ave., Brgy. Basak San Nicolas, Cebu City, Cebu*
61. CEBU - BOGO BRANCH – Sim Bldg., P. Rodriguez St., Bogo City Cebu*
62. CEBU BUSINESS CENTER BRANCH – G/F Chinabank Corporate Center, Samar Loop cor. Panay Road, Cebu Business Park, Cebu City, Cebu*
63. CEBU - CARCAR BRANCH – Dr. Jose Rizal St, Poblacion I, Carcar, Cebu City, Cebu*
64. CEBU - CONSOLACION BRANCH – G/F SM City Consolacion, Brgy. Lamac, Consolacion, Cebu*
65. CEBU - ESCARIO BRANCH - Units 3 & 5, Escario Central, Escario Road, Cebu City, Cebu*
66. CEBU - F. RAMOS BRANCH – G/F Cebu Velez Hospital, 41-3 F. Ramos St., Brgy. Cogon, Cebu City, Cebu*
67. CEBU - GORORDO BRANCH – No 424, Gorordo Ave., Bo. Kamputhaw, Cebu City, Cebu*
68. CEBU - GUADALUPE BRANCH – CBC Bldg., M. Velez St., cor. V. Rama Ave., Guadalupe, Cebu City, Cebu*
69. CEBU - IT PARK BRANCH – G/F, The Link, Cebu IT Park, Apas, Cebu City, Cebu*
70. CEBU - LAHUG BRANCH - JY Square Mall, No. 1 Salinas Dr., Lahug, Cebu City, Cebu*
71. CEBU - LAPU LAPU PUSOK BRANCH - G/F Goldberry Suites, President Quezon National Highway, Pusok, Lapu-Lapu City, Cebu*
72. CEBU - LAPU LAPU CENTRO BRANCH – A. Geson Bldg., G.Y Dela Serna St., Poblacion, Lapu Lapu City, Cebu*
73. CEBU - MAGALLANES BRANCH - CBC Bldg., Magallanes cor. Jakosalem Sts., Brgy. Sto. Niño, Cebu City, Cebu*
74. CEBU - MANDAUE BRANCH – SV Cabahug Bldg., 155-B SB Cabahug St., Brgy. Centro, Mandaue City, Cebu*
75. CEBU - MANDAUE CABANCALAN BRANCH – G/F A. Geson Bldg., M.L. Quezon St., Cabancalan, Mandaue City, Cebu*
76. CEBU - MANDAUE – J. CENTRE MALL BRANCH – LGF J Centre Mall, A.S. Fortuna Ave., Bakilid Mandaue City, Cebu*
77. CEBU - MANDAUE NORTH ROAD BRANCH - G/F Basak Commercial Bldg., North Road, Tabok, Mandaue City, Cebu*
78. CEBU - MANDAUE NRA BRANCH - G/F Bai Hotel Cebu, Ouano Ave. cor. Seno Blvd, North Reclamation Area, Mandaue City, Cebu*
79. CEBU - MINGLANILLA BRANCH – Unit 9 Plaza Margarita, Lipata, Minglanilla, Cebu*
80. CEBU - NAGA BRANCH - Leah's Square, National South Highway, East Poblacion, Naga City, Cebu*
81. CEBU - SM CITY BRANCH - UGF SM City Cebu, Juan Luna cor. A. Soriano Ave., North Reclamation Area, Brgy. Mabolo, Cebu City, Cebu**
82. CEBU - SM SEASIDE CITY BRANCH - LGF SM Seaside City, Cebu South Road Properties, Mambaling, Cebu City, Cebu*
83. CEBU - SUBANGDAKU BRANCH - G/F A.D. Gothong I.T. Center, Subangdaku, Mandaue City, Cebu*
84. CEBU - TALAMBAN BRANCH - Unit UG-7 Gaisano Grand Mall Talamban, Gov. Cuenco Ave., Brgy. Talamban, Cebu City, Cebu*
85. CEBU - TALISAY BRANCH - CBC Bldg., 1055 Cebu South National Road Bulacao, Talisay City, Cebu*
86. CLARK FREEPORT ZONE BRANCH – G/F Stotsenberg Lifestyle Center, N. Aquino corner S. Osmeña & E. Jacinto Sts., , Clark Freeport Zone, Angeles City, Pampanga*
87. COTABATO CITY BRANCH - No. 76 S.K. Pendatun Ave., Cotabato City, Maguindanao*
88. DAET BRANCH – Vinzons Ave., Daet, Camarines Norte*
89. DAGUPAN - M.H.DEL PILAR BRANCH – Carried Realty Bldg., No. 28 M.H. del Pilar St., Dagupan City, Pangasinan*
90. DAGUPAN - PEREZ BRANCH – GF Siapno Bldg., Perez Boulevard, Brgy. Pogo Chico, Dagupan City, Pangasinan*
91. DAVAO - BAJADA BRANCH – B.I. Zone Bldg., J.P. Laurel Ave., Bajada, Davao City, Davao del Sur*
92. DAVAO - BUHANGIN BRANCH – Buhangin Road, Davao City, Davao del Sur*
93. DAVAO – CALINAN BRANCH - Davao-Bukidnon National Hway – Riverside, Calinan Proper, Davao City, Davao del Sur**
94. DAVAO - INSULAR VILLAGE BRANCH – Km. 8, Insular Village I, Lanang, Davao City, Davao del Sur*
95. DAVAO - MA-A BRANCH - G/F Lapeña Bldg., Mac Arthur Highway, Matina, Davao City, Davao del Sur*
96. DAVAO - MATINA BRANCH – Km. 4 McArthur Highway, Matina, Davao City, Davao del Sur*
97. DAVAO - MONTEVERDE BRANCH - Doors 1 & 2, Sunbright Bldg., Monteverde St., Brgy. 27-C, Poblacion District, Davao City, Davao del Sur*
98. DAVAO – PANABO BRANCH – PJ Realty Bldg., Quezon St., Brgy. New Pandan, Panabo City, Davao Del Norte*
99. DAVAO - RECTO BRANCH - CBC Bldg., C.M. Recto Ave. cor. J. Rizal St. Davao City, Davao del Sur*
100. DAVAO - SM LANANG BRANCH - G/F SM Lanang Premier, J.P. Laurel Ave., Davao City, Davao del Sur*
101. DAVAO - STA. ANA BRANCH - R. Magsaysay Ave. cor. F. Bangoy St., Sta. Ana District, Davao City, Davao del Sur*
102. DAVAO - TAGUM BRANCH - 153 Pioneer Ave., Tagum, Davao del Norte*
103. DAVAO – TORIL BRANCH – JFI Building, Mc Arthur Highway cor. St. Peter St., Crossing Bayabas, Toril, Davao City, Davao del Sur*
104. DIPOLOG CITY BRANCH – CBC Bldg., Gen Luna cor. Gonzales Sts. Dipolog City, Zamboanga del Norte*
105. DOLORES BRANCH - CBC Bldg., McArthur Highway, Dolores, City of San Fernando, Pampanga*
106. DUMAGUETE CITY BRANCH – CBC Bldg., Real St.,Dumaguete City, Negros Oriental*
107. GAPAN BRANCH – G/F Walter Mart Center - Gapan, Maharlika Highway, Brgy. Bayanihan, Gapan, Nueva Ecija*
108. GEN. SANTOS CITY BRANCH - CBC Bldg., I. Santiago Blvd., Gen. Santos City South Cotabato*

109. GEN. SANTOS CITY – DADIANGAS BRANCH - M. Roxas Ave. corner Lapu-Lapu Street, Brgy. Dadiangas East, General Santos City, South Cotabato*
110. GUAGUA BRANCH – Yabut Bldg., Plaza Burgos, Guagua, Pampanga*
111. ILIGAN CITY BRANCH – Lai Bldg., Quezon Ave. Extension, Pala-o, Iligan City, Lanao del Norte*
112. ILIGAN CITY - SOLANA DISTRICT BRANCH Andres Bonifacio Highway, Brgy. San Miguel, Iligan City, Lanao del Norte*
113. ILOCOS NORTE - SAN NICOLAS BRANCH - National Highway, Brgy. 2, San Baltazar, San Nicolas, Ilocos Norte*
114. ILOILO - IZNART BRANCH - G/F John A. Tan Bldg., Iznart St., Iloilo City, Iloilo*
115. ILOILO – JARO BRANCH – CBC Bldg., E. Lopez St., Iloilo City, Iloilo*
116. ILOILO - MABINI BRANCH – A. Mabini St., Iloilo City, Iloilo*
117. ILOILO - MANDURRIAO BRANCH – Injap Bldg., Benigno Aquino Ave., Brgy, San Rafael, Mandurriao, Iloilo City, Iloilo*
118. ILOILO - RIZAL BRANCH – CBC Bldg., Rizal cor. Gomez Sts., Brgy. Ortiz, Iloilo City, Iloilo*
119. IRIGA CITY BRANCH Highway 1, JP Rizal St., San Roque, Iriga City, Camarines Sur*
120. ISABELA - ILAGAN BRANCH - G/F North Star Mall, Maharlika Highway, Brgy. Alibagu, Ilagan, Isabela*
121. ISABELA – ROXAS BRANCH – National Road, Brgy. Bantug, Roxas, Isabela*
122. KALIBO BRANCH - Aklan Catholic College, Arch. Gabriel M. Reyes St., 5600,Kalibo, Aklan*
123. KIDAPAWAN CITY BRANCH - G/F EVA Bldg., Quezon Blvd. cor. Tomas Claudio St., National Highway, Kidapawan City, Cotabato*
124. KORONADALCITY BRANCH – G/F LBU Bldg., Gen. Santos Drive cor. Aquino St. Koronadal City, South Cotabato*
125. LA TRINIDAD BRANCH - G/F SJV Bulasao Bldg., Km. 4, La Trinidad, Benguet*
126. LA UNION - AGOO BRANCH - National Highway, San Jose Norte, Agoo, La Union*
127. LA UNION - SAN FERNANDO BRANCH – Roger Pua Phee Bldg., National Highway, Brgy. 3, San Fernando, La Union*
128. LAGUNA - BIÑAN BRANCH - G/F Raja Cordelle Bldg, National Highway, Brgy. San Vicente, Biñan, Laguna*
129. LAGUNA - CABUYAO BRANCH - G/F Centro Mall, Pulo, Cabuyao City, Laguna*
130. LAGUNA - CALAMBA BRANCH – CBC Bldg., National Highway, Crossing, Calamba, Laguna*
131. LAGUNA - LOS BAÑOS BRANCH - National Road, San Antonio, Los Baños, Laguna*
132. LAGUNA - SAN PEDRO BRANCH - No. 365 National Highway, Brgy. Nueva, San Pedro City, Laguna*
133. LAGUNA - STA. CRUZ BRANCH - A. Regidor St., Sta. Cruz, Laguna*
134. LAOAG CITY BRANCH - Liberato Abadilla St., Brgy 17, San Francisco, Laoag City, Ilocos Norte*
135. LEGAZPI CITY BRANCH - G/F Emma Chan Bldg., F. Imperial St., Legazpi City, Albay*
136. LIPA CITY - TAMBO BRANCH - President Jose P. Laurel Highway,Tambo, Lipa City, Batangas*
137. LUCENA CITY BRANCH – 223 Quezon Ave., Lucena City, Quezon*
138. MAASIN CITY BRANCH - G/F SJC Bldg., Tomas Oppus St., Brgy. Tunga-Tunga, Maasin City, Southern Leyte*
139. MABALACAT - DAU BRANCH - R.D. Policarpio Bldg., McArthur Highway, Dau, Mabalacat, Pampanga*
140. MALAYBALAY CITY BRANCH – Bethelda Bldg., Sayre Highway, Malaybalay City, Bukidnon*
141. MALOLOS CITY BRANCH - G/F Graceland Mall, BSU Grounds, McArthur Highway, Guinhawa, Malolos City, Bulacan
142. MARILAO BRANCH - G/F, SM City Marilao Km. 21, Brgy. Ibayo, Marilao, Bulacan*
143. MARIVELES - FAB BRANCH – GF Tamayo's Building, Avenue of the Phils., Brgy. Malaya, Freeport Area of Bataan (FAB), Mariveles, Bataan*
144. MASBATE BRANCH – Espinosa Bldg., Zurbito St., Masbate City, Masbate*
145. MEYCAUAYAN BRANCH - CBC Bldg., Malhacan Road, Meycauayan, Bulacan*
146. MIDSAYAP BRANCH - CBC Building, Quezon Ave., Poblacion 2, Midsayap, Cotabato*
147. NAGA CITY BRANCH – CBC Building, Penafrancia St., Naga City, Camarines Sur*
148. NEGROS OCCIDENTAL - KABANKALAN BRANCH - CBC Bldg., National Hway, Brgy. 1, Kabankalan, Negros Occidental*
149. NEGROS OCCIDENTAL – SAN CARLOS BRANCH – Rizal cor. Carmona Sts., San Carlos City, Negros Occidental*
150. NUEVA ECIJA – STA ROSA BRANCH - CBC Bldg., Maharlika Highway, Poblacion, Sta Rosa, Nueva Ecija*
151. OCCIDENTAL MINDORO - SAN JOSE BRANCH - Liboro cor. Rizal St., San Jose, Occidental Mindoro*
152. OLONGAPO – DOWNTOWN BRANCH – CBC Building, No. 2 corner 20th St., East Bajac-Bajac, Olongapo City, Zambales*
153. ORMOC CITY BRANCH – CBC Bldg., Real cor. Lopez Jaena Sts., Ormoc City, Leyte*
154. OZAMIZ CITY BRANCH - Gomez corner Kaamino Streets, Ozamiz City, Misamis Oriental*
155. PAGADIAN CITY BRANCH – Marasigan Bldg., F.S. Pajares Ave., Pagadian City, Zamboanga del Sur*
156. PANGASINAN - ALAMINOS CITY BRANCH – Marcos Ave., Brgy, Palamis, Alaminos City, Pangasinan*
157. PANGASINAN - BAYAMBANG BRANCH - CBC Bldg., No. 91, Poblacion Sur, Bayambang, Pangasinan*
158. PANGASINAN - ROSALES BRANCH - CBC Building, Calle Dewey, Rosales, Pangasinan*
159. PANGASINAN - URDANETA BRANCH – EF Square Bldg., MacArthur Highway, Poblacion, Urdaneta City, Pangasinan*
160. PASEO DE STA. ROSA BRANCH - Unit 3, Paseo 5, Paseo de Sta. Rosa, Sta. Rosa City, Laguna*
161. PUERTO PRINCESA CITY BRANCH – Malvar St. near cor. Valencia St., Puerto Princesa City, Palawan*
162. QUEZON - CANDELARIA BRANCH - Pan Philippine Highway cor. Del Valle Street, Poblacion, Candelaria, Quezon*

163. ROXAS CITY BRANCH - 1063 Roxas Ave. cor. Bayot Drive, Roxas City, Capiz*
164. SAN FERNANDO BRANCH - CBC Bldg., V. Tiomico St. City of San Fernando, Pampanga*
165. SAN FERNANDO - SINDALAN BRANCH – Jumbo Jenra Sindalan, Brgy. Sindalan, San Fernando City, Pampanga*
166. SAN JOSE CITY BRANCH – Maharlika Highway, Brgy. Malasin, San Jose City, Nueva Ecija*
167. SAN PABLO CITY BRANCH – M. Paulino St., San Pablo City, Laguna*
168. SANTIAGO CITY BRANCH - Navarro Bldg., Maharlika Highway near cor. Bayaua St., Santiago City, Isabela*
169. SILAY CITY BRANCH – Rizal St., Silay City, Negros Occidental*
170. SM CITY CABANATUAN – UGF SM City Cabanatuan, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija*
171. SM CDO DOWNTOWN PREMIER BRANCH - G/F SM CDO Downtown Premier, Claro M. Recto Ave., , Cagayan de Oro City, Misamis Oriental*
172. SM CITY CLARK BRANCH - G/F SM City Clark, M. Roxas St., CSEZ, Angeles City, Pampanga**
173. SM CITY DASMARIÑAS BRANCH – LGF SM City Dasmariñas, Gov Drive, Pala-Pala, City of Dasmariñas, Cavite*
174. SM CITY LIPA BRANCH - G/F SM City Lipa, J.P. Laurel Highway, Brgy. Maraouy, Lipa City, Batangas*
175. SM CITY NAGA BRANCH - SM City Naga, CBD II, Brgy. Triangulo, Naga City, Camarines Sur*
176. SM CITY OLONGAPO BRANCH - SM City Olongapo, Magsaysay Dr. cor. Gordon Ave., Brgy. Pag-asa, Olongapo City, Zambales*
177. SM CITY PAMPANGA BRANCH - Unit AX3 102, Bldg. 4, SM City Pampanga, Mexico, Pampanga*
178. SM CITY SAN JOSE DEL MONTE BRANCH - UGF SM City San Jose Del Monte, Quirino Highway, Brgy. Tungkong Mangga, San Jose Del Monte City, Bulacan*
179. SM CITY SAN PABLO BRANCH - G/F SM City San Pablo, National Highway, Brgy. San Rafael, San Pablo City, Laguna*
180. SM CITY STA. ROSA BRANCH - G/F SM City Sta. Rosa, Bo. Tagapo, Sta. Rosa, Laguna*
181. SM CITY TELABASTAGAN BRANCH – G/F SM City Telabastagan, San Fernando City, Pampanga*
182. SOLANO BRANCH – National Highway, Brgy. Quirino, Solano, Nueva Vizcaya*
183. SORSOGON BRANCH - CBC Bldg., Ramon Magsaysay Ave., Sorsogon City, Sorsogon*
184. SUBIC BAY FREEPORT ZONE BRANCH – CBC Bldg, Rizal Highway, Subic Bay Gateway Park, Subic Bay Freeport Zone, Zambales*
185. SURIGAO CITY BRANCH – CBC Bldg., Amat St., Barrio Washington, Surigao City, Surigao Del Norte*
186. TABACO CITY BRANCH – Ziga Ave. cor. Berces St., Tabaco City, Albay*
187. TACLOBAN CITY BRANCH – Uytingkoc Bldg., Avenida Veteranos, Tacloban City, Leyte*
188. TAGAYTAY CITY BRANCH – Foggy Heights Subdivision, E. Aguinaldo Highway, Tagaytay City, Cavite*
189. TAGBILARAN CITY BRANCH - G/F Melrose Bldg., Carlos P. Garcia Ave.,Tagbilaran City, Bohol*
190. TALAVERA BRANCH – CBC Bldg., Maharlika Highway, Marcos District, Talavera, Nueva Ecija*
191. TARLAC - BAMBAN BRANCH - National Road, Bgry. Anupul, Bamban, Tarlac*
192. TARLAC - CAMILING BRANCH - Sun Plaza, Romulo St., Poblacion, Camiling Tarlac*
193. TARLAC - CONCEPCION BRANCH - G/F Descanzo Bldg., F. Timbol St., San Nicolas, Poblacion, Concepcion, Tarlac*
194. TARLAC - PANIQUI BRANCH – G/F Cedasco Bldg., M. H del Pilar St., Poblacion, Paniqui, Tarlac*
195. TARLAC BRANCH – CBC Bldg., Panganiban near cor. F. Tañedo St., Tarlac City, Tarlac*
196. TARLAC - SAN RAFAEL BRANCH - CBC Building, MacArthur Highway, San Rafael, Tarlac City, Tarlac*
197. THE DISTRICT IMUS BRANCH - G/F The District Imus, Emilio Aguinaldo Highway, Anabu II, Imus, Cavite*
198. TRECE MARTIRES BRANCH - G/F Walter Mart, Governor's Drive cor. City Hall Road, Brgy. San Agustin, Trece Martires City, Cavite*
199. TUGUEGARAO - BALZAIN BRANCH – Balzain Highway, Tuguegarao City, Cagayan*
200. TUGUEGARAO CITY BRANCH - A. Bonifacio St., Tuguegarao, Cagayan *
201. VALENCIA BRANCH – A. Mabini St., Valencia, Bukidnon*
202. VIGAN CITY BRANCH – Burgos St. near cor. Rizal St., Vigan City, Ilocos Sur*
203. VIRAC BRANCH – Quezon Avenue, Brgy. Salvacion, Virac, Catanduanes*
204. ZAMBALES - BOTOLAN BRANCH – National Highway, Brgy. Batonlapoc, Botolan, Zambales*
205. ZAMBOANGA CITY BRANCH – CBC Bldg., Gov. Lim Ave. cor. Nuñez St., Zone III, Zamboanga City, Zamboanga del Sur*
206. ZAMBOANGA - GUIWAN BRANCH - G/F Yang's Tower, Ma. Clara Lorenzo Lobregat National Highway, Guiwan, Zamboanga City, Zamboanga del Sur*
207. ZAMBOANGA - SAN JOSE GUSU BRANCH - Yubenco Star Mall, San Jose Gusu, Zamboanga City, Zamboanga del Sur**

CHINA BANK SAVINGS, INC.

Metro Manila Branches

1. ACACIA ESTATES -SAVEMORE BRANCH - Acacia Town Center, Acacia Estates, Ususan, Taguig City*
2. AYALA BRANCH - 6772 Ayala Ave., Makati City**
3. ADRIATICO -SM HYPERMARKET BRANCH – Adriatico St., Malate, Manila*
4. ALABANG- GF / Common Goal Bldg., Finance cor. Industry Sts., Madrigal Business Park, Ayala Alabang, Muntinlupa City*
5. AMANG RODRIGUEZ- SAVEMORE BRANCH – G/F GBU Bldg. Amang Rodriguez Ave cor. Evangelista St. Santolan, Pasig City*
6. AMORANTO AVENUE – Unit 101 R. Place Building, 255 N.S Amoranto Sr. Avenue, Quezon City*
7. ANONAS - SAVEMORE BRANCH - V. Luna St. corner Anonas Extension, Sikatuna Village, Quezon City*
8. ARANETA CENTER COD - SAVEMORE BRANCH - Gen. Romulo St., Araneta Center, Cubao, Quezon City*
9. BACLARAN – 3751 Quirino Avenue cor. Sta. Rita St., Baclaran, Parañaque City*
10. BANAWE- Nos. 247-249 Banawe St., Sta. Mesa Heights, Brgy. Lourdes, Quezon City*
11. BANGKAL- GF / Amara Bldg., 1661 Evangelista St., Bangkal, Makati City*
12. BLUMENTRITT - Blumentritt St. near Oroquieta St. Sta. Cruz, Manila*
13. 12 BINONDO – JUAN LUNA – 694-696 Juan Luna St., Binondo, Manila
14. BONI AVENUE – Raymond Tower Boni, 615 Boni Avenue, Plainview, Mandaluyong City*
15. BUENDIA- Main Branch, 314 Sen. Gil J. Puyat Ave., Makati City*
16. COMMONWEALTH AVENUE - JocFer Building, Commonwealth Avenue, Brgy. Holy Spirit, Quezon City *
17. CUBAO- Fernandina 88 Suites, 222 P. Tuazon Boulevard, Cubao, Quezon City*
18. DEL MONTE- 392 Del Monte Ave., Brgy. Sienna, Quezon City*
19. DIVISORIA – 3/F Dragon 8 Shopping Center, C.M Recto Avenue cor. Dagupan St., Divisoria Manila*
20. E. RODRIGUEZ SR. - HEMADY - E. Rodriguez, Sr. cor Hemady St., Quezon City *
21. ESPAÑA - SUNMALL, Espana Boulevard corner Mayon St., Manila *
22. FELIX HUERTAS - JT Centrale Mall, 1686 V. Fugoso St. corner Felix Huertas St., Sta. Cruz, Manila *
23. FILINVEST CORPORATE CITY BR - BC Group Bldg., East Asia Drive near cor. Comm. Ave., Filinvest Corp City, Alabang, Muntinlupa City*
24. FTI-TAGUIG -SM HYPERMARKET BRANCH - DBP Avenue, Food Terminal Inc., Western Bicutan, Taguig*
25. G. ARANETA AVENUE – 195 G. Araneta Avenue, Quezon City*
26. GIL PUYAT-BAUTISTA – Lot 25 Blk 74 Bautista St. cor. Buendia Avenue, Makati City*
27. GREENHILLS-ORTIGAS AVENUE - VAG Bldg., Ortigas Ave., Greenhills, San Juan, Metro Manila*
28. GREENHILLS-WILSON BRANCH - 219 Wilson St., Greenhills, San Juan*
29. GUIGUINTO-RIS - RIS-5 Industrial Complex, 68 Mercado St., Tabe, Guiguinto, Bulacan
30. KALOOKAN BRANCH - Augusto Bldg., Rizal Ave., Grace Park, Kalookan City*
31. KALOOKAN-A. MABINI- AJ Bldg., 353 A. Mabini St., Kalookan City*
32. KATIPUNAN – One Burgundy Condominium, Katipunan Avenue, Quezon City*
33. LAGRO- Bonanza Bldg., Quirino Highway, Greater Lagro, Novaliches, Quezon City*
34. LAS PIÑAS – ALMANZA UNO BRANCH - Alabang Zapote Road, Almanza Uno, Las Piñas City*
35. MAKATI-CHINO ROCES BRANCH - 2176 Chino Roces Ave., Makati City*
36. MAKATI-J.P. RIZAL BRANCH - 882 J.P. Rizal St., Makati City*
37. MALABON -SAVEMORE - Francis Market, Governor Pascual corner M.H. Del Pilar Sts., Malabon*
38. MANDALUYONG- Paterno's Bldg., 572 New Panaderos St., Brgy. Pag-asa, Mandaluyong City*
39. MANDALUYONG-SHAW BOULEVARD BRANCH – 500 Shaw Tower, 500 Shaw Boulevard, Mandaluyong City*
40. MANILA - STA.ANA - SAVEMORE BRANCH - Savemore, Pedro Gil St., Sta. Ana, Manila *
41. MARIKINA BRANCH - 33 Bayan-Bayanan Ave., Brgy. Concepcion 1, Marikina City*
42. MARIKINA-GIL FERNANDO AVENUE - CTP Bldg., Gil Fernando Ave., Brgy. San Roque, Marikina City*
43. MCKINLEY HILL BRANCH - U-B Commerce & Industry Plaza, McKinley Town Center, Fort Bonifacio, Taguig City*
44. MUÑOZ – JACKMAN BRANCH - Jackman Plaza, Lower Ground Floor, EDSA-Munoz, Quezon City*
45. NEPA-Q-MART -SAVEMORE BRANCH - Rose Bldg., 770 St. EDSA and K-G St., West Kamias, Quezon City*
46. NINOY AQUINO AVENUE- Ground Floor Skyfreight Bldg., Ninoy Aquino Ave. cor. Pascor Drive, Parañaque City*
47. NOVA PLAZA MALL - SAVEMORE BRANCH - Nova Plaza Mall, Quirino Highway cor. Ramirez St., Novaliches Proper, Quezon City*
48. ORTIGAS BRANCH - Ground Floor, Hanston Square, San Miguel Ave., Ortigas Center, Pasig City*
49. ORTIGAS-CITRA- OMM Citra Bldg., San Miguel Ave., Ortigas Center, Pasig City*
50. PARAÑAQUE - BETTER LIVING - 90 Dona Soledad Avenue, Better Living Subdivision, Parañaque*

51. PARAÑAQUE - BF HOMES BRANCH - 284 Aguirre Ave., B.F. Homes, Paranaque*
52. PARAÑAQUE-JAKA - Jaka Plaza Center, Dr. A. Santos Ave. (Sucat Road), Brgy. San Isidro, Parañaque City*
53. PARAÑAQUE - LA HUERTA – 1070 Quirino Ave., La Huerta, Paranaque City*
54. PARAÑAQUE – MOONWALK – Kassel Residence Building, E. Rodriguez Avenue, Moonwalk Parañaque City*
55. PASAY-LIBERTAD – 533 Cementina St. Libertad, Pasay City*
56. PASIG CANIOGAN - KSN Building, C. Raymundo Avenue, Caniogan, Pasig City *
57. PASIG-MUTYA – Richcrest Building, Caruncho corner Market Avenue, San Nicolas, Pasig City*
58. PASIG – PADRE BURGOS BRANCH - 114 Padre Burgos St., Kapasigan, Pasig City*
59. PASO DE BLAS- Andok's Bldg., 629 General Luis St., Malinta Interchange-NLEX, Paso de Blas, Valenzuela City*
60. PATEROS BRANCH - 500 Elisco Rd., Sto. Rosario, Pateros*
61. PATEROS-ALMEDA - 120 Almeda St., Pateros, Metro Manila*
62. PEDRO GIL - LKE Bldg. Pedro Gil corner Pasaje, Rosario st. Paco, Manila
63. PLAZA STA. CRUZ BRANCH – MBI Building, Unit 103, Plaza Sta. Cruz, Sta. Cruz, Manila*
64. QUEZON AVENUE BRANCH - G/F GJ Bldg., 385 Quezon Ave., Quezon City*
65. QUEZON AVENUE-PALIGSAHAN - 1184-A Ben-Lor Bldg., Quezon Ave., Brgy. Paligsahan, Quezon City*
66. QUIAPO – ECHAGUE - Palanca corner P. Gomez streets, Echague, Quiapo, City of Manila
67. QUIAPO – QUEZON BLVD. – 416 Quezon Boulevard, Quiapo Manila*
68. RADA- LEGASPI - HRC Center , 104 Rada St., Legaspi Village, Makati City*
69. ROOSEVELT – 342 Roosevelt Avenue, Quezon City*
70. SAN JUAN - Madison Square, 264 N. Domingo St., Barangay Pasadena, San Juan*
71. SOUTH TRIANGLE - Ground Floor, SUNNYMEDE IT CENTER, Brgy. South Triangle, Quezon Ave., QC
72. STA. MESA - 4128 Ramon Magsaysay Blvd., Sta. Mesa Manila*
73. TAFT-MASAGANA - SAVEMORE BRANCH - Parkview Plaza, Trida Bldg., Taft Ave. cor. T.M. Kalaw St., Ermita, Manila*
74. TANDANG SORA – Cecileville Bldg. III, 670 Tandang Sora Ave. corner General Ave., Tandang Sora, Quezon City*
75. TAYUMAN – 1925-1929 Rizal Avenue near corner Tayuman St., Sta. Cruz, Manila*
76. TIMOG- Jenkinsen Towers, 80 Timog Ave., Brgy. Sacred Heart, Quezon City*
77. TWO E-COM – Two E-Com Center Tower B, Ocean Drive near cor. Bayshore Ave., Mall of Asia Complex, Pasay City*
78. UN AVENUE- 552 U.N. Ave., Ermita, Manila*
79. VALENZUELA-MARULAS- Ong-Juanco Bldg., 92 - J McArthur Highway, Marulas, Valenzuela City*
80. VISAYAS AVENUE- Wilcon City Center Mall, Visayas Ave., Quezon City*
81. ANTIPOLO- EMS Bldg., M.L. Quezon St. cor. F. Dimanlig St., Antipolo City, Rizal*
82. ANGONO- Manila East Road cor. Don Benito St., Brgy. San Roque, Angono, Rizal*
83. TAYTAY BRANCH - C. Gonzaga Bldg. II, Manila East Road, Taytay, Rizal*

Provincial Branches

1. ANGELES-RIZAL AVENUE - 639 Rizal St., Angeles City*
2. ARAYAT BRANCH - Cacutud, Arayat, Pampanga*
3. BACOLOD BRANCH - SKT Saturn Bldg., Lacson cor. Rizal Sts., Bacolod City*
4. BACOOR - TALABA - Coastal Road cor. Aguinaldo Highway, Brgy. Talaba VII, Bacoor City, Cavite*
5. BAGUIO - SESSION - B108 Lopez Bldg., Session Road, Baguio City*
6. BALAGTAS- McArthur Highway, Wawa, Balagtas, Bulacan*
7. BALANGA - DM BANZON - D.M. Banzon St., Balanga City*
8. BALIBAGO- JEV Bldg., McArthur Highway, Balibago, Angeles City*
9. BALIUAG- Plaza Naning, Poblacion, Baliuag, Bulacan*
10. BATANGAS - P. BURGOS - No. 3 P. Burgos St., Batangas City*
11. BIÑAN- Nepa Highway, San Vicente, Biñan, Laguna*
12. CABANATUAN-BAYAN - Burgos Ave., Cabanatuan City, Nueva Ecija*
13. CAGAYAN DE ORO BRANCH - Sergio Osmeña St., Cogon District, Cagayan de Oro City*
14. CALAMBA BRANCH - HK Bldg II, National Highway, Brgy. Halang, Calamba, Laguna*
15. CAVITE CITY - 485 P. Burgos St., Brgy. 34, Caridad, Cavite City*
16. CEBU – MANDAUE BRANCH - A. Del Rosario Ave., Mantuyong, Mandaue City, Cebu*
17. CEBU – MANGO AVENUE, JSP Mango Plaza, Gen. Maxilom Ave. cor. Echavez St., Cebu City*
18. CEBU-LAHUG BRANCH - G/F Skyrise IT Bldg., Brgy. Apas, Lahug, Cebu City*
19. CEBU-MANDAUE BASAK - Co Tiao King Bldg., Cebu North Road Basak, Mandaue City*
20. DAGUPAN BRANCH - G/F Lyceum-Northwestern University, Tapuac District, Dagupan City*
21. DARAGA BRANCH - Rizal St., Brgy. San Roque, Daraga, Albay, Bicol*

22. DASMARIÑAS- Veluz Plaza Bldg., Zone I, Aguinaldo Highway, Dasmariñas City, Cavite*
23. DAU BRANCH - MacArthur Highway, Dau, Mabalacat, Pampanga*
24. DAVAO – RECTO- C. M Ville Abrille Bldg., C. M. Recto St. Davao City*
25. DAVAO BRANCH - G/F 8990 Corporate Center, Quirino Ave., Davao City*
26. DOLORES- STCI Bldg., McArthur Highway, San Agustin, City of San Fernando, Pampanga*
27. GENERAL SANTOS- I. Santiago Boulevard General, Santos City*
28. GUAGUA BRANCH - Plaza Burgos, Guagua, Pampanga*
29. ILOILO – JARO BRANCH - Lopez Jaena cor. EL 98 Sts., Jaro, Iloilo*
30. ILOILO – IZNART - Golden Commercial Center Bldg, Iznart St. Iloilo City*
31. IMUS- TANZANG LUMA - Tanzang Luma, Aguinaldo Highway, Imus City, Cavite*
32. KALIBO-CITYMALL – F. Quimpo St. connecting Mabini and Toting Reyes Streets, Kalibo, Aklan*
33. LA UNION- AG Zambrano Bldg., Quezon Ave., San Fernando City, La Union*
34. LAGUNA-STA. CRUZ - E & E Building, Pedro Guevarra St., Sta. Cruz, Laguna.*
35. LAOAG - J.P Rizal St. corner Balintawak St. Laoag City, Ilocos Norte*
36. LEGAZPI CITY - F. Imperial Street, Barangay Bitano, Legazpi City*
37. LINGAYEN - Unit 5-6, The Hub - Lingayen Building , National Road, Poblacion, Lingayen, Pangasinan
38. LIPA - CM RECTO - C.M. Recto Ave., Lipa City*
39. LOS BAÑOS-CROSSING- Lopez Ave., Batong Malaki, Los Baños, Laguna*
40. LUCENA- Merchan cor., Evangelista St., Lucena City*
41. MACABEBE BRANCH - Poblacion, Macabebe, Pampanga*
42. MALOLOS BRANCH - Canlapan St., Sto. Rosario, Malolos City, Bulacan*
43. MALOLOS-CATMON - Paseo del Congreso, Catmon, City of Malolos, Bulacan*
44. MEYCAUAYAN- Mancon Bldg., McArthur Highway, Calvario, Meycauayan, Bulacan*
45. MOLINO-BACOOR - 817 Molino Road Molino III, Bacoor, Cavite*
46. MOUNT CARMEL- AMB Bldg., Km. 78 McArthur Highway, Brgy. Saguin, City of San Fernando, Pampanga*
47. NAGA BRANCH - RL Bldg., Panganiban St., Lerma, Naga City*
48. OLONGAPO BRANCH - Ground Floor, City View Hotel, 25 Magsaysay Drive, New Asinan, Olongapo City*
49. ORANI BRANCH - Brgy. Balut, Orani, Bataan**
50. PLARIDEL- 0226 Cagayan Valley Road, Banga 1st, Plaridel, Bulacan*
51. PORAC BRANCH - Cangatba, Porac, Pampanga*
52. ROXAS AVE.-CAPIZ CITYMALL - Roxas Ave, brgy VI, Roxas City, Capiz
53. SAN FERNANDO BRANCH - KHY Trading Bldg., San Fernando-Gapan Rd., San Fernando City, Pampanga*
54. SAN FERNANDO – BAYAN BRANCH - JSL Building, Consunji St., San Fernando, Pampanga*
55. SAN JOSE ANGELES BRANCH - Sto. Rosario St., San Jose, Angeles City*
56. SAN JOSE DEL MONTE BRANCH - Ground Floor, Giron Bldg., Gov. Halili Ave., Tungkong Mangga, City of San Jose Del Monte, Bulacan*
57. SAN MIGUEL- Norberto St., San Jose, San Miguel, Bulacan*
58. SAN NARCISO BRANCH - Brgy. Libertad, San Narciso, Zambales*
59. SAN PABLO-RIZAL AVE. BRANCH – Rizal Avenue cor. Lopez Jaena St. San Pablo City, Laguna*
60. SAN PEDRO BRANCH - Gen - Ber Bldg. National Highway Landayan, San Pedro Laguna*
61. SAN RAFAEL BRANCH - Cagayan Valley cor. Cruz na Daan Roads, San Rafael, Bulacan*
62. SANTIAGO - VICTORY NORTE - JECO Bldg., Maharlika Highway cor. Quezon St., Victory Norte, Santiago City*
63. SAVEMORE SAN ILDEFONSO BRANCH - Savemore San Ildefonso, Poblacion, San Ildefonso, Bulacan*
64. SAVEMORE TAGAYTAY-MENDEZ - Mendez Crossing West, Tagaytay-Nasugbu Highway corner Mendez - Tagaytay Rd, Tagaytay City*
65. SAVEMORE TALISAY-NEGROS BRANCH – Talisay, Mabini St., zone 12 Paseo Mabini Talisay City Negros Occidental*
66. STA. ANA BRANCH - Poblacion, Sta. Ana, Pampanga*
67. STA. MARIA- JC De Jesus cor. M. De Leon, Poblacion, Sta. Maria, Bulacan*
68. STA. RITA BRANCH - San Vicente, Sta. Rita, Pampanga*
69. STA. ROSA BRANCH - Sta. Rosa-Tagaytay Highway, Sta. Rosa, Laguna*
70. STA. ROSA-BALIBAGO - National Highway cor. Lazaga St. Balibago, Sta. Rosa, Laguna*
71. STO. TOMAS- MAHARLIKA - Agojo Bldg., Maharlika Highway, Sto. Tomas, Batangas*
72. SUBIC BRANCH - Baraca, Subic, Zambales*
73. TAGUM-CITYMALL – Maharlika Highway cor. Lapu-Lapu Extension, Brgy. Magugpo Tagum City*
74. TANAUAN CITY - Jose P. Laurel National Highway, Darasa, Tanauan City, Batangas
75. TARLAC - MAC ARTHUR - McArthur Highway, San Nicolas, Tarlac City*
76. TUGUEGARAO- Metropolitan Cathedral Parish, Rectory Complex, Rizal St., Tuguegarao City*
77. URDANETA- MacArthur Highway, Nancayasan, Urdaneta City, Pangasinan*

78. VIGAN- Plaza Maestro Convention Center, Florentino St. and Burgos St. Vigan City, Ilocos Sur*
79. ZAMBOANGA-CITYMALL BRANCH – CityMall, Don Alfaro St., Tetuan, Zamboanga*

* One (1) ATM
** Two (2) ATMs
*** Three (3) ATMs

China Bank Savings - Off Branch ATM Directory

1. Calamba Hospital - KM. 49 National Highway, Parian, Calamba City, Laguna
2. RIS - RIS DEVELOPMENT CORPORATION - 168 Mercado St Tabe, Guiguinto, Bulacan 03015 (Balagtas Branch)
3. ZAMECO - ZAMECO II Head Office Compound, National Road, Brgy. Magsaysay, Castillejos, Zambales (Olongapo Branch).

China Bank - Off Branch ATM Directory

Metro Manila

1. 168 MALL – 3F Food Court, 168 Mall, Sta. Elena St., Binondo, Manila
2. 999 SHOPPING MALL – Basement Lobby 999 Shopping Mall, 1002-1062 Soler St., Brgy. 293, Zone 28, District 3, Binondo, Manila
3. 999 SHOPPING MALL 2 – Basement, 999 Shopping Mall Bldg. 2, Recto - Soler Sts., Binondo, Manila
4. ALABANG MALL – Alabang Town Center, Alabang - Zapote Road cor. Madrigal Ave., Muntinlupa City
5. ALFAMART – F.B. HARRISON - GF F.B. Harrison St., Brgy. San Rafael, Pasay City
6. ALFAMART A. MABINI MANGGAHAN - A. Mabini Street, Manggahan, Pasig City
7. ALFAMART DAEZ CAMARIN CALOOCAN - Daez Commercial Bldg., Susano Road, Bagumbong, Caloocan City
8. ALFAMART JHOCSON SAMPALOC - 534-548 M.F. Jhocson St., Zone 042, Brgy. 408, Sampaloc, Manila
9. ALFAMART MAAX – Unit 111 Mall of Asia Annex Bldg. (MAAX), Seaside Blvd., San Rafael, Pasay City
10. ALFAMART NAGA ROAD LAS PIÑAS – Alfamart, Naga Road, Pulang Lupa 2, Las Piñas City
11. ALFAMART SAN LAZARO - Units 108B-113B SM City San Lazaro, A.H. Lacson Ext., Sta. Cruz, Manila
12. ALI MALL – ATM Booth #1 UGF Ali Mall, P.Tuazon Blvd., Araneta Center, Quezon City
13. ALI MALL 2 – LGF Times Square Entrance, Ali Mall, P. Tuazon Blvd., Araneta Center, Quezon City
14. ARMSCOR MARIKINA - 2 Armscor Avenue, Brgy. Fortune, Marikina City
15. ATENEO DE MANILA UNIVERSITY – G/F Kostka Hall, Ateneo De Manila University, Katipunan Ave., Loyola Heights, Quezon City
16. CASH AND CARRY – 2/F Cash and Carry Mall, between South Super Highway & Filmore St., Brgy. Palanan, Makati City
17. CBS HEAD OFFICE LOBBY – CBS Lobby, 314 Sen. Gil J. Puyat Avenue, Makati City
18. CHIANG-KAI-SHEK – Chiang Kai Shek College, 1274 P. Algue St., Tondo, Manila
19. COMEMBO COMMERCIAL COMPLEX – Comembo Commercial Complex, J.P. Rizal Ext. cor. Sampaguita St., Comembo, Makati City
20. COMMERCE CENTER – Commerce Ave. cor. Filinvest Ave., Alabang, Muntinlupa City
21. CONRAD S MAISON MALL – 2F Conrad Hotel, Coral Ave., SM MOA Complex, Pasay City
22. DASMARIÑAS VILLAGE ASSOCIATION OFFICE – 1417 Campanilla St., Brgy. Dasmariñas Village, Makati City
23. EASTWOOD CITY WALK 2 – G/F ATM 1 Eastwood City Walk Ph. 2, Eastwood City Cyberpark, 188 E. Rodriguez Jr. Ave., Bagumbayan, Quezon City
24. EASTWOOD CYBERMALL – 2F Eastwood Cybermall, Eastwood Ave., Eastwood City Cyberpark, Bagumbayan, QC
25. EASTWOOD MALL – Level 1 ATM 2 Ph.2, Eastwood Mall, E. Rodriguez Jr. Ave., Bagumbayan, Quezon City
26. GATEWAY MALL – Booth 4 Level 2 Gateway Mall, Cubao, Quezon City
27. GLORIETTA 4 – Glorietta 4, Ayala Center, Makati City
28. GLORIETTA 5 – G/F Glorietta 5, Ayala Center, Makati City
29. GREENBELT 3 – Greenbelt 3 Drop-off Area, Makati Ave., Makati City
30. GREENHILLS THEATER MALL – Main Entrance Greenhills Theater Mall, San Juan City
31. GREENMEADOWS CLUBHOUSE – Lovebird St., Green Meadows Subdivision, Brgy. Ugong Norte, Quezon City
32. HIGH POINTE MEDICAL HUB - 241 Shaw Blvd, Mandaluyong City
33. HOLIDAY ISLAND CALOOCAN - G/F Phase 2, Commercial Site Dutong St. cor. Kanlaon St., Bagong Silang, Caloocan City
34. IACADEMY BUENDIA – G/F iAcademy Plaza, H.V. Dela Costa St., Makati City
35. JACKMAN EMPORIUM – Jackman Emporium Department Store Bldg., Grace Park, Kalookan City
36. JACKMAN PLAZA - MUÑOZ – Jackman Plaza Muñoz, EDSA, Muñoz, Quezon City
37. JGC ALABANG – JGC PHILS. Bldg., 2109 Prime St., Madrigal Business Park Ph III, Ayala Alabang, Muntinlupa City
38. KATARUNGAN VILLAGE – Katarungan Village Admin Office, F. Reria cor. University Road, Muntinlupa City
39. KIMSTON PLAZA – Kimston Plaza, P. Victor St. cor. P. Burgos St., Guadalupe Nuevo, Makati City
40. LAKEVIEW BINANGONAN - Manila East Road, Tagpos, Binangonan, Rizal

41. LANDMARK - MAKATI – G/F The Landmark Bldg., Makati Ave., Ayala Center, Makati City
42. LANDMARK - TRINOMA – ATM Slot 4, 2F Landmark Trinoma, North Ave. cor. EDSA, Quezon City
43. LIANA'S SAMPALOC – 537 Earnshaw St., Sampaloc, Manila
44. LRT 2 PUREZA - Westbound, LRT 2 Pureza Station, R. Magsaysay Blvd., Sta. Mesa, Manila
45. LRT 2 KATIPUNAN - Westbound, LRT 2 Katipunan Station, Aurora Blvd., Loyola Heights, Quezon City
46. LRT 2 RECTO EAST - East Side, LRT 2 Recto Station, Recto Avenue, Sta. Cruz, Manila
47. LRT 2 RECTO WEST - West Side, LRT 2 Recto Station, Recto Avenue, Sta. Cruz, Manila
48. LRT 2 SANTOLAN - Westbound, LRT 2 Santolan Station, Marcos Highway, Santolan, Pasig City
49. LRT 2 V. MAPA - Westbound, LRT 2 V. Mapa Station, R. Magsaysay Blvd., Sta. Mesa, Manila
50. MALABON CITISQUARE – G/F Malabon Citisquare, C-4 Road cor. Dagat-dagatan Ave., Malabon City
51. MARKET! MARKET! 1 – Market! Market!, Fort Bonifacio Global City, Taguig City
52. MARKET! MARKET! 2 – 2F Market! Market!, Fort Bonifacio Global City, Taguig City
53. MARKET! MARKET! 3 – G/F ATM Center in Fiesta Market, Market! Market!, Fort Bonifacio Global City, Taguig City
54. MEDICAL CITY – Medical City, Ortigas Ave., Pasig City
55. METRO POINT MALL – 3F Metro Point Mall, EDSA cor. Taft Ave., Pasay City
56. METROWALK – ATM 1 Bldg C, G/F Metrowalk Commercial Complex, Meralco Ave., Pasig City
57. MIDAS HOTEL – Midas Hotel, 2702 Roxas Blvd., Pasay City
58. MRT - BONI STATION – MRT - Boni Station, EDSA, Mandaluyong
59. MRT - CUBAO STATION – MRT - Cubao Station, EDSA, Quezon City
60. MRT - NORTH AVE. – MRT - North Avenue Station, EDSA, Quezon City
61. MRT - SHAW – MRT - Shaw Station, EDSA, Mandaluyong City
62. MULTINATIONAL CLUBHOUSE – Clubhouse, Nazareth cor. Judea St., Multinational Village, Parañaque City
63. NEWPORT MALL 4F – 4F Newport Mall, Resorts World, Newport City, Pasay City
64. NOVA SQUARE – G/F Nova Square, Quirino Highway, Brgy. San Bartolome, Novaliches, Quezon City
65. ONE MALL VALENZUELA - Gen. T. De Leon, Valenzuela City
66. ONE E - COM CENTER – G/F One E-Com Center, Palm Coast Ave., SM MOA Complex, Pasay City
67. PROMENADE GREENHILLS - Missouri Entrance, Promenade Mall, Greenhills Shopping Center, San Juan City
68. PUREGOLD - BLUMENTRITT – 286 Blumentritt St., Sta Cruz, Manila
69. PUREGOLD - E. RODRIGUEZ – ATM #1 Puregold E. Rodriguez, Cosco Bldg., E. Rodriguez Ave. cor. G. Araneta Ave., QC
70. PUREGOLD - LAKEFRONT – Puregold Lakefront, Presidio Subdivision, Lakefront, Muntinlupa City
71. PUREGOLD - PASO DE BLAS – LGF Puregold Plaso de Blas, Plaso de Blas cor. Gen. Luis St., Malinta Ex, Valenzuela City
72. PUREGOLD JR. - PANDACAN – Puregold Jr. Pandacan, West J. Zamora St., Pandacan, Manila
73. PUREGOLD MAYPAJO KALOOKAN - Puregold Maypajo, J.P. Rizal St., Brgy. Maypajo, Caloocan City
74. QUICKLEAN MAYBUNGA – 369 Dr. Sixto Antonio Avenue, Maybunga, Pasig City
75. RESORTS WORLD GAMING AREA – G/F Casino Gaming Area, Resorts World, Pasay City
76. ROBINSONS FORUM PIONEER – ATM Center Pioneer Side, Forum Robinsons, Pioneer St. cor. EDSA, Mandaluyong City
77. ROBINSONS GALLERIA – Robinsons Galleria, EDSA cor. Ortigas Ave., Pasig City
78. ROBINSONS GALLERIA 2 – Robinsons Galleria, EDSA cor. Ortigas Ave., Pasig City
79. ROBINSONS GALLERIA 3 – West Wing, Robinsons Galleria, EDSA cor. Ortigas Ave., Pasig City
80. ROBINSONS PLACE - MANILA – G/F Padre Faura Entrance, Robinsons Place Manila, Pedro Gil cor. Adriatico St., Ermita, Manila
81. ROCKWELL BUSINESS CENTER – Rockwell Business Center, Ortigas Ave., Pasig City
82. ROCKWELL POWER PLANT – Stall No. 060 Ground Level, Power Plant Mall, Makati City
83. SAVERS CENTER – G/F Savers Center (right side of Main Entrance), along EDSA cor. Taft Ave., Pasay City
84. SHOP AND RIDE – 248 Gen. Luis St., Brgy. Nova Proper, Novaliches, Quezon City
85. SHOPWISE - ANTIPOLO – Shopwise Bldg., M.L. Quezon St. cor. Circumferential Road, San Roque, Antipolo City
86. SHOPWISE - COMMONWEALTH – Shopwise, Blk 17, Commonwealth Ave., Quezon City
87. SHOPWISE METLIVE PASAY - Blue Wave Mall, Diosdado Macapagal cor. EDSA, Metropolitan Park Bay City, Pasay
88. SHOPWISE SUCAT - Shopwise Sucat, Dr. A. Santos Avenue corner Soreena Avenue, Paranaque City
89. SM CENTER ANGONO – SM Center Angono, Quezon Ave. Angono, Rizal
90. SM CENTER LAS PIÑAS – G/F SM Center Las Piñas, Alabang - Zapote Road, Las Piñas City
91. SM HYPERMARKET - MANDALUYONG – SM Hypermarket Mandaluyong, 121 Shaw Blvd. cor. E.Magalona St., Brgy. Bagong Silang, Mandaluyong City
92. SM MANILA – UGF SM Manila Main Entrance, Natividad A. Lopez cor. Antonio Villegas St., Ermita, Manila
93. SM MEGAMALL BLDG. B – Level 2 Bldg. B, SM Megamall, EDSA cor. Julia Vargas St., Mandaluyong City
94. SM MOA HYPERMARKET – G/F SM Hypermarket, SM Mall of Asia, Pasay City
95. SM MOA SEASIDE FERRY TERMINAL – SM MOA Seaside Blvd. near Esplanade, Pasay City
96. SM MUNTINLUPA – ATM 2 G/F (beside Rear Entrance) SM Muntinlupa, National Road, Brgy. Tunasan, Muntinlupa City

97. SM TAYTAY OFF-BRANCH – 2F Bldg. A, SM Taytay, Manila East Road, Brgy. Dolores, Taytay, Rizal
98. SOLAIRE MANILA 2 – Entertainment City, Aseana Ave., Tambo, Parañaque City
99. SOLAIRE RESORT & CASINO – Entertainment City, Aseana Ave., Tambo, Parañaque City
100. SOUTHGATE MALL – Alphaland Southgate Mall, EDSA cor. Chino Roces Ave., Makati City
101. ST. FRANCIS SQUARE – Basement 1 St. Francis Square, Doña Julia Vargas Ave. cor. Bank Drive, Ortigas Center, Mandaluyong City
102. ST. JUDE COLLEGE – Dimasalang St. cor. Don Quijote St., Sampaloc, Manila
103. ST. LUKE'S - THE FORT – Basement, St. Luke's Medical Center, 5th Ave., Fort Bonifacio Global City, Taguig City
104. ST. LUKE'S - THE FORT 2 – Basement, St. Luke's Medical Center, 5th Ave., Fort Bonifacio Global City, Taguig City
105. STI - DELOS SANTOS MEDICAL CENTER – 201 E.Rodriguez Sr. Blvd., Quezon City
106. TAFT - U.N. – G/F Times Plaza, T.M Kalaw cor. Gen. Luna St., Ermita, Manila
107. THE A VENUE – G/F Valdez Site, The A Venue, 7829 Makati Ave., Makati City
108. TIENDESITAS – Tiendesitas, Ortigas Ave. cor E. Rodriquez Ave., Pasig City
109. TRINOMA OFF-BRANCH 1 – Level 1 Trinoma, North Ave. cor. EDSA, Quezon City
110. TRINOMA OFF-BRANCH 2 – Level 1 Trinoma, North Ave. cor. EDSA, Quezon City
111. TWO SHOPPING CENTER – Two Shopping Center, Taft Ave. Ext., 026 Zone 10, Pasay City
112. UNIMART GREENHILLS – B1 Unimart Greenhills Shopping Center, Ortigas Ave., San Juan City
113. UP TOWN CENTER – 2F UP Town Center, Katipunan Ave., Brgy. UP Campus Diliman, Quezon City
114. UPM - PGH – Faculty Medical Arts Bldg., PGH Compound, Taft Ave., Ermita, Manila
115. URDANETA VILLAGE - Urdaneta Village Clubhouse, Urdaneta Ave., Makati City
116. UST - DOCTOR'S CLINIC – University of Sto. Tomas Hospital, Vestibule and New Doctor's Clinic, A.H. Lacson Ave., Sampaloc, Manila
117. UST HOSPITAL – University of Sto. Tomas Hospital, A.H. Lacson Ave., Sampaloc, Manila
118. UST HOSPITAL 3 – G/F Clinical Division, University of Sto. Tomas Hospital, A.H. Lacson Ave., Sampaloc, Manila
119. VICTORY CENTRAL MALL – ATM 2 G/F Victory Central Mall, #717 Old Victory Compound, Rizal Ave., Monumento, Caloocan City
120. VICTORY FOOD MARKET BACLARAN – Victory Food Market, Redemptorist Road, Baclaran, Parañaque City
121. VICTORY PASAY MALL – Victory Pasay Mall, Antonio S. Arnaiz Ave, Pasay City
122. WACK WACK GOLF & COUNTRY CLUB – Main Lobby Clubhouse, Wack Wack Golf & Country Club, Shaw Blvd., Mandaluyong City
123. WALTER MART - MAKATI – G/F Waltermart Makati, 790 Chino Roces Ave. cor. Antonio Arnaiz, Makati City
124. WALTER MART - NORTH EDSA – Walter Mart Bldg., EDSA, Quezon City
125. WALTER MART - SUCAT – Walter Mart Sucat, Dr. A. Santos Ave., Brgy. San Isidro, Sucat, Parañaque City
126. ZABARTE TOWN CENTER – Basement Zabarte Town Center, 588 Camarin Road corner Zabarte Road, Caloocan City

Provincial

1. 2 MANGO AVENUE – 2 Mango Ave. - Solara Bldg., General Maxilom Ave, Cebu City
2. 7-11 IMUS BAYAN LUMA - Aguinaldo Highway cor. Patindig Araw Road, Bayan Luma VIII, Imus, Cavite
3. 7-11 IMUS TANZANG LUMA - Aguinaldo Highway cor. Captain B. Paredes St., Tanzang Luma 1, Imus, Cavite
4. A. BONIFACIO - MCDONALD'S BAGUIO – Villanueva Bldg., Lower Bonifacio St., Baguio City
5. ABREEZA MALL – Abreeza Mall, J.P. Laurel Ave., Bajada, Davao City, Davao del Sur
6. ACC HYPERMART SAN ANDRES - San Andres, Catanduanes
7. ACIENDA DESIGNER OUTLET SILANG – G/F Acienda Designer Outlet, E. Aguinaldo Highway, Silang, Cavite
8. ADVENTIST UNIVERSITY OF THE PHILIPPINES – Adventist University of the Philippines, Sta. Rosa - Tagaytay Road, Puting Kahoy, Silang, Cavite
9. AG&P – Atlantic, Gulf & Pacific Company of Manila Inc., Brgy. San Roque, Bauan, Batangas
10. ALFAMART - LUMINA – Alfamart Lumina, Aguinaldo Highway cor. Nueno Ave., Imus, Cavite
11. ALFAMART - TRECE MARTIRES – CPC Bldg., Governor's Drive cor. Hugo Perez, Trece Martires, Cavite
12. ALFAMART FILINVEST TANZA – Alfamart Filinvest Tanza, Filinvest Ave., Westwood Place Subd. Ph. 2, Brgy. Paradahan, Tanza, Cavite
13. ALFAMART GOLDEN CITY – Molino-Paliparan Road, Salawag, Dasmariñas City, Cavite
14. ALFAMART ILANG-ILANG TANZA – Alfamart Ilang-Ilang Tanza, Ilang-ilang St., De Roman Subd., Daang Amaya 1, Tanza, Cavite
15. ALFAMART LANCASTER – Alfamart Lancaster, MCS Bldg., Advincula Ave., Alapan II-A, Imus, Cavite
16. ALFAMART L'PASEO ARCADE INDANG – LGF L'Paseo Building, Indang-Trece Martires Road, Indang, Cavite
17. ALFAMART PACITA COMPLEX – Alfamart, Block 3 Phase 3A Pacita Complex, San Pedro, Laguna
18. ALFAMART POBLACION 4 CALACA - #149 Marasigan St., Poblacion 4, Calaca, Batangas
19. ALFAMART POBLACION ROSARIO – Alfamart Poblacion Rosario, 153 Gen. Trias Drive, Brgy. Poblacion, Rosario, Cavite
20. ALFAMART VILLA CATALINA DASMARIÑAS – Lot 6123 Don Placido Campos Avenue, San Agustin, Dasmariñas City, Cavite
21. ALFAMART YAKAL SILANG CAVITE – G/F Alfamart Yakal Silang Cavite, 137 Pedro Montoya St. cor. Yakal, Silang, Cavite
22. ALLEN AVENUE CATBALOGAN – Centro Mall, Allen Ave., Brgy. 04, Catbalogan City, Samar

23. ALWANA BUSINESS PARK – National Highway, Brgy. Cugman, Cagayan de Oro City, Misamis Oriental
24. ANGEL SUPERMARKET – Luna St. cor. Burgos St., Brgy. Quirino, Solano, Nueva Vizcaya
25. ANGELES UNIVERSITY FOUNDATION MEDICAL CENTER – Basement, Angeles University Foundation Medical Center, McArthur Highway cor. Diego Silang St., Angeles City, Pampanga
26. ARAULLO UNIVERSITY – Araullo University, Maharlika Highway, Brgy. Bitas, Cabanatuan City, Nueva Ecija
27. ATENEO DE DAVAO UNIVERSITY – Ateneo de Davao University, Roxas Ave, Poblacion Dist., Davao City, Davao del Sur
28. AVENUE HOTEL BACOLOD – Avenue Suites Hotel and Spa, 12th St. cor Lacson St., Bacolod City, Negros Occidental
29. AYALA CENTER CEBU – Level 3 ATM 1 Ayala Center Cebu, Cebu Business Park, Cebu City
30. BRENT INTERNATIONAL SCHOOL MANILA - Brentville Subdivision, Mamplasan, Biñan, Laguna
31. BUDGET WISE SUPERMARKET – Budget Wise Supermarket, Veterans Ave., Zamboanga City, Zamboanga del Sur
32. CALTEX - SLEX 1 – South Luzon Expressway - Northbound, Brgy. San Antonio, San Pedro, Laguna
33. CB MALL URDANETA – CB Mall, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan
34. CDO MEDICAL CENTER – CDO Medical Center Bldg. 2, Tiano Brothers cor. Nacalaban St., Cagayan de Oro City, Misamis Oriental
35. CEBU DOCTORS' HOSPITAL – Cebu Doctors' University Hospital, Osmeña Blvd., Cebu City, Cebu
36. CEBU DOCTORS' UNIVERSITY – Cebu Doctors' University Hospital, #1 Potenciano Larrazabal Ave., North Reclamation Area, Mandaue City, Cebu
37. CELEBES COCONUT BUTUAN – Km 9, Brgy. Taguibo, Butuan City, Agusan Del Norte
38. CENTRIO MALL – G/F Centrio Mall, CM Recto cor. Corrales St., Cagayan de Oro, Misamis Oriental
39. CLARK GATEWAY – Clark Gateway Commercial Complex, Gil Puyat Ave., Brgy. San Francisco, Mabalacat, Pampanga
40. CORPUS CHRISTI – Corpus Christi School, Tomas Saco St., Macasandig, Cagayan de Oro City, Misamis Oriental
41. DAGUPAN - NEPO MALL – G/F Nepo Mall Dagupan, Arellano St., Dagupan City, Pangasinan
42. DAVAO ADVENTIST HOSPITAL – Davao Adventist Hospital, Km. 7 McArthur Highway, Bangkal, Davao City, Davao del Sur
43. DAVAO METRO SHUTTLE – Pereyras Terminal 1, Magugpo West, Tagum City, Davao del Norte
44. DIPOLOG CENTER MALL – Dipolog Center Mall, 138 Rizal Ave., Dipolog City, Zamboanga del Norte
45. DIPSSCOR – Davao Integrated Port And Stevedoring Services Corporation Bldg., International Port of Davao, Sasa Wharf, Davao City, Davao del Sur
46. DLSU - DASMARIÑAS – College of Engineering, DLSU Dasmariñas, Dasmariñas City, Cavite
47. DLSU - HEALTH SCIENCE CAMPUS – De La Salle University Health Science Campus Inc., Congressional Road, Dasmariñas City, Cavite
48. DLSU MAC – G/F Medical Arts Centre Bldg., DLSU Medical Center Compound, Congressional Road, Dasmariñas City, Cavite
49. EAGLE RIDGE COUNTRY CLUB – Club House, Eagle Ridge and Country Club, Brgy. Javalera, Gen. Trias, Cavite
50. ECCO BUILDING – G/F ECCO Bldg. (beside unit A), Fil-Am Friendship Highway, Brgy. Anunas, Angeles City, Pampanga
51. FESTIVE WALK – ANNEX BLDG. - Annex Bldg., Iloilo Festive Walk, Megaworld Blvd., Iloilo Business Park, Mandurriao, Iloilo City
52. FESTIVE WALK – FOOD HALL - Food Hall, Iloilo Festive Walk, Megaworld Blvd., Iloilo Business Park, Mandurriao, Iloilo City
53. FESTIVE WALK – OUTDOOR - Outdoor Area, Iloilo Festive Walk, Megaworld Blvd., Iloilo Business Park, Mandurriao, Iloilo City
54. FESTIVE WALK – WILCON - Wilcon Area, Iloilo Festive Walk, Megaworld Blvd., Iloilo Business Park, Mandurriao, Iloilo City
55. FRIENDSHIP SUPERMARKET MUÑOZ NE – D. Delos Santos St., Science City of Muñoz, Nueva Ecija
56. GAISANO - BULUA – Gaisano Bulua Mall, Bulua St., Cagayan de Oro City, Misamis Oriental
57. GAISANO - ILIGAN – G/F Gaisano Citi Super Mall, Iligan City, Lanao del Norte
58. GAISANO - LAPU-LAPU CITY – Gaisano Mactan Island Mall, Pusok, Lapu-Lapu City, Cebu
59. GAISANO - MASBATE – Gaisano Capital Masbate, Quezon St., Crossing, Masbate City, Masbate
60. GAISANO - PUERTO – Unit #1 ATM - 2nd Level Gaisano Puerto, Sayre Highway, Puerto, Cagayan de Oro City, Misamis Oriental
61. GAISANO MALL - BAJADA DAVAO – Gaisano Mall of Davao, J.P. Laurel Ave., Bajada, Davao City, Davao del Sur
62. GAISANO MALL - CAGAYAN DE ORO – Unit #3 Level 2 Atrium Gaisano Mall, Corrales Extension cor. CM Recto Ave., Cagayan de Oro City, Misamis Oriental
63. GOLDEN PRINCE HOTEL – Golden Prince Hotel & Suites, Acacia St. cor. Archbishop Reyes Ave., Cebu City, Cebu
64. GOOD SAMARITAN HOSPITAL – Good Samaritan Compound, Burgos Ave., Cabanatuan City, Nueva Ecija
65. GROSVENOR SQUARE – Grosvenor Square, Josefa St., Angeles City, Pampanga
66. HOLY ANGEL UNIVERSITY 2 – G/F Holy Angel University Student's Center, Sto. Rosario St., Angeles City, Pampanga
67. JENRA JUMBO DOLORES - Olongapo-Gapan Road, Dolores, San Fernando, Pampanga
68. JENRA MALL – JENRA Grand Mall, Sto. Rosario St., Angeles City, Pampanga
69. JOLLIBEE - MABALACAT – ATM 2 ATM Center (beside Jollibee), McArthur Highway, Brgy. San Francisco, Mabalacat City, Pampanga
70. JOLLIBEE FLORIDABLANCA - Macabulos St., Floridablanca, Pampanga
71. JOLIIBEE GUAGUA - Jollibee Compound, Jose Abad Santos Avenue, Guagua, Pampanga
72. KCC MALL - GENSAN – G/F KCC Mall GenSan, J. Catolico Sr. Ave., Gen. Santos City, South Cotabato
73. KCC MALL DE ZAMBOANGA – KCC Mall de Zamboanga, Gov. Camins Rd., Camino Nuevo, Zamboanga City, Zamboanga del Sur
74. KMSCI – Kidapawan Medical Specialist Center Inc., Sudapin, Kidapawan City, North Cotabato

75. LA NUEVA MINGLANILLA – La Nueva Supermart Inc., Poblacion, Minglanilla, Cebu
76. LA NUEVA SUPERMART – La Nueva Supermart Inc., G.Y. Dela Serna St., Lapu-Lapu, Cebu City, Cebu
77. LB SUPERMARKET - ZAMBOANGA – LB Realty Complex, Veteran's Ave. Extension, Zamboanga City, Zamboanga del Sur
78. LCC PEÑARANDA – LCC Supermarket, Peñaranda cor. Rizal St., Legazpi City, Albay
79. LCC SUPERMAKET AYALA LEGAZPI - Liberty Center, Quezon Ave., Capantawan, Legazpi City, Albay
80. LEE HYPERMARKET – G/F Lee Hypermart, Jose E. Romero Sr. Ave., Bagacay, Dumaguete City, Negros Oriental
81. LEE SUPER PLAZA – G/F Lee Super Plaza, M. Perdices cor. San Jose St., Dumaguete City, Negros Oriental
82. LEGAZPI INTERNATIONAL AIRPORT - Magayon Dr., Legazpi City International Airport, Legazpi City, Albay
83. LIM KET KAI MALL – M4-193B LIMKETKAI Mall, Lim Ket Kai Drive, Cagayan de Oro City, Misamis Oriental
84. LITE PORT TAGBILARAN - Celestino Gallares St., Poblacion 2, Tagbilaran City, Bohol
85. LOPUE'S EAST CENTRE – Lopue's East Centre, Burgos St. cor. Carlos Hilado National Highway, Bacolod City, Negros Occidental
86. LORMA HOSPITAL – Lorma Medical Center, San Fernando, La Union
87. LOTUS CENTRAL MALL – G/F Lotus Central Mall, Nueno Ave., Imus, Cavite
88. LVGH VALENCIA - La Viña General Hospital, ML Quezon St., Poblacion, Valencia City
89. MAAP – Maritime Academy of Asia and the Pacific, Kamaya Point Road, Mariveles, Bataan
90. MACTAN ISLA RESORT – Agus Road, Ibabao, Marigondon, Lapu Lapu City, Cebu
91. MACTAN MARINA MALL – G/F Mactan Marina Mall, MEPZ 1, Lapu-Lapu City, Cebu
92. MAGIC MALL – G/F Magic Mall, Alexander St., Poblacion, Urdaneta City, Pangasinan
93. MAGIC STARMALL – UGF Magic Star Mall, Romulo Blvd., Brgy. Cut-Cut 1, Tarlac City, Tarlac
94. MALOLOS OFF-BRANCH – G/F Graceland Mall, Bulacan State University Grounds, McArthur Highway, Guinhawa, Malolos City, Bulacan
95. MALTA HOSPITAL TORIL – Malta Hospital Toril, McArthur Highway, Toril, Davao City, Davao del Sur
96. MARIA REYNA HOSPITAL – Beside Hospital Entrance/Exit, Maria Reyna Hospital, T.J. Hayes St., Cagayan De Oro City, Misamis Oriental
97. MARITON GROCERY DON DOMINGO – Mariton Grocery, Don Domingo, Tuguegarao City, Cagayan
98. MARKET CITY – Market City Bldg., Bus Terminal, Agora, Cagayan De Oro, Misamis Oriental
99. MARQUEE MALL 1 – G/F Activity Center, Marquee Mall, Aniceto Gueco St. , Angeles City, Pampanga
100. MATINA TOWN SQUARE – G/F Strip Bldg., Matina Town Center, along McArthur Highway, Matina, Davao City, Davao del Sur
101. MCIA - DOMESTIC CHECK-IN AREA – Mactan Cebu International Airport, Lapu-Lapu Airport Road, Lapu-Lapu City, Cebu
102. MCIA - DOMESTIC DEPARTURE HALL – Mactan Cebu International Airport, Lapu-Lapu Airport Road, Lapu-Lapu City, Cebu
103. MCIA DEPARTURE CHECK-IN SOUTHWING – Mactan Cebu International Airport, Lapu-Lapu Airport Road, Lapu Lapu City, Cebu
104. MCIA DOMESTIC ARRIVAL – Mactan Cebu International Airport, Lapu Lapu Airport Road, Lapu Lapu City, Cebu
105. MINDANAO SANITARIUM AND HOSPITAL – Mindanao Sanitarium and Hospital, Tibanga Highway, Iligan City, Lanao del Norte
106. MJS HOSPITAL – Manuel J. Santos Hospital, 554 Montilla Blvd., Butuan City, Agusan del Norte
107. MOTHER TERESA HOSPITAL - Mother Teresa of Calcutta Medical Center, McArthur Highway, Brgy. Maimpis, City of San Fernando, Pampanga
108. MUZON UPTOWN – G/F Muzon Uptown, Brgy. Muzon, San Jose Del Monte, Bulacan
109. NAGALAND E-MALL – P.Diaz cor. Elias Angeles St., San Francisco, Naga City, Cebu
110. NEPO MALL - ANGELES – Nepo Mall Angeles, Doña Teresa Ave. cor. St. Joseph St., Nepo Mart Complex, Angeles, Pampanga
111. NORTHSIDE DOCTORS HOSPITAL – Northside Doctors Hospital, Guimod, Bantay, Vigan City, Ilocos Sur
112. NOTRE DAME DE CHARTRES HOSPITAL – Notre Dame De Chartres Hospital, #25 Gen. Luna Road, Baguio City, Benguet
113. NUEVA ECIJA DOCTORS HOSPITAL – Nueva Ecija Doctors Hospital, Maharlika Highway, Cabanatuan City, Nueva Ecija
114. NUVALI SOLENAD 2 – G/F Solenad 2 Nuvali, Sta. Rosa-Tagaytay Road, Don Jose, Sta. Rosa, Laguna
115. NUVALI SOLENAD 3 BLDG. B – G/F Bldg. B Solenad 3 Nuvali, Sta. Rosa-Tagaytay Road, Don Jose, Sta. Rosa, Laguna
116. NUVALI SOLENAD HAWKERS MARKET – Hawkers Market, Solenad 3 Nuvali, Sta. Rosa-Tagaytay Road, Don Jose, Sta. Rosa, Laguna
117. ORCHARD GOLF AND COUNTRY CLUB – Gate 2, The Orchard Golf and Country Club Inc., Jose Abad Santos, Dasmariñas City, Cavite
118. OSPA - FARMERS' MEDICAL CENTER – Ormoc Sugarcane Planters Association - Farmers Medical Center, Carlota Hills, Brgy. Can-Adieng, Ormoc City, Leyte
119. OUR LADY OF THE PILLAR – G/F Our Lady of the Pillar Medical Center (near Emergency Room), Tamsui Ave., Bayan Luma II, Imus, Cavite
120. PACIFIC MALL 2 – Pacific Mall Bldg., Landco Business Park, F. Imperial St., Legazpi Port District, Legazpi City
121. PANGASINAN MEDICAL CENTER – Pangasinan Medical Center, Nable St., Dagupan City, Pangasinan
122. PAVILION MALL – G/F Bldg. A, Pavilion Mall, KM. 35 Brgy. San Antonio, Biñan, Laguna
123. PELCO III APALIT - PELCO III, Mc Arthur Highway, Sampaloc, Apalit, Pampanga
124. PLAZA FINA MAGALANG – Plaza Fina, Don Andres Luciano St., Magalang, Pampanga

125. PORTA VAGA MALL – Porta Vaga Mall, Along Session Road, Baguio City
126. PPL MCDONALD'S ORMOC – G/F IAL Building, Burgos St. cor. Rizal St., Ormoc City, Leyte
127. PRINCE HYPERMART DAANBANTAYAN – Prince Hypermart, Poblacion, Daanbantayan, Cebu
128. PRINCE HYPERMART HIMAMAYLAN - Brgy. Poblacion, Himamaylan City, Negros Occidental
129. PRINCE MALL OF BAYBAY – Prince Town Baybay, Andres Bonifacio & Manuel L. Quezon St., Baybay, Leyte
130. PUREGOLD - DAU – Lot 9 Blk 19 Cosco Building, McArthur Highway, Dau, Mabalacat, Pampanga
131. PUREGOLD - OBANDO – Puregold Obando, P. Sevilla St., Brgy. Catanghalan, Obando, Bulacan
132. PUREGOLD LUCENA - Brgy. Gulang Gulang, Quezon Ave., Lucena
133. QUICKMART DARAGA – Quickmart Bldg., Rizal St., Daraga, Albay
134. RIVERA HOSPITAL PANABO – Rivera Medical Center, National Highway, 7302 Brgy. San Francisco, Panabo City, Davao Del Norte
135. ROBINSONS CALASIAO – Robinsons Place Pangasinan, Brgy. San Miguel, Calasiao, Pangasinan
136. ROBINSONS GENSAN – G/F Robinsons Gensan, Jose Catolico Sr. Ave., Brgy. Lagao, General Santos City, South Cotabato
137. ROBINSONS TAGUM – National Highway, Tagum, Davao del Norte
138. ROYCE HOTEL – Royce Hotel, Manuel A. Roxas Highway cor. Ninoy Aquino Avenue, Clark Freeport Zone, Mabalacat, Pampanga
139. ROYCE HOTEL 2 – Royce Hotel, Manuel A. Roxas Highway cor. Ninoy Aquino Avenue, Clark Freeport Zone, Mabalacat, Pampanga
140. ROYCE HOTEL 3 - Royce Hotel, Manuel A. Roxas Highway cor. Ninoy Aquino Avenue, Clark Freeport Zone, Mabalacat, Pampanga
141. RPGMC TUGUEGARAO – Ronald P. Guzman Medical Center, Enrile Blvd., Carig, Tuguegarao City, Cagayan
142. SAMULCO – Sta. Ana Multi-Purpose Cooperative, Bldg. 1, Monteverde St., Davao City, Davao del Sur
143. SAN FERNANDINO HOSPITAL – San Fernandino Hospital, McArthur Highway, Bo. Dolores, San Fernando, Pampanga
144. SAVEWISE - POZORRUBIO – Savewise Bldg., Caballero St., Brgy. Cablong, Pozorrubio, Pangasinan
145. SHOPWISE - CEBU – Shopwise Bldg., N. Bacalso Ave., Basak, San Nicolas, Cebu City, Cebu
146. SHOPWISE - SAN PEDRO – Shopwise, National Highway, Brgy. Landayan, San Pedro, Laguna
147. SHOPWISE GRAND TERMINAL BATANGAS - Diversion Road, Brgy. Alangilan, Batangas City, Batangas
148. SHOPWISE LANCASTER IMUS – G/F Shopwise Lancaster City, Advincula Avenue, Imus City, Cavite
149. SIBALOM MUNICIPAL ANTIQUE – G/F Sibalom Municipal Hall, Sibalom, Antique
150. SKYRISE REALTY – G/F Skyrise IT Bldg., Gorordo Ave. cor. N.Escario St., Cebu City, Cebu
151. SM BAGUIO – SM Baguio, Luneta Hill, Upper Session Road, Baguio City, Benguet
152. SM CENTER IMUS - N.I.A Road, Barangay Bucandala III, Imus, Cavite
153. SM CENTER TUGUEGARAO – 2F SM Center Tuguegarao Downtown, Luna St. cor Mabinit St., Tuguegarao City
154. SM CITY BACOLOD – G/F Bldg. A, ATM #3 SM City Bacolod, Reclamation Area, Bacolod City, Negros Occidental
155. SM CITY BALIWAG – G/F SM City Baliwag, Doña Remedios Trinidad Highway, Brgy. Pagala, Baliwag, Bulacan
156. SM CITY BATANGAS – SM City Batangas, M.Pastor Ave., Pastor Village, Brgy. Pallocan Kanluran, Batangas City, Batangas
157. SM CITY BATANGAS 2 – SM City Batangas, M. Pastor Ave, Pastor Village, Brgy. Pallocan Kanluran, Batangas City, Batangas
158. SM CITY CABANATUAN – ATM Center, SM City Cabanatuan, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija
159. SM CITY CAGAYAN DE ORO – ATM Center 2, Main Entrance, SM City Cagayan de Oro, Masterson Ave., Cagayan De Oro , Misamis Oriental
160. SM CITY CALAMBA – G/F SM City Calamba, National Road, Brgy. Real, Calamba City, Laguna
161. SM CITY CALAMBA 2 – 2F SM City Calamba, National Road, Brgy. Real, Calamba City, Laguna
162. SM CITY CALAMBA 3 – SM City Calamba, National Road, Brgy. Real, Calamba City, Laguna
163. SM CITY CAUAYAN – Maharlika Highway, Brgy. District II, Cauayan City, Isabela
164. SM CITY CLARK OFF-BRANCH – ATM #1 SM City Clark (in-front of transport terminal), M. Roxas Highway, CSEZ, Angeles City, Pampanga
165. SM CITY DASMARIÑAS 2 – G/F SM City Dasmariñas, Governor's Drive cor. Aguinaldo Hiway, Brgy. Sampaloc 1, Dasmariñas, Cavite
166. SM CITY GENERAL SANTOS – SM City Gen Santos, Santiago Blvd. cor. San Miguel St., Brgy. Lagao, Gen. Santos City, South Cotabato
167. SM CITY LIPA OFF-BRANCH – ATM 2, SM City Lipa, Ayala Highway, Brgy. Maraouy, Lipa City, Batangas
168. SM CITY ROSALES - SM City Rosales, MacArthur Highway, Carmen East, Rosales, Pangasinan
169. SM CITY TARLAC – G/F SM City Tarlac, McArthur Highway, Brgy. San Roque, Tarlac City, Tarlac
170. SM CITY URDANETA - McArthur Highway, Urdaneta, Pangasinan
171. SM DAVAO – ATM Center 1, SM City Davao, Quimpo Blvd. cor. Tulip Drive, Ecoland Subd., Brgy. Matina, Davao City, Davao del Sur
172. SM LANANG PREMIER OFF-BRANCH – UGF SM Lanang Premier, J.P. Laurel Ave., Brgy. San Antonio, Davao City, Davao del Sur
173. SM LEMERY – SM Center Lemery, Ilustre Avenue, Lemery, Batangas
174. SM MARILAO OFF-BRANCH – G/F SM City Marilao, MacArthur Highway, Marilao, Bulacan
175. SM MARKET MALL – ATM 3 SM Market Mall Dasmariñas, Congressional Ave., Dasmariñas Bagong Bayan, Dasmariñas, Cavite
176. SM SUPERCENTER MOLINO – G/F SM Supercenter Molino, Molino Road, Brgy. Molino 4, Bacoor, Cavite
177. SOCSARGEN COUNTY HOSPITAL – Socsargen County Hospital, Arradaza St., General Santos City, South Cotabato
178. SOUTH TOWN CENTRE TALISAY – South Gate Mall, Tabunok, Talisay, Cebu

179. SOUTHWAY MALL – The Southway Square Mall, Gov. Lim Ave. cor. La Purisima St., Zamboanga City, Zamboanga del Sur
180. STA. ROSA HOSPITAL – Sta. Rosa Hospital and Medical Center, San Lorenzo Road, Brgy. Balibago, Sta. Rosa, Laguna
181. SUPER METRO CARCAR – Natalio B. Bacalso National Highway, Carcar City, Cebu
182. SUPERL PHILS BACOLOR – Angeles Industrial Park, PEZA, Brgy. Calibutbut, Bacolor, Pampanga
183. TARGET MALL 1 – G/F Target Mall, Sta. Rosa Commercial Complex, Brgy. Balibago, Sta. Rosa, Laguna
184. TARGET MALL 2 – ATM 4 Canopy Area, Target Mall, Sta. Rosa Commercial Complex, Brgy. Balibago, Sta. Rosa, Laguna
185. THE DISTRICT - DASMARIÑAS – G/F The District - Dasmariñas, Molino-Paliparan Road, Dasmariñas City, Cavite
186. THE DISTRICT - IMUS – The District Imus, Aguinaldo Highway cor. Daang Hari Road, Brgy. Anabu II-D, Imus, Cavite
187. TOYOTA SAN NICOLAS – Brgy.16 San Marcos, San Nicolas, Ilocos Norte
188. UNION CHRISTIAN COLLEGE – Union Christian College, Widdoes St., Brgy. II, San Fernando, La Union
189. UNIVERSITY OF BAGUIO – University of Baguio, Assumption Road, Baguio City, Benguet
190. UNIVERSITY OF BOHOL – University of Bohol, Ma. Clara St., Tagbiliran City, Bohol
191. UNIVERSITY OF PERPETUAL HELP - BIÑAN – Dr. Jose Tamayo Medical Bldg., University of Perpetual Help System Laguna, Brgy. Sto. Niño, Biñan, Laguna
192. UNIVERSITY OF SAN CARLOS – University of San Carlos Main University Bldg., Pantaleon del Rosario St., Cebu City, Cebu
193. USC - TALAMBAN – USC Talamban Campus, Gov. M. Cuenco Ave., Brgy. Nasipit, Talamban, Cebu City, Cebu
194. USJR BASAK CEBU – University of San Jose Recoletos Basak, N.Bacalso Ave., Basak Pardo, Cebu City, Cebu
195. VIRAC TOWN CENTER - Catanduanes Circumferential Road, Virac, Catanduanes
196. VISION FEEDMILLS ROSARIO - Rosario - San Juan - Candelaria Road, Rosario, Batangas
197. WALTER MART - CABANATUAN – Maharlika Highway, Brgy. Dicarma, Cabanatuan City, Nueva Ecija
198. WALTER MART - CALAMBA – G/F Waltermart Calamba, Real St., Brgy. Real, Calamba City, Laguna
199. WALTER MART - CARMONA – G/F Walter Mart Carmona, Macaria Business Center, Governor's Drive, Carmona, Cavite
200. WALTER MART - DASMARIÑAS – G/F Walter Mart Dasmariñas, Barrio Burol Aguinaldo Highway, Dasmariñas City,Cavite
201. WALTER MART - GEN. TRIAS – G/F Waltermart General Trias, Governors Drive, Barrio Mangahan, General Trias, Cavite
202. WALTER MART - SAN FERNANDO – Walter Mart San Fernando, McArthur Highway, Brgy. San Agustin, San Fernando, Pampanga
203. WALTER MART - STA. ROSA 1 – UGF Waltermart Sta. Rosa, San Lorenzo Village, Balibago Road, Brgy. Balibago, Sta. Rosa, Laguna
204. WALTER MART - STA. ROSA 2 – UGF Waltermart Sta. Rosa, San Lorenzo Village, Balibago Road, Brgy. Balibago, Sta. Rosa, Laguna
205. WALTER MART - STA. ROSA BEL-AIR – Walter Mart Bel-Air, Sta. Rosa Tagaytay Road, Pulong Sta. Cruz, Sta. Rosa, Laguna
206. WALTER MART - TAGAYTAY – G/F Ayala Mall Serin, Tagaytay-Nasugbu Highway, Silang Junction South, Tagaytay City, Cavite
207. WALTER MART - TANAUAN – Walter Mart Tanauan, J. P. Laurel National Highway, Brgy. Darasa, Tanauan, Batangas
208. WESLEYAN UNIVERSITY – Wesleyan University of the Philippines, Mabini St. Extension, Cabanatuan City, Nueva Ecija
209. WNU STI UNIVERSITY – STI West Negros University, Burgos cor. Hilado St., Bacolod City, Negros Occidental
210. XAVIER UNIVERSITY – G/F Library Annex, Xavier University, Corrales Ave., Cagayan De Oro City, Misamis Oriental
211. YASHANO MALL LEGAZPI – Yashano Mall, F. Imperial St. cor. Terminal Rd. 1, Legazpi Port District, Legazpi City, Albay
212. YUBENCO STARMALL – Yubenco Starmall, Maria Clara Lorenzo Lobregat Highway, Putik, Zamboanga City, Zamboanga del Sur
213. YU-YU CAFÉ & DESSERT SHOPPE TAGUM – National Hiway cor. Quirante II St., Magugpo Poblacion, Tagum City, Davao del Norte
214. ZAMBOANGA PENINSULA MEDICAL CENTER – Zamboanga Peninsula Medical Center, Maria Clara Lorenzo Lobregat Highway, Putik, Zamboanga City, Zamboanga del Sur

China Bank Savings - Off Branch ATM Directory

1. Calamba Hospital - KM. 49 National Highway, Parian, Calamba City, Laguna
2. RIS - RIS DEVELOPMENT CORPORATION - 168 Mercado St Tabe, Guiguinto, Bulacan 03015 (Balagtas Branch)
3. ZAMECO - ZAMECO II Head Office Compound, National Road, Brgy. Magsaysay, Castillejos, Zambales (Olongapo Branch).

3. Status of Publicly Announced New Products and Services

Product	*Status*
Deposit Products	
Premium Savings Account	Fully operational
Japanese Yen Savings Account	Fully operational
Overseas Kababayan Services	
Overseas Kababayan Savings (OKS) Account USD	Fully operational

4. Competition

The UK/B & TB industries remained profitable despite the uptick in market rates, with aggregate net income up by 7% to P176 billion in 2018. Major banks raised fresh funds to support growth in their core businesses. The industry also saw the roll out of digital transformation initiatives such as fully-digital branches and blockchain technology.

The combined assets of the UK/B & TB industries expanded by 11.6% (+P1.7 trillion) to P16.7 trillion. Based on its published statement of condition (SOC), China Bank recorded the second largest nominal growth in resources of P117 billion or 16% to P864 billion among mid-tier banks, next to PNB's P144 billion increment. Industry deposits grew 8.9% to P12.6 trillion, while gross loans expanded by P1.2 trillion (+14.7%) to P9.3 trillion. This resulted in an increase in loans-to-deposits ratio to 78% from 74% last year. Gross non-performing loans increased by 17.5% to P161 billion, resulting in an uptick in Gross NPL ratio to 1.73% from 1.69% and a decline in NPL coverage ratio to 108% from 126% as the growth in the allowance for credit losses was flat during the period.

More than half of the P240 billion funds raised during the year were allotted to working capital and lending. Combined equity of the UK/B & TB industries went up by 17.9% or P307 billion to P2 trillion. UK/B industry CAR as of September 2018 likewise improved to 15.19% on a solo basis and 15.75% on a consolidated basis.

As of January 2019, there were 45 universal and commercial domestic banks – 17 private domestic banks, 23 foreign bank branches, three government banks, and two foreign bank subsidiaries. Despite the drive towards an integrated ASEAN market, local players would continue to maintain their foothold in the domestic market even with the entry of regional players.

5. Transactions with and/or dependence on related parties

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and their related interest (DOSRI). These loans and other transactions are in accordance with the Bank's policy should be reviewed by the Related Party Transaction Committee to ensure that they are conducted at arm's length basis at fair market prices and upon terms not less favorable to Bank than those offered to others and in compliance with all regulatory requirements. Related party transactions are presented to the stockholders during the annual stockholders' meeting for ratification.

6. Trademarks, Licenses, Franchises, etc.

China Bank is operating under a universal banking license obtained in 1991. Over the years, China Bank has registered its corporate brand, slogan and product trademarks with the Intellectual Property Office (IPO) of the Philippines – Bureau of Trademarks, as follows:

- China Bank - Your Success Is Our Business
- China Bank - More Than Your Banker, The Right Partner
- China Bank Treasury Investments Logo
- China Bank GS Fund Logo
- China Bank Online Logo
- China Bank Diamond Savings Account
- China Bank Dollar Fund Logo
- China Check Plus and Device
- China Bank HomePlus Logo
- China Bank AutoPlus Logo
- China Bank Platinum
- China Bank Prime
- China Bank World
- China Bank Money Plus
- China Bank Cash Management
- China Bank Check Write Plus
- China Bank Check Write Plus Outsourcing
- China Bank Check Write Plus Software
- China Bank Payroll Processing
- China Bank Check Depot
- China Bank Sure Sweep & Device
- China Bank Sure Collect & Device
- China Bank Bills Pay Plus
- China Bank Corporate IBFT
- China Bank ACA Auto-Credit Arrangement
- China Bank ADA Auto-Debit Arrangement
- China Bank China Pay Payroll Software
- China Bank EGOV
- China Bank Corporate Bills Payment
- China Bank Escrow Agency Service POEA
- China Bank Check Write Plus Outsourcing
- China Bank Check Write Plus Software

All the Bank's trademark registrations are valid for 10 years with expiration dates varying from 2020 to 2025. The Bank closely monitors the expiry and renewal dates of these trademark names to protect the Bank's brand equity.

7. Sources and Availability of raw materials and the names of principal suppliers. Not applicable.

8. Disclose how dependent the business is upon a single customer or a few customers. Not applicable.

9. Need for any government approval of principal products or services.
The Bank secures regulatory approval of all its products and services, as required.

10. Effect of existing or probable governmental regulations on the business.
The Bank strictly complied with the Bangko Sentral ng Pilipinas (BSP) requirements in terms of reserves, liquidity position, capital adequacy, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements.

11. Amount spent on research and development activities

(In'000)	**2018**	**2017**	**2016**
Education & Training	50,839	51,031	47,411
Advertising Expenses	32,729	54,759	53,716
Technology	892,431	913,049	809,065

12. Cost and effect of compliance with environmental laws. Not applicable.

13. Total number of employees

Below is the breakdown of the manpower complement in 2018 as well as the projected headcount for 2019:

	2019			**2018**		
	Officers	*Staff*	*TOTAL*	*Officers*	*Staff*	*TOTAL*
Marketing	1,986	334	2,320	1,663	279	1,942
Operations	1,150	4,715	5,865	946	4,523	5,469
Support	735	1,438	2,173	623	1,144	1,767
Technical	303	383	686	232	242	474
Grand Total	4,174	6,870	11,044	3,464	6,188	9,652

The CBC Employees Association (CBCEA) members have an existing Collective Bargaining Agreement with the Bank for the period 01 August 2017 to 31 July 2020.

MARKET INFORMATION AND RELATED MATTERS

(1) Market Information

- **Principal market where the equity is traded** – Philippine Stock Exchange, Inc. (PSE)
- **Market Value**

Actual Prices: *

2018	HIGH	LOW	CLOSE
Jan - Mar	37.50	33.20	35.20
April - Jun	35.55	33.00	33.60
Jul – Sept	33.60	28.85	28.85
Oct – Dec	29.95	26.75	27.10

Actual Prices:

2017	HIGH	LOW	CLOSE
Jan - Mar	41.55	38.00	40.70
April - Jun	41.60	34.50	36.70
Jul – Sept	36.90	35.00	35.35
Oct – Dec	36.20	32.80	33.30

Adjusted Prices (due to stock rights and 8% stock dividend):

2017	HIGH	LOW	CLOSE
Jan - Mar	36.65	33.20	35.90
April - Jun	36.69	33.00	33.98
Jul – Sept	34.17	28.85	32.73
Oct – Dec	34.50	26.75	33.30

* No adjusted prices as no stock rights or stock dividends were issued in 2018.

- **Market value as of December 28, 2018 (last trading day): P27.10**
- **Price Information as of February 28, 2019 (latest practicable trading date): P27.65**

(2) Holders

- **Top 20 Stockholders**
  (As of February 28, 2019)

	Name of Stockholder	Number of Shares	Percentage
1.	PCD Nominee Corporation (Non-Filipino)	720,955,761	26.842%
2.	SM Investments Corporation	461,975,661	17.200%
3.	PCD Nominee Corporation (Filipino)	431,441,259	16.063%
4.	Sysmart Corporation	415,995,323	15.488%
5.	Shoe Mart, Inc.	116,515,424	4.338%
6.	JJACCIS Development Corporation	56,949,897	2.120%
7.	CBC Employees Retirement Plan	53,278,951	1.984%
8.	Joaquin T. Dee &/or Family	53,076,034	1.976%
9.	GDSK Development Corporation	31,458,583	1.171%
10.	Syntrix Holdings, Inc.	21,552,649	0.802%
11.	Suntree Holdings Corporation	20,138,332	0.750%
12.	Hydee Management & Resource Corporation	14,334,603	0.534%
13.	The First Resources Mgt. and Sec. Corp.	5,964,229	0.222%
14.	Kuan Yan Tan's Charity (Phil.), Inc.	5,941,277	0.221%
15.	Reliance Commodities, Inc	5,662,648	0.211%
16.	Ansaldo, Godinez & Co., Inc.	5,037,498	0.188%
17.	Michael John G. Dee	3,963,468	0.148%
18.	Cheng Siok Tuan	3,864,332	0.144%
19.	Rosario Chua Siu Choe	3,631,816	0.135%
20.	Kristin Dee Belamide	3,520,559	0.131%
	TOTAL	**2,435,258,304**	**90.668%**

- **Total number of shareholders** (as of February 28, 2019) – 1,924

- **Summary of Filipino and Non-Filipino Holdings** (as of February 28, 2019)

Nationality	Number of Stockholders	Number of Shares	Percentage
Filipino	1,845	1,957,851,737	72.894%
Non-Filipino (PCD)	1	720,955,761	26.842%
Chinese	48	3,289,744	0.122%
American	19	2,459,997	0.092%
Australian	1	2,114	0.000%
British	2	97,631	0.004%
Canadian	2	450,163	0.017%
Dutch	1	62,198	0.002%
Spanish	1	107	0.000%
Taiwanese	4	730,360	0.027%
TOTAL	**1,924**	**2,685,899,812**	**100.0%**

(3) Dividend History

	2018	2017	2016	2015	2014
Stock Dividend	--	8%	8%	8%	8%
Cash Dividend	8.3%	8%	10%	10%	10%

Authorized and Issued Capital

Authorized Capital	-	P33.0 Billion divided into 3.3 Billion shares with a par value of P10.00 per share
Issued Shares	-	2,685,899,812 common shares

There is no restriction that limits the ability of the Bank to pay dividends other than what is required under the Revised Corporation Code and pertinent BSP regulations that prescribe minimum levels and ratios of capital adequacy. However, any dividends declared by the Bank are subject to notice to/approval by the Bangko Sentral ng Pilipinas (BSP), Philippine Stock Exchange (PSE), and/or Securities and Exchange Commission (SEC). The Dividend Policy of the Bank is discussed under Annex C of the Information Statement.

(4) Unregistered Securities

There were no unregistered securities sold by the Bank for the past three (3) years. However, there were new securitites issued resulting from the stock rights offering of 483,870,967 common shares in 2017, and declaration of 8% stock dividend in 2017 to come from the Bank's unissued shares. These securities distributions were exempt from registration requirement under Section 10.1 of the Securities Regulation Code.

(5) Free Float Level

Based on the Public Ownership Report of the Bank as of December 31, 2018, 58.278% of the total outstanding shares are owned by the public.

ANNEX "C"

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Doing Business the Right Way for a Sustainable Banking

Guided by the principles of Fairness, Accountability, Transparency and Integrity, China Bank continuously endeavor to improve and uphold the highest standards of corporate governance to remain strongly positioned for value creation and in building a more resilient and sustainable banking future for its customers, employees and other stakeholders.

The overall stewardship of the Bank rests on the Board of Directors. The Board upholds these core principles in all financial and business dealings of the Bank. Furthermore, it sets the tone and leads the practice of ethical business conduct, guides the overall corporate philosophy and direction, and carries out oversight responsibility for business and risk strategy, financial soundness, and regulatory compliance. The Board also sets the pace for the Bank's current operations and future directions, and ensures that all obligations to stakeholders are met.

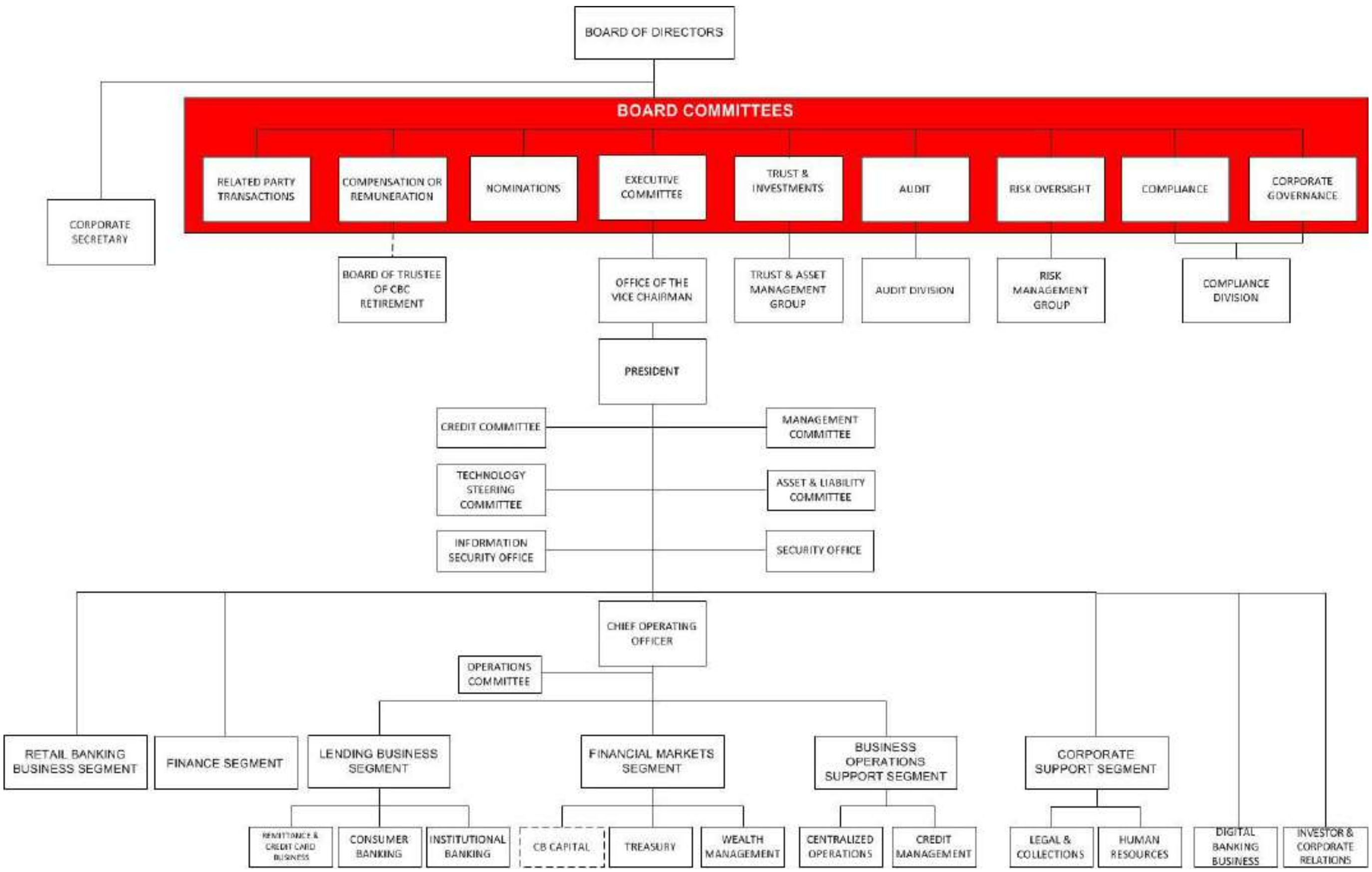
China Bank believes that good corporate governance is vital to its success and sustainability. It is committed to doing business the right way — in accordance with the law, best practices, and best interest of all stakeholders. Its robust governance, compliance, and risk management system ensure that the Bank has a strong foundation to pursue its goals and deliver its commitments.

To further strengthen our position as one of the best governed in the region, we have implemented new initiatives and maintained the best practices:

- Updated the Bank's Corporate Governance Manual to align with recent rules, regulations and international practices.
- Affirmed the ASEAN Scorecard recommendation that all members of the Corporate Governance, Related Party Transactions (RPT) and Nominations Committee are independent directors (ID), while majority of the members of the Remuneration Committee are IDs.
- Enhanced the Board Committee Charters, Board Self-Assessment Forms, RPT Framework and Policy, Insider Trading Policy and Retirement Policy for Directors.
- Adopted a Code of Ethics for Directors.
- Conducted the annual assessment of the Board, Board-level committees and the President.
- Facilitated the corporate governance training conducted by the Institute of Corporate Directors on China Bank's directors and key officers.

Organizational Structure

The Board of Directors, being at the core of China Bank's corporate governance structure, continues to foster a culture of a proactive Board that is accountable and responsible for the affairs and performance of China Bank supported by proactive and competent personnel in achieving its goal of governance of going beyond best practice compliance.



Board of Directors

The Bank has eleven (11) directors[1] and one (1) advisor. Two (2) of the directors are executive directors and the rest are non-executive directors. China Bank has a rigorous and transparent procedure for the nomination and election of new directors to the Board, to ensure a diverse and well-balance approach. In accordance with the Bank's Manual on Corporate Governance aligned with laws, rules and regulations, the members of the Board are selected from a pool of qualified candidates after considering, among other things, their integrity, competence, independence, leadership, ability to exercise sound judgment, and experience at policy-making levels involving issues affecting business, government, and other areas relevant to banking operations. The Board may use professional search firms or other external sources when searching for candidates for the Board.

Acknowledging the significant and crucial roles of Independent Directors, China Bank has three (3) Independent (non-executive) Directors in the Board to ensure a strong element of independence. The Bank's Independent Directors are independent of management and major/substantial shareholders, and free from any business, family or any other relationship with China Bank, which could affect their judgment.

[1] *In 2018, the Bank has amended its Articles of Incorporation and By-laws (SEC approval dated 31 January 2019) to increase its number of directors from 11 to 12 in order to ensure diversity and promote independence of judgment in the Board, as well as to address the requirement under the BSP Circular No. 969 on the number of independent directors.*

The members of the Board are given a copy of their general and specific duties and responsibilities as prescribed by the Manual of Regulations for Banks (MORB); the directors acknowledge that they have received and certify that they read and fully understood the same. Copies of the Acknowledgement Receipt and Certification are submitted to the BSP within the prescribed period. Moreover, the Directors also individually submit a Sworn Certification that they possess all the qualifications as enumerated in the MORB. These certifications are submitted to BSP after their election. Additional certifications are executed by Independent Directors to comply with the Securities Regulation Code and BSP rules which are then submitted to the SEC.

Board Committees

In order to effectively carry out its mandate of good corporate governance through compliance with laws, rules, regulations and best practices, the Board of China Bank is supported by various committees, as follows:

- **Executive Committee** has the powers of the Board, when the latter is not in session, in the management of the business and affairs of China Bank to the fullest extent permitted under Philippine law. The Executive Committee had 40 meetings in 2018, including 1 joint meeting with the Risk Oversight Committee.

Director	Attendance	%
Hans T. Sy (Chairman)	36	90
Gilbert U. Dee	40	100
Peter S. Dee	32	80
Joaquin T. Dee	40	100
William C. Whang	40	100

- **Corporate Governance Committee** is responsible for ensuring that the Bank's Corporate Governance framework is regularly reviewed and updated, and implemented accordingly at all times. It provides assistance to the Board by overseeing the orientation and training programs for its members, as well as facilitating the performance evaluation of the Board, Board-level committees and senior management. The Corporate Governance Committee had 28 meetings in 2018, including 11 joint meetings with Compliance Committee, 17 joint meetings with the Nominations Committee.

Director	Attendance	%
Roberto F. Kuan [(a)] (Chairman)	17	89
Alberto S. Yao	26	93
Margarita L. San Juan	27	96
Philip S.L. Tsai [(b)] (Chairman)	1	100

(a) Director Roberto F. Kuan (†) attended 17 out of 19 meetings

(b) Chairman from December 5, 2018; attended 1 out of 1 joint meeting of Compliance and Corporate Governance Committees

- **Audit Committee** primarily oversees all matters pertaining to audit - mainly the evaluation of the adequacy and effectiveness of the Bank's internal control system, as well as the integrity of its financial statements. It appoints, reviews and concurs in the appointment or replacement of the Chief Audit Executive (CAE), and is responsible for ensuring that the CAE and internal audit function are free from interference by outside parties. It also ensures that an annual review is performed with regard to the effectiveness of the internal audit mechanism, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics. It provides oversight over Management's activities in maintaining an adequate internal control framework, 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 ensures that internal and external auditors remain independent and are given unrestricted access to records, properties and personnel, to enable them to perform their respective audit functions. It has the explicit authority to investigate any matter within its terms of reference, in order to ensure the effectiveness and efficiency of the Bank's internal controls. The Audit Committee had 14 meetings in 2018.

Director	Attendance	%
Alberto S. Yao (Chairman)	13	93
Joaquin T. Dee	14	100
Roberto F. Kuan [(a)]	7	78
Philip S.L. Tsai [(b)]	1	100

(a) Director Roberto F. Kuan (†) attended 7 out of 9 meetings

(b) Member from December 5, 2018; attended 1 out of 1 meeting

- **Compliance Committee** is tasked to monitor compliance with established bank laws, rules and regulations specifically in the mitigation of business risks and ensures that management is doing business in accordance with the said prescribed laws, rules and regulations including policies, procedures, guidelines and best practices. The Compliance Committee had 12 meetings in 2018, including 11 joint meetings with the Corporate Governance Committee.

Director	Attendance	%
Hans T. Sy (Chairman)	11	92
Joaquin T. Dee	12	100
Alberto S. Yao	11	92

- **Risk Oversight Committee** is responsible for the development and oversight of the Bank's risk management functions, including the evaluation of the effectiveness of the enterprise risk management framework and ensuring that corrective actions are in place to address risk management concerns in a timely manner. It oversees the risk taking activities of the Bank and warrants the continued relevance, comprehensiveness and overall value of the institutional risk management plan. The Risk Oversight Committee had 12 meetings in 2018, including 1 joint meeting with the Executive Committee.

Director	Attendance	%
Margarita L. San Juan (Chairman)	11	92
Hans T. Sy	9	75
Alberto S. Yao	12	100

- **Nominations Committee** is composed entirely of Independent Directors and is responsible for reviewing and evaluating the qualifications of all persons nominated to the Board and other appointments that require Board approval, including promotions favorably endorsed by the Promotions Review Committee. It is also tasked to review the qualifications of the candidates, to ensure that their qualities and/or skills are appropriate for leading and assisting the Bank in achieving its vision and corporate goals. The Nominations Committee had 17 meetings in 2018, jointly with the Corporate Governance Committee.

Director	Attendance	%
Roberto F. Kuan [(a)] (Chairman)	11	92
Alberto S. Yao	16	94
Margarita L. San Juan	16	94

(a) Director Roberto F. Kuan (†) attended 11 out of 12 meetings

- **Remuneration Committee (formerly Compensation or Remuneration Committee)** provides oversight over the remuneration of senior management and other key personnel, ensuring that compensation is consistent with the interest of all stakeholders and the Bank's culture, strategy and control environment. The Remuneration Committee had 3 meetings in 2018.

Director	Attendance	%
Roberto F. Kuan [(a)] (Chairman)	2	100
Hans T. Sy	3	100
Alberto S. Yao	3	100
Harley T. Sy	3	100
Margarita L. San Juan	3	100

(a) Director Roberto F. Kuan (†) attended 2 out of 2 meetings

- **Related Party Transaction Committee** is responsible for reviewing all material related party transactions (RPTs) to ensure that they are conducted in accordance with the arm's length principles. Composed entirely of

Independent Directors, the committee oversees the proper implementation of the RPT Policy and ensures that corresponding transactions are duly identified, measured, monitored, controlled and reported. The Related Party Transaction Committee had 12 meetings in 2018.

Director	Attendance	%
Roberto F. Kuan [(a)] (Chairman)	8	89
Alberto S. Yao	12	100
Margarita L. San Juan	11	92

(a)) Director Roberto F. Kuan (†) attended 8 out of 9 meetings

- **Trust Investment Committee** provides oversight functions, overall strategic business development and financial policy directions to the Trust and Asset Management Group. It oversees the trust, investment management and fiduciary activities of the Bank, and ensures that they are conducted in accordance with applicable rules and regulations, and judicious practices. Moreover, it ensures that prudent operating standards and internal controls are in place and that the Board's objectives are clearly understood and duly implemented by the concerned units and personnel. The Trust Investment Committee convened 10 times in 2018.

Director	Attendance	%
Herbert T. Sy (Chairman)	9	90
Jose T. Sio	9	90
Peter S. Dee	8	80
William C. Whang	10	100
Carina L. Yandoc [(a)]	1	100
Mary Ann T. Lim [(b)]	9	100

(a) Member until January 2018; attended 1 out of 1 meeting
(b) Member effective February 2018; attended 9 out of 9 meetings

Additional details on the Committees and their charters can be accessed through the Bank's website at www.chinabank.ph.

Corporate Secretary

Assisting the Board of Directors in the effective and efficient discharge of their duties is the Corporate Secretary. Our Corporate Secretary is Atty. Corazon I. Morando who reports operationally to the Chairman and is accountable to the Board. Her duties and responsibilities are clearly stated in the Bank's Corporate Governance Manual.

The Corporate Secretary is a senior, strategic-level corporate officer who has the vital role of official record keeper responsible for the administrative side of board and committee meetings; corporate governance gatekeeper responsible for overseeing sound board practices; and board liaison who works and deals fairly and objectively with the Board, Management, stockholders and other stakeholders.

Board Training

In compliance with existing rules and regulations and as part of the continuing education program, the Board undergoes an annual training. Last November 7, 2018, members of the Board and Management Committee, together with key officers of the Bank, have attended the Bank's exclusive advanced Corporate Governance training as facilitated by the Institute of Corporate Directors (ICD). The said training focused on current trends, 3 lines of defense, and legal liabilities.

Moreover, any new member of the Board is briefed on his duties and responsibilities and is given an orientation kit, containing: (1) Specific Duties and Responsibilities of Directors, (2) Corporate Governance Manual and (3) applicable Board Committee Charters. He is also required to attend an orientation program from accredited training providers.

Performance Evaluation for the Board, Individual Directors, Board Committees and President

China Bank has an annual performance assessment to determine the Board, individual Directors, all Board-level Committees, and the President's level of compliance with leading practices and principles on good governance and to identify areas for improvement. The evaluation seeks to assess the effectiveness and collective performance of the

Board through a self-assessment. The Compliance Division summarizes the results of the evaluation and the Corporate Governance Committee reports it to the Board. The Board, on the other hand, reviews the results and evaluates the enhancements needed in order to improve the performance of the Board collectively, the individual directors, and the various committees. Every three (3) years, the assessment shall be validated by an external facilitator.

In 2018, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.

Compliance System

The Compliance Division plays a crucial role in fostering a culture of group-wide compliance in all facets of the Bank, assists the Board in the discharge of its governance function to protect China Bank's reputation and its stakeholders' interests, and ensures the Bank's safety and soundness. In place is a compliance risk management system that is designed specifically to identify and mitigate risks that may erode the franchise value of the Bank.

Compliance Division is headed by the Chief Compliance Officer (CCO), Atty. Aileen Paulette S. De Jesus, who reports functionally to the Compliance and the Corporate Governance Committees and administratively to the Bank's President. The Compliance function is supported by a duly approved Compliance Charter that defines the duties and responsibilities, mandate, independence, and manner on which compliance is implemented. At the helm of this function is the Regulatory Compliance Unit. The Corporate Governance Unit assists the CCO in its governance mandates, while the IT Compliance Unit assists in the IT system support. All units in the Bank have Compliance Coordinators to ensure that all risks associated to the operations and business of the individual units are identified, monitored, and mitigated.

To enhance regulatory, compliance and good governance awareness and continuously strengthen the implementation of our compliance culture within the Bank, the Compliance Division:

1. Cascades all recent laws, rules, and regulations to all concerned;

2. Acts as liaison for the Board and Management on regulatory compliance matters, with the regulatory agencies;

3. Provides advisory services, including reviewing proposed China Bank products and services;

4. Reviews and updates the Compliance Manual, Money Laundering and Terrorist Financing Prevention Program and Corporate Governance Manual annually, to align with recent regulatory requirements;

5. Continuously educates Bank employees about compliance, anti-money laundering, good governance and its benefits, the Bank's Code of Ethics, and the policy on avoidance of conflict of interest, among others, to ensure that everyone in the institution is in the same direction towards good governance and to develop a culture of trust and integrity and to enable the employees of the Bank to embrace the principles set forth by the Board;

6. Conducts briefings for Compliance Coordinators in the branches and Head Office to raise the level of awareness and understanding of the principles, concepts, and elements of good corporate governance and compliance. The Compliance Coordinators are required to cascade their learnings to their respective areas; and

7. Conducts lectures to all new employees of the Bank for the basic orientation on Compliance System, Anti-Money Laundering (AML), Whistleblowing, and Corporate Governance giving them an overview of the Bank's Compliance Risk Management System. Compliance Division also conducts lectures during the Junior Executive Development (JED) and Supervisory Development Program (SDP), among others.

Governance Policies

- **Corporate Governance Manual**

  In place is an extensive Corporate Governance Manual that contains the Bank's corporate governance policies, structure, principles, as well as the general and specific duties and responsibilities of the Board and the individual directors. The Manual is kept updated to ensure that it is aligned with latest regulatory issuances. To enjoin Bank-wide compliance and for easy access, a copy of the Manual is available in the Bank's intranet facility, under the Compliance Office Public Folder. The CCO is primarily tasked to monitor compliance with the Manual, and is always available to respond to inquiries from Bank officials and personnel regarding good corporate governance policies and practices.

- **Board Compensation Policy**

  China Bank directors are entitled to a *per diem* of five hundred pesos (P500.00) for attendance at each meeting of the Board of Directors or of any Committee, or as may be determined from time to time by stockholders owning or representing a majority of the subscribed capital stock, at any regular or special meeting. In accordance with Article VIII of the Bank's By-Laws, a portion of the net earnings shall be given to the members of the Board.

- **Dividend Policy**

  China Banking Corporation, as a matter of policy, shall declare cash dividends at a payout ratio of at least thirty percent (30%) of the net income of the prior year, subject to the conditions and limitations set forth in this policy statement. The Bank's Dividend Policy is an integral component of its Capital Management Policy and Process. Its fundamental and overriding philosophy is sustainability.

  Dividend payouts are reviewed annually. These are referenced against the Bank's Capital Management Process. Based on this process, dividend payouts are calibrated based on the prior year's earnings while taking consideration of dividend yields, future earnings streams and future business opportunities.

  In declaring dividend payouts, China Banking Corporation uses a combination of cash or stock dividends as follows:

  1. The dividend is increased in response to the Bank's achieving a higher level of sustainable earnings.

  2. Dividends may be increased for a specific year to plow back to shareholders a commensurate share of unusually high earnings for a given year.

  China Bank's capital management philosophy and process, and consequently its Dividend Policy which comprises an integral component of this undertaking, are driven by the following primary objectives:

  1. Ensuring compliance with externally imposed regulatory capital requirements.
  2. Maintaining strong credit ratings.
  3. Maintaining healthy capital ratios to support its business and maximize shareholder value.

  China Bank manages its capital structure and makes adjustments to it in the light of:

  1. Changes in economic conditions.
  2. The risk characteristics of its activities.
  3. The assessment of prospective business requirements or directions.

- **Whistleblowing**

The Bank does not and will not tolerate unethical conduct, thus 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 as the identity of the whistle-blower is kept confidential.

The Bank's CCO determines the substance and validity of all whistle-blower reports. Reports can also be disclosed to any officer of the bank, the Risk Management Group, Internal Audit and the Human Resources Group.

- **Code of Ethics**

The Bank is committed to conduct its business in an honest and ethical manner, well guided by its core values, namely: integrity, high performance standards, commitment to quality, customer service focus, concern for people, efficiency and resourcefulness, and initiative in carrying out its functions and in dealing with its clients. These core values are also the foundation of the Bank's Code of Ethics.

Setting the tone from the top, our Board of Directors is fully committed to principled conduct of business. Just as it expects full compliance to the Code of Ethics from all Bank employees, the body believes that its members should also uphold the principles of integrity, fairness, accountability and transparency at all times.

The Code of Ethics for Directors articulates the acceptable practices in relation to both internal and external dealings (i.e., investors, creditors, customers, depositors, contractors, suppliers, regulators, and the general public) of the members of the Board. It also provides the guiding principles on the performance of their duties in accordance with the fit and proper rules; and establishes standards for professional and ethical conduct. All new directors are given a copy of the Code, and they acknowledge receipt of the same.

To ensure that business is carried out in compliance with relevant laws and in the protection of the interest of the Bank's customers, shareholders and other stakeholders, the Bank's Human Resources Group has disseminated the Bank's Code of Ethics to all employees, including new hires. Employees are required to sign an acknowledgement receipt that they have received a copy of the Code of Ethics.

Copies of the Codes are also made available in the Bank's intranet to be readily accessible to all employees, and are also available on the Bank's website. A comprehensive discussion on the Code of Ethics is conducted with new employees of the Bank to foster a culture of awareness on the Bank's core values. Such discussion also highlights the behavioral standards, business conduct, and corresponding sanctions for violations of the Code of Ethics.

- **Policy on Conflict of Interest**

In accordance with the Bank's Code of Ethics, Conflict of Interest between the Bank and its employees should be avoided at all times. However, should a conflict arise, the interest of the Bank must prevail. Employees are not permitted to have or be involved in any financial interests that are in conflict or appear to be in conflict with their duties and responsibilities to China Bank. They are likewise barred from engaging in work outside of the Bank unless with duly-approved permission, as well as work that lies in direct competition with the Bank.

- **Disclosure and Transparency**

The Bank is committed to a high standard of disclosure and transparency to facilitate understanding of the Bank's true financial condition and the quality of its corporate governance. All material information about the Bank is adequately and punctually disclosed, in accordance with the SEC and PSE's disclosure policies. In addition to compliance with the reportorial requirements such as publishing quarterly financial statements in leading newspapers and producing a comprehensive annual report for the Bank's annual stockholders' meeting, the Bank promptly discloses major and market-sensitive information like dividend declarations, joint ventures and acquisitions, sale and disposition of significant assets, as well as financial and non-financial information that may affect or influence the investment decision of the investing public, in the form of press releases in newspapers and reports in our internal publications. We also electronically file our disclosures through EDGE which are then posted on the PSE's website. The Bank's corporate website is likewise regularly updated to include the latest news and current information about the Bank.

The Bank aims to ensure that information about its products and services are clear, understandable, accurate, and accessible. We give all necessary and relevant information to our customers so that they can make informed decisions when transacting with us. The information is communicated to our customers through the use of different media and channels such as printed materials that are prominently displayed in our branches or directly sent to customers — TV, print, radio and other forms of advertisements; our website and social media channels such as Twitter and Facebook; and our Customer Contact Center. All consumer information required by the BSP are likewise openly displayed at our branches. Our branch personnel are trained to handle inquiries about any information in a professional manner to explain risks relating to our products and services and to provide advice on financial matters.

Item 6. Management Discussion and Analysis or Plan of Operation
(Last Three Years 2018, 2017, and 2016)

(a) Financial and Operating Highlights

Balance Sheet

In Million Pesos	**Dec 31, 2018 Audited**	Dec 31, 2017 Audited	Dec 31, 2016 Audited
Assets	**866,072**	751,448	633,198
Investment Securities	**190,235**	127,971	98,982
Loan Portfolio (Net)	**505,805**	448,971	386,827
Total Deposits	**722,123**	635,093	541,583
Equity	**87,857**	83,655	63,386

Balance Sheet – 2018 vs. 2017

Total assets expanded by 15.3% to P866.1 billion from P751.4 billion mainly from the build-up in loans and liquid assets.

Cash and other cash item increased by 23.3% to P15.6 billion from P12.7 billion due to the higher cash requirements from the branch network expansion. **Due from other banks** decreased 39.5% to P9.5 billion from the drop in placements with correspondent banks. The Bank also reduced **interbank loans receivable and securities purchased under resale agreements** to P12.0 billion from lower overnight placements with the BSP.

Investment securities amounted to P190.2 billion, up by 48.7% from P128.0 billion. **Financial assets at fair value through profit & loss (FVPL)** decreased P8.6 billion or 53.2% to P7.6 billion. **Financial Assets at fair value through other comprehensive income (FVOCI),** formerly available-for-sale financial assets (AFS), declined P36.3 billion to P10.1 billion due to the sale of securities and PFRS-9 related adjustments. **Investment securities at amortized cost**, formerly held-to-maturity financial assets (HTM), climbed P107.3 billion to P172.5 billion with the build-up in fixed income assets and reclassification related to PFRS-9 implementation. The Bank’s securities portfolio accounted for 22% of consolidated resources, higher than the 17% at year-end 2017.

The Bank’s **liquidity ratio** stood at 38%, slightly higher than last year’s 36%.

The Bank’s **gross loan portfolio** expanded to P512.9 billion, 12.6% higher from last year’s P455.6 billion with the growth in corporate and consumer loans, while **loans and receivables (net)** stood at P505.8 billion, up P56.8 billion or 12.7%.

Accrued interest receivables grew by 53.2% to P5.7 billion from P3.7 billion due to larger receivables from investment securities and uptick in loans.

Investment properties dropped 5.6% to P4.8 billion due to the sale and disposal of foreclosed properties. The booking of additional provision for impairment and credit losses raised **deferred tax assets** by P736.8 million to P2.5 billion.

On the liabilities side, **total deposits** increased by 13.7% to P722.1 billion from P635.1 billion, of which CASA (demand and savings deposits) totaled P400.8 billion. CASA ratio of 56% exceeded the 2017-end ratio of 54%. The Bank also issued Long-Term Negotiable Certificates of Time Deposit (LTNCDs) amounting to P10.25 billion in July 2018. **Bills payable** grew by 98.0% to P39.8 billion from the increase in alternative fund sources (interbank borrowings and BSP rediscounting). **Manager’s checks** also went up by 5.6% to P2.6 billion from P2.4 billion because of higher customer demand. **Income tax payable** worth P477.6 million recorded a P115.5 million or 31.9% increase due to additional regular corporate income taxes payable for the year. **Accrued interest and other**

expenses were up by 46.2% to P3.8 billion from the setup of interest accruals and payroll expenses. **Derivative liabilities** also expanded by P187.6 million or 70.1% to P455.1 million because of higher currency swaps volume. **Deferred tax liabilities** increased by 6.0% to P1.2 billion because of foreclosure gains. **Other liabilities** increased P2.0 billion to P7.7 billion with the booking of expected credit losses (ECL) on off-balance sheet exposures amounting to P1.6 billion.

Total equity reached to P87.9 billion, 5.0% higher than last year's P83.7 billion. **Surplus reserves** went up by P3.1 billion to P4.0 billion from the impact of PFRS-9 adoption. **Net unrealized loss on financial assets on FVOCI** improved P1.1 billion to (P702.5) million from (P1.8) billion arising from the mark-to-market revaluation of the Bank's unsold securities. **Remeasurement gain on defined benefit asset** registered a P166.7 million or 58.8% decrease to P117.0 million because of actuarial adjustments in the valuations of retirement plans last year. **Cumulative translation adjustment** fell to (P91.7) million from (P38.7) million due to exchange rate difference.

The Bank's Common Equity Tier 1 (CET 1) and total CAR were computed at 12.16% and 13.09%, respectively. The difference was accounted by the general loan loss provision limited to 1% of credit risk weighted assets as buffer for potential losses.

Balance Sheet – 2017 vs. 2016

Total assets expanded by 18.7% to P751.4 billion from P633.2 billion mainly from the robust growth in liquid assets and core business.

Cash and other cash item increased by 5.6% to P12.7 billion from P12.0 billion due to the higher cash requirements from the branch network expansion. **Due from *Bangko Sentral ng Pilipinas*** grew by 7.1% to P98.5 billion from P92.0 billion as higher reserves were allotted to cover for the bigger deposit volume. **Due from other banks** went up by 38.0% to P15.6 billion from the build-up of deposits with correspondent banks. **Interbank loans receivable and securities purchased under resale agreements**, mainly composed of overnight placements with the BSP, recorded a P15.3 billion increase to P18.8 billion.

Investment securities totalled P128.0 billion, up by 29.3% from P99.0 billion, resulting in a higher share to total assets of 17% from 16% in 2016. **Financial assets at fair value through profit or loss (FVPL)** amounted to P16.2 billion, P8.5 billion larger due to the purchase of tradable securities and investments in shares of stocks. **Available-for-sale (AFS) financial assets** increased by 37.1% to P46.4 billion from P33.9 billion, while **held-to-maturity (HTM) financial assets** recorded a P7.9 billion or 13.7% growth to P65.3 billion as the Bank continued to expand its bond holdings.

The Bank's **liquidity ratio** stood at 36%, better than last year's 34%.

The Bank's **gross loan portfolio (inclusive of UDSCL)** grew 15.7% to P455.6 billion from P393.7 billion mainly from higher demand across all customer segments (corporate, commercial, and consumer). **Loans and receivables (net)** grew by 16.1% to P449.0 billion from P386.8 billion.

Accrued interest receivables grew by 23.4% to P3.7 billion from P3.0 billion due to uptick in interest earning assets such as AFS, HTM, and loans. **Investment in associates** went up by 19.1% or P52.9 million to P329.4 million mainly due to higher contribution from the bancassurance joint venture, Manulife-China Bank Life Assurance Corporation (MCBLife).

Bank premises, furniture, fixture, and equipment grew by 5.8% or P379.6 million due to the continued network expansion and technology upgrade. On the other hand, **investment properties** dropped P277.6 million or 5.2% due to the sale and disposal of foreclosed properties. The booking of additional provision for probable losses raised **deferred tax assets** by P111.8 million to P1.8 billion. **Other assets** declined by P677.8 million or 9.8% to P6.2 billion mainly because of lower accounts receivables.

On the liabilities side, **total deposits** increased by 17.3% to P635.1 billion from P541.6 billion mainly from the ongoing branch expansion and more customer acquisition efforts. CASA (checking & savings) were P66.6 billion or 24.1% higher at P343.0 billion, improving the CASA ratio to 54% from 51% in 2016. **Bills payable** grew by 18.7% to P20.1 billion due to higher foreign currency-denominated borrowings. **Manager's checks** also went up by 20.3% to

P2.4 billion from P2.0 billion because of higher customer demand. Meanwhile, **income tax payable** saw a 17.2% or P75.3 million drop to P362.0 million from savings in regular corporate income tax payable for the year. **Accrued interest and other expenses** were up by 40.7% to P2.6 billion from the setup of accruals and payroll expenses. **Derivative liabilities** also expanded by P24.3 million or 10.0% to P267.5 million because of the higher volume of currency swaps.

Total equity grew to P83.7 billion, 32.0% higher than last year's P63.4 billion primarily because of the upturn in capital stock and retained profits. **Capital stock** rose to P26.8 billion from P20.0 billion mainly from the issuance of 484 million stock rights at par value, as well as the declaration of 8% stock dividends. Likewise, **capital paid in excess of par** added P10.1 billion to previous year's outstanding balance following the completion of the P15-billion stock rights offer. **Surplus** increased by P3.5 billion or 9.4% to P40.4 billion mainly from retained earnings, net of total cash dividends worth P2.0 billion and stock dividends of P2.0 billion. **Net unrealized loss on available-for-sale securities** widened to (P1.8) billion from (P1.6) billion because of the mark-to-market revaluation loss on the Bank's unsold securities. **Remeasurement gain on defined benefit asset** registered an 11.7% increase to P283.8 million because of actuarial adjustments to the valuations of retirement plans. **Cumulative translation adjustment** meanwhile showed a higher negative balance at (P38.7) million from (P22.5) million last year due to the exchange rate differences arising from the conversion of income and expenses related to foreign currency-denominated positions to base currency. The Bank also recognized **remeasurement on life insurance reserve of associate** amounting to (P12.2) million.

The Bank's Common Equity Tier 1 (CET 1) and total CAR were computed at 13.47% and 14.22%, respectively. The difference was accounted by the general loan loss provision limited to 1% of credit risk weighted assets as buffer for potential losses.

Income Statement

In Million Pesos	**2018 Audited**	2017 Audited	2016 Audited
Interest Income	**35,213**	26,539	21,892
Interest Expense	**12,286**	6,913	5,197
Net Interest Income	**22,926**	19,626	16,694
Non-Interest Income	**5,658**	6,102	5,095
Provision for Impairment & Credit Losses	**141**	754	851
Operating Expenses	**18,056**	15,962	13,351
Net Income	**8,116**	7,523	6,461

Income Statement – For the years ended December 31, 2018 and 2017

The Bank recorded a 7.9% improvement in **net income** to P8.1 billion, which translated to a 9.54% return on equity (ROE) and 1.04% return on assets (ROA).

Total interest income increased 32.7% to P35.2 billion from P26.5 billion in the same period last year. **Interest income from loans and receivables** was up 29.6% to P28.2 billion from P21.75 billion on the back of robust year-on-year loan portfolio expansion. **Interest income from trading and investments** was 58.5% higher at P6.3 billion from the year-on-year growth in securities holdings. **Interest income from due from BSP and other banks and securities purchased under resale agreements** registered an 11.4% drop to P727.3 million from P820.7 million because of lower BSP and interbank placements.

Total interest expense amounted to P12.3 billion, P5.4 billion or 77.7% larger than last year due to the build-up in funds which include the P10.25 billion LTNCD issue in the third quarter. **Interest expenses on deposit liabilities** increased 78.2% to P11.6 billion arising from the deposit expansion and higher funding costs. **Interest expenses on bills payable and other borrowings** was 70.1% higher at P665.3 million due to higher foreign currency-denominated liabilities.

Net Interest income increased P3.3 billion or 16.8% to P22.9 billion. The Bank's consolidated **net interest margin** was recorded 3.10% from 3.11% last year as higher interest revenues were offset by higher funding cost.

Provision for impairment and credit losses, computed under PFRS-9, totaled P141.1 million, down P613.1 million or 81.3%. Inclusive of appropriated retained earnings, total provisions would amount to P481.5 million.

Total **non-interest income** declined P443.4 million or 7.3% mostly from the drop in **trading and securities gain** to (P271.6) million from P480.0 million arising from rate volatility that affected both the dealership business and returns on tradable securities. **Service charges, fees, and commissions** increased by 13.7% to P2.8 billion from the upswing in investment banking fees and transactional fee revenues. **Gain on sale of investment properties** was up by 51.4**%** to P1.0 billion due to robust sales of foreclosed assets. **Gain on asset foreclosure and dacion transactions** also improved by 60.4% to P 252.5 million because of the upside revaluation on foreclosed assets. **Foreign exchange gain** decreased 44.1% to P216.0 million from P386.0 million because of the month-to-month movement in the Peso-Dollar exchange rate. **Trust fee income** likewise dropped by P70.6 million or 18.8% to reach P305.8 million due to the drop in related fees. **Share in net income of associates** recorded a P27.9 million increase to P101.0 million from P73.1 million because of the improved profitability of bancassurance joint venture MCBLife. **Miscellaneous income** decreased by 16.8% to P1.3 billion with the booking of one-off gains last year.

Operating expenses (excluding provision for impairment and credit losses) increased 13.1% to P18.1 billion as the Bank carried out its expansion by investing in new branches, more people, and up-to-date technology to support the growth of new businesses. Cost-to-income ratio slightly climbed to 63% from 62% last year. **Compensation and fringe benefits** increased 7.5% to P6.1 billion from the increase in human resource complement. **Taxes and licenses** increased by 29.2% to P2.9 billion from higher documentary stamp (as a result of the implementation of the Tax Refom for Acceleration and Inclusion Act), gross receipts, and other business taxes. Meanwhile, the continued outlay and investments related to the network & business expansion increased **occupancy costs** by 10.6% to P2.3

billion, as well as **depreciation and amortization** by 6.6% to P1.3 billion. **Insurance**, which includes PDIC premium payments, grew 15.9% to P1.7 billion with the expansion in deposits. **Professional fees, marketing, and other related services**; **entertainment, amusement and recreation**; and **transportation and traveling** likewise rose by 12.9%, 32.4%, 27.9% respectively, with the ramp-up in business development and marketing efforts. Also, the Bank's **repairs and maintenance** was 25.8% higher at P131.2 million mainly due to technology upgrade. **Miscellaneous expenses** went up by 10.0% or P187.1 million primarily from increases in information technology-related expenses, litigation, and transactional costs.

Income Statement – For the years ended December 31, 2017 and 2016

The Bank recorded a 16.4% improvement in **net income** to P7.5 billion for 2017, which translated to a 10.01% return on equity (ROE) and 1.12% return on assets (ROA).

Total interest income increased by 21.2% to P26.5 billion from P21.9 billion, largely from the 21.6% uptick in **interest income from loans and receivables** to P21.8 billion, driven by sustained core business expansion. **Interest income from trading and investments** was 20.8% higher at P4.0 billion due to higher accrual revenue coming from the larger investment securities portfolio. **Interest income from due from BSP and other banks and securities purchased under resale agreements** registered a 14.1% increase to P820.7 million from P719.4 million because of higher BSP and interbank placements.

Total interest expense amounted to P6.9 billion, up P1.7 billion mainly from increase in **interest expense on deposit liabilities** by 35.0% to P6.5 billion which was caused by funds build-up. Similarly, **interest expense on bills payable and other borrowing** grew by P25.1 million or 6.9% to P391.0 million due to the uptick in fund borrowings.

Despite the 17.6% improvement in **net interest income** to P19.6 billion, consolidated **net interest margin** fell to 3.11% from 3.20% as the full-year impact of rising funding costs tempered topline gains.

Provision for impairment and credit losses figured at P754.2 million, P96.4 million or 11.3% lower from prudent credit expansion coupled with the reduction in defaults & soured loans.

Total **non-interest income** improved by 19.8% to P6.1 billion due to higher fees & commissions, significant revenues from the sale of investment properties, and booking of one-off gains. **Service charges, fees, and commissions** grew by 15.0% to P2.4 billion from the upswing in investment banking fees, credit card commissions, and transactional fee revenues. **Foreign exchange gain** grew by 21.3% or P67.9 million to P386.0 million because of larger deal volume and month-to-month movement in the Peso-Dollar exchange rate. **Trust fee income** likewise exceeded previous year's gains by P46.1 million or 14.0% and reached P376.3 million with the expansion in assets under management. **Gain on sale of investment properties** saw a 51.3% improvement to P670.6 million from robust sales of the Bank's foreclosed assets. However, **gain on asset foreclosure and *dacion* transactions** declined by P15.1 million or 8.7% due to the smaller volume of foreclosed properties. **Share in net income of associates** recorded a P162.5 million turnaround to P73.1 million from a loss of P89.4 million because of the improved profitability of MCBLife. **Miscellaneous income** increased by 72.6% to P1.5 billion from the higher recoveries of charged-off assets and recognition of one-off gains. Meanwhile, **trading and securities gain** dropped to P478.0 million from P918.1 million because of rate volatilities that affected both the dealership business and returns on tradable securities.

Operating expenses (excluding provision for impairment and credit losses) rose 19.6% to P16.0 billion as a result of the ongoing business expansion. **Compensation and fringe benefits** climbed 14.6% to P5.7 billion due to the increase in human resource complement and salary adjustments from the recent collective bargaining agreement. **Taxes and licenses** increased by 13.2% to P2.3 billion from higher documentary stamp (as a result of the implementation of TRAIN law), gross receipts, and other business taxes. Meanwhile, the continued outlay and investments related to the network & business expansion increased **occupancy costs** by 15.4% to P2.1 billion, as well as **depreciation and amortization** by 8.2% to P1.2 billion. In the same manner, **insurance**, which includes PDIC premium payments, was up 23.8% to P1.4 billion from the deposit expansion. **Professional fees, marketing, and other related services**; **entertainment, amusement and recreation,** and **transportation and traveling** likewise rose by 16.3%, 18.3%, 26.8% respectively, with the ramp-up in business development and marketing efforts. On the other hand, the Bank's **repairs and maintenance** was reduced to P104.3 million from the 15.2% year-on-year drop in repairs. **Miscellaneous expenses** went up by 73.9% or P793.6 million mainly from the uptick in technology-related expenses and transactional costs.

Total Comprehensive Income
For the years ended December 31, 2018, 2017, and 2016

The Bank recorded **total comprehensive income** of P7.4 billion for 2018, a P42.3 million increase from the P7.3 billion recorded last year mainly from improved net income offsetting the higher net unrealized losses on FVOCI and defined benefit asset.

Meanwhile, total comprehensive income for 2016 stood at P6.1 billion, up by 20.4% or P1.2 mainly from higher net income and improvement in the fair value of financial assets on FVOCI.

(b) Key Performance Indicators

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 Less Provision for Impairment and 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	-	Total Allowance for Impairment and Credit Losses on Receivables from Customers plus Retained Earnings Appropriated Gross Non-Performing Loans

Solvency Ratios

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

Capital Adequacy Ratios:

Capital to Risk Assets Ratio	-	BSP prescribed formula:
CET1 / Tier 1 CAR	-	CET 1 / Tier 1 Capital Total Risk Weighted Assets
Total CAR	-	Total Qualifying Capital Total Risk Weighted Assets

	2018	*2017*	*2016*
PROFITABILITY (%)			
Return on Assets	**1.04**	1.12	1.16
Return on Equity	**9.54**	10.01	10.42
Net Interest Margin	**3.10**	3.11	3.20
Cost-to-Income Ratio	**63**	62	61
LIQUIDITY (%)			
Liquid Assets to Total Assets	**38**	36	34
Loans (net)-to-Deposit Ratio	**70**	71	71
ASSET QUALITY (%)			
Gross Non-Performing Loans Ratio	**1.2**	1.4	1.9
Non-performing Loan (NPL) Cover	**167**	99	91
SOLVENCY RATIOS			
Debt-to-Equity Ratio	**8.9**	8.0	9.0
Asset-to-Equity Ratio	**9.9**	9.0	10.0
Interest Rate Coverage Ratio	**1.8**	2.3	2.5
CAPITALIZATION (%)			
Capital Adequacy Ratio			
CET 1 / Tier 1	**12.16**	13.47	11.30
Total CAR	**13.09**	14.22	12.21

Profitability

CHIB's net income of P8.1 billion resulted in a 9.54% ROE and 1.04% ROA given improved operating income. Cost-to-income ratio was slightly higher at 63% from 62% and 61% in 2016 as the Bank continued its expansion program and technology upgrade. Net interest margin dropped to 3.10% from 3.11% as the increase in interest revenues was offset by higher funding cost.

Liquidity

The Bank's liquidity ratio (the ratio of liquid assets to total assets) was higher at 38% from 36% in 2017 and 34% in 2016 due to the build-up in investment securities.

Asset Quality

Gross NPL ratio significantly dropped to 1.2% from 1.4% in 2017 and 1.9% in 2016 due to remedial and clean-up efforts of lending units. Meanwhile, consolidated loan loss coverage ratio widened to 167% from 99% in 2017 and 91% in 2016 while the Parent Bank's was at 323% as of December 2018.

Solvency Ratios

Debt-to-equity ratio for the year was computed at 8.9, higher than 8.0 in 2017, while asset-to-equity ratio was recorded at 9.9 versus 9.0 in 2017 but slightly lower than 10.0 in 2016. Interest rate coverage ratio for 2018 stood at 1.8 as against 2.3 for full-year 2017 and 2.5 for full-year 2016.

Capitalization

China Bank's CET 1 / Tier 1 CAR and Total CAR ratios were registered at 12.16% and 13.09%, respectively. The Bank's capital is largely comprised of CET 1 / Tier 1 (core) capital.

(c) Past Financial Conditions and Results of Operations

2018 world GDP expansion slightly weakened to 3.7% from 3.8% with the decline in growth rate of advanced economies from above-trend levels. The US economy posted a 2.9% year-on-year increase in 2018 driven by robust personal consumption expenditures and private domestic investments, which offset the negative trade balance. The US Federal Reserve adjusted its benchmark funds rate four times to the 2.25% to 2.50% range, in view of a steady growth trajectory, on-target inflation and sustained labor market strength (+2.7 million non-farm payroll employment in 2018). Meanwhile, China's GDP growth fell to a 28-year low of 6.6% due to headwinds from its trade dispute with the US and the short-term impact of deleveraging.

Philippine GDP grew by 6.2% in 2018, slower than the 6.7% logged in 2017. On the production side, economic activity was propelled by the Services (+6.6%) and Industry (+6.8%) sectors, particularly the Construction (+15.9%) subsector. Unemployment rate went down to 5.3% from 5.7% last year. On the expenditure side, household spending remained as the highest contributor to growth (62%) while government spending on infrastructure and private capiltal formation boosted investment related to new highs.

Despite the implementation of the Tax Reform Package 1 (TRAIN Law) in 2018, the BIR's P1.96 trillion tax collections were still 4% below target of P2.04 trillion because of below-target collections in excise taxes on petroleum products, sweetened beverages, automobiles, minerals and cosmetics procedures and decreased revenues from sale of goods due to higher prices. Meanwhile, initial estimates suggest that the country's fiscal deficit would likely exceed the 3% of GDP government target due to the 50% surge in infrastructure spending to P728.1 billion in November. Current account deficit further widened to US$ 6.5 billion in the first nine months of 2018 as the country remained a net importer of goods amid the roll-out of government infrastructure projects. The increased demand for the greenback caused the Philippine peso to depreciate by 4.29%, averaging P52.66: US$1 in 2018 from P50.40: US$1 in 2017. Similarly, PSEi lost 1,092 or 13% year-on-year, closing at 7,466 in 2018.

The BSP raised policy rate five times 175 bps to 4.75%, as inflation sustained an uptrend, peaking at 6.7% in September and October. The regulator continued to tighten regulatory oversight and performance standards on capital adequacy and liquidity management. BSP amended the Leverage Ratio framework, implementing guidelines on Net Stable Funding Ratio adoption and adopted the Basel III Countercyclical Buffer. The reserve requirement was brought down by 1 percentage point in March & June to 18%.

China Bank recorded net profit of P8.1 billion for full-year 2018, up 7.9% from 2017 for a return on equity of 9.54% and return on assets of 1.04%. The improvement in bottom line was primarily driven by the 11.1% or P2.9 billion uptick in operating income. Net interest income was up 16.8% or P3.3 billion to P22.9 billion mainly from the build-up in loans and other investments. Meanwhile, fee-based revenues dropped by 7.3% to P5.7 billion due to trading losses and lower miscellaneous income.

Total assets expanded by 15.3% or P114.6 billion to P866.1 billion mainly from the growth in liquid assets and loans across all market segments. Asset quality further improved with the drop in gross NPL ratio to 1.2% from 1.4% in 2017 as loan loss coverage increased to 167% from 99%. Deposit volume was up 13.7% to P722.1 billion, of which 56% was in CASA due to continued network expansion. Total equity ended at P87.9 billion, up 5.0% from 2017. CET 1/ Tier 1 and total CAR were at 12.16% and 13.09%, respectively.

China Bank successfully listed P10.25 billion worth of Long-Term Negotiable Certificates of Time Deposit (LTNCDs) in the third quarter in order to meet additional funding requirements. The issue forms part of the planned P20 billion LTNCD offering. The Bank also signed a USD 150-million Green Bond agreement with the International Finance Corporation (IFC) for the financing of sustainable & environmentally-beneficial projects.

In December, Moody's affirmed China Bank's investment grade credit rating of Baa2, citing the Bank's strong capital base and stable asset quality. In November, *Fitch Ratings* similarly affirmed China Bank's Issuer Default Rating (BB+) with a stable outlook, citing the Bank's strong core operating profitability and declining non-performing loans ratio as the main upside factors.

The Bank sustained its network expansion efforts by opening of 24 new branches, growing the banking footprint to 620 branches complemented by 966 ATMs. Branch-based marketing programs focused on customer onboarding, deposit generation, and improvement of customer experience in support of core business growth and cross-selling initiatives. The thrust at the retail front was bolstered by the launch of new deposit products.

The Bank's investment house, China Bank Capital, increased Its presence in the capital markets by participating in several underwriting deals, including Sta. Lucia Land's P5-billion corporate notes (sole arranger and bookrunner), SMC Global Power Holding Corp.'s P15-billion retail bonds (joint issue manager, joint lead underwriter and bookrunner), and Metro Pacific Investment Corporation's P20-billion corporate notes (co-arranger), among others.

CBCC was recognized *Best Debt Capital Markets House* at the 2018 *Finance Asia* Country Awards, as well as *Best Bank for Debt Capital Market* by the *Global Banking & Finance Review*. *The Asset* also awarded CBC the following: *Best Local Bond Adviser - Domestic*, *Best Corporate Bond* for Ayala Corporation's US$400-million fixed-rate bond, *Best Local Currency Bond* for Ayala Land Inc.'s P4.3-billion Short-Dated Notes, and *Best Follow-On* for Del Monte Pacific's US$200-million preferred shares. At the Best Deal & Solution Awards, CBCC was given *Best Bond Deal for Retail Investors in Southeast Asia* for participation in the Bureau of Treasury's P181-billion Retail Treasury Bonds.

In 2018, China Bank ranked among the Top 50 Publicly listed companies at the *ASEAN Corporate Governance Awards*. The Bank was also recognized as *Best IR Company* and *Best IR Professional* by *Corporate Governance Asia* at the *8th Asian Excellence Awards;* as well as *Best Bank for Corporate Governance* and *Best Investor Relations Bank* at the *Global Banking & Finance Awards*. CHIB was also among the Top 10 Philippine companies in the 2017 ASEAN Corporate Governance Scorecard, having exceeded the score of 100.

(d) Future Prospects

The global economy could slow down in 2019 from downside risks posed by inflation and ongoing trade dispute between the US and China. Despite the spillover effects of the fiscal stimulus, US economic growth may fall below the estimated 2.9% for 2018. Meanwhile, China may continue to underperform due to the tighter credit environment and weaker export demand. Central banks are expected to pursue monetary policy tightening but at a more gradual pace given subdued growth prospects and inflation. IMF sees average oil prices to settle just below $60 per barrel in 2019.

On the domestic front, economic activity would be mainly supported by the government's infrastructure program, May 2019 elections and the recovery in consumer spending as commodity prices normalize. GDP growth is seen to settle below or near the low-end (7%) of the government's target as the infrastructure spending further widens the country's current account deficit. As a result, Peso is expected to depreciate to as low as P54.00: US$1.00.

In February 2019, President Duterte signed into law RA 11211, an amendment to the New Central Bank Act, which raised the BSP's capitalization to P200 billion from P50 billion to support the requirements of a growing economy and financial system. It also restored BSP's authority to issue debt papers as part of its regular open market operations. On the other hand, major banks have announced plans to raise fresh funds aggregating P466 billion to finance their medium-term growth initiatives.

China Bank envisions becoming one of the top-performing financial institutions in terms of profitability and shareholder value over the next five years. To do so, the Bank will focus on four key goals: 1) growth in revenues and size of business; 2) operational excellence; 3) a customer-centric approach to doing business; and 4) higher engagement with the employees.

At the forefront of core business expansion is fund build-up, particularly low-cost deposits. In 2019, the Bank will develop client acquisition & retention programs, as well as launch new deposit products and services suited to the needs of the retail and other emerging sectors. As the branch network grows, management will continue to review the organizational structure of distribution channels and recalibrate branch functions in order to accommodate more high-value transactions. The synergy between branches and other sales desks will be tightened to drive internal client sourcing, cross-selling, and leads generation programs, while maintaining prudent credit standards.

The Bank's consumer business is set to steadily expand and grow its share to the consolidated loan portfolio. Satellite offices dedicated to servicing housing, auto, and personal loans will be set up in selected branches to ramp up relationship-building with new and existing retail clients. This will be complemented by the suite of fee-based products & services, such as non-life insurance, trust, bancassurance, wealth management, and securities brokering, as well as the China Bank credit cards in order to achieve a more comprehensive product coverage. China Bank Savings, on its end, would further build up its Automatic Payroll Deduction (APD) portfolio by widening the geographical footprint of sales offices, increasing visibility in DepEd events, and providing critical marketing & operational support to branches. This includes continuous improvement to the existing loans origination workflow significantly cutting manual processes from application to approval.

In line with its goal of becoming a digitally-powered and highly-automated bank by its centennial year, China Bank will streamline key processes related to the rolling growth mandate, cut redundancies, and automate manual procedures even as it institutionalizes inter-departmental service level agreements to generate operational efficiencies and provide superior customer experience. Likewise, the Bank will launch programs to drive up enrollment and utilization rates for all alternative channels like ATMs, Cash Accept Machines, and the internet & mobile banking platform to facilitate efficient but secure banking transactions.

China Bank will strengthen its 98-year franchise by building a service-oriented organization with highly-engaged employees to be able to meet the challenges of today's competitive banking landscape. China Bank Academy will continue to design and roll-out human capital development programs tailor fitted to the Bank's growth directive, digitization roadmap, and its goal of becoming the bank of choice for its clients.

(e) Material Changes

1) Events that will trigger direct or contingent financial obligation that is material to the company, including and default or acceleration of an obligation

   There were no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

2) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

   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**	
	2018	2017	**2018**	2017
Trust department accounts	**₱133,806,226**	₱131,813,251	**₱133,806,226**	₱131,577,983
Committed credit lines	**122,804,833**	152,806,666	**122,280,671**	150,471,220
Unused commercial letters of credit	**20,978,009**	21,596,174	**20,829,020**	21,383,196
Foreign exchange bought	**37,359,690**	18,736,175	**37,359,690**	18,736,175
Foreign exchange sold	**24,678,551**	15,179,964	**24,678,551**	15,179,964
Credit card lines	**12,568,703**	10,359,997	**12,568,703**	10,359,997
IRS receivable	**11,366,980**	9,991,390	**11,366,980**	9,991,390
Outstanding guarantees issued	**944,262**	3,079,993	**420,100**	744,547
Inward bills for collection	**2,563,604**	2,386,848	**2,563,604**	2,386,848
Standby credit commitment	**3,149,787**	2,274,398	**3,149,787**	2,274,398
Spot exchange sold	**3,624,709**	1,399,180	**3,624,709**	1,399,180
Spot exchange bought	**3,247,995**	996,333	**3,247,995**	996,333
Deficiency claims receivable	**287,647**	291,831	**287,647**	219,831
Late deposits/payments received	**495,347**	127,832	**458,675**	116,313
Outward bills for collection	**55,135**	93,772	**53,211**	91,943
Others	**1,846**	1,614	**1,694**	1,354

3) Any Material Commitments for Capital Expenditure and Expected Funds

Branch network expansion and technology upgrades will account for the bulk of the Bank's capital expenditures for 2019. Capital expenditures will be funded from internal sources.

UNDERTAKING

The Bank undertakes to furnish a copy of its Annual Report (SEC Form 17-A) exclusive of attachments, free of charge, upon the written request of the stockholder addressed to the Office of the Corporate Secretary, 11th Floor China Bank Building, 8745 Paseo de Roxas cor. Villar St., Makati City.

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 including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited 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 audit.

Hans T. Sy	**William C. Whang**	**Patrick D. Cheng**
Chairman of the Board	President	Chief Finance Officer

Republic of the Philippines }
City of Makati } S.S.

Signed this 1st day of March 2019, affiants exhibiting to me their Social Security Systems Nos. as follows:

Name	**SSS Nos.**
Hans T. Sy	03-4301174-3
William C. Whang	03-5882607-5
Patrick D. Cheng	03-8328014-9

Doc. No.: 149
Page No.: 31
Book No.: 15
Series of: 2019

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8755 Paseo de Roxas, Makati City
PTR No. 7341564; 01-07-19; Makati City
IBP No. 059178; 01-07-19; Quezon City
Roll of Attorney's No. 39202

China Banking Corporation and Subsidiaries

Financial Statements
December 31, 2018 and 2017
and for the years ended December 31, 2018, 2017 and 2016

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
China Banking Corporation

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of China Banking Corporation and its subsidiaries (the Group) and the parent company financial statements of China Banking Corporation, which comprise the consolidated and parent company balance sheets as at December 31, 2018 and 2017, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2018 and 2017, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the audit of the Consolidated and Parent Company Financial Statements

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group and the Parent Company adopted Philippine Financial Reporting Standards (PFRS) 9, Financial Instruments. PFRS 9, which replaced PAS 39, Financial Instruments: Recognition and Measurement, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group and the Parent Company adopted the modified retrospective approach in adopting PFRS 9.

3. Classification of Financial Assets

As at January 1, 2018 (the transition date), the Group and the Parent Company classified its financial assets based on its business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. This resulted to transition adjustments that increased (decreased) surplus and other comprehensive income by (₱11 million) and ₱1.68 billion, respectively. Thereafter, the financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were classified based on the PFRS 9 classification criteria.

The Group's and the Parent Company's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how financial assets are measured and accounted for in the financial statements.

The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Note 2 to the financial statements.

Audit Response

We obtained an understanding of the Group's and the Parent Company's contracts review process to establish the contractual cash flow characteristics of debt financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the board approved business models for the Group and the Parent Company's portfolios of financial assets. For significant portfolios, we understood how the business performance is measured and evaluated performance measurement reports.

We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

4. *Expected Credit Losses (ECL)*

The Group's and the Parent Company's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The application of the ECL model increased the allowance for credit losses as of January 1, 2018 by ₱3.59 billion and ₱3.09 billion for Group's and Parent Company's financial statements. Using the ECL model, provision for credit losses of the Group and reversal of credit losses of the Parent Company for 2018 amounted to ₱141.08 million and ₱1.96 million, respectively.

Refer to Notes 2 and 16 of the financial statements or the disclosure on the transition adjustments and details of the allowance for credit losses using the ECL model, respectively.

Audit Response

We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of PFRS 9 model validation performed by management's specialist.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) verified the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, (c) tested the Group's and the Parent Company's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) inspected the ECL document issued by the third-party service provider engaged by the Group in developing its ECL models to understand the judgements made by both the Group and the Parent Company's determine whether statistical tests were performed to assess model performance; (e) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the system of record and considering management's assumptions regarding future payments, advances, extensions, renewals and modifications; (f) inspected financial information used to derive baseline probability of default; (g) performed simulation of baseline probability of default and tested its conversion to forward-looking probability of default; (h) performed trend analysis of expected default generated by third-party service providers and compared trend with the resulting expected credit loss (i) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (j) verified exposure at default considering outstanding commitments and repayment scheme; and (k) tested the effective interest rate used in discounting the expected loss.

Further, we checked the accuracy and completeness of data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems.

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

Impairment testing of goodwill

Under PFRS, the Group and the Parent Company are required to annually test the amount of goodwill for impairment. As of December 31, 2018, the goodwill recognized in the consolidated and parent company financial statements amounting to ₱222.84 million is attributed to the Parent Company's Retail Banking Business (RBB) segment, while goodwill of ₱616.91 million in the consolidated financial statements is attributed to the subsidiary bank, China Bank Savings, Inc. (CBSI). The impairment assessment process requires significant judgment and is based on assumptions, specifically loan and deposit growth rates, discount rate and the terminal value growth rate.

The Group's disclosures about goodwill are included in Notes 3, 11 and 14 to the financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include loan and deposit growth rates, discount rate and the terminal value growth rate. We compared the key assumptions used, such as loan and deposit growth rates against the historical performance of the RBB and CBSI, industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Applicable to the audit of the Consolidated Financial Statements

Recoverability of deferred tax assets

The Group has recognized and unrecognized deferred taxes. The recoverability of deferred tax assets recognized depends on the Group's ability to continuously generate sufficient future taxable income. The analysis of the recoverability of deferred tax assets was significant to our audit because the assessment process is complex and judgmental, and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group.

The disclosures in relation to deferred income taxes are included in Notes 3 and 27 to the financial statements.

Audit Response

We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing loan portfolio and deposit growth rates with that of the industry and the historical performance of the Group. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

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

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

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 in Note 37 to the financial statements 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.

The engagement partner on the audit resulting in this independent auditor's report is Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332523, January 9, 2019, Makati City

March 1, 2019

CHINA BANKING CORPORATION AND SUBSIDIARIES
BALANCE SHEETS
(Amounts in Thousands)

	Consolidated		Parent Company	
	December 31			
	2018	2017	**2018**	2017
ASSETS				
Cash and Other Cash Items	**₱15,639,474**	₱12,685,984	**₱13,705,304**	₱11,160,173
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**101,889,773**	98,490,014	**95,092,944**	91,717,037
Due from Other Banks (Notes 7 and 18)	**9,455,447**	15,641,476	**7,837,894**	14,066,620
Interbank Loans Receivable and Securities Purchased under Resale Agreements (Note 8)	**11,998,040**	18,751,845	**8,998,040**	17,347,522
Financial Assets at Fair Value through Profit or Loss (Note 9)	**7,596,261**	16,238,888	**6,689,796**	16,056,823
Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	**10,101,527**	–	**8,213,010**	–
Available-for-Sale Financial Assets (Note 9)	–	46,445,391	–	42,937,083
Investment Securities at Amortized Cost (Note 9)	**172,537,036**	–	**163,824,466**	–
Held-to-Maturity Financial Assets (Note 9)	–	65,286,267	–	61,533,493
Loans and Receivables (Notes 10 and 29)	**505,804,955**	448,970,942	**441,432,156**	386,554,498
Accrued Interest Receivable	**5,697,181**	3,718,505	**5,126,127**	3,189,083
Investment in Subsidiaries (Note 11)	–	–	**14,333,567**	13,560,733
Investment in Associates (Note 11)	**335,092**	329,422	**335,092**	329,422
Bank Premises, Furniture, Fixtures and Equipment (Note 12)	**6,450,458**	6,875,864	**5,265,386**	5,464,582
Investment Properties (Note 13)	**4,789,602**	5,072,156	**1,188,797**	1,550,503
Deferred Tax Assets (Note 27)	**2,514,889**	1,778,081	**1,739,219**	1,297,271
Intangible Assets (Notes 11 and 14)	**4,202,599**	4,104,032	**915,531**	800,861
Goodwill (Notes 11 and 14)	**839,748**	839,748	**222,841**	222,841
Other Assets (Note 15)	**6,219,558**	6,218,895	**3,332,763**	3,481,225
	₱866,071,640	₱751,447,510	**₱778,252,933**	₱671,269,770
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities (Notes 17 and 29)				
Demand	**₱161,239,669**	₱154,286,415	**₱145,559,564**	₱138,929,906
Savings	**239,539,817**	188,723,947	**226,943,962**	179,593,323
Time	**321,343,811**	292,083,031	**265,739,836**	240,712,750
	722,123,297	635,093,393	**638,243,362**	559,235,979
Bills Payable (Note 18)	**39,826,532**	20,118,031	**39,826,532**	20,118,031
Manager's Checks	**2,577,175**	2,441,042	**2,069,812**	1,709,248
Income Tax Payable	**477,585**	362,041	**414,233**	339,155
Accrued Interest and Other Expenses (Note 19)	**3,842,525**	2,627,619	**3,342,152**	2,283,948
Derivative Liabilities (Note 25)	**455,150**	267,533	**455,150**	267,533
Deferred Tax Liabilities (Note 27)	**1,231,145**	1,161,653	**–**	–
Other Liabilities (Notes 20 and 23)	**7,681,644**	5,720,701	**6,049,812**	3,665,115
	778,215,053	667,792,013	**690,401,053**	587,619,009
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock (Note 23)	**26,858,998**	26,847,717	**26,858,998**	26,847,717
Capital paid in excess of par value (Note 23)	**17,122,625**	17,096,228	**17,122,625**	17,096,228
Surplus reserves (Notes 23 and 28)	**4,031,008**	926,689	**4,031,008**	926,689
Surplus (Notes 23 and 28)	**40,497,256**	40,360,563	**40,497,256**	40,360,563
Net unrealized gain (loss) on:				
Financial assets at fair value through other comprehensive income (Note 9)	**(702,509)**	–	**(702,509)**	–
Available-for-sale financial assets (Note 9)	**–**	(1,813,280)	**–**	(1,813,280)
Remeasurement gain on defined benefit asset (Note 24)	**117,047**	283,763	**117,047**	283,763
Cumulative translation adjustment	**(91,699)**	(38,698)	**(91,699)**	(38,698)
Remeasurement gain (loss) on life insurance reserves	**19,154**	(12,221)	**19,154**	(12,221)
	87,851,880	83,650,761	**87,851,880**	83,650,761
Non-controlling Interest	**4,707**	4,736	**–**	–
	87,856,587	83,655,497	**87,851,880**	83,650,761
	₱866,071,640	₱751,447,510	**₱778,252,933**	₱671,269,770

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME
(Amounts in Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
INTEREST INCOME						
Loans and receivables (Notes 10 and 29)	**₱28,195,915**	₱21,751,647	₱17,889,252	**₱23,488,872**	₱17,537,017	₱14,122,287
Investments (Note 9)	**5,875,928**	3,556,110	3,078,081	**5,559,557**	3,275,025	2,880,919
Financial assets at FVPL	**413,323**	410,889	204,882	**413,323**	398,777	179,406
Due from Bangko Sentral ng Pilipinas and other banks and securities purchased under resale agreements (Note 7 and 8)	**727,337**	820,699	719,414	**516,645**	634,906	555,788
	35,212,503	26,539,345	21,891,629	**29,978,697**	21,845,725	17,738,400
INTEREST EXPENSE						
Deposit liabilities (Notes 17 and 29)	**11,621,063**	6,521,935	4,831,555	**9,736,014**	5,210,803	3,629,127
Bills payable and other borrowings (Note 18)	**665,254**	391,007	365,879	**665,254**	391,007	354,961
	12,286,317	6,912,942	5,197,434	**10,401,268**	5,601,810	3,984,088
NET INTEREST INCOME	**22,926,186**	19,626,403	16,694,195	**19,577,428**	16,243,915	13,754,312
Service charges, fees and commissions (Note 21)	**2,777,283**	2,441,724	2,123,469	**1,529,727**	1,394,998	1,319,448
Gain on sale of investment properties	**1,015,622**	670,612	443,315	**925,831**	614,587	338,088
Trading and securities gain (loss) - net (Notes 9 and 21)	**(271,552)**	479,960	918,089	**(275,964)**	399,760	852,870
Foreign exchange gain - net (Note 25)	**215,963**	386,015	318,135	**187,064**	389,692	299,113
Trust fee income (Note 28)	**305,753**	376,312	330,197	**305,338**	371,947	326,091
Gain on asset foreclosure and dacion transactions (Note 13)	**252,477**	157,415	172,480	**57,676**	71,888	140,747
Share in net income of subsidiaries (Note 11)	–	–	–	**695,356**	836,004	464,999
Share in net income (losses) of an associate (Note 11)	**101,009**	73,133	(89,384)	**101,009**	73,133	(89,384)
Miscellaneous (Notes 21 and 29)	**1,261,741**	1,516,523	878,445	**1,130,134**	1,391,657	800,097
TOTAL OPERATING INCOME	**28,584,482**	25,728,097	21,788,941	**24,233,599**	21,787,581	18,206,381
Compensation and fringe benefits (Notes 24 and 29)	**6,139,001**	5,708,948	4,982,934	**4,610,265**	4,288,096	3,752,229
Taxes and licenses	**2,925,870**	2,264,025	2,000,404	**2,307,948**	1,819,331	1,573,887
Occupancy cost (Notes 26 and 29)	**2,336,639**	2,112,602	1,830,675	**1,713,888**	1,528,876	1,281,107
Insurance	**1,669,618**	1,440,153	1,163,507	**1,447,890**	1,241,575	991,179
Depreciation and amortization (Notes 12, 13 and 14)	**1,297,685**	1,217,489	1,124,786	**947,908**	877,240	775,210
Provision for impairment and credit losses (Note 16)	**141,076**	754,171	850,546	**(1,957)**	423,922	521,475
Transportation and traveling	**484,514**	378,703	298,666	**370,980**	289,903	218,136
Professional fees, marketing and other related services	**352,159**	312,042	268,394	**261,931**	222,509	182,275
Entertainment, amusement and recreation	**380,166**	287,105	242,710	**262,489**	182,172	146,993
Stationery, supplies and postage	**284,436**	268,901	241,786	**220,651**	197,567	193,232
Repairs and maintenance	**131,158**	104,298	123,025	**102,834**	69,276	87,734
Miscellaneous (Notes 21 and 29)	**2,054,634**	1,867,552	1,073,986	**1,619,159**	1,490,658	941,489
TOTAL OPERATING EXPENSES	**18,196,956**	16,715,989	14,201,419	**13,863,986**	12,631,125	10,664,946
INCOME BEFORE INCOME TAX	**10,387,526**	9,012,108	7,587,522	**10,369,613**	9,156,456	7,541,435
PROVISION FOR INCOME TAX (Note 27)	**2,271,422**	1,489,177	1,126,552	**2,259,233**	1,642,484	1,083,139
NET INCOME	**₱8,116,104**	₱7,522,931	₱6,460,970	**₱8,110,380**	₱7,513,972	₱6,458,296
Attributable to:						
Equity holders of the Parent Company (Note 32)	**₱8,110,379**	₱7,513,972	₱6,458,296			
Non-controlling interest	**5,725**	8,959	2,674			
	₱8,116,104	₱7,522,931	₱6,460,970			
Basic/Diluted Earnings Per Share (Note 32)	**₱3.02**	₱2.91	₱2.88			

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
NET INCOME	**₱8,116,104**	₱7,522,931	₱6,460,970	**₱8,110,380**	₱7,513,972	₱6,458,296
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Changes in fair value of:						
Financial assets at fair value through other comprehensive income:						
Fair value (loss) for the year, net of tax	**(451,866)**	–	–	**(381,791)**	–	–
Loss taken to profit or loss (Note 21)	**2,104**	–	–	**2,451**	–	–
Available-for-sale financial assets:						
Fair value gain for the year, net of tax	–	158,946	449,110	–	113,020	512,562
Gains taken to profit or loss (Note 21)	–	(365,145)	(918,673)	–	(342,146)	(856,031)
Share in changes in other comprehensive income of an associate (Note 11)	**(126,713)**	(8,049)	(5,457)	**(126,713)**	(8,049)	(5,457)
Share in changes in other comprehensive income of subsidiaries (Note 11)	–	–	–	**(64,109)**	35,552	(107,991)
Cumulative translation adjustment	**(52,900)**	(15,972)	12,455	**(58,792)**	(29,255)	(3,636)
Items that do not recycle to profit or loss in subsequent periods:						
Share in changes in other comprehensive income of subsidiaries (Note 11)	–	–	–	**88,642**	20,140	20,397
Remeasurement gain (loss) on defined benefit asset, net of tax (Note 24)	**(165,213)**	30,149	71,075	**(255,359)**	9,678	50,560
Remeasurement gain (loss) on life insurance reserves	**31,374**	(12,221)	–	**31,374**	(12,221)	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(763,214)**	(212,292)	(391,490)	**(764,297)**	(213,281)	(389,596)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱7,352,890**	₱7,310,639	₱6,069,480	**₱7,346,083**	₱7,300,691	₱6,068,700
Total comprehensive income attributable to:						
Equity holders of the Parent Company	**₱7,346,083**	₱7,300,691	₱6,068,700			
Non-controlling interest	**6,807**	9,948	780			
	₱7,352,890	₱7,310,639	₱6,069,480			

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Consolidated											
	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 23)	**Capital Paid in Excess of Par Value** (Note 23)	**Surplus Reserves** (Notes 23 and 28)	**Surplus** (Notes 23 and 28)	**Net Unrealized (Losses) on Financial Assets at Fair Value through Other Comprehensive Income** (Note 9)	**Net Unrealized Gains (Losses) on Available-for-Sale Financial Assets** (Note 9)	**Remeasurement Gain on Defined Benefit Asset or Liability** (Note 24)	**Cumulative Translation Adjustment**	**Remeasurement Loss on Life Insurance Reserve**	**Total Equity**	**Non-Controlling Interest** (Note 11)	**Total Equity**
Balance at January 1, 2018	**₱26,847,717**	**₱17,096,228**	**₱926,689**	**₱40,360,563**	**₱–**	**(₱1,813,280)**	**₱283,763**	**(₱38,698)**	**(₱12,221)**	**₱ 83,650,761**	**₱4,736**	**83,655,497**
Effect of initial application of PFRS 9 (Note 2)	**–**	**–**	**2,732,628**	**(5,372,699)**	**(126,556)**	**1,813,280**	**–**	**–**	**–**	**(953,346)**	**(6,835)**	**(960,181)**
Balance at January 1, 2018, as restated	**26,847,717**	**17,096,228**	**3,659,317**	**34,987,864**	**(126,556)**	**–**	**283,763**	**(38,698)**	**(12,221)**	**82,697,415**	**(2,099)**	**82,695,316**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**8,110,379**	**(575,953)**	**–**	**(166,716)**	**(53,001)**	**31,375**	**7,346,084**	**6,806**	**7,352,890**
Transfer from surplus to surplus reserves	**–**	**–**	**371,691**	**(371,691)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issuance of common shares (₱31.00 per share)	**11,281**	**26,397**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37,678**	**–**	**37,678**
Cash dividends - ₱0.83 per share	**–**	**–**	**–**	**(2,229,297)**	**–**	**–**	**–**	**–**	**–**	**(2,229,297)**	**–**	**(2,229,297)**
Balance at December 31, 2018	**₱26,858,998**	**₱17,122,625**	**₱4,031,008**	**₱40,497,256**	**(₱702,509)**	**₱–**	**₱117,047**	**(₱91,699)**	**₱19,154**	**₱87,851,880**	**₱4,707**	**₱87,856,587**
Balance at January 1, 2017	₱20,020,278	₱6,987,564	₱861,630	₱36,889,099	–	(₱1,598,600)	₱253,945	(₱22,500)	₱–	₱63,391,416	(₱5,212)	**₱63,386,204**
Transfer from surplus to surplus reserves	–	–	65,059	(65,059)	–	–	–	–	–	–	–	**–**
Total comprehensive income (loss) for the year	–	–	–	7,513,972	–	(214,680)	29,818	(16,198)	(12,221)	7,300,691	9,948	**7,310,639**
Issuance of common shares (₱31.00 per share)	4,838,710	10,160,753	–	–	–	–	–	–	–	14,999,463	–	**14,999,463**
Transaction cost on the issuance of common shares	–	(52,089)	–	–	–	–	–	–	–	(52,089)	–	**(52,089)**
Stock dividends - 8.00%	1,988,729	–	–	(1,988,729)	–	–	–	–	–	–	–	**–**
Cash dividends - ₱0.80 per share	–	–	–	(1,988,720)	–	–	–	–	–	(1,988,720)	–	**(1,988,720)**
Balance at December 31, 2017	₱26,847,717	₱17,096,228	₱926,689	₱40,360,563	–	(₱1,813,280)	₱283,763	(₱38,698)	(₱12,221)	₱83,650,761	₱4,736	**₱83,655,497**
Balance at January 1, 2016	₱18,537,285	₱6,987,564	₱828,406	₱33,800,748	–	(₱1,126,080)	₱183,155	(₱34,634)	₱–	₱59,176,444	(₱5,540)	**₱59,170,904**
Total comprehensive income (loss) for the year	–	–	–	6,458,296	–	(472,520)	70,790	12,134	–	6,068,700	780	**6,069,480**
Additional acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–	–	(452)	**(452)**
Transfer from surplus to surplus reserves	–	–	33,224	(33,224)	–	–	–	–	–	–	–	**–**
Stock dividends - 8.00%	1,482,993	–	–	(1,482,993)	–	–	–	–	–	–	–	**–**
Cash dividends - ₱1.00 per share	–	–	–	(1,853,728)	–	–	–	–	–	(1,853,728)	–	**(1,853,728)**
Balance at December 31, 2016	₱20,020,278	₱6,987,564	₱861,630	₱36,889,099	–	(₱1,598,600)	₱253,945	(₱22,500)	₱–	₱63,391,416	(₱5,212)	**₱63,386,204**

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Parent Company										
	Capital Stock (Note 23)	**Capital Paid in Excess of Par Value** (Note 23)	**Surplus Reserves** (Notes 23 and 28)	**Surplus** (Notes 23 and 28)	**Net Unrealized (Losses) on Financial Assets at Fair Value through OtherComprehensive Income** (Note 9)	**Net Unrealized Gains (Losses) on Available-for-Sale Financial Assets** (Note 9)	**Remeasurement Gain on Defined Benefit Asset or Liability** (Note 24)	**Cumulative Translation Adjustment**	**Remesasurement Loss on Life Insurance Reserve**	**Total Equity**
Balance at January 1, 2018	**₱26,847,717**	**₱17,096,228**	**₱926,689**	**₱40,360,563**	**₱–**	**(₱1,813,280)**	**₱283,763**	**(₱38,698)**	**(₱12,221)**	**₱83,650,761**
Effect of initial application of PFRS 9 (Note 2)	**–**	**–**	**2,732,628**	**(5,372,699)**	**(126,556)**	**1,813,280**	**–**	**–**		**(953,346)**
Balance at January 1, 2018, as restated	**₱26,847,717**	**₱17,096,228**	**3,659,317**	**34,987,864**	**(126,556)**	**–**	**₱283,763**	**(₱38,698)**	**(₱12,221)**	**82,697,417**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**8,110,379**	**(575,954)**	**–**	**(166,716)**	**(53,001)**	**31,374**	**7,346,081**
Transfer from surplus to surplus reserves	**–**	**–**	**371,691**	**(371,691)**	**–**	**–**	**–**	**–**	**–**	
Issuance of common shares (₱31.00 per share)	**11,281**	**26,397**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37,678**
Cash dividends - ₱0.83 per share	**–**		**–**	**(2,229,297)**	**–**	**–**	**–**	**–**	**–**	**(2,229,297)**
Balance at December 31, 2018	**₱26,858,998**	**₱17,122,626**	**₱4,031,008**	**₱40,497,256**	**(₱702,510)**	**₱–**	**₱117,047**	**(₱91,699)**	**₱19,153**	**₱87,851,880**
Balance at January 1, 2017	₱20,020,278	₱6,987,564	₱861,630	₱36,889,099	–	(₱1,598,600)	₱253,945	(₱22,500)	₱–	₱63,391,416
Transfer from surplus to surplus reserves	–	–	65,059	(65,059)	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	7,513,972	–	(214,680)	29,818	(16,198)	(12,221)	7,300,691
Issuance of common shares (₱31.00 per share)	4,838,710	10,160,753	–	–	–	–	–	–	–	14,999,463
Transaction cost on the issuance of common shares	–	(52,089)	–	–	–	–	–	–	–	(52,089)
Stock dividends - 8.00%	1,988,729	–	–	(1,988,729)	–	–	–	–	–	–
Cash dividends - ₱0.80 per share	–	–	–	(1,988,720)	–	–	–	–	–	(1,988,720)
Balance at December 31, 2017	₱26,847,717	₱17,096,228	₱926,689	₱40,360,563	–	(₱1,813,280)	₱283,763	(₱38,698)	(₱12,221)	₱83,650,761
Balance at January 1, 2016	₱18,537,285	₱6,987,564	₱828,406	₱33,800,748	–	(₱1,126,080)	₱183,155	(₱34,634)	₱–	₱59,176,444
Total comprehensive income (loss) for the year	–	–	–	6,458,296	–	(472,520)	70,790	12,134	–	6,068,700
Transfer from surplus to surplus reserves	–	–	33,224	(33,224)	–	–	–	–	–	–
Stock dividends - 8.00%	1,482,993	–	–	(1,482,993)	–	–	–	–	–	–
Cash dividends - ₱1.00 per share	–	–	–	(1,853,728)	–	–	–	–	–	(1,853,728)
Balance at December 31, 2016	₱20,020,278	₱6,987,564	₱861,630	₱36,889,099	–	(₱1,598,600)	₱253,945	(₱22,500)	₱–	₱63,391,416

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱10,387,526**	₱9,012,108	₱7,587,522	**₱10,369,611**	₱9,156,456	₱7,541,435
Adjustments for:						
Depreciation and amortization (Notes 12, 13 and 14)	**1,297,685**	1,217,489	1,124,786	**947,908**	877,240	775,210
Provision for impairment and credit losses (Note 16)	**141,076**	754,171	850,546	**(1,957)**	423,922	521,745
Securities gain on financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 21)	**(9,624)**	–	–	**(9,277)**	–	–
Trading and securities gain on available-for-sale and held-to-maturity financial assets (Note 21)	**–**	(365,145)	(918,673)	**–**	(342,146)	(856,031)
Gain on sale of investment properties	**(1,015,622)**	(670,612)	(443,315)	**(925,831)**	(614,587)	(338,088)
Gain on asset foreclosure and dacion transactions (Note 13)	**(252,477)**	(157,415)	(172,480)	**(57,676)**	(71,888)	(140,747)
Share in net losses (income) of an associate (Notes 2 and 11)	**(101,009)**	(73,133)	89,384	**(101,009)**	(73,133)	89,384
Share in net (income) of subsidiaries (Notes 2 and 11)	**–**	–	–	**(695,356)**	(836,004)	(464,999)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at FVPL	**8,830,244**	(8,510,654)	(1,282,482)	**9,554,643**	(8,799,606)	(1,590,640)
Loans and receivables	**(60,828,559)**	(63,393,487)	(78,836,033)	**(57,994,624)**	(57,873,074)	(70,542,734)
Other assets	**(1,263,617)**	6,159	(1,225,573)	**(2,544,975)**	275,322	(882,576)
Increase (decrease) in the amounts of:						
Deposit liabilities	**87,029,904**	93,510,375	102,317,332	**79,007,383**	88,273,987	97,358,575
Manager's checks	**136,133**	411,264	573,280	**360,564**	263,663	704,106
Accrued interest and other expenses	**1,214,906**	759,429	283,916	**1,058,204**	722,597	300,356
Other liabilities	**1,960,943**	177,618	827,790	**2,393,871**	(540,630)	759,981
Net cash generated from operations	**47,527,509**	32,678,167	30,776,000	**41,361,482**	30,842,119	33,234,977
Income taxes paid	**(1,732,819)**	(1,554,045)	(973,575)	**(1,511,638)**	(1,274,667)	(863,477)
Net cash provided by operating activities	**45,794,690**	31,124,122	29,802,425	**39,849,844**	29,567,452	32,371,500
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to bank premises, furniture, fixtures and equipment (Note 12)	**(1,058,002)**	(1,752,173)	(1,258,911)	**(825,096)**	(1,387,684)	(1,065,308)
Additions to equity investments (Note 11)	**–**	–	–	**(500,000)**	(500,000)	(2,700,452)
Cash dividends from a subsidiary (Note 11)	**–**	–	–	**50,000**	–	–
Liquidation of a subsidiary (Note 11)	**–**	–	–	**–**	–	50,000
Purchases of:						
Investment securities at amortized cost	**(172,348,552)**	–	–	**(167,337,112)**	–	–
Financial assets at fair value through other comprehensive income	**(44,399,340)**	–	–	**(44,477,104)**	–	–
Held-to-maturity financial assets	**–**	(23,618,560)	(41,647,865)	**–**	(23,599,743)	(41,007,909)
Available-for-sale financial assets	**–**	(54,304,672)	(89,249,294)	**–**	(53,171,027)	(87,747,373)
Proceeds from sale/maturity of:						
Investment securities at amortized cost	**65,109,637**	–	–	**65,060,529**	–	–
Financial assets at fair value through other comprehensive income	**80,729,853**	–	–	**80,494,863**	–	–
Held-to-maturity financial assets	**–**	15,737,093	374,569	**–**	16,135,271	884,532
Available-for-sale financial assets	**–**	41,891,950	104,653,914	**–**	41,500,714	103,940,382
Investment properties	**1,810,112**	1,335,946	977,963	**1,458,379**	846,974	675,003
Bank premises, furniture, fixtures and equipment	**258,136**	275,109	151,286	**51,642**	242,202	199,460
Net cash used in investing activities	**(69,898,150)**	(20,435,307)	(25,998,338)	**(66,023,900)**	(19,933,293)	(26,771,665)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills payable	**184,568,424**	252,268,556	18,588,791	**184,568,424**	252,268,556	18,588,791
Settlement of bills payable	**(164,859,923)**	(249,105,524)	(20,718,973)	**(164,859,923)**	(249,105,524)	(20,056,443)
Payments of cash dividends (Note 23)	**(2,229,297)**	(1,988,720)	(1,853,728)	**(2,229,297)**	(1,988,720)	(1,853,728)
Acquisitions of non-controlling interest (Note 11)	**–**	–	(452)	**–**	–	–
Proceeds from issuance of common shares (Note 23)	**37,678**	14,999,463	–	**37,678**	14,999,463	–
Transaction cost on the issuance of common shares (Note 23)	**–**	(52,089)		**–**	(52,089)	
Net cash provided by (used in) financing activities	**17,516,882**	16,121,687	(3,984,362)	**17,516,882**	16,121,687	(3,321,380)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(6,586,585)**	26,810,502	(180,277)	**(8,657,174)**	25,755,846	2,278,455

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(₱6,586,585)**	₱26,810,502	(₱180,277)	**(₱8,657,174)**	₱25,755,846	₱2,278,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**12,685,984**	12,010,543	11,377,101	**11,160,173**	10,580,748	10,052,891
Due from Bangko Sentral ng Pilipinas (Note 7)	**98,490,014**	91,964,495	86,318,501	**91,717,037**	85,307,128	77,003,616
Due from other banks (Note 7)	**15,641,476**	11,332,236	21,243,492	**14,066,620**	9,689,165	19,200,544
Interbank Loans Receivable and SPURA (Note 8)	**18,751,845**	3,451,543	–	**17,347,522**	2,958,465	–
	145,569,319	118,758,817	118,939,094	**134,291,352**	108,535,506	106,257,051
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**15,639,474**	12,685,984	12,010,543	**13,705,304**	11,160,173	10,580,748
Due from Bangko Sentral ng Pilipinas (Note 7)	**101,889,773**	98,490,014	91,964,495	**95,092,944**	91,717,037	85,307,128
Due from other banks (Note 7)	**9,455,447**	15,641,476	11,332,236	**7,837,894**	14,066,620	9,689,165
Securities purchased under resale agreements (Note 8)	**11,998,040**	18,751,845	3,451,543	**8,998,040**	17,347,522	2,958,465
	₱138,982,734	₱145,569,319	₱118,758,817	**₱125,634,182**	₱134,291,352	₱108,535,506

OPERATING CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	As of December 31					
	2018	2017	2016	**2018**	2017	2016
Interest paid	**₱11,361,726**	₱6,652,755	₱5,028,667	**₱9,595,463**	₱5,359,209	₱3,812,560
Interest received	**33,233,827**	25,835,369	21,498,837	**28,041,653**	21,322,995	17,273,294

See accompanying Notes to Financial Statements.

1. **Corporate Information**

China Banking Corporation (the Parent Company) is a publicly listed universal 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 458 and 436 local branches as of December 31, 2018 and 2017, respectively.

The Parent Company acquired its original Certification of Incorporation issued by the Securities and Exchange Commission (SEC) on July 20, 1920. On December 4, 1963, the Board of Directors (BOD) of the Parent Company approved the Amended Articles of Incorporation to extend the corporate term of the Parent Company for another 50 years or until July 20, 2020, which was confirmed by the stockholders on December 23, 1963, and approved by the SEC on October 5, 1964. On March 2, 2016, the BOD approved the amendment of the Third Article of the Parent Company's Articles of Incorporation, to further extend the corporate term for another 50 years from and after July 20, 2020, the expiry date of its extended term. The approval was ratified by the stockholders during their scheduled annual meeting on May 5, 2016. On November 7, 2016, the SEC issued the Certificate of Filing of Amended Articles of Incorporation, amending the Third Article thereof to extend the term of corporate existence of the Parent Company.

The Parent Company has the following subsidiaries:

Subsidiary	Effective Percentages of Ownership 2018	2017	Country of Incorporation	Principal Activities
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
China Bank Savings, Inc. (CBSI)	**98.29%**	98.29%	Philippines	Retail and consumer banking
China Bank Capital Corporation (CBCC)	**100.00%**	100.00%	Philippines	Investment house
CBC Assets One (SPC) Inc.	**100.00%**	100.00%	Philippines	Special purpose corporation
China Bank Securities Corporation (CBCSec)*	**100.00%**	100.00%	Philippines	Stock Brokerage

**Obtained control on March 6, 2017, 100% owned through CBCC (see note 11)*

The Parent Company has no ultimate parent company. SM Investments Corporation, its significant investor, has effective ownership in the Parent Company of 20.30% and 19.90% as of December 31, 2018 and 2017, respectively.

The Parent Company's principal place of business is at 8745 Paseo de Roxas cor. Villar St., 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 instruments at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets. The financial statements are presented in Philippine peso, and all values are rounded to the nearest thousand 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.

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.

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 balance sheets of the Group and of the Parent Company are presented 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 22.

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. The Group and the Parent Company assess that they have currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group, the Parent Company and all of the counterparties.

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. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company. The Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the related 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
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be recognized if the Group had directly disposed of the related assets or liabilities

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.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2018. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

- *New and Amended Standards*
  - Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  - Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  - Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

- *Annual Improvements to PFRSs (2014 – 2017 Cycle)*
  - Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value*
  - Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

Standard that has been adopted and that is deemed to have significant impact on the financial statements or performance of the Group is described below:

PFRS 9, *Financial Instruments*
The Group adopted PFRS 9 on January 1, 2018 following the modified retrospective approach. PFRS 9 replaced PAS 39, *Financial Instruments: Recognition and Measurement.*

Under the modified retrospective approach, the Group did not restate the prior-period comparative consolidated financial statements and remains to report the comparative information for 2017 and 2016 under PAS 39. Accordingly, the 2017 and 2016 comparative financial statements are not comparable to the information presented for 2018. Differences in the carrying amounts of financial instruments resulting from the adoption of PFRS 9 are recognized in the opening January 1, 2018 surplus and OCI as if the Group had always followed the new requirements.

As a result of applying PFRS 9's requirements on classification and measurement of financial assets, the opening January 1, 2018 equity in the Group's and Parent Company's balance sheet increased by ₱1.78 billion and ₱1.67 billion, respectively, before deferred tax effects. 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. However, applying PFRS 9's requirements on the recognition of expected credit losses decreased the opening January 1, 2018 equity in the Group's and Parent Company's balance sheet by ₱3.59 billion and ₱3.09 billion, respectively, before deferred tax effects. Impairment under ECL is now 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. Deferred tax asset recognized due to adoption of PFRS 9 amounted to ₱0.81 billion for the Group and ₱0.80 billion for the Parent Company.

The accounting policies adopted by the Group as s result of adopting PFRS 9 are discussed in page 8.

The adoption of PFRS 9 did not have an impact on the classification and measurement of the Group's and the Parent Company's financial liabilities and on the application of hedge accounting.
The impact of adopting PFRS 9 as of January 1, 2018 follows (amounts in thousands):

	Consolidated						
	PAS 39			Remeasurement		PFRS 9	
	Category	Amount	Re-classifications	ECL	Other	Category	Amount
Assets							
Cash and other cash items	Loans and receivables	₱12,685,984	₱-	₱-	₱-	Amortised cost	₱12,685,984
Due from BSP	Loans and receivables	98,490,014	-	-	-	Amortised cost	98,490,014
Due from Other Banks	Loans and receivables	15,641,476	-	-	-	Amortised cost	15,641,476
SPURA	Loans and receivables	18,751,845	-	-	-	Amortised cost	18,751,845
Loans and receivables	Loans and receivables	448,970,942	(1,000,040)	(1,781,992)	-	Amortised cost	446,188,910
Accrued interest receivable	Loans and receivables	3,718,505	-	(36,195)	-	Amortised cost	3,682,310
Other financial assets	Loans and receivables	4,412,643	-	(14,459)	-	Amortised cost	4,398,184
Held for trading	FVPL	12,493,615	2,446,099	-	(8,133)	FVPL (mandatory)	14,931,581
Financial assets designated at FVPL	FVPL	3,411,686	(3,411,686)	-	-	FVPL (designated)	-
Derivative assets	FVPL	333,587	-	-	-	FVPL (mandatory)	333,587
Investment securities	AFS	46,445,391	(39,153,620)		82,267	FVOCI	7,374,038
	HTM	65,286,267	41,119,247	(89,344)	1,703,105	Amortised cost	108,019,275
		₱730,641,955	₱-	(₱1,921,990)	₱1,777,239		₱730,497,204
Liabilities							
Loan commitments and financial guarantee contracts		₱-	₱-	(₱1,670,992)	₱-		₱-

	Consolidated		
Equity	**Balance at January 1, 2018**	**Transition adjustments**	**Balance at January 1, 2018 (as restated)**
Surplus	₱40,360,563	(₱5,372,699)	₱34,987,865
Surplus reserves	926,689	2,732,628	3,659,317
NUGL	(1,813,280)	1,686,724	(126,556)
	₱39,473,972	(₱953,346)	₱38,520,626

	Parent Company						
	PAS 39			Remeasurement		PFRS 9	
	Category	Amount	Re-classifications	ECL	Other	Category	Amount
Assets							
Cash and other cash items	Loans and receivables	11,160,173	₱-	₱-	₱-	Amortised cost	₱11,160,173
Due from BSP	Loans and receivables	91,717,037	-	-	-	Amortised cost	91,717,037
Due from Other Banks	Loans and receivables	14,066,620	-	-	-	Amortised cost	14,066,620
SPURA	Loans and receivables	17,347,522	-	-	-	Amortised cost	17,347,522
Loans and receivables	Loans and receivables	386,554,498	(1,000,040)	(1,390,961)	-	Amortised cost	384,163,497
Accrued interest receivable	Loans and receivables	3,189,083	-	-	-	Amortised cost	3,189,083
Other financial assets	Loans and receivables	2,135,717	-	-	-	Amortised cost	2,135,717
Held for trading	FVPL	12,311,550	2,581,497	-	(8,133)	FVPL (mandatory)	14,884,914
Financial assets designated at FVPL	FVPL	3,411,686	(3,411,686)	-	-	FVPL (designated)	-
Derivative assets	FVPL	333,587	-	-	-	FVPL (mandatory)	333,587
Investment securities	AFS	42,937,083	(37,714,189)	-	102,267	FVOCI	5,325,161
	HTM	61,533,493	39,544,418	(83,618)	1,578,921	Amortised cost	102,573,214
		₱646,698,049	₱-	(₱1,474,579)	₱1,673,055		₱646,896,525
Liabilities							
Loan commitments and financial guarantee contracts		₱-	₱-	(₱1,614,933)	₱-		₱-

	Parent Company		
Equity	**Balance at January 1, 2018**	**Transition adjustments**	**Balance at January 1, 201 (as restated)**
Surplus	₱40,360,564	(₱5,074,296)	₱35,286,268
Surplus reserves	926,689	2,434,227	3,360,916
NUGL	(1,813,280)	1,686,724	(126,556)
	₱39,473,972	(₱953,346)	₱38,520,626

In January 1, 2018, the Group reclassified the following:

a. a portion of its previous held-to-maturity investments with carrying value of ₱2.82 billion as FVOCI investments. These instruments had contractual cash flows that were solely payments for principal and interests and were held for liquidity management; and

c. a portion of its AFS investments and held-to-maturity investments with carrying value of ₱2.32 billion and ₱2.78 billion, respectively, as FVTPL investments. These instruments either did not have contractual cash flows that were solely payments for principal and interests, or were intended for active trading and were held with the intention to sell.

In January 1, 2018, the Parent Company reclassified the following:

a. a portion of its previous held-for-trading investments and AFS investments with carrying value of ₱5.93 billion and ₱38.22 billion, respectively, as investment securities at amortized cost. These instruments had contractual cash flows that were solely payments for principal and interests, were not intended for active trading and were held with the intention to collect cash flows and without the intention to sell;
b. a portion of its previous held-to-maturity investments and held-for-trading investments with carrying value of P2.82 billion and P135.40 million, respectively, as FVOCI investments. These instruments had contractual cash flows that were solely payments for principal and interests and were held for liquidity management;
c. a portion of its AFS investments and held-to-maturity investments with carrying value of P2.32 billion and P2.78 billion, respectively, as FVTPL investments. These instruments either did not have contractual cash flows that were solely payments for principal and interests, or were intended for active trading and were held with the intention to sell.

Had the FVPL securities not been transferred, additional fair value loss of ₱389.47 million would have been charged to profit or loss.

In addition, the Group has presented separately the interest revenue, calculated using effective interest method, from other interest revenue. As a result, Interest income on Investment securities at amortized cost and FVOCI is presented separately from Interest income on trading securities at fair value through profit or loss. Previously, these interest income items were presented together as Interest income on trading and investment securities.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

There were no adjustments recognized to the opening balance of retained earnings at the date of initial application as an effect of initially applying PFRS 15. Also, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

Loyalty points program on credit card business
Before the adoption of PFRS 15, the loyalty program offered by the Group resulted in the accrual of loyalty expenses for the fair value of estimated redeemable issued loyalty points. The Group concluded that under PFRS 15 the loyalty points give rise to a separate performance obligation because they provide a material right to the customer and a portion of the transaction price was allocated to the loyalty points awarded to customers. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty points did not have material impact compared to the previous accounting policy.

Therefore, upon the adoption of PFRS 15, there were no adjustments recognized as at January 1 and December 31, 2018.

Significant Accounting Policies

Foreign Currency Translation
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency.

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 exchange rates on transaction dates. 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 reporting 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'. Upon actual remittance or transfer of the FCDU income to RBU, the related exchange difference arising from translation lodged under 'Cumulative translation adjustment' is recognized in the statement of income of the RBU books.

Fair Value Measurement
The Group measures financial instruments, such as financial instruments at FVPL and AFS financial assets at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, and securities purchased under resale agreement (SPURA) that are convertible to known amounts of cash which have original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents wherein withdrawals can be made to meet the Group's cash requirements as allowed by the BSP.

Securities Purchased under Resale Agreement

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. 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 EIR method.

Financial Instruments - Initial Recognition

Date of recognition

Purchases or sales of financial assets, except for derivative instruments, 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 Financial assets at FVOCI and AFS financial assets. Derivatives are recognized on a trade date basis. Deposits, amounts due to banks and customers loans and receivables 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.

'Day 1' difference
Where the transaction price in a non-active market is different with 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 recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. 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.

Classification, Reclassification and Impairment of Financial Assets (PFRS 9)

Classification and measurement
Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- the expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Group's measurement categories are described below:

Investment Securities at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:
- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's investment securities at amortized cost are presented in the statement of financial position as Due from BSP, Due from other banks, Interbank loans receivable and SPURA, investment securities at amortized cost, Loans and receivables, Accrued interest receivables and certain accounts under Other assets.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial Assets at FVTPL
Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL and gains or losses arising from disposals of these instruments are included in 'Gains (losses) on trading and investment securities' account in the statements of income.

Interest recognized based on the modified effective interest rate of these investments is reported in statements of income under 'Interest income' account while dividend income is reported in statements of income under 'Miscellaneous income' account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in Net unrealized fair value gains (losses) on investment securities in the statements of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on investment securities account is not reclassified to profit or loss, but is reclassified directly to Surplus free account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Miscellaneous Income' account.

Financial Assets at FVOCI - Debt Investments
The Group applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:
- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Impairment of financial assets
The adoption of PFRS 9 has fundamentally changed the Group's impairment method by replacing PAS 39's incurred loss approach with a forward-looking ECL approach. From January 1, 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets carried at amortized cost, financial assets carried at FVOCI, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

ECL 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 are 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 (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group and the Parent Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group and the Parent Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-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 loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes at least 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e. consecutive payments from the borrowers for 180 days).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold (i.e. 30 days), the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

ECL is a function of the PD, EAD and LGD, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. EAD represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held. Please refer to Note 6 for other information related to the Bank's models for PD, EAD, and LGD.

The calculation of ECLs, including the estimation of PD, EAD, LGD and discount rate is made, on an individual basis for most of the Group's financial assets, and on a collective basis for retail products such as credit card receivables. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

<u>Classification, Reclassification and Impairment of Financial Assets (Prior to Adoption of PFRS 9)</u>
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.

Financial instruments at FVPL
Financial instruments 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 instruments held for trading
Financial instruments held for trading (HFT) include government and corporate debt securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair value, and realized and unrealized gains and losses on these instruments are recognized as 'Trading and securities gain - net' in the statement of income. Interest earned or

incurred on financial instruments held for trading is reported in the statement of income under ‘Interest income’ (for financial assets) and ‘Interest expense’ (for financial liabilities).

Financial instruments designated at FVPL
Financial instruments 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 instruments 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 reported in the statement of income under ‘Interest income’ or ‘Interest expense’, respectively, while dividend income is reported in the statement of income under ‘Miscellaneous income’ when the right to receive payment has been established.

As of December 31, 2017, financial assets designated as at FVPL consist of instruments in shares of stocks.

Derivative instruments
The Parent Company is a party to derivative instruments, particularly, forward exchange contracts, interest rate swaps (IRS) 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 (loss) - net’ for forward exchange contracts and ‘Trading and securities gain-net’ for IRS and warrants.

Embedded derivatives that are bifurcated from the host financial and non-financial contracts are also accounted for as financial instruments 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. The accounting policy on embedded derivatives in host financial liability and non-financial contracts is still applied under PFRS 9.

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 and the Group would be prohibited from classifying any financial asset under HTM category during the current year and two succeeding years thereafter unless for sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

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. This account consists of government and corporate debt securities.

Loans and receivable
This accounting policy relates to the balance sheet captions 'Due from BSP', 'Due from other banks', 'SPURA', 'Loans and receivables', 'Accrued interest receivable', 'Accounts receivable', 'Sales contract receivable' (SCR), 'Returned checks and other cash items' (RCOCI), and 'Miscellaneous financial 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 government and corporate debt securities.

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 gains (losses) 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'.

<u>Reclassification of Financial Assets</u>
The Group may reclassify, in rare circumstances, non-derivative financial assets out of the HFT investments category and into the AFS financial assets, Loans and Receivables or HTM financial assets categories. The Group may also reclassify, in certain circumstances, financial instruments out of the AFS financial assets 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 financial assets 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 9.

Impairment of Financial Assets

The Group assesses at each reporting 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 the 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, past-due status and term. 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, the recovery is credited to 'Miscellaneous income'.

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 reporting 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 years, 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.

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's balance sheets. However, the fair value of collateral affects the calculation of loss allowances. It is generally assessed, at a minimum, at inception and re-assessed on an annual basis. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by internal or external appraisers.

<u>Derecognition of Financial Assets and Liabilities</u>
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.

Write-offs
Financial assets are written off either partially or in their entirety when the Group no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Investment 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 and parent company 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 associates. Goodwill, if any, relating to an associate is included in the carrying value of the investment 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.

Dividends earned on this investment are recognized in the Parent Company's statement of income as a reduction from the carrying value of the investment.

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.

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.

Investment in Subsidiaries
In the parent company financial statements, investment in subsidiaries is accounted for under the equity method of accounting similar to the investment in associates.

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, 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 as gain on bargain purchase under 'Miscellaneous income'.

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

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. 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 CGUs, or groups of CGUs, 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 CGU (or group of CGUs) 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 CGU retained.

Cash Dividend and Non-cash Distribution to Equity Holders of the Parent Company

The Group recognizes a liability to make cash or non-cash distributions to equity holders of the parent company when the distribution is authorized and the distribution is no longer at the discretion of the Group.

A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of income.

Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any impairment in value while depreciable properties such as buildings, leasehold improvements, and furniture, fixtures 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.

Construction-in-progress is stated at cost less any impairment in value. The initial cost comprises its construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation and amortization is calculated using 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. 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 statement of income. Subsequent to initial recognition, depreciable investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value except for land which is stated at cost less 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 remaining EUL of the building and improvement components of investment properties which ranged from 10 to 33 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 gains or losses on the derecognition of an investment property are 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 software cost and branch licenses resulting from the Parent Company's acquisition of CBSI, Unity Bank and PDB (Notes 11 and 14).

Software costs
Costs related to software purchased by the Group for use in operations are amortized on a straight-line basis over 3 to 10 years. The amortization method and useful life are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits embodied in the asset.

Branch licenses
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 CGU level. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the intangible asset relates. Recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Where the recoverable amount of the CGU 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, goodwill 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 CGU'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 CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) 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 CGU).

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; or
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term; or
(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 a 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 and included in 'Occupancy cost' in the statement of income.

Group as a 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.

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 sheet. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

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 FVOCI and AFS financial assets, interest income is recorded at either 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, or at rate stated in the contract. 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.

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a. *Fee income earned from services that are provided over a certain period of time*
   Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, commission income, credit related fees, asset management fees, portfolio and other management fees, and advisory fees.

b. *Fee income from providing transactions services*
   Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, corporate finance fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

c. *Commitment fees*
   Loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. If the commitment expires without the Group making the loan, the commitment fees are recognized as other income on expiry.

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

Other income
Income from sale of service is recognized upon rendition of the service. Income from sale of properties is recognized when control has been obtained by the customer and when the collectability of the sales price is reasonably assured.

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 and sale of AFS financial assets or FVOCI debt assets.

Expense Recognition
Expense is recognized when it is probable that a decrease in future economic benefits 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.

Other expenses
Expenses encompass losses as well as those expenses that arise in the ordinary course of business of the Group. Expenses are recognized when incurred.

Retirement Benefits
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on Philippine government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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 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 reporting date.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting 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 reporting 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 reporting 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 reporting 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 reporting date are dealt with as an event after the reporting 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 31. 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
Any post year-end events that provide additional information about the Group's position at the reporting date (adjusting event) are reflected in the Group's financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Standards Issued but Not Yet Effective
There are new PFRSs, amendments, interpretation and annual improvements, to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

Effective beginning on or after January 1, 2019:

- PFRS 9 (Amendment), *Prepayment Features with Negative Compensation*. Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. Management has assessed that the amendment has no impact on the consolidated and parent company financial statements.

- PFRS 16, *Leases*. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases.* The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Leesees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.
PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Upon adoption of this standard, the Group and the Parent Company expect to recognize a right of use asset and lease liability for covered lease contracts. Management is currently assessing the impact of this new standard in the consolidated and parent company financial statements.

- PAS 19 (Amendments), *Employee Benefits, Plan Amendment, Curtailment or Settlement.* The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- PAS 28 (Amendments), *Long-term Interests in Associates and Joint Ventures.* The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

Annual Improvements to PFRS 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity.* The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*. The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*. The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*. The standard is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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 at reporting date. 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. *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 discounted cash flow model, incorporating inputs such as current market rates of comparable instruments. The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 5.

b. *HTM financial assets (prior to PFRS 9 adoption)*
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.
Details of AFS financial assets reclassified to HTM are disclosed in Note 9.

c. *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 (Note 30). 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.

d. *Evaluation of business model in managing financial instruments (PFRS 9)*
The Group manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

At the start of 2018, the Parent Bank's BOD approved its documentation of business models which contains broad categories of banking and trading business models. The banking business model includes the Parent Bank's lending activities as well as treasury business activities broken down into liquidity and investment portfolios. The approval of the business models triggered the realignment and reassessment of the Parent Bank's strategy for managing its HTC portfolio and the introduction of new portfolios with the objective of maximizing risk-adjusted returns. As such, the Bank's classification of financial assets now consists of amortized cost, FVOCI and FVTPL, where certain securities were reclassified from a classification measured at amortized cost to a classification measured at fair value, and vice versa, at the beginning of first quarter of 2018.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

In 2018, the Bank participated in bond exchanges resulting in disposal of certain financial assets carried at amortized cost. The Parent Bank has assessed that such sales are not more than infrequent and are necessary in order to ensure that the outstanding securities remain of an acceptable liquid quality. The disposals are considered not inconsistent with the objective of hold to collect business model. The remaining securities in the affected portfolios continue to be measured at amortized cost as of December 31, 2018.

The business model assessment is based on reasonably expected scenarios without taking worst case or stress case scenarios into account. If cash flows, after initial recognition are realized in a way that is different from the Group's and the Parent Company's original expectations, the Group and the Parent Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

e. *Testing the cash flow characteristics of financial assets (PFRS 9)*
In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

Estimates

a. *Credit losses on loans and receivables (prior to adoption of PFRS 9)*
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 such as the financial condition of the borrower, estimated future cash flows, observable market prices and estimated net selling prices of the related collateral. 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 historical loss experience adjusted on the basis of current observable data for assets with similar credit risk characteristics.

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 10 and 16.

b. *Expected credit losses on financial assets and commitments (PFRS 9)*
The Group reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Group's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Group's expected credit loss models;
- measuring the exposure at default for unused commitments on which an expected credit loss should be recognized and the applicable loss rate

The related allowance for credit losses of financial assets and commitments of the Group and the Parent Company are disclosed in Notes 16 and 20.

c. *Impairment of goodwill*
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit CGU to which the goodwill relates. The recoverable amount of the CGU is determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. For VIU, the Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Impairment assessment process requires significant judgement and based on assumptions, specifically loan and deposit growth rates, discount rate and the terminal value growth rates.

Where the recoverable amount is less than the carrying amount of the CGU to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The carrying values of the Group's goodwill are disclosed in Note 14.

d. *Impairment of branch licenses*
The Group conducts an annual review for any impairment in the value of branch licenses. Branch licenses are written down for impairment where the recoverable value is insufficient to support the carrying value. The recoverable amount of branch licenses is the higher between fair value less costs of disposal (FVLCD) and its value-in-use (VIU). FVLCD of branch licenses is based on the special licensing fee of BSP on branches operating on identified restricted areas. The

recoverable amount of the CGU is determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. For VIU, the Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Impairment assessment process requires significant judgement and based on assumptions, specifically loan and deposit growth rates, discount rate and the terminal value growth rates.

The carrying values of the Group's branch licenses are disclosed in Note 14.

e. *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 and salary rates.

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 reporting date.

The present value of the retirement obligation and fair value of plan assets, including the details of the assumptions used in the calculation are disclosed in Note 24.

f. *Recognition of deferred income taxes*
Deferred tax assets are recognized for deductible temporary differences 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. Key assumptions used in forecast of future taxable income include loan portfolio and deposit growth rates.

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 27.

g. *Impairment on non-financial assets*
The Group 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 nonfinancial assets are disclosed in Notes 12 and 13.

4. Financial Instrument Categories

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

	2018	
	Consolidated	**Parent Company**
Financial assets		
Cash and other cash items	**₱15,639,474**	**₱13,705,304**
Financial assets at FVTPL	**7,596,261**	**6,689,796**
Financial assets at FVOCI	**10,101,527**	**8,213,010**
Financial assets at amortized cost		
Due from BSP	**101,889,773**	**95,092,944**
Due from other banks	**9,455,447**	**7,837,894**
Interbank loans receivables and SPURA	**11,998,040**	**8,998,040**
Investment securities	**172,537,036**	**163,824,466**
Loans and receivables	**505,804,955**	**441,432,156**
Accrued interest receivable	**5,697,181**	**5,126,127**
Other assets*	**3,577,270**	**1,520,108**
	810,959,702	**723,831,735**
Total financial assets	**₱844,296,964**	**₱752,439,845**

	2017	
	Consolidated	Parent Company
Financial assets		
Cash and other cash items	₱12,685,984	₱11,160,173
Financial assets at FVTPL	16,238,888	16,056,823
AFS financial assets	46,445,391	42,937,083
HTM financial assets	65,286,267	61,533,493
Loans and receivables:		
Due from BSP	98,490,014	91,717,037
Due from other banks	15,641,476	14,066,620
Interbank loans receivables and SPURA	18,751,845	17,347,522
Loans and receivables	448,970,942	386,554,498
Accrued interest receivable	3,718,505	3,189,083
Other assets*	3,645,678	1,594,757
	589,218,460	514,469,517
Total financial assets	₱729,874,990	₱646,157,089

*Other assets include accounts receivables, SCR, RCOCI and miscellaneous financial assets (Note 15).

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Financial liabilities				
Other financial liabilities:				
Deposit liabilities	**₱722,123,297**	₱635,093,393	**₱638,243,362**	₱559,235,979
Bills payable	**39,826,532**	20,118,031	**39,826,532**	20,118,031
Manager's checks	**2,577,175**	2,441,042	**2,069,812**	1,709,248
Accrued interest and other expenses*	**2,456,064**	1,381,441	**2,035,662**	1,068,572
Other liabilities**	**7,347,450**	5,399,076	**5,779,466**	3,509,795
	774,330,518	664,432,983	**687,954,834**	585,641,625
Financial liabilities at FVPL:				
Derivative liabilities	**455,150**	267,533	**455,150**	267,533
Total financial liabilities	**₱774,785,668**	₱664,700,516	**₱688,409,984**	₱585,909,158

*Accrued interest and other expenses includes accrued interest payable and accrued other expenses payable (Note 19).
**Other liabilities exclude withholding taxes payable and retirement liabilities (Note 20).

5. Fair Value Measurement

The Group has assets and liabilities in the consolidated and Parent Company balance sheets that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the balance sheet at the end of each financial reporting period. These include financial assets and liabilities at FVPL, AFS financial assets and financial assets at FVOCI. Non-recurring fair value measurements are those that another PFRS requires or permits to be recognized in the balance sheet in particular circumstances. For example, PFRS 5 requires an entity to measure an asset held for sale at the lower of its carrying amount and fair value less costs to sell. Since the asset's fair value less costs to sell is only recognized in the balance sheet when it is lower than its carrying amount, that fair value measurement is non-recurring.

As of December 31, 2018 and 2017, except for the following financial instruments, the carrying values of the Group's and the Parent Company's financial assets and liabilities as reflected in the balance sheets and related notes approximate their respective fair values:

	2018			
	Consolidated		**Parent Company**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Investment securities at amortized cost				
Investment securities (Note 9)				
Government bonds	**₱117,260,018**	**₱108,886,906**	**₱110,220,634**	**₱102,006,641**
Private bonds	**55,277,018**	**54,077,408**	**53,603,832**	**52,509,703**
Loans and receivables (Note 10)				
Corporate and commercial lending	**406,403,070**	**389,177,803**	**376,793,349**	**357,613,633**
Consumer lending	**85,688,187**	**85,222,099**	**51,816,708**	**46,749,579**
Trade-related lending	**13,662,914**	**13,283,538**	**12,782,734**	**12,772,774**
Others	**50,785**	**56,603**	**39,365**	**45,185**
Sales contracts receivable (Note 15)	**1,040,939**	**1,101,941**	**199,692**	**178,486**
Financial Liabilities				
Deposit liabilities (Note 17)	**321,343,811**	**299,666,264**	**265,739,836**	**243,898,397**

	2017			
	Consolidated		Parent Company	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
HTM financial assets (Note 9)				
Government bonds	₱52,998,477	₱51,488,294	₱50,263,703	₱48,754,016
Private bonds	12,287,790	12,110,870	11,269,790	11,354,669
Loans and receivables (Note 10)				
Corporate and commercial lending	365,117,654	349,880,762	333,430,383	315,853,285
Consumer lending	71,577,984	74,207,566	42,556,905	41,952,821
Trade-related lending	12,062,711	12,041,107	10,513,204	10,417,129
Others	212,593	196,307	54,006	63,198
Sales contracts receivable (Note 15)	918,147	1,060,191	184,092	200,134
Financial Liabilities				
Deposit liabilities (Note 17)	292,083,031	282,586,204	240,712,750	236,777,045

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, interbank loans receivable and 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 (prior to adoption of PFRS 9) - For publicly traded equity securities, fair values are based on quoted prices. 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.

Equity securities (upon adoption of PFRS 9) - For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities, remeasurement to their fair values is not material to the financial statements.

Loans and receivables and sales contracts 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, 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 discounted cash flows, using prevailing interest rate differential and spot exchange rates.

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 assets and liabilities 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, 2018 and 2017, the fair value hierarchy of the Group's and the Parent Company's assets and liabilities are presented below:

	Consolidated			
	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements[(a)]				
Financial assets at FVPL				
Held-for-trading				
Government bonds	**₱492,521**	**₱141,372**	**₱–**	**₱633,893**
Treasury notes	–	**838,662**	–	**838,662**
Treasury bills	–	**1,214,170**	–	**1,214,170**
Private bonds	**3,189,063**	–	–	**3,189,063**
Quoted equity shares	**1,312,625**	–	–	**1,312,625**
Derivative assets	–	**407,848**	–	**407,848**
Financial assets at FVOCI			–	
Government bonds	**4,859,716**	**5,107,673**	–	**9,967,389**
Quoted private bonds	**35,370**	–	–	**35,370**
Quoted equity shares	**80,403**	–	–	**80,403**
	₱9,969,698	**₱7,709,725**	–	**₱17,679,423**
Financial liabilities at FVPL				
Derivative liabilities	–	**455,150**	–	**455,150**
	–	**455,150**	–	**455,150**
Fair values of assets carried at amortized cost/cost[(a)]				
Investment securities at amortized cost				
Government bonds	**108,886,906**	–	–	**108,886,906**
Private bonds	**54,077,408**	–	–	**54,077,408**
Loans and receivables				
Corporate and commercial loans	–	–	**389,177,803**	**389,177,803**
Consumer loans	–	–	**85,222,099**	**85,222,099**
Trade-related loans	–	–	**13,283,538**	**13,283,538**
Others	–	–	**56,603**	**56,603**
Sales contracts receivable	–	–	**1,101,941**	**1,101,941**
Investment properties[(b)]		–		
Land	–	–	**8,696,956**	**8,696,956**
Buildings and improvements	–	–	**1,371,972**	**1,371,972**
	₱162,964,314	**₱–**	**₱498,910,912**	**₱661,875,227**
Fair values of liabilities carried at amortized cost[(a)]				
Deposit liabilities	**₱–**	**₱–**	**₱299,666,264**	**₱299,666,264**

(a) valued as of December 31, 2018

	Consolidated			
	2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements[(a)]				
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

	Consolidated			
	2017			
	Level 1	Level 2	Level 3	Total
Fair values of assets carried at amortized cost/cost[(a)]				
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[(b)]				
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 amortized cost[(a)]				
Deposit liabilities	₱–	₱–	₱282,586,204	₱282,586,204

(a) valued as of December 31,2017

	Parent Company			
	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements[(a)]				
Financial assets at FVPL				
Held-for-trading				
Government bonds	**₱492,521**	**₱141,372**	**₱–**	**₱633,893**
Treasury notes	**–**	**838,662**	**–**	**838,662**
Treasury bills	**–**	**1,214,170**	**–**	**1,214,170**
Private bonds	**2,282,598**	**–**	**–**	**2,282,598**
Quoted equity shares	**1,312,625**	**–**	**–**	**1,312,625**
Derivative assets	**–**	**407,848**	**–**	**407,848**
Financial assets at FVOCI				
Government bonds	**3,033,686**	**5,107,673**	**–**	**8,141,359**
Quoted private bonds	**1,676**	**–**	**–**	**1,676**
Quoted equity shares	**51,610**	**–**	**–**	**51,610**
	7,174,716	**7,709,725**	**–**	**14,884,441**
Financial liabilities at FVPL				
Derivative liabilities	**–**	**455,150**	**–**	**455,150**
	–	**455,150**	**–**	**455,150**
Fair values of assets carried at amortized cost/cost[(a)]				
Investment securities at amortized cost				
Government bonds	**₱102,006,641**	**₱–**	**₱–**	**₱102,006,641**
Private bonds	**52,509,703**	**–**	**–**	**52,509,703**
Loans and receivables				
Corporate and commercial loans	**–**	**–**	**357,613,633**	**357,613,633**
Consumer loans	**–**	**–**	**46,749,579**	**46,749,579**
Trade-related loans	**–**	**–**	**12,772,774**	**12,772,774**
Others	**–**	**–**	**45,185**	**45,185**
Sales contracts receivable	**–**	**–**	**178,486**	**178,486**
Investment properties[(b)]				
Land	**–**	**–**	**4,225,706**	**4,225,706**
Buildings and improvements	**–**	**–**	**974,119**	**974,119**
	₱154,516,344	**₱–**	**₱422,559,482**	**₱577,075,826**
Fair values of liabilities carried at amortized cost				
Deposit liabilities	**–**	**₱–**	**₱243,898,397**	**₱243,898,397**

(a) valued as of December 31, 2018

	Parent Company			
	2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements[(a)]				
Financial assets at FVPL				
Held-for-trading				
Government bonds	₱5,757,518	₱119,314	₱–	₱5,876,832
Treasury notes	1,313,369	479,252	–	1,792,621
Treasury bills	315,996	1,709,371	–	2,025,367
Private bonds	2,616,730	–	–	2,616,730
Financial assets designated at FVPL	3,411,686	–	–	3,411,686
Derivative assets	–	333,587	–	333,587
(Forward)				
AFS financial assets				
Government bonds	22,905,417	9,467,927	–	32,373,344
Quoted private bonds	10,483,794	–	–	10,483,794
Quoted equity shares	67,903	–	–	67,903
	₱46,872,413	₱12,109,451	₱–	₱58,981,864
Financial liabilities at FVPL				
Derivative liabilities	₱–	₱267,533	₱–	₱267,533
	₱–	₱267,533	₱–	₱267,533
Fair values of assets carried at amortized cost/cost[(a)]				
HTM financial assets				
Government bonds	₱48,754,016	₱–	₱–	₱46,784,643
Private bonds	11,354,669	–	–	13,324,042
Loans and receivables				
Corporate and commercial loans	–	–	315,853,285	315,853,285
Consumer loans	–	–	41,952,821	41,952,821
Trade-related loans	–	–	10,417,129	10,417,129
Others	–	–	63,198	63,198
Sales contracts receivable	–	–	200,134	200,134
Investment properties[(b)]				
Land	–	–	4,225,706	4,225,706
Buildings and improvements	–	–	970,099	970,099
	₱60,108,685	₱–	₱373,682,372	₱433,791,057
Fair values of liabilities carried at amortized cost			₱236,777,045	₱236,777,045
Deposit liabilities	₱–	₱–	₱236,777,045	₱236,777,045

(a) valued as of December 31, 2017

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 2018 and 2017.

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities - interpolated rates based on market rates of benchmark securities as of reporting date.

Private bonds and commercial papers - quoted market price of comparable investments with credit risk premium that is insignificant to the entire fair value measurement.

Derivative assets and liabilities - fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the reporting date, taking into account the remaining term to maturity of the derivative assets and liabilities.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair values of the Group's and Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived 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 and comparability of similar properties sold with the property being valued.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group and the Parent Company:

	Valuation Techniques	**Significant Unobservable Inputs**
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Land and Building	Market Data Approach and Cost Approach	Reproduction Cost New

Description's of the valuation techniques and significant unobservable inputs used in the valuation of the Group and the Parent Company's investment properties are as follows:

Valuation Techniques

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of Reproduction Cost New of the improvements.

Significant Unobservable Inputs

Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.

Significant Unobservable Inputs

Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

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 and thresholds, 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 large 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 processes. 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 Oversight Committee (ROC) 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 and thresholds. The ROC is composed of three members of the BOD, two of whom are independent directors.

The Risk Management Group (RMG) is the direct support of the ROC in the day-to-day risk management and the implementation of the risk management strategies approved by the ROC. 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 ROC. 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 ROC 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, Value-at-Risk (VaR) analysis, utilization of market and credit limits and thresholds, liquidity risk limits and 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 single-name and sectoral concentration is included in the discussion with the ROC. On the other hand, the Chief Audit Executive 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.

Risk Mitigation
The Parent Company uses derivatives to manage exposures in its financial instruments resulting from changes in interest rates and foreign currencies exposures. 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 formulates risk management policies and continues to improve its existing 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 ROC 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 and thresholds established by the top management covering the Group's transactions and dealings. These limits and thresholds 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.

Liquidity and interest rate risk exposures are measured and monitored through the Maximum Cumulative Outflow and Earnings-at-Risk reports from the Asset and Liability Management (ALM) system. It was implemented in 2013 and was upgraded in 2017 to a new version which include modules for calculating Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The system also has a Funds Transfer Pricing module used by the Treasury Group and Corporate Planning Group.

For the measurement of market risk exposures, the Bank uses Historical Simulation VaR approach for all treasury traded instruments, including fixed income bonds, foreign exchange swaps and forwards, interest rate swaps and equity securities. Market risk exposures are measured and monitored through reports from the Market Risk Management System which has been implemented in 2017 to enhance risk measurement and automate daily reporting.

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 commercials 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.

On April 5, 2018, the BOD approved the inclusion of cybersecurity as part of the priority risks related to Information Technology. This is in addition to the priority risks set in the 2009 Risk Self-assessment Survey and voting conducted among selected members of the BOD and Senior Management which were retained on the basis that there is no significant change in either the business model of the Bank or its ownership structure. In addition, the BOD also approved the changes in the trigger events for the review of Capital Ratios MAT and the retention of the methodology for the CET1 ratio limit and the Management Action Trigger (MAT) on capital ratios. There were no changes made in the approved trigger events for the review of Priority Risks.

The Parent Company submitted its annually updated ICAAP document, in compliance with BSP requirements on March 27, 2018. The document disclosed that the Parent Company has an appropriate level of internal capital relative to the Group's risk profile.

For the ICAAP document submitted on March 27, 2018, the Parent Company 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 includes 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 Parent Company 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.

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 established risk limits and thresholds for purposes of monitoring and managing credit risk from individual counterparties and/or groups of counterparties, as well as major industries. 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.

The Parent Company has four credit risk rating models in place: for corporate borrowers, for non-consumer individual borrowers and small & medium enterprises (SMEs), for financial institutions, for sovereign / country exposures. In addition, it also has three scoring models: for auto and housing loan applicants, and for credit card applicants.

In compliance with BSP requirements, the Group established an internal Credit Risk Rating System (ICRRS) 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 ICRRS covers corporate borrowers with total assets, total facilities, or total credit exposures amounting to ₱15.00 million and above.

Further, the ICRRS was designed within the technical requirements defined under BSP Circular No. 439. It has two components, namely: a) Borrower Risk Rating which provides an assessment of the creditworthiness of the borrower, without considering the proposed facility and security arrangements, and b) Loan Exposure Ratio which provides an assessment of the proposed facilities as mitigated or enhanced by security arrangements. The ICRRS 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.

On March 5, 2014, the Parent Company approved the engagement of a third-party consultant, Moody's Analytics, for the quantitative and qualitative validation of the ICRRS. The validation engagement was completed in December 2014 followed by the model recalibration, closing the project in December 2016.

The Parent Company launched in 2011 the Borrower Credit Score (BCS), a credit scoring system designed for retail small and medium entities and individual loan accounts. In 2017, RMG completed the statistical validation of the BCS using the same methodology applied to the validation of the corporate risk rating model. The validation process was conducted with the assistance of Teradata which provided the analytics platform, tools and technical guidance for both credit model performance assessment and recalibration.

The CAMELOT rating system was approved by the BOD in 2006 to specifically assess Philippine universal, commercial and thrift banks. In 2009, the Bank implemented the rating system for rural and cooperative banks as well as the rating system for foreign financial institutions.

The Parent Company also developed a Sovereign Risk Rating Model, which provided the tool for the Bank to assess the strength of the country rated in reference to its economic fundamentals, fiscal policy, institutional strength, and vulnerability to extreme events. The Model was approved by the Board on September 7, 2017.

The scorecards for auto and housing loans were officially launched in November 2016, adopting the models developed by CBS with a third-party consultant, and utilizing internally developed software interfaces for their implementation.

For the Bank's credit cards, an acquisition scorecard has been created to determine application acceptance and has been in place since the launch of the credit card business.

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.

The distribution of the Group's and Parent Company's assets and liabilities, and credit commitment items (Note 30) by geographic region as of December 31, 2018 and 2017 (in millions) follows:

	Consolidated					
	2018			2017		
	Assets	**Liabilities**	**Commitment**	Assets	Liabilities	Commitment
Geographic Region						
Philippines	**₱741,331**	**₱743,613**	**₱87,789**	₱711,801	₱651,283	₱58,136
Asia	**14,965**	**1,386**	**27,313**	8,530	3,850	20,151
Europe	**18,411**	**2,859**	**3,634**	5,442	2,952	5,431
United States	**68,277**	**21,107**	**2,548**	499	6,616	2,794
Others	**1,313**	**5,821**	**38**	3,603	–	4
	₱844,297	**₱774,786**	**₱121,322**	₱729,875	₱664,701	₱86,516

	Parent Company					
	2018			2017		
	Assets	**Liabilities**	**Commitment**	Assets	Liabilities	Commitment
Geographic Region						
Philippines	**₱689,382**	**₱660,706**	**₱87,077**	₱629,802	₱572,601	₱55,501
Asia	**14,965**	**1,386**	**27,313**	6,905	3,740	20,151
Europe	**18,411**	**2,859**	**3,634**	5,442	2,952	5,431
United States	**28,369**	**17,638**	**2,548**	405	6,616	2,794
Others	**1,313**	**5,821**	**38**	3,603	–	4
	₱ 752,440	**₱688,410**	**₱120,610**	₱646,157	₱585,909	₱83,881

Information on credit concentration as to industry of loans and receivables is presented in Note 10 to the financial statements.

Maximum exposure to credit risk
The tables below provide the analysis of the maximum exposure to credit risk of the Group and the Parent Company's financial instruments, 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:

	Consolidated		
	2018		
	Gross maximum exposure	**Net exposure**	**Financial effect of collateral or credit enhancement**
Credit risk exposure relating to on-balance sheet items are as follows			
Loans and receivables	**₱505,804,955**	**₱275,165,316**	**₱230,639,639**
Interbank loans receivable and SPURA	**10,000,000**	**–**	**10,000,000**
Sales contracts receivable	**1,040,939**	**–**	**1,040,939**
	₱516,845,894	**₱275,165,316**	**₱240,680,578**

	Consolidated		
	2017		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows			
Loans and receivables	₱448,970,942	₱237,847,050	₱211,123,892
Interbank loans receivable and SPURA	18,751,845	1,865	18,749,980
Sales contracts receivable	894,843	–	894,843
	₱468,617,630	₱237,848,915	₱230,768,715

	Parent Company		
	2018		
	Gross maximum exposure	**Net exposure**	**Financial effect of collateral or credit enhancement**
Credit risk exposure relating to on-balance sheet items are as follows			
Loans and receivables	**₱441,432,156**	**₱249,012,090**	**₱192,420,066**
Interbank loans receivable and SPURA	**7,000,000**	–	**7,000,000**
Sales contracts receivable	**199,692**	–	**199,962**
	₱448,631,848	**₱249,012,090**	**₱199,619,758**

	Parent Company		
	2017		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows			
Loans and receivables	₱386,554,498	₱229,957,505	₱126,596,993
Interbank loans receivable and SPURA	17,347,522	2,000	17,345,522
Sales contracts receivable	184,091	–	184,091
	₱404,086,111	₱229,960,505	₱144,216,606

For the Group, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱338.60 billion and ₱1.60 billion, respectively, as of December 31, 2018 and ₱330.43 billion and ₱1.34 billion, respectively, as of December 31, 2017.

For the Parent Company, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱302.16 billion and ₱1.47 billion, respectively, as of December 31, 2018 and ₱294.54 billion and ₱1.04 billion, respectively, as of December 31, 2017.

Credit risk, in respect of derivative financial products, is limited to those with positive fair values, which are included under financial assets at FVPL (Note 9). 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 30 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.

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 regularly because the Group uses this information as a tool for business and financial decision making. Aside from the periodic review by the Bank’s Internal Audit Group, the Bank likewise engaged the services of third-party consultants in 2014, 2015, and 2016 for purposes of conducting an independent validation of the credit risk rating model.

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 - 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 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.

Strong - This category applies to a borrower with a low probability of going into default in the coming year. The borrower normally has a comfortable degree of stability, substance, and diversity. Under normal market conditions, the borrower in this category has good access to public markets to raise funds. The borrower has a strong market and financial position with a history of successful performance. The overall debt service capacity as measured by cash flow to total debt service is deemed very strong; the critical balance sheet ratios (vis-à-vis industry) are conservative.

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 (vis-à-vis industry). The debt service capacity, as measured based on cash flows, is strong.

Satisfactory - This category represents the borrower where clear risk elements exist and the probability of default is somewhat greater. This probability is reflected in volatility of earnings and overall performance. The borrower in this category normally has limited access to public financial markets. The borrower 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.

Acceptable - The risk elements for the Parent Company are sufficiently pronounced, although the borrower 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 category represents the borrower 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. It includes the borrower 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 - This category applies to the borrower that is 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) unacceptable risk is generated by potential or emerging weaknesses as far as asset protection and/or cash flow is concerned; (c) 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; (d) 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 - This category represents the borrower where one or more of the following factors apply: (a) 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; (b) the probability of default is assessed at up to 50%. Substandard loans are loans or portions thereof which 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 the borrower with "non-performing loan" status or with any portion of interest and/or principal payment is in arrears for more than ninety (90) days. The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful. Doubtful loans are loans or portions thereof which have the weaknesses inherent in those classified as "Substandard", with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

Loss - This category represents the borrower whose prospect for re-establishment of creditworthiness and debt service is remote. It 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. These are loans or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

The ratings of the borrowers covered by the BCS were mapped to the abovementioned CRRS grades in accordance with the approved guidelines by the BOD, as follows:

BCS Results	CRRS Grade	Description
> 98 to 100 points	3	Good
> 95 to 98 points	4	Satisfactory
> 87 to 95 points	5	Acceptable
> 83 to 87 points	6	Watchlist
80 to 83 points	7	Especially Mentioned
76 to < 80 points	8	Substandard
72 to < 76 points	9	Doubtful
68 to < 72 points	10	Loss

The Group's loans and receivables from customers were classified according to credit quality 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 and 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	

For consumer loans (i.e., auto, housing, credit card) that are covered by application scorecards which provide either a pass/fail score, the basis for credit quality rating is the BSP classification and/or the status of the account.

The financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The following tables illustrate the Group's and the Parent Company's credit exposures.

Consolidated	2018				2017
		ECL Staging			
Corporate and commercial lending	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Neither past due nor impaired					
High grade	**₱65,022**	**₱-**	**₱-**	**₱65,022**	₱56,547
Standard grade	**234,159**	**2,341**	**-**	**236,500**	222,688
Sub-Standard	**90,877**	**14,428**	**-**	**105,305**	81,679
Unrated	**438**	**8**	**-**	**446**	1,654
Past due but not impaired	**44**	**648**	**-**	**692**	2,341
Past due and impaired	**-**	**-**	**3,835**	**3,835**	4,235
Gross carrying amount	**₱390,541**	**₱17,425**	**₱3,835**	**₱411,800**	₱369,144

Consolidated	2018				2017
		ECL Staging			
Consumer Lending	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Neither past due nor impaired					
High grade	**₱32,661**	**₱-**	**₱-**	**₱32,661**	₱28,208
Standard grade	**44,389**	**600**	**-**	**44,988**	6,650
Sub-Standard	**1,309**	**563**	**-**	**1,872**	4,088
Unrated	**1,782**	**1,613**	**-**	**3,395**	31,631
Past due but not impaired	**551**	**435**	**-**	**986**	3,149
Past due and impaired	**-**	**-**	**3,313**	**3,313**	134
Gross carrying amount	**₱80,692**	**₱3,211**	**₱3,313**	**₱87,215**	₱73,860

Consolidated	2018				2017
		ECL Staging			
Trade-related Lending	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Neither past due nor impaired					
High grade	**₱1,239**	**₱-**	**₱-**	**₱1,239**	₱2,397
Standard grade	**9,371**	**9**	**-**	**9,381**	8,117
Sub-Standard	**1,500**	**1,675**	**-**	**3,175**	1,671
Unrated	**-**	**-**	**-**	**-**	-
Past due but not impaired	**0**	**-**	**-**	**0**	37
Past due and impaired	**-**	**-**	**23**	**23**	28
Gross carrying amount	**₱12,110**	**₱1,684**	**₱23**	**₱13,818**	₱12,250

Consolidated	2018				2017
		ECL Staging			
Others	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Neither past due nor impaired					
High grade	**₱12**	**₱-**	**₱-**	**₱12**	₱317
Standard grade	**0**	**-**	**-**	**0**	1
Sub-Standard	**0**	**-**	**-**	**0**	–
Unrated	**39**	**-**	**-**	**39**	212
Past due but not impaired	**1**	**5**	**-**	**5**	5
Past due and impaired	**-**	**-**	**-**	**-**	8
Gross carrying amount	**₱52**	**₱5**	**₱-**	**₱ -**	₱365

Parent Company	2018				2017
		ECL Staging			
Corporate and commercial lending	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Neither past due nor impaired					
High grade	**₱38,025**	**₱-**	**₱-**	**₱38,025**	₱27,318
Standard grade	**234,159**	**2,341**	**-**	**236,500**	222,621
Sub-Standard	**90,869**	**14,428**	**-**	**105,297**	81,297
Unrated	**438**	**8**	**-**	**446**	1,654
Past due but not impaired	**44**	**25**	**-**	**69**	1,395
Past due and impaired	**-**	**-**	**1,068**	**1,068**	2,867
Gross carrying amount	**₱363,535**	**₱16,801**	**₱1,068**	**₱ 381,404**	₱337,152

Parent Company	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Consumer Lending	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	**₱18**	**₱-**	**₱-**	**₱18**	₱16
Standard grade	**44,287**	**600**	**-**	**44,887**	6,538
Sub-Standard	**1,271**	**563**	**-**	**1,833**	4,083
Unrated	**1,782**	**1,613**	**-**	**3,395**	31,631
Past due but not impaired	**551**	**49**	**-**	**600**	1,636
Past due and impaired	**-**	**-**	**1,952**	**1,952**	133
Gross carrying amount	**₱47,908**	**₱2,824**	**₱1,952**	**₱52,685**	₱44,037

Parent Company	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Trade−related Lending	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	**₱359**	**₱-**	**₱-**	**₱359**	₱835
Standard grade	**9,371**	**9**	**-**	**9,381**	8,118
Sub-Standard	**1,500**	**1,675**	**-**	**3,175**	1,670
Unrated	**-**	**-**	**-**	**-**	–
Past due but not impaired	**0**	**-**	**-**	**0**	37
Past due and impaired	**-**	**-**	**23**	**23**	28
Gross carrying amount	**₱11,230**	**₱1,684**	**₱23**	**₱12,938**	₱10,688

Parent Company	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Others	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	**₱-**	**₱-**	**₱-**	**₱-**	₱–
Standard grade	**-**	**-**	**-**	**-**	1
Sub-Standard	**-**	**-**	**-**	**-**	–
Unrated	**39**	**-**	**-**	**39**	53
Past due but not impaired	**1**	**-**		**1**	–
Past due and impaired			**-**	**-**	–
Gross carrying amount	**₱40**	**₱-**	**₱-**	**₱40**	₱54

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, AA−	S&P
	Aaa, Aa1, Aa2, Aa3	Moody's
	AAA, AA+, AA, AA−	Fitch
Standard grade	A+, A, A−, BBB+, BBB, BBB−	S&P
	A1, A2, A3, Baa1, Baa2, Baa3	Moody's
	A+, A, A−, BBB+, BBB, BBB−	Fitch
Substandard grade	BB+, BB, BB−, B/B+, CCC, R, SD & D	S&P
	Ba1, Ba2, Ba3, B1, B2, R, SD & D	Moody's
	BB+, BB, BB−, B/B+, CCC, R, SD & D	Fitch

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

AAA − An obligor has extremely strong capacity to meet its financial commitments.

AA − An obligor has very strong capacity to meet its financial commitments. It differs from the highest−rated obligors at a minimal degree.

A − An 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 in higher−rated categories.

BBB and below:

BBB − An obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB − An obligor is less vulnerable in the near term than other lower−rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

B − An obligor is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

CCC − An obligor is currently vulnerable and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments.

CC − An obligor is currently vulnerable. The rating is used when a default has not yet occurred, but expects default to be a virtual certainty, regardless of the anticipated time to default.

R − An obligor is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

SD and D − An obligor is in default on one or more of its financial obligations including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in non−payment according to terms.

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	PRSAAA, PRSAa+, PRSAa, PRSAa−
Standard grade	PRSA+, PRSA, PRSA−, PRSBaa+, PRSBaa, PRSBaa−
Substandard grade	PRSBa+, PRSBa, PRSBa−, PRSB+, PRSB, PRSB−, PRSCaa+, PRSCaa, PRSCaa−, PRSCa+, PRSCa, PRSCa−, PRSC+, PRSC, PRSC−

PRSAaa − The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

PRSAa − The obligor's capacity to meet its financial commitment on the obligation is very strong.

PRSA − With favorable investment attributes and are considered as upper−medium grade obligations. Although obligations rated 'PRSA' 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.

PRSBaa − 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. PRSBaa−rated issues may possess certain speculative characteristics.

PRSBa − An obligation rated 'PRSBa' 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.

PRSB − An obligation rated 'PRSB' is more vulnerable to nonpayment than obligations rated 'PRSBa', 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.

PRSCaa − An obligation rated 'PRSCaa' 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.

PRSCa − An obligation rated "PRSCa" is presently highly vulnerable to nonpayment. Likely already in or very near default with some prospect for partial recovery of principal or interest.

PRSC − An obligation is already in default with very little prospect for any recovery of principal or interest.

The succeeding tables show the credit exposure of the Group and the Parent Company related to these financial assets.

Consolidated	**2018**				2017
	ECL Staging				
Investment securities at amortized cost	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	Total
Neither past due nor impaired					
High grade	**₱7,913**	**₱108**	**₱-**	**₱8,021**	₱320
Standard grade	**111,072**	**-**	**-**	**111,072**	57,917
Sub-Standard	**1,703**	**-**	**-**	**1,703**	1,416
Unrated	**40,765**	**1,396**	**152**	**42,313**	–
Gross carrying amount	**₱161,454**	**₱1,503**	**₱152**	**₱163,109**	₱59,653

Consolidated	2018				2017
	ECL Staging				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Financial assets at FVOCI	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	**₱674**	**₱-**	**-**	**₱674**	₱8,062
Standard grade	**9,371**	**-**	**-**	**9,371**	28,528
Sub-Standard	**-**	**-**	**-**	**-**	1,515
Unrated	**55**	**2**	**-**	**56**	–
Past due but not impaired	**10,100**	**2**	**-**	**10,102**	38,105
Past due and impaired	**674**	**-**	**-**	**674**	8,062
Gross carrying amount	**₱10,100**	**₱2**	**₱ -**	**₱10,102**	₱38,105

Consolidated	**2018**				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Due from BSP	**₱–**	**₱101,890**	**₱–**	**₱–**	**₱101,890**
Due from other banks	**944**	**8,303**	**17**	–	**9,264**
Interbank loans receivable and SPURA	–	**10,000**	–	–	**10,000**
Financial assets at FVPL	**911**	**4,100**	**53**	–	**5,064**
	₱1,855	**₱124,293**	**₱70**	**₱–**	**₱126,218**

Consolidated	2017				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Due from BSP	₱–	₱98,490	₱–	₱–	₱98,490
Due from other banks	4,245	10,787	13	4,245	15,045
Interbank loans receivable and SPURA	–	18,752	–	–	18,752
Financial assets at FVPL	1,194	10,013	85	1,194	11,292
	₱5,439	₱138,042	₱98	₱5,439	₱143,579

Parent Company	2018				2017
	ECL Staging				
Investment securities at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	**₱7,235**	**₱108**	**₱-**	**₱7,343**	₱8,062
Standard grade	**103,873**	**-**	**-**	**103,873**	25,672
Sub-Standard	**1,303**	**-**	**-**	**1,303**	1,485
Unrated	**40,765**	**1,396**	**-**	**42,161**	–
Gross carrying amount	**₱153,176**	**₱1,503**	**₱-**	**₱154,679**	₱35,219

Parent Company	2018				2017
	ECL Staging				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Financial assets at FVOCI	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	**₱15**	**₱-**	**₱-**	**₱15**	₱320
Standard grade	**8,141**	**-**	**-**	**8,141**	55,182
Sub-Standard	**-**	**-**	**-**	**-**	1,166
Unrated	**55**	**2**	**-**	**56**	-
Past due but not impaired	**8,211**	**2**	**-**	**8,213**	56,668
Past due and impaired	**15**	**-**	**-**	**15**	320
Gross carrying amount	**₱8,141**	**₱-**	**₱-**	**₱8,141**	₱55,182

Parent Company	**2018**				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Due from BSP	**₱–**	**₱95,093**	**₱–**	**₱–**	**₱95,093**
Due from other banks	**696**	**7,119**	**17**	**7**	**7,838**
Interbank loans receivable and SPURA	–	**7,000**	–	–	**7,000**
Financial assets at FVPL	**1,447**	**4,100**	–	**1,143**	**6,690**
	₱2,143	**₱113,312**	**₱17**	**₱1,150**	**₱116,621**

Parent Company	2017				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Due from BSP	₱–	₱91,717	₱–	₱–	₱91,717
Due from other banks	4,124	9,921	13	–	14,058
Interbank loans receivable and SPURA	–	17,348	–	–	17,348
Financial assets at FVPL	1,194	9,877	85	–	11,156
	₱5,318	₱128,863	₱98	₱–	₱134,279

The tables below show the aging analysis of gross past due but not impaired loans and receivables that the Group and Parent Company held as of December 31, 2018 and 2017 (in millions). Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	Consolidated				
December 31, 2018	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Loans and receivables					
Corporate and commercial lending	**₱250**	**₱40**	**₱23**	**₱380**	**₱692**
Consumer lending	**718**	**41**	**19**	**208**	**986**
Trade–related lending	–	–	–	–	–
Others	**1**	–	–	**5**	**5**
Total	**₱969**	**₱80**	**₱42**	**₱593**	**₱1,684**

	Consolidated				
December 31, 2017	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and receivables					
Corporate and commercial lending	₱919	₱186	₱296	₱940	₱2,341
Consumer lending	120	148	366	2,515	3,149
Trade–related lending	5	2	30	–	37
Others	–	–	–	27	27
Total	₱1,044	₱336	₱692	₱3,482	₱5,554

	Parent Company				
December 31, 2018	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Loans and receivables					
Corporate and commercial	**₱1**	**₱2**	**₱–**	**₱66**	**₱69**
lending		–	–		
Consumer lending	**600**	–	–	–	**600**
Trade–related lending	–	–	–		–
Others	**1**	–	–	—	**1**
Total	**₱602**	**₱2**	**₱–**	**₱66**	**₱669**

	Parent Company				
December 31, 2017	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and receivables					
Corporate and commercial					₱1,394
lending	₱872	₱122	₱211	₱189	
Consumer lending	105	127	196	1,208	1,636
Trade–related lending	6	2	30	–	38
Total	₱983	₱251	₱437	₱1,398	₱3,068

The following table presents the carrying amount of financial assets of the Group and Parent Company as of December 31, 2018 and 2017 that would have been considered past due or impaired if not renegotiated:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Loans and advances to customers				
Corporate and commercial lending	**₱507,921**	₱807,247	**₱40,029**	₱224,74
Consumer lending	**110,885**	42,487	**110,885**	37,587
Total renegotiated financial assets	**₱618,805**	₱849,734	**₱150,914**	₱262,330

Impairment assessment (Prior to adoption of PFRS 9)
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.

Impairment assessment (PFRS 9)
The Group recognizes a credit loss allowance on a financial asset based on whether it has had a significant increase in credit risk since initial recognition. Accordingly, the Group categorizes its financial assets into three categories: stage 1 – financial asset that has not had a significant increase in credit risk; stage 2 – financial asset that has had a significant increase in credit risk; and stage 3 – financial asset in default.

Generally, the Group assesses the presence of a significant increase in credit risk based on the number of notches that a financial asset's credit risk rating has declined. When applicable, the Group also applies a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Further, the Group considers a financial asset as in default when (a) as a result of one or more loss events, there is objective evidence that its recoverable value is less than its carrying amount; (b) it is classified as doubtful or loss under prudential reporting; (c) it is in litigation; and/or (d) full repayment of principal and interest is unlikely without foreclosure of collateral, if any. When applicable, the Group also applies a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group then measures the credit loss allowance on a financial instrument at an amount equal to 12-month expected credit losses for items categorized as stage 1 and lifetime credit losses to items categorized as stage 2 and stage 3.

The Group modeled the following inputs to the expected credit loss formula separately. The formula is applied to each financial asset, with certain exceptions wherein a collective or other general approach is applied:

<u>Exposure at Default (EAD)</u>
The Group defines EAD as the principal and interests that would not be collected assuming the borrower's defaults during a future point in time. The Bank computes for a financial asset's EAD using the expected contractual cash flows during the contractual life of the financial instrument. A financial asset's EAD is defined as the sum of EAD from principal and EAD from interest.

<u>Probability of default (PD)</u>
The Group uses forward-looking PD estimates that are unbiased and probability-weighted using a range of possible outcomes. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio. The Group's PDs are mainly categoried into three: (a) corporate; (b) soverign; and (c) retail.

<u>Loss given default (LGD)</u>
The Group's LGD model considers certain factors such as the historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. Generally, the model utilizes the Bank's existing loan exposure rating system which is designed to capture these factors as well as the characteristics of collaterals related to an exposure. In cases wherein this does not apply, the Group looks into the standard characteristics of collaterals (e.g., car and housing loans) in order to estimate an LGD factor. In the case of exposures without collaterals (e.g., securities), the Group uses internationally-accepted standard LGD factors.

Credit Review
In accordance with BSP Circular 855, credit reviews are conducted on loan accounts to evaluate whether loans are granted in accordance with the Bank's policies, to assess loan quality and appropriateness of classification and adequacy of loan loss provisioning. Results of credit reviews

are promptly reported to management to apprise them of any significant findings for proper corrective actions.

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, equities, foreign exchange derivatives and interest rate derivatives.

The RMG of the Parent Company is responsible for assisting the ROC with its responsibility for identifying, measuring, managing and controlling market risk. Market risk management measures the Parent Company market risk exposures through the use of VaR. 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 VaR in trading activities. The Parent Company uses the Historical Simulation Full Valuation approach to measure VaR for all treasury traded instruments, using a 99.00% confidence level and a 1−day holding period.

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 positions and exposures are reviewed daily against the limits by management. Further, stress testing is performed for monitoring extreme events.

Limitations of the VaR Methodology
The VaR models are designed to measure market risk in a normal market environment 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 the same 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 assumptions. 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[1]	Foreign Exchange[2]	Price[3]	Interest Rate[4]	Interest Rate[5]
			(In Millions)		
2018					
31 December	**₱43.62**	**₱4.54**	**₱21.78**	**₱13.78**	**₱10.65**
Average daily	**52.11**	**18.69**	**30.17**	**6.35**	**4.40**
Highest	**121.89**	**63.74**	**56.30**	**13.78**	**19.03**
Lowest	**21.47**	**2.53**	**18.29**	**3.18**	**0.60**
2017					
31 December	₱120.05	₱7.78	₱45.24	₱4.00	₱1.76
Average daily	82.27	28.20	23.34	3.78	5.29
Highest	146.71	73.74	46.21	6.97	9.21
Lowest	37.58	2.99	3.43	1.44	1.48

[1] Interest rate VaR for debt securities (Interest rate VaR for foreign currency denominated debt securities are translated to PHP using daily closing rate)
[2] FX VaR is the bankwide foreign exchange risk
[3] Price VaR for equity securities and futures
[4] Interest rate VaR for FX swaps and FX forwards
[5] Interest rate VaR for IRS

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, 2018 and 2017, 64.57% and 64.76% 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 22.81% and 24.29% of total deposits of the Parent Company as of December 31, 2018 and 2017, respectively.

Interest is paid on savings accounts and time deposits accounts, which constitute 35.56% and 41.64%, respectively, of total deposits of the Parent Company as of December 31, 2018, and 29.72% and 45.99%, respectively, as of December 31, 2017.

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 financial assets at FVOCI/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 of the Group and of the Parent Company as of December 31, 2018 and 2017:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Peso				
Assets				
Due from BSP	**0.17%**	0.13%	**0.06%**	0.13%
Due from banks	**0.26%**	0.24%	**0.11%**	0.19%
Investment securities*	**4.52%**	4.21%	**4.36%**	4.10%
Loans and receivables	**7.26%**	5.53%	**6.18%**	5.22%
Liabilities				
Deposit liabilities	**1.96%**	1.15%	**1.71%**	1.04%
Bills payable	**3.59%**	2.99%	**3.59%**	2.99%
USD				
Assets				
Due from banks	**0.75%**	0.17%	**0.61%**	0.16%
Investment securities*	**4.16%**	3.60%	**3.88%**	3.61%
Loans and receivables	**4.07%**	3.40%	**3.93%**	3.40%
Liabilities				
Deposit liabilities	**1.48%**	1.13%	**1.45%**	1.12%
Bills payable	**2.89%**	1.94%	**2.86%**	1.94%

* Consisting of financial assets at FVPL, Financial assets at FVOCI and Investment securities at amortized cost.

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 tables set forth the repricing gap position of the Group and Parent Company as of December 31, 2018 and 2017 (in millions):

	Consolidated			
	2018			
	Up to 3 Months	**>3 to 12 Months**	**>12 Months**	**Total**
Financial Assets				
Due from BSP	**₱101,890**	**₱–**	**₱–**	**₱101,890**
Due from other banks	**9,455**	**–**	**–**	**9,455**
Investment securities	**12,301**	**3,432**	**174,500**	**190,232**
Loans and receivables	**255,491**	**38,683**	**211,634**	**505,808**
Total financial assets	**379,137**	**42,114**	**386,133**	**807,385**
Financial Liabilities				
Deposit liabilities	**291,698**	**17,893**	**412,532**	**722,123**
Bills payable	**34,505**	**4,507**	**815**	**39,827**
Total financial liabilities	**326,204**	**22,400**	**413,346**	**761,950**
Repricing gap	**₱52,934**	**₱19,714**	**(₱27,213)**	**₱45,435**

	Consolidated			
	2017			
	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱98,490	₱–	₱–	₱98,490
Due from other banks	15,641	–	–	15,641
Investment securities	9,702	471	117,797	127,970
Loans and receivables	243,419	32,312	173,240	448,971
Total financial assets	367,252	32,783	291,037	691,072
Financial Liabilities				
Deposit liabilities	256,633	14,206	364,254	635,093
Bills payable	20,118	–	–	20,118
Total financial liabilities	276,751	14,206	364,254	655,211
Repricing gap	₱90,501	₱18,577	(₱73,217)	₱35,861

	Parent Company			
	2018			
	Up to 3 Months	**>3 to 12 Months**	**>12 Months**	**Total**
Financial Assets				
Due from BSP	**₱95,093**	**₱–**	**₱–**	**₱95,093**
Due from other banks	**7,838**	**–**	**–**	**7,838**
Investment securities	**5,782**	**3,355**	**169,588**	**178,725**
Loans and receivables	**232,067**	**26,695**	**182,672**	**441,435**
Total financial assets	**340,780**	**30,050**	**352,260**	**723,090**
Financial Liabilities				
Deposit liabilities	**241,100**	**14,877**	**382,266**	**638,243**
Bills payable	**34,505**	**4,507**	**815**	**39,827**
Total financial liabilities	**275,606**	**19,384**	**383,080**	**678,070**
Repricing gap	**₱65,174**	**₱10,666**	**(₱30,820)**	**₱45,020**

	Parent Company			
	2017			
	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱91,717	₱–	₱–	₱91,717
Due from other banks	14,067	–	–	14,067
Investment securities	7,364	466	112,697	120,527
Loans and receivables	218,899	23,005	144,651	386,555
Total financial assets	332,047	23,471	257,348	612,866
Financial Liabilities				
Deposit liabilities	215,735	12,112	331,389	559,236
Bills payable	20,118	–	–	20,118
Total financial liabilities	235,853	12,112	331,389	579,354
Repricing gap	₱96,194	₱11,359	(₱74,042)	₱33,512

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 tables set 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, 2018 and 2017:

	Consolidated			
	2018			
	Change in interest rates (in basis points)			
	100bp rise	**50bp rise**	**50bp fall**	**100bp fall**
Change in annualized net interest income	**₱645**	**₱322**	**(₱322)**	**(₱645)**
As a percentage of the Group's net interest income for the year ended December 31, 2018	**2.80%**	**1.40%**	**(1.40%)**	**(2.80%)**

	Consolidated			
	2017			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱1,046	₱523	(₱523)	(₱1,046)
As a percentage of the Group's net interest income for the year ended December 31, 2017	5.33%	2.66%	(2.66%)	(5.33%)

	Parent Company			
	2018			
	Change in interest rates (in basis points)			
	100bp rise	**50bp rise**	**50bp fall**	**100bp fall**
Change in annualized net interest income	**₱996**	**₱498**	**(₱498)**	**(₱996)**
As a percentage of the Parent Company's net interest income for the year ended December 31, 2018	**4.95%**	**2.48%**	**(2.48%)**	**(4.95%)**

	Parent Company			
	2017			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱1,049	₱525	(₱525)	(₱1,049)
As a percentage of the Parent Company's net interest income for the year ended December 31, 2017	6.46%	3.23%	(3.23%)	(6.46%)

The following tables set 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, AFS financial assets and financial assets at FVOCI, brought about by movement in the interest rate curve as of December 31, 2018 and 2017 (in millions):

	Consolidated			
	2018			
	Change in interest rates (in basis points)			
	25bp rise	**10bp rise**	**10bp fall**	**25bp fall**
Change in income before tax	**(₱51)**	**(₱20)**	**₱20**	**₱51**
Change in equity	**(113)**	**(45)**	**45**	**113**

	Consolidated			
	2017			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱146)	(₱58)	₱58	₱146
Change in equity	(637)	(255)	255	637

	Parent Company			
	2018			
	Change in interest rates (in basis points)			
	25bp rise	**10bp rise**	**10bp fall**	**25bp fall**
Change in income before tax	**(₱51)**	**(₱20)**	**₱20**	**₱51**
Change in equity	**(103)**	**(41)**	**41**	**103**

	Parent Company			
	2017			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱145)	(₱58)	₱58	₱145
Change in equity	(600)	(240)	240	600

Foreign Currency Risk
The Group's foreign exchange risk originates from its holdings of foreign currency-denominated assets (foreign exchange assets) and foreign currency-enominated 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 30.00% 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 currencywith its PHP equivalent:

	Consolidated							
	2018				2017			
	USD	**Other Currencies***	**Total**	**PHP**	USD	Other Currencies*	Total	PHP
Assets								
Cash and other cash items	**$2,204**	**2,095**	**4,299**	**₱226,044**	$2,447	3,173	5,620	₱280,624
Due from other banks	**42,189**	**7,705**	**49,894**	**2,623,437**	64,664	16,189	80,853	4,037,014
Financial assets at FVPL	**15,988**	–	**15,988**	**840,625**	60,427	–	60,427	3,017,118
Financial assets at FVOCI	**14,640**	–	**14,640**	769,771	–	–	–	–
AFS financial assets	–	–	–	–	71,057	6,324	77,381	3,863,641
Investment securities at amortized cost	**116,716**	–	**116,716**	**6,136,946**	–	–	–	–
HTM financial assets	–	–	–	–	31,952	9,791	41,742	2,084,196
Loans and receivables	**42,471**	**12,985**	**55,455**	**2,915,835**	30,809	7,385	38,194	1,907,050
Accrued interest receivable	**1,038**	**19**	**1,057**	**55,562**	992	133	1,125	56,164
Other assets	**17,253**	**302**	**17,555**	**923,023**	24,851	2	24,853	1,240,929
	252,498	**23,106**	**275,604**	**14,491,243**	287,199	42,998	330,197	16,486,736
Liabilities								
Deposit liabilities	**66,162**	**109,191**	**175,353**	**9,220,065**	59,445	36,388	95,833	4,784,917
Bills payables	**354,416**	**57,130**	**411,546**	**21,639,069**	128,720	132,510	261,230	13,043,213
Accrued interest and other expenses	**1,554**	**7**	**1,561**	**82,090**	512	7	519	25,900
Other liabilities	**8,710**	**1,750**	**10,459**	**549,944**	11,317	877	12,194	608,805
	430,842	**168,077**	**598,919**	**31,491,168**	199,994	169,782	369,776	18,462,835
Currency spot	**(6,789)**	**(316)**	**(7,106)**	**(373,621)**	(8,054)	-	(8,054.00)	(402,136)
Currency forwards	**185,313**	**145,250**	**330,563**	**17,380,980**	(59,709)	136,301	76,591.11	3,824,198
Net Exposure	**$ 179**	**(38)**	**141**	**₱7,434**	$19,442	9,516	28,958	₱1,445,964

**Other currencies include EUR, CNY, JPY, GBP, AUD, SGD, CHF, CAD, NZD, AED, HKD.*

	Parent Company							
	2018				2017			
	USD	**Other Currencies***	**Total**	**PHP**	USD	Other Currencies*	Total	PHP
Assets								
Cash and other cash items	**$123**	**2,095**	**2,218**	**₱116,611**	$250	3,173	3,424	₱170,939
Due from other banks	**38,240**	**7,705**	**45,944**	**2,415,755**	56,536	16,189	72,726	3,631,190
Financial assets at FVPL	**15,988**	–	**15,988**	**840,625**	59,729	–	59,729	2,982,292
Financial assets at FVOCI	–	–	–	–	–	–	–	–
AFS financial assets	**–**	**–**	**–**	**–**	49,997	6,324	56,321	2,812,106
Investment securities at amortized cost	**69,961**	**–**	**69,961**	**3,678,571**	–	–	–	–
HTM financial assets	–	–	–	–	–	9,791	9,791	488,850
Loans and receivables	**35,151**	**12,985**	**48,136**	**2,530,985**	23,323	7,385	30,709	1,533,277
Accrued interest receivable	**75**	**19**	**94**	**4,967**	96	133	229	11,418
Other assets	**17,060**	**302**	**17,362**	**912,911**	24,790	2	24,792	1,237,880
	$176,598	**23,106**	**199,704**	**₱10,500,426**	$214,722	42,998	257,720	₱12,867,952
Liabilities								
Deposit liabilities	**402**	**109,191**	**109,593**	**5,762,373**	501	36,388	36,888	1,841,843
Bills payables	**354,416**	**57,130**	**411,546**	**21,639,069**	128,720	132,510	261,230	13,043,213
Accrued interest and other expenses	**1,433**	**7**	**1,440**	**75,729**	418	7	425	21,234
Other liabilities	**8,611**	**1,750**	**10,361**	**544,767**	9,050	877	9,927	495,639
	364,862	**168,077**	**532,939**	**28,021,937**	138,689	169,781	308,470	15,401,928
Currency spot	**(6,789)**	**(316)**	**(7,106)**	**(373,621)**	(8,054)	–	(8,054)	(402,136)
Currency forwards	**185,313**	**145,250**	**330,563**	**17,380,980**	(59,709)	136,301	76,591	3,824,198
Net Exposure	**($9,741)**	**(38)**	**(9,778)**	**(₱514,153)**	$8,269	9,517	17,787	₱888,086

**Other currencies include EUR, CNY, JPY, GBP, AUD, SGD, CHF, CAD, NZD, AED, HKD.*

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**
2018			
USD	**2%**	**₱33**	**₱110**
Other	**1%**	–	–
USD	**(2%)**	**(33)**	**(110)**
Other	**(1%)**	–	–
2017			
USD	2%	₱134	₱595
Other	1%	3	3
USD	(2%)	(134)	(595)
Other	(1%)	(3)	(3)

	Parent Company		
	Change in Foreign Exchange Rate	Sensitivity of Pretax Income	Sensitivity of Equity
2018			
USD	**2%**	**₱33**	**₱95**
Other	**1%**	–	–
USD	**(2%)**	**(33)**	**(95)**
Other	**(1%)**	–	–
2017			
USD	2%	₱133	₱573
Other	1%	3	3
USD	(2%)	(133)	(573)
Other	(1%)	(3)	(3)

The impact in pre–tax income and equity is due to the effect of foreign currency 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 FVOCI 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
2018	**+10%**	**₱6.8**
	−10%	**1.2**
2017	+10%	₱10.5
	−10%	4.1

	Parent Company	
	Change in equity index	Effect on Equity
2018	**+10%**	**₱7.7**
	−10%	**0.2**
2017	+10%	₱10.5
	−10%	4.1

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 of deposits reserves and high quality securities, the securing of money market lines, and the maintenance of repurchase facilities to address any unexpected liquidity situations.

The tables below show the maturity profile of the Parent Company's assets and liabilities, based on contractual undiscounted cash flows (in millions):

	December 31, 2018					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Financial Assets						
Cash and other cash items	**₱13,705**	**₱–**	**₱–**	**₱–**	**₱–**	**₱13,705**
Due from BSP	**95,093**	–	–	–	–	**95,093**
Due from other banks	**7,838**	–	–	–	–	**7,838**
SPURA	–	**8,998**	–	–	–	**9**
Financial assets at FVPL	–	**1,700**	**378**	**1,079**	**4,296**	**7,453**
Financial assets at FVOCI	–	**1,382**	**389**	**3,258**	**4,502**	**9,531**
Loans and receivables	–	**166,040**	**30,097**	**45,970**	**337,036**	**579,143**
	₱116,636	**₱178,120**	**₱30,865**	**₱50,306**	**₱345,834**	**₱712,772**
Financial Liabilities						
Deposit liabilities						
Demand	**145,560**	–	–	–	–	**145,560**
Savings	**226,944**	–	–	–	–	**226,944**
Time	–	**235,885**	**4,764**	**16,552**	**16,102**	**273,303**
Bills payable	–	**40,108**	–	–	–	**40,108**
(Forward)						
Manager's checks	–	**2,070**	–	–	–	**2,070**
Accrued interest and other expenses	–	**3,279**	–	–	–	**3,279**
Derivative liabilities	–	**455**	–	–	–	**455**
Other liabilities:						
Accounts payable	–	**2,249**	–	–	–	**2,249**
Acceptances payable	–	**358**	–	–	–	**358**
Due to PDIC	–	**628**	–	–	–	**628**
Margin deposits	–	**3**	–	–	–	**3**
Other credits − dormant	–	**242**	–	–	–	**242**
Due to the Treasurer of the Philippines	–	**379**	–	–	–	**379**
Miscellaneous	–	**1,922**	–	–	–	**1,922**
Total liabilities	**372,504**	**287,578**	**4,764**	**16,552**	**16,102**	**697,499**
Net Position	**(₱255,867)**	**(₱113,646)**	**₱26,101**	**₱49,691**	**₱345,834**	**₱52,112**

	December 31, 2017					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Financial Assets						
Cash and other cash items	₱11,160	₱–	₱–	₱–	₱–	₱11,160
Due from BSP	91,717	–	–	–	–	91,717
Due from other banks	14,067	–	–	–	–	14,067
SPURA	–	17,348	–	–	–	217.348
Financial assets at FVPL	–	2,673	844	760	14,001	18,278
AFS financial assets	–	8,360	4,802	4,786	35,082	53,031
Loans and receivables	–	149,393	23,651	25,443	268,251	466,738
	106,944	177,774	29,297	30,989	317,334	653,804
Financial Liabilities						
Deposit liabilities						
Demand	138,930	–	–	–	–	139,180
Savings	179,593	–	–	–	–	179,593
Time	–	235,825	799	5,012	348	241,984
Bills payable	–	20,177	–	–	–	20,177
Manager's checks	–	1,709	–	–	–	1,709
Accrued interest and other expenses	–	1,062	–	–	–	1,062
Derivative liabilities	–	268	–	–	–	268
Other liabilities:						
Accounts payable	–	1,828	–	–	–	1,828
Acceptances payable	–	470	–	–	–	470
Due to PDIC	–	532	–	–	–	532
Margin deposits	–	3	–	–	–	3
Other credits − dormant	–	214	–	–	–	214
Due to the Treasurer of the Philippines	–	34	–	–	–	34
Miscellaneous	–	510	–	–	–	510
Total liabilities	318,523	262,632	799	5,012	348	587,314
Net Position	(₱211,580)	(₱84,858)	₱28,498	₱25,977	₱317,398	₱85,186

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the MCO report, as well as an analysis of available liquid assets. Instead of relying solely on contractual maturities profile, the Parent Company uses Behavioral MCO to capture a going concern view. Furthermore, internal liquidity ratios and monitoring of large fund providers have been set to determine sufficiency of liquid assets over deposit liabilities. The Bank started monitoring and reporting to the BSP the Liquidity Coverage Ratio in 2016 and the Net Stable Funding Ratio in 2018. Liquidity is managed by the Parent and its subsidiaries on a daily basis, while scenario stress tests and sensitivity analysis are conducted periodically.

7. Due From BSP and Other Banks

Due from BSP

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Demand deposit account	**₱99,889,758**	₱95,790,000	**₱93,092,929**	₱89,017,023
Special deposit account	**2,000,000**	2,700,000	**2,000,000**	2,700,000
Others	**15**	14	**15**	14
	₱101,889,773	₱98,490,014	**₱95,092,944**	₱91,717,037

Due from Other Banks
This comprises of deposit accounts with:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Local banks	**₱5,284,825**	₱6,600,456	**₱4,140,002**	₱6,479,014
Foreign banks	**4,170,622**	9,041,020	**3,697,892**	7,587,605
	₱9,455,447	₱15,641,476	**₱7,837,894**	₱14,066,620

Interest Income on Due from BSP and Other Banks

This account consists of:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Due from BSP	**₱ 124,557**	₱213,879	₱266,204	**₱67,039**	₱112,851	₱246,888
Due from other banks	**135,818**	138,850	221,843	**101,994**	50,296	115,528
	₱260,375	₱352,729	₱488,047	**₱169,033**	₱163,147	₱362,416

8. **Interbank Loans Reeceivable and Securities Purchased Under Resale Agreement**

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Interbank loans receivable	**₱1,998,040**	₱–	**₱1,998,040**	₱–
SPURA	**10,000,000**	18,751,845	**7,000,000**	17,347,522
	₱11,998,040	₱18,751,845	**₱8,998,040**	₱17,347,522

Interbank Loans Receivable
As of December 31, 2018, interbank loans receivable consists of short-term foreign currency-denominated loans granted to other banks with annual interest rates of 2.2%.

Securities Purchased Under Resale Agreement
This account represents overnight placements with the BSP where the underlying securities cannot be sold or repledged to parties other than the BSP.

In 2018, 2017 and 2016, the interest rates of SPURA equals to 4.75%, 3.50%, and 2.90 %, respectively, for the Group and Parent Company.

9. Trading and Investment Securities

Financial Assets at FVPL
This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Held for trading				
Government bonds (Note 28)	**₱633,893**	₱5,911,659	**₱633,893**	₱5,876,832
Treasury notes	**838,662**	1,893,192	**838,662**	1,792,621
Treasury bills	**1,214,170**	2,025,367	**1,214,170**	2,025,367
Private bonds	**3,189,063**	2,663,397	**2,282,598**	2,616,730
Quoted equity shares	**1,312,625**	–	**1,312,625**	–
	7,188,413	12,493,615	**6,281,948**	12,311,550
Financial assets designated at FVPL	**–**	3,411,686	**–**	3,411,686
Derivative assets (Note 25)	**407,848**	333,587	**407,848**	333,587
Total	**₱7,596,261**	₱16,238,888	**₱6,689,796**	₱16,056,823

As of December 31, 2017, financial assets designated at FVPL of the Parent Company consist of investments in shares of stocks which contain multiple embedded derivatives which are 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 investments shall be designated as at FVPL.

Dividends earned by the Parent Company from its investment in shares designated at FVPL amounted to ₱118.64 million, and ₱82.83 million in 2018 and 2017, respectively (Note 21).

As of December 31, 2018 and 2017, HFT securities include fair value loss of ₱55.35 million and ₱65.56 million, respectively, for the Group, and fair value loss of ₱55.35 million and ₱69.22 million, respectively, for the Parent Company.

Effective interest rates for peso−denominated financial assets at FVPL for both the Group and the Parent Company range from 0.06% to 7.11% in 2018 and from 0.64% to 5.49% in 2017. Effective interest rates for foreign currency−denominated financial assets at FVPL for the Group range from 0.71% to 6.28% in 2018 and from 2.29% to 10.16% in 2017. Effective interest rates for foreign currency−denominated financial assets at FVPL for the Parent Company range from 0.71% to 6.28% in 2018 and from 2.29% to 10.16% in 2017.

Financial Assets at FVOCI
As of December 31, 2018, this account consists of:

	Consolidated	Parent Company
Quoted		
Government bonds (Notes 18 and 28)	**₱9,944,507**	**₱8,141,359**
Private bonds	**35,370**	**1,676**
Equities	**103,285**	**51,610**
	10,083,162	**8,194,645**
Unquoted		
Equities − net	**18,365**	**18,365**
	18,365	**18,365**
Total	**₱10,101,527**	**₱8,213,010**

Unquoted equity securities
This account comprises of shares of stocks of various unlisted private corporations. The Group has designated these equity securities as at FVOCI because they will not be sold in the foreseeable future.

Net unrealized gains (losses)
Financial assets at FVOCI include fair value losses of ₱367.05 million and ₱236.65 million for the Group and Parent Company as of December 31, 2018. The fair value gains or losses are recognized under OCI. Impairment loss on debt financial assets at FVOCI of the Group and the Parent Company amounted to ₱6.32 million in 2018.

Effective interest rates for peso–denominated financial assets at FVOCI for the Group range from 4.25% to 5.58% in 2018 and from 2.95% to 8.92% in 2017. Effective interest rates for peso–denominated financial assets at FVOCI for the Parent Company range from 4.25% to 5.58% in 2018 and from 2.95% to 8.92% in 2017.

Effective interest rates for foreign currency–denominated financial assets at FVOCI for both the Group and Parent Company range from 2.33% to 8.48% in 2018 and from 0.99% to 5.75% in 2017.

AFS Financial Assets
As of December 31, 2017, this account consists of:

	Consolidated	**Parent Company**
Quoted		
Government bonds (Notes 18 and 28)	₱35,229,504	₱32,373,344
Private bonds	11,090,438	10,483,794
Equities	67,903	67,903
	₱46,387,845	₱42,925,041
Unquoted		
Equities – net *	57,546	12,042
	57,546	12,042
Total	₱46,445,391	₱42,937,083

** Includes fully impaired equity investments with acquisition cost of ₱38.83 million for the Group and ₱6.32 million for the Parent Company as of December 31, 2017 (Note 16).*

Unquoted equity securities
This account comprises of shares of stocks of various unlisted private corporations.

Net unrealized gains (losses)
AFS financial assets include fair value losses of ₱1.81 billion for the Group and Parent Company as of December 31, 2017. The fair value gains or losses are recognized under OCI. No impairment loss was recognized in 2017.

In 2017, effective interest rates for peso–denominated AFS financial assets for the Group range from 1.34% to 7.00% in 2017 and effective interest rates for peso–denominated AFS financial assets for the Parent Company range from 2.08% to 7.00%.

Effective interest rates for foreign currency–denominated AFS financial assets for both the Group and Parent Company range from 0.99% to 5.75% in 2018 and from 0.37% to 7.45% in 2017.

Investment Securities at Amortized Cost

As of December 31, 2018, this account consists of:

	Consolidated	Parent Company
Government bonds (Note 18)	**107,986,234**	**101,388,184**
Private bonds	**55,122,532**	**53,291,150**
	163,108,766	**154,679,334**
Unamortized premium – net	**9,803,371**	**9,360,070**
Allowance	**(375,101)**	**(214,938)**
	172,537,036	**163,824,466**

Effective interest rates for peso–denominated investment securities at amortized cost for the Group range from 1.06% to 8.92% in 2018, 2.82% to 7.75% in 2017, and from 2.05% to 6.63% in 2016. Effective interest rates for foreign currency–denominated investment securities at amortized cost range from 0.58% to 7.37% in 2018, 8.50% to 8.93% in 2017, and from 0.21% to 8.50% in 2016.

Effective interest rates for peso–denominated investment securities at amortized cost of the Parent Company range from 1.06% to 8.92% in 2018, 2.82% to 5.25% in 2017 and from 4.13% to 9.13% in 2016. Effective interest rates for foreign currency–denominated investment securities at amortized cost range from 0.21% to 8.50% in 2018, 0.21% to 8.93% in 2017, and from 2.26% to 10.72% in 2016.

HTM Financial Assets

As of December 31, 2017, this account consists of:

	Consolidated	Parent Company
Government bonds (Note 18)	₱46,718,014	₱44,032,555
Private bonds	11,465,164	10,697,164
	58,183,178	54,729,719
Unamortized premium − net	7,103,089	6,803,774
	₱65,286,267	₱61,533,493

Effective interest rates for peso–denominated HTM financial assets for the Group range 2.05% to 6.63% in 2017, and from 1.35% to 9.13% in 2016. Effective interest rates for foreign currency–denominated HTM financial assets range from 0.21% to 8.93% in 2017, and from 2.26% to 10.72% in 2016.

Effective interest rates for peso–denominated HTM financial assets of the Parent Company range from 2.82% to 5.25% in 2017 and from 4.13% to 9.13% in 2016. Effective interest rates for foreign currency–denominated HTM financial assets range from 0.21% to 8.93% in 2017, and from 2.26% to 10.72% in 2016.

Reclassification of Financial Assets

2016 Reclassification

As allowed under PAS 39, the Group transferred certain securities from AFS financial assets to HTM financial assets on various dates in November 2017 (reclassification dates). The decision to effect this transfer was reached by balancing the need to reduce the market risk sensitivity of the balance sheet without reducing the portfolio of liquid assets.

As of December 31, 2017, details of reclassified financial assets follow:

Consolidated						
	Face Value	Carrying Value at Reclassification Date	Carrying Value as of December 31	Fair Value at Reclassification Date	Unamortized Net Unrealized Loss Deferred in Equity	Amortization
(in original currency)						
Philippine peso denominated government bonds	₱10,106,378	₱11,636,529	₱10,977,243	₱11,039,842	(₱544,126)	₱52,561
US dollar denominated government bonds	USD103,371	135,851	126,762	129,074	(6,372)	405

Parent						
	Face Value	Carrying Value at Reclassification Date	Carrying Value as of December 31	Fair Value at Reclassification Date	Unamortized Net Unrealized Loss Deferred in Equity	Amortization
(in original currency)						
Philippine peso denominated government bonds	₱9,856,378	₱11,350,542	₱10,704,207	₱10,765,719	(₱533,349)	₱51,474
US dollar denominated government bonds	USD96,871	126,204	118,144	120,350	(5,556)	298

As of December 31, 2017, had these securities not been transferred to HTM, additional fair value gain of ₱14.92 million and ₱7.86 million on Philippine peso denominated government bonds, for the Group and the Parent Company, respectively and additional fair values gain of USD2.85 million (₱142.30 million) and USD2.67 million (₱133.31 million) on US dollar denominated government bonds, for the Group and Parent Company, respectively, would have been charged against to the statement of comprehensive income.

The effective interest rates on Philippine peso denominated government bond at reclassification dates range from 3.05% to 5.25% for both the Group and Parent Company . The effective interest rates for US dollar denominated bonds range from 2.26% to 4.08% at the time of their reclassification for both the Group and Parent Company. The Group and Parent Company expect to recover 100% of the principal and the interest due on these transferred assets. These securities are also unimpaired as of December 31, 2017.

The unrealized losses deferred under ‘Net unrealized gains (losses) on AFS Financial Assets’ at reclassification date amounted to ₱584.82 million and USD5.85 million for Philippine peso denominated and US dollar denominated government bonds, respectively.

2008 Reclassification
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’. HTM financial assets reclassified from AFS financial assets with total face amount ₱798.13 million matured in 2017.

As of December 31, 2017, HTM financial assets reclassified from AFS financial assets consist of government bonds which have the following balances:

	Face Value*	Original Cost	Carrying Value as of December 31	Fair Value at reclassification date	Unamortized Net Unrealized Loss Deferred in Equity	Amortization
2017	491,811	592,315	509,646	531,918	(4,427)	24,016

*Consist of US dollar–denominated bonds with face value of $9.85 million and $25.84 million as of December 31, 2018 and 2017, respectively.

Had these securities not been reclassified to HTM financial assets, additional fair value gain that would have been credited to the statement of comprehensive income amounted to ₱22.27 million, and ₱395.74 million in 2017 and 2016, respectively. Effective interest rate on the reclassified securities is 6.21%. The Parent Company expects to recover 100.00% of the principal and interest due on the reclassified investments. No impairment loss was recognized on these securities in 2017 and 2016.

Interest Income on Investment Securities
This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Financial assets at FVOCI	**₱596,864**	₱–	₱–	**₱525,774**	₱–	₱–
AFS financial assets	–	1,309,755	1,538,173	–	1,176,831	1,439,037
Investment securities at amortized cost	**5,279,064**	–	–	**5,034,083**	–	–
HTM financial assets	–	2,246,355	1,539,908	–	2,098,194	1,441,882
	₱6,289,251	₱3,966,999	₱3,282,963	**₱5,973,180**	₱3,673,802	₱3,060,325

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Loans and discounts				
Corporate and commercial lending	**₱411,800,451**	₱369,145,536	**₱381,404,349**	₱337,153,332
Consumer lending	**87,214,939**	73,858,213	**52,684,530**	44,035,292
Trade–related lending	**13,817,866**	12,249,287	**12,937,606**	10,688,002
Others*	**56,516**	364,975	**39,761**	54,551
	512,889,771	455,618,011	**447,066,246**	391,931,177
Unearned discounts	**(255,536)**	(307,886)	**(208,377)**	(267,099)
	512,634,235	455,310,125	**446,857,869**	391,664,078
Allowance for impairment and credit losses (Note 16)	**(6,829,280)**	(6,339,183)	**(5,425,713)**	(5,109,580)
	₱505,804,955	₱448,970,942	**₱441,432,156**	₱386,554,498

*Others include employee loans and foreign bills purchased.

The Group’s and Parent Company’s loans and discounts under corporate and commercial lending include unquoted debt securities with carrying amount of ₱1.10 billion and ₱1.00 billion as of December 31, 2017, respectively.

As of December 31, 2018, loans of the Parent Company amounting to ₱5.17 billion are rediscounted with the BSP (Note 18).

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			
	2018		2017		**2018**		2017	
	Amounts	**%**	Amounts	%	**Amounts**	**%**	Amounts	%
Loans secured by								
Real estate	**₱92,960,218**	**18.12**	₱71,900,048	15.78	**₱ 66,332,530**	**14.84**	₱44,232,910	11.29
Chattel mortgage	**25,512,590**	**4.97**	30,900,443	6.78	**12,063,924**	**2.70**	18,831,553	4.80
Deposit hold out	**3,839,704**	**0.75**	3,980,670	0.87	**3,027,964**	**0.68**	2,893,239	0.74
Shares of stock of other banks	**2,347,650**	**0.46**	5,060,000	1.11	**2,347,650**	**0.53**	5,060,000	1.29
Guarantee by the Republic of the Philippines	**5,746,500**	**1.12**	7,082,500	1.55	**5,746,500**	**1.29**	7,082,500	1.81
Others	**105,253,810**	**20.52**	80,947,148	17.77	**102,901,498**	**23.02**	78,703,585	20.08
	235,660,467	**45.95**	199,870,809	43.87	**192,420,066**	**43.04**	156,803,787	40.01
Unsecured loans	**277,229,304**	**54.05**	255,747,202	56.13	**254,646,180**	**56.96**	235,127,390	59.99
	₱512,889,771	**100.00**	₱455,618,011	100.00	**₱447,066,246**	**100.00**	₱391,931,177	100.00

Information on the concentration of credit as to industry of the Group and Parent Company follows:

	Consolidated			
	2018		2017	
	Amounts	**%**	Amounts	%
Real estate, renting and business services	**₱114,735,281**	**22.37**	₱113,424,302	24.89
Electricity, gas and water	**72,863,548**	**14.21**	53,514,587	11.75
Wholesale and retail trade	**55,339,970**	**10.79**	53,818,092	11.81
Transportation, storage and communication	**50,516,030**	**9.85**	40,464,073	8.88
Financial intermediaries	**49,687,486**	**9.69**	52,341,750	11.49
Manufacturing	**28,277,954**	**5.51**	29,583,222	6.49
Arts, entertainment and recreation	**25,456,962**	**4.96**	13,959,186	3.06
Accommodation and food service activities	**12,218,029**	**2.38**	12,260,862	2.69
Construction	**11,287,124**	**2.20**	8,732,720	1.92
Mining and quarrying	**9,839,723**	**1.92**	887,231	0.19
Agriculture	**7,134,717**	**1.39**	6,051,546	1.33
Education	**5,717,621**	**1.11**	3,869,247	0.85
Public administration and defense	**5,166,000**	**1.01**	6,232,000	1.37
Professional, scientific and technical activities	**4,319,666**	**0.84**	4,079,383	0.90
Others*	**60,329,660**	**11.26**	56,399,810	12.38
	₱512,889,771	**100.00**	₱455,618,011	100.00

*Others consist of administrative and support service, health, household and other activities.

	Parent Company			
	2018		2017	
	Amounts	**%**	Amounts	%
Real estate, renting and business services	**₱90,654,316**	**20.28**	₱91,809,744	23.42
Electricity, gas and water	**70,798,136**	**11.04**	52,050,493	13.28
Financial intermediaries	**48,096,511**	**10.76**	49,950,420	12.74
Wholesale and retail trade	**49,365,453**	**11.04**	46,238,179	11.80
Transportation, storage and communication	**47,756,466**	**10.68**	38,376,551	9.79
Manufacturing	**25,115,956**	**5.62**	25,622,331	6.54
Arts, entertainment and recreation	**25,318,150**	**5.66**	13,895,619	3.55
Accommodation and food service activities	**10,563,067**	**2.36**	10,285,048	2.62
Construction	**9,965,323**	**2.23**	7,349,908	1.88
Mining and quarrying	**9,835,453**	**2.20**	884,6864	0.23
Agriculture	**5,321,124**	**1.19**	4,442,522	1.13
Public administration and defense	**5,166,000**	**1.16**	6,232,000	1.59
Education	**4,872,451**	**1.09**	2,845,294	0.73
Professional, scientific and technical activities	**4,221,842**	**0.94**	3,760,091	0.96
Others*	**40,015,998**	**8.95**	38,188,292	9.74
	₱447,066,246	**100.00**	₱391,931,177	100.00

*Others consist of administrative and support service, health, household and other activities.

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, 2018 and 2017, the Parent Company does not have credit concentration in any particular industry.

As of December 31, 2018 and 2017, secured and unsecured non−performing loans (NPLs) of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Secured	**₱2,771,745**	₱3,164,209	**₱493,929**	₱687,318
Unsecured	**3,173,971**	3,237,418	**2,140,143**	2,235,931
	₱5,945,716	₱6,401,627	**₱2,634,072**	₱2,923,249

Prior to January 1, 2018, NPLs generally refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi−annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi−monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches twenty percent (20.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs.

With the issuance of BSP Circular 941 *Amendments to the Regulations on Past Due and Non−Performing Loans* effective January 1, 2018, loans shall be considered non−performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non−performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Interest Income on Loans and Receivables
This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Receivables from customers	**₱28,195,915**	₱21,663,571	₱17,812,793	**₱23,488,872**	₱17,455,018	₱14,055,123
Unquoted debt securities	–	88,076	76,459	–	81,999	67,164
	₱28,195,915	₱21,751,647	₱17,889,252	**₱23,488,872**	₱17,537,017	₱14,122,287

As of December 31, 2018 and 2017, 67.40% and 65.01%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2018 and 2017, 71.76% and 67.67%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.65% to 10.50% in 2018, from 2.08% to 10.50% in 2017, and from 1.00% to 11.00% in 2016 for foreign currency−denominated receivables and from 0.95% to 30.00% in 2018 and from 0.95% to 30.00% in 2017, and from 1.00% to 30.00% in 2016 for peso−denominated receivables.

11. Equity Investments

This account consists of investments in:

A. Subsidiaries

	2018	2017
Equity Method:		
Balance at beginning of the year		
CBSI	**₱11,618,713**	₱11,047,530
CBCC	**1,512,899**	732,541
CBC−PCCI	**27,905**	22,853
CIBI	**401,215**	366,113
	13,560,733	12,169,037
Share in net income		
CBSI	**328,663**	514,396
CBCC	**358,796**	276,161
CBC−PCCI	**14,834**	5,851
CIBI	**(6,938)**	39,596
	695,356	836,004
Share in Other Comprehensive Income		
Items that recycle to profit or loss in subsequent periods:		
Net unrealized gain (loss) on FVOCI		
CBSI	**(25,338)**	24,765
CBCC	**(27,584)**	1,926
CIBI	**(16,978)**	(4,196)
	(69,900)	22,495

(Forward)

	2018	2017
Cumulative translation adjustments		
CBSI	**₱5,791**	₱13,058
	5,791	13,058
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gain on defined benefit assets		
CBSI	**86,299**	18,964
CBCC	**2,344**	2,272
CBC–PCCI	–	(798)
CIBI	–	(298)
	88,642	20,140
Effect of PFRS 9 on Surplus:		
CBSI	**(397,055)**	–
	(397,055)	–
Additional Investments		
CBSI	**500,000**	–
CBCC	**–**	500,000
	500,000	500,000
Cash Dividends		
CIBI	**(50,000)**	–
		–
Balance at end of the year		
CBSI	**12,117,074**	11,618,713
CBCC	**1,846,455**	1,512,899
CBC–PCCI	**42,739**	27,905
CIBI	**327,299**	401,215
	₱14,333,567	₱13,560,733

B. Associates:

	2018	2017
Equity Method:		
Balance at beginning of the year	**₱329,422**	₱276,559
Share in net income	**101,009**	73,133
Share in OCI:		
Items that do not recycle to profit or loss in subsequent periods		
Remeasurement loss on life insurance reserves	**31,374**	(12,221)
Items that recycle to profit or loss in subsequent periods:		
Net unrealized loss on FVOCI	**(126,713)**	(8,050)
Balance at end of the year	**₱335,092**	₱329,422

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. The capital infusion to CBSI in 2018 amounting to ₱500 million was approved by the Parent Company's BOD on June 6, 2018

Merger of CBSI with PDB

The BOD of both CBSI and PDB, in their meeting held on June 26, 2014, approved the proposed merger of PDB with CBSI, with the latter as the surviving bank. The terms of the Plan of Merger of CBSI with PDB were approved by CBSI and PDB's stockholders owning at least 2/3 of each corporation's outstanding common stocks in separate meetings held on August 14, 2014. The Plan of Merger permits the issuance of 1.23 PDB common shares for every CBSI common share.

On November 6, 2015, the BSP issued the Certificate of Authority on the Articles of Merger and the Plan of Merger, as amended, of CBSI and PDB.

On December 17, 2015, CBSI obtained SEC's approval of its merger with PDB, whereby the entire assets and liabilities of PDB shall be transferred to and absorbed by CBSI.

Acquisition of PDB
In 2014, the Parent Company made tender offers to non−controlling stockholders of PDB. As of December 31, 2014, the Parent Company owns 99.85% and 100.00% of PDB's outstanding common and preferred stocks, respectively.

As of December 31, 2014, the Parent Company's cost of investment in PDB consists of:

Acquisition of majority of PDB's capital stock	₱1,421,346
Additional capital infusion	1,300,000
Tender offers	255,354
	₱2,976,700

On March 31, 2015, the Parent Company made additional capital infusion to PDB amounting to ₱1.70 billion. Of the total cost of investment, the consideration transferred for the acquisition of PDB follows:

Acquisition of majority of PDB's capital stock	₱1,421,346
Tender offers	255,354
	₱1,676,700

In 2015, the MB of the BSP granted to the Group investment and merger incentives in the form of waiver of special licensing fees for 67 additional branch licenses in restricted areas. This is in addition to the initial investment and merger incentives of 30 new branches in restricted areas and 35 branches to be transferred from unrestricted to restricted areas granted to the Parent Company by the MB in 2014. These branch licenses were granted under the Strengthening Program for Rural Bank (SPRB) Plus Framework.

The branch licenses have the following fair values:

114 Commercial Bank branch licenses	₱2,280,000
18 Thrift Bank branch licenses	270,000
	2,550,000
Deferred tax liability	765,000
	₱1,785,000

On April 6, 2016, the Parent Company's BOD has approved the allocation of the 67 additional branch licenses in restricted areas as follows: 49 to the Parent Company and 18 to CBSI. Pursuant to a memorandum dated March 18, 2017, the 67 branch licenses were awarded as incentives by the Monetary Board as a result of the Parent Company's acquisition of PDB. Goodwill from acquisition of PDB is computed as follows:

Consideration transferred		₱1,676,700
Less: Fair value of identifiable assets and liabilities acquired (Note 15)		
Net liabilities of PDB	(₱725,207)	
Branch licenses, net of deferred tax liability (Note 13)	1,785,000	1,059,793
		₱616,907

CIBI

On December 7, 2018, the BOD of CIBI approved the declaration of the cash dividends of ₱50 million from the CIBI's unrestricted retained earnings for Stockholders on record as of December 15, 2018 payable on December 26, 2018.

CBCC

On April 1, 2015, the BOD approved the investment of the Parent Company in an investment house subsidiary, CBCC, up to the amount of ₱500.00 million, subject to the requirements of relevant regulatory agencies. On April 30, 2015, the BSP approved the request of the Parent Company to invest up to 100% or up to ₱500.00 million common shares in CBCC, subject to certain conditions. On November 27, 2015, the SEC approved the Articles of Incorporation and By-Laws of CBCC. It also granted CBCC the license to operate as an investment house. Actual capital infusion to CBCC amounted to ₱200.00 million and ₱300.00 million in 2016 and 2015, respectively.

On January 19, 2017, the BOD of CBCC approved the increase in authorized capital stock of CBCC from ₱500.00 million to ₱2.00 billion to enable CBCC to handle bigger deals. The approval was ratified by the BOD of the Parent Company on February 1, 2017. On April 27, 2017, the Parent Company paid CBCC ₱500.00 million for additional subscription of 50,000,000 shares.

CBCC acquisition of CBCSec (formerly ATC Securities, Inc.)

On May 19, 2016, the BOD of CBCC approved the acquisition of ATC Securities, Inc. (ATC).

On June 29, 2016, CBCC and the shareholders of ATC (the Original Shareholders) entered into an Agreement for the Purchase of Shares (Agreement), whereby CBCC agreed to buy, and the Original Shareholders agreed to sell, 3,800,000 shares representing 100% of the issued and outstanding shares of ATC.

The initial purchase price for the acquisition of ATC was set at ₱21,767,997.50, payable as follows:

a. 10% – on signing date of the Agreement (June 29, 2016)
b. 70% of the purchase price – on closing date (March 6, 2017)
c. 10% of the purchase price – upon receipt of Certificates Authorizing Registration and Tax Clearance Certificates
d. 10% of the purchase price – one year from the closing date (March 6, 2018), subject to any deduction for certain losses

On February 22, 2017, the Philippine Stock Exchange approved ATC's application for change in controlling interest through CBCC's acquisition of 100% of the issued and outstanding shares of ATC.

In view of the prolonged period since the Agreement was signed and the resulting change in the financial position, prospects, and other circumstances of ATC and its Original Shareholders, the parties agreed to negotiate an adjustment to the purchase price that is mutually acceptable to CBCC and the Original Shareholders.

On March 6, 2017, CBCC and the Original Shareholders agreed to fix the final purchase price of the acquisition at ₱26,704,341, and the Original Shareholders executed deeds of absolute sale of their respective shares in ATC in favor of CBCC. By virtue of this transaction, CBCC assumed ownership and control of ATC.

On March 6, 2017, CBCC and ATC entered into a Subscription Agreement, whereby CBCC subscribed to 7,200,000 common shares of ATC at a price of ₱10.00 per share or a total subscription price of ₱72.00 million.

The fair values of identifiable assets and liabilities arising from the acquisition as of March 6, 2017 are as follows:

Assets	
Cash and cash equivalents	₱9,196,017
Accounts receivable	348,024
Computer software (net)	559,375
Office equipment (net)	149,264
Trading rights	8,500,000
Prepaid expenses	1,755,945
Condominium	12,063,309
Other assets	3,004,295
Total Assets	**35,576,228**
Liabilities	
Accounts payable	₱406,250
Payable to customer	2,256,733
Payable to clearing house	61,519
Other liabilities	56,820
Total Liabilities	**2,781,321**
Net Book Value	**₱32,794,907**

The acquisition by CBCC of ATC Securities, Inc. resulted in recognition of gain on bargain purchase which is determined as follows:

Cost of acquisition	₱26,704,341
Less net assets recognized	32,794,907
Gain on bargain purchase	**₱6,090,566**

The gain from a bargain purchase identified as the excess of the fair value of the net assets of ATC Securities, Inc. over the cost of acquisition is mainly attributable to the mutually agreed price that accounts for intention of the Original Shareholders to ultimately retire from the business, prevention of further outlay of funds from the Original Shareholders to ensure compliance with regulatory capital requirements and their relative ability to divest of the said shares in an expeditious manner.

Gain on bargain purchase is included under ‘Miscellaneous income’ in the consolidated statements of income (Note 21).

Cash flow on acquisition follows:

Cash and cash equivalents acquired from ATC Securities, Inc.	₱9,196,017
Cash paid	24,033,906
Net Cash Outflow	**₱14,837,889**

From the date of acquisition, CBCSec’s operating income and net income included in the consolidated statement of income amounted to ₱6.37 million. If the acquisition had taken place at the beginning 2017, the Group’s total operating income and net income in 2017 would have increased by ₱5.69 million.

On July 6, 2017, the SEC approved the change of name from ATC Securities, Inc. to China Bank Securities Corporation.

On August 23, 2017, CBCC subscribed to the remaining 4,000,000 unissued common shares of CBCSec at a price of ₱10.00 per share or a total subscription price of ₱40.00 million, to provide CBCSec with sufficient capital buffer as its transition and ramps up its operations as the equities brokerage house of the Group.

CBC Assets One (SPC) Inc.
CBC Assets One (SPC) Inc. was incorporated on June 15, 2016 as a wholly–owned special purpose company of CBCC for asset–backed securitization. It has not yet commenced commercial operations.

Investment in Associates
Investment in associates in the consolidated and Parent Company's financial statements pertain to investment in MCB Life and CBC–PCCI's investment in Urban Shelters (accounted for by CBC–PCCI in its financial statements as an investment in an associate) which is carried at nil amount as of December 31, 2018 and 2017.

The following tables show the summarized financial information of MCB Life:

	2018	2017
Total assets	**₱34,832,490**	₱31,656,389
Total liabilities	**34,007,106**	30,834,456
Equity	**825,384**	821,933

	2018	2017
Revenues	**₱9,176,931**	₱6,268,405
Benefits, claims and operating expenses	**8,898,029**	6,066,765
Income (loss) before income tax	**278,902**	201,640
Net income (loss)	**252,522**	182,833

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. The name was changed to Manulife China Bank Life Assurance Corporation on March 23, 2007. The Parent Company acquired 5.00% interest in 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 BSP requires the Parent Company to maintain a minimum of 5.00% ownership over MCB Life in order for MCB Life to be allowed to continue distributing its insurance products through the Parent Company's branches.

On September 12, 2014, the BSP approved the request of the Parent Company to raise its capital investment in MCB Life from 5.00% to 40.00% of its authorized capital through purchase of 1.75 million common shares.

On December 5, 2018, the Parent Company's BOD approved the additional capital infusion in the amount of ₱40.00 million in MCB Life. This represents 40% of the ₱100.00 million total capital infusion in MCB Life with the balance of ₱60.00 million to be provided by Manulife Philippines. On top of complying with the higher capital requirements for insurance companies, the additional capital will improve MCB Life's capacity to underwrite more business and enhance its competitive position.

Commission income earned by the Parent Company from its bancassurance agreement amounting to ₱357.79 million, ₱360.01 million, ₱383.48 million in 2018, 2017 and 2016, respectively, is included under 'Miscellaneous income' in the statements of income (Note 20).

12. Bank Premises, Furniture, Fixtures and Equipment

The composition of and movements in this account follow:

	Consolidated					
	Land (Note 23)	**Furniture, Fixtures and Equipment**	**Buildings**	**Leasehold Improvements**	**Construction–in–Progress**	**2018 Total**
Cost						
Balance at beginning of year	**3,345,404**	**7,893,528**	**1,941,742**	**1,855,565**	**61,489**	**15,097,728**
Additions		**631,734**	**23,978**	**315,486**	**86,804**	**1,058,002**
Disposals/transfers*	**(127,141)**	**(616,184)**	**(176,307)**	**18,832**	**(123,565)**	**(1,024,365)**
Balance at end of year	**3,218,263**	**7,909,078**	**1,789,413**	**2,189,883**	**24,728**	**15,131,365**
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	**6,079,049**	**1,103,650**	**1,038,017**	–	**8,220,716**
Depreciation and amortization	–	**704,124**	**94,836**	**211,907**	–	**1,010,867**
Disposals/transfers*	–	**(423,065)**	**(134,512)**	**6,901**	–	**(550,676)**
Balance at end of year	–	**6,360,108**	**1,063,974**	**1,256,825**	–	**8,680,907**
Allowance for Impairment Losses (Note 16)						
Balance at beginning of year	–	–	**1,148**	–	–	**1,148**
Reclassification	–	–	**(1,148)**	–	–	**(1,148)**
Balance at end of year	–	–	–	–	–	–
Net Book Value at End of Year	**3,218,263**	**1,548,970**	**725,439**	**933,058**	**24,728**	**6,450,458**

*Includes transfers from investment properties amounting to ₱20.13 million.

	Consolidated					
	Land (Note 23)	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction–in–Progress	2017 Total
Cost						
Balance at beginning of year	₱3,345,404	₱7,163,737	₱1,893,525	₱1,482,415	₱86,405	₱13,971,486
Additions	–	988,658	73,800	679,305	10,410	1,752,173
Disposals/transfers*	–	(258,867)	(25,583)	(306,155)	(35,326)	(625,931)
Balance at end of year	3,345,404	7,893,528	1,941,742	1,855,565	61,489	15,097,728
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	5,562,502	1,013,296	897,049	–	7,472,847
Depreciation and amortization	–	674,334	74,625	183,435	–	932,394
Disposals/transfers*	–	(157,787)	15,729	(42,467)	–	(184,525)
Balance at end of year	–	6,079,049	1,103,650	1,038,017	–	8,220,716
Allowance for Impairment Losses (Note 16)						
Balance at beginning of year	–	–	2,371	–	–	2,371
Reclassification	–	–	(1,223)	–	–	(1,223)
Balance at end of year	–	–	1,148	–	–	1,148
Net Book Value at End of Year	₱3,345,404	₱1,814,479	₱836,944	₱817,548	₱61,489	₱6,875,864

*Includes transfers from investment properties amounting to ₱10.82 million

	Parent Company					
	Land (Note 23)	**Furniture, Fixtures and Equipment**	**Buildings**	**Leasehold Improvements**	**Construction-in-Progress**	**2018 Total**
Cost						
Balance at beginning of year	**2,786,310**	**6,668,301**	**1,085,668**	**1,351,869**	**61,486**	**11,953,634**
Additions	**–**	**498,101**	**16,235**	**223,957**	**86,804**	**825,097**
Disposals/transfers*	**–**	**(537,615)**	**2,127**	**(39,802)**	**(123,565)**	**(698,855)**
Balance at end of year	**2,786,310**	**6,628,787**	**1,104,030**	**1,536,024**	**24,725**	**12,079,876**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**5,189,416**	**543,875**	**755,761**	**–**	**6,489,052**
Depreciation and amortization	**–**	**557,586**	**36,010**	**148,934**	**–**	**742,530**
Disposals/transfers*	**–**	**(365,749)**	**618**	**(51,961)**	**–**	**(417,092)**
Balance at end of year	**–**	**5,381,253**	**580,503**	**852,734**	**–**	**6,814,490**
Net Book Value at End of Year	**2,786,310**	**1,247,534**	**523,527**	**683,290**	**24,725**	**5,265,386**

*Includes transfers from investment properties amounting to ₱20.13 million.

	Parent Company					
	Land (Note 23)	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction-in-Progress	2017 Total
Cost						
Balance at beginning of year	₱2,786,310	₱6,082,009	₱1,077,608	₱1,093,494	₱80,139	₱11,119,560
Additions	–	786,776	40,422	550,076	10,410	1,387,684
Disposals/transfers*	–	(200,484)	(32,362)	(291,701)	(29,063)	(553,610)
Balance at end of year	2,786,310	6,668,301	1,085,668	1,351,869	61,486	11,953,634
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	4,775,377	517,491	682,711	–	5,975,579
Depreciation and amortization	–	537,338	26,456	115,273	–	679,067
Disposals/transfers*	–	(123,299)	(72)	(42,223)	–	(165,594)
Balance at end of year	–	5,189,416	543,875	755,761	–	6,489,052
Net Book Value at End of Year	₱2,786,310	₱1,478,885	₱541,793	₱596,108	₱61,486	₱5,464,582

*Includes transfers from investment properties amounting to ₱10.82 million.

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 23) in 2011.

As of December 31, 2018 and 2017, the gross carrying amount of fully depreciated furniture, fixtures and equipment still in use amounted to ₱3.47 billion and ₱2.89 billion, respectively, for the Group and ₱2.61 billion and ₱2.31 billion, respectively, for the Parent Company.

Gain on sale of furniture, fixtures and equipment amounting to ₱1.81 million, ₱2.11 million and ₱2.97 million in 2018, 2017 and 2016, respectively, for the Group and ₱1.60 million, ₱1.69 million and ₱2.17 million in 2018, 2017 and 2016, respectively, for the Parent Company are included in the statements of income under 'Miscellaneous income' account (Note 21).

In 2016, depreciation and amortization amounting to ₱842.22 million and ₱595.81 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

13. **Investment Properties**

The composition of and movements in this account follow:

	Consolidated		
	Land	**Buildings and Improvements**	**2018 Total**
Cost			
Balance at beginning of year	**₱4,605,061**	**₱2,646,549**	**₱7,251,610**
Additions	**135,099**	**408,334**	**543,433**
Disposals/write–off/transfers*	**(454,309)**	**(395,136)**	**(849,445)**
Balance at end of year	**4,285,851**	**2,659,747**	**6,945,598**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**–**	**742,071**	**742,071**
Depreciation and amortization	**–**	**170,978**	**170,978**
Disposals/write–off/transfers*	**–**	**(32,285)**	**(32,285)**
Balance at end of year	**–**	**880,764**	**880,764**
Allowance for Impairment Losses (Note 16)			
Balance at beginning of year	**1,028,013**	**409,370**	**1,437,383**
Write–off	**(85,454)**	**(76,697)**	**(162,151)**
Balance at end of year	**₱942,559**	**₱332,673**	**₱1,275,232**
Net Book Value at End of Year	**₱3,343,292**	**₱1,446,310**	**₱4,789,602**

*Includes transfers to bank premises amounting to ₱20.13 million (Note 12).

	Consolidated		
	Land	Buildings and Improvements	2017 Total
Cost			
Balance at beginning of year	₱4,730,076	₱2,788,397	₱7,518,473
Additions	299,806	279,283	579,089
Disposals/write–off/transfers*	(424,821)	(421,131)	(845,952)
Balance at end of year	4,605,061	2,646,549	7,251,610
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	755,763	755,763
Depreciation and amortization	–	191,338	191,338
Disposals/write–off/transfers*	–	(205,030)	(205,030)
Balance at end of year	–	742,071	742,071
Allowance for Impairment Losses (Note 16)			
Balance at beginning of year	1,028,013	384,958	1,412,971
Reversal during the year	–	24,412	24,412
Disposals/write–off/reclassification*	1,028,013	409,370	1,437,383
Balance at end of year	₱3,577,048	₱1,495,108	₱5,072,156
Net Book Value at End of Year	₱4,730,076	₱2,788,397	₱7,518,473

*Includes transfers to bank premises amounting to ₱10.82 million (Note 12).

	Parent Company		
	Land	**Buildings and Improvements**	**2018 Total**
Cost			
Balance at beginning of year	**₱1,859,355**	**₱1,397,668**	**₱3,257,023**
Additions	**135,099**	**125,671**	**260,770**
Disposals/write–off/transfers*	**(574,177)**	**(193,400)**	**(767,577)**
Balance at end of year	**1,420,277**	**1,329,939**	**2,750,216**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**–**	**500,102**	**500,102**
Depreciation and amortization	**–**	**89,928**	**89,928**
Disposals/write–off/transfers*	**–**	**(149,575)**	**(149,575)**
Balance at end of year	**–**	**440,455**	**440,455**
Allowance for Impairment Losses (Note 16)			
Balance at beginning and end of year	**1,004,729**	**201,689**	**1,206,418**
Write–off	**(85,454)**	**–**	**(85,454)**
Balance at end of year	**919,275**	**201,689**	**1,120,964**
Net Book Value at End of Year	**₱501,002**	**₱687,795**	**₱1,188,797**

*Includes transfers to bank premises amounting to ₱20.13 million (Note 12).

	Parent Company		
	Land	Buildings and Improvements	2017 Total
Cost			
Balance at beginning of year	₱2,019,065	₱1,511,349	₱3,530,414
Additions	40,573	86,079	126,652
Disposals/write–off/transfers*	(200,283)	(199,760)	(400,043)
Balance at end of year	1,859,355	1,397,668	3,257,023
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	563,120	563,120
Depreciation and amortization	–	104,638	104,638
Disposals/write–off/transfers*	–	(167,656)	(167,656)
Balance at end of year	–	500,102	500,102
Allowance for Impairment Losses (Note 16)			
Balance at beginning and end of year	1,004,729	201,689	1,206,418
Net Book Value at End of Year	₱854,626	₱695,877	₱1,550,503

*Includes transfers to bank premises amounting to ₱10.82 million (Note 12).

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.

In 2016, depreciation and amortization amounting to ₱173.01 million and ₱98.92 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

Details of rental income earned and direct operating expenses incurred on investment properties follow:

	Consolidated		
	2018	2017	2016
Rent income on investment properties	**₱35,323**	₱32,499	₱20,190
Direct operating expenses on investment properties generating rent income	**1,451**	924	4,767
Direct operating expenses on investment properties not generating rent income	**66,011**	52,029	67,619

	Parent Company		
	2018	2017	2016
Rent income on investment properties	**₱10,994**	₱8,250	₱39,734
Direct operating expenses on investment properties generating rent income	**649**	799	886
Direct operating expenses on investment properties not generating rent income	**29,584**	33,405	44,089

Rent income earned from leasing out investment properties is included under 'Miscellaneous income' in the statements of income (Note 21).

On August 26, 2011, the Parent Company was registered as an Economic Zone Information Technology (IT) Facilities Enterprise with the Philippine Economic Zone Authority (PEZA) to operate and maintain a proposed 17−storey building located inside the CBP−IT Park in Barangays Mabolo, Luz, Hipodromo, Carreta, and Kamputhaw, Cebu City, for lease to PEZA−registered IT enterprises, and to be known as Chinabank Corporate Center. This registration is under PEZA Registration Certificate No. 11−03−F.

Under this registration, the Parent Company is entitled to five percent (5.00%) final tax on gross income earned from locator IT enterprises and related operations in accordance with existing PEZA rules. The Parent Company shall also be exempted from the payment of all national and local taxes in relation to this registered activity.

14. Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the acquisition costs over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

The Group attributed the goodwill arising from its acquisition of CBSI and PDB to factors such as increase in geographical presence and customer base due to the branches acquired. None of the goodwill recognized is expected to be deductible for income tax purposes. CBSI as surviving entity from the merger with PDB, is the identified CGU for this goodwill. The Parent Company's Retail Banking Business (RBB) has been identified as the CGU for impairment testing of the goodwill from its acquisition of CBSI.

As of December 31, 2018 and 2017, amount of goodwill per CGU follows:

	Consolidated	Parent Company
RBB	₱222,841	₱222,841
CBSI	616,907	–
Total	₱839,748	₱222,841

The recoverable amount of the CGUs have 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, 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. Other than loans and deposits growth rates, the significant assumptions, and the most sensitive, used in computing for the recoverable values of the CGUs follow:

	2018		2017	
	RBB	**CBSI**	RBB	CBSI
Discount rate	**7.12%**	**9.81%**	6.41%	7.83%
Terminal value growth rate	**1.00%**	**1.00%**	1.00%	1.00%

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 to materially exceed its recoverable amount as of December 31, 2018 and 2017.

Branch Licenses

Branch licenses of the Group arose from the acquisitions of CBSI, Unity Bank, and PDB. As of December 31, 2018 and 2017, details of branch licenses in the Group's and Parent Company's financial statements follow:

	Consolidated	**Parent Company**
Branch license from CBSI acquisition	**₱420,600**	**₱398,000**
Branch license from Unity Bank acquisition	**347,400**	**–**
Branch license from PDB acquisition (Note 11)	**2,839,500**	**–**
Total	**₱3,607,500**	**₱398,000**

The individual branches have been identified as the CGU for impairment testing of the branch licenses. The recoverable amounts of the CGUs for impairment testing of the branch licenses have been determined based on the higher between fair value less cost to sell and value–in–use calculations.

FVLCD is based on special licensing fee of BSP on branches operating on identified restricted areas. Value–in–use calculation uses cash flow projections from financial budgets approved by senior management covering a five–year period, 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 calculation of the value–in–use of the CGU is most sensitive to the following assumptions:

- Discount rates
- Terminal value growth rate used to extrapolate cash flows beyond the budget period

With regard to the assessment of value–in–use of the CGU, the Parent Company recognized an impairment loss related to certain unrestricted branch licenses from the acquisition of CBSI amounting to ₱57.00 million in 2017.

Capitalized software costs

The movements in the account follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Cost				
Balance at beginning of year	**₱714,230**	₱549,156	**₱591,256**	₱445,444
Additions	**144,123**	165,074	**154,055**	145,814
Disposals/Writeoff/Reclass	**142,386**	–	**149,794**	–
Balance at end of year	**1,000,739**	714,230	**895,105**	591,258
Accumulated Depreciation and Amortization				
Balance at beginning of year	**217,697**	123,940	**188,395**	94,861
Depreciation and amortization	**115,840**	93,757	**115,450**	93,535
Disposals/Writeoff/Reclass	**73,740**	–	**73,729**	–
Balance at end of year	**407,277**	217,697	**377,574**	188,396
Net Book Value at End of Year	**593,462**	₱496,533	**₱517,531**	₱402,862

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Financial assets				
Accounts receivable	**₱2,595,023**	₱2,884,628	**₱1,480,760**	₱1,686,205
SCR	**1,121,035**	979,046	**224,035**	208,496
RCOCI	**129,142**	179,935	**117,227**	83,636
Others	**491,475**	369,034	**175,540**	157,380
	4,336,675	4,412,643	**1,997,562**	2,135,717
Nonfinancial assets				
Net plan assets (Note 24)	**`777,827**	995,050	**756,160**	991,386
Prepaid expenses	**246,053**	124,526	**208,632**	114,121
Creditable withholding taxes	**338,618**	378,143	**338,618**	321,231
Security deposit	**272,541**	231,838	**193,216**	205,400
Documentary stamps	**215,696**	309,642	**149,078**	182,778
Sundry debits	**358,051**	235,136	**166,951**	71,552
Miscellaneous	**433,502**	298,882	**–**	–
	2,642,288	2,573,217	**1,812,655**	1,886,468
	6,978,963	6,985,860	**3,810,217**	4,022,185
Allowance for impairment and credit losses (Note 16)	**(759,404)**	(766,965)	**(477,454)**	(540,960)
	₱6,219,558	₱6,218,895	**₱3,332,763**	₱3,481,225

Accounts receivable
Accounts receivable also includes non–interest bearing advances to officers and employees, with terms ranging from 1 to 30 days and receivables of the Parent Company from automated teller machine (ATM) transactions of clients of other banks that transacted through any of the Parent Company's ATM terminals.

Sales Contract Receivable
This refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

SCR bears fixed interest rate per annum in 2018 and 2017 ranging from 5.00% to 10.00% and 5.00% to 10.25%, respectively.

Miscellaneous
Miscellaneous consists mainly of unissued stationery and supplies, inter−office float items, and deposits for various services.

16. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses are as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Balances at beginning of year				
Loans and receivables	**₱8,121,175**	₱6,654,995	**₱6,500,542**	₱5,709,025
Investment properties	**1,437,383**	1,412,971	**1,206,418**	1,206,418
Accrued interest receivable	**201,647**	179,339	**58,269**	62,019
AFS financial assets	**128,171**	38,742	**6,323**	6,323
Investment securities at amortized cost	–	–	83,618	–
Bank premises, furniture, fixtures and equipment	**1,148**	2,371	–	–
Intangible assets	–	–	–	–
Other assets	**781,424**	718,434	**540,960**	614,366
	10,670,948	9,006,852	**8,396,130**	7,598,151
Provisions charged to operations	**141,076**	754,171	**(1,957)**	423,922
Accounts charged off and others	**(1,260,874)**	(1,012,065)	**(1,109,856)**	(1,100,523)
	(1,119,798)	(257,894)	**(1,111,813)**	(676,601)
Balances at end of year				
Loans and receivables (Note 10)	**6,829,280**	6,339,183	**5,425,713**	5,109,580
Investment properties (Note 13)	**1,275,232**	1,437,383	**1,120,965**	1,206,418
Accrued interest receivable	**303,555**	165,452	**45,247**	58,269
AFS financial assets (Note 9)	**(4,023)**	38,827	–	–
Investment securities at amortized cost	**375,102**	–	**214,938**	–
Bank premises, furniture, fixtures and equipment (Note 12)	–	1,148	–	–
Other assets (Note 15)	**772,004**	766,965	**477,454**	540,960
	₱9,551,150	₱8,748,958	**₱7,284,317**	₱6,921,550

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.

The separate valuation allowance of acquired loans and receivables from PDB amounting to ₱1.59 billion was not recognized by the Group on the effectivity date of acquisition as these receivables were measured at fair value at acquisition date. Any uncertainties about future cash flows of these receivables were included in their fair value measurement (Note 11). Also, the separate valuation allowance of acquired investment properties from PDB amounting to ₱199.15 million was not recognized by the Group on the effectivity date of acquisition as these properties were measured at fair value on acquisition date.

The tables below illustrate the movements of the allowance for impairment and credit losses during the year (effect of movements in ECL due to transfers between stages are shown in the total column):

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Corporate and commercial lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	1,567,376	2,540,760	1,866,388	5,974,524
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(14,441)	28,817	-	14,376
Transfer from Stage 1 to Stage 3	(239)	-	16,030	15,791
Transfer from Stage 2 to Stage 1	88,811	(610,794)	-	(521,983)
Transfer from Stage 2 to Stage 3	-	(127)	12,175	12,048
Transfer from Stage 3 to Stage 1	835	-	(1,524)	(689)
Transfer from Stage 3 to Stage 2	-	402	(41,564)	(41,162)
New financial assets originated or purchased	1,659,492	82,660	326,658	2,068,810
Changes in PDs/LGDs/EADs	(133,642)	(1,009,545)	9,740	(1,133,447)
Financial assets derecognised during the period	(282,839)	(29,273)	(530,585)	(842,697)
Total net P&L charge during the period	1,317,977	(1,537,860)	(209,070)	(428,953)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(110,226)	(19,240)	(67,211)	(196,677)
Total movements without P&L impact	(110,226)	(19,240)	(67,211)	(196,677)
Loss allowance at December 31, 2018	2,775,127	983,660	1,590,107	5,348,894

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	98,783	180,441	1,262,884	1,542,108
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(222)	919	-	697
Transfer from Stage 1 to Stage 3	(1,548)	-	73,986	72,438
Transfer from Stage 2 to Stage 1	628	(2,447)	-	(1,819)
Transfer from Stage 2 to Stage 3	-	(567)	143,142	142,575
Transfer from Stage 3 to Stage 1	188	-	(12,493)	(12,305)
Transfer from Stage 3 to Stage 2	-	31	(4,990)	(4,959)
New financial assets originated or purchased	130,472	(270,546)	54,037	(86,037)
Changes in PDs/LGDs/EADs	1,952	(3,359)	(824)	(2,231)
Financial assets derecognised during the period	(2,032)	112,104	132,792	242,864
Total net P&L charge during the period	129,438	(163,865)	385,650	351,223
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(4,839)	-	(506,957)	(511,796)
Total movements without P&L impact	(4,839)	-	(506,957)	(511,796)
Loss allowance at December 31, 2018	223,382	16,576	1,141,577	1,381,535

	Consolidated			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Trade-related lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	56,619	5,195	33,872	95,686
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	48,922	25,774	-	74,696
Changes in PDs/LGDs/EADs	-	-	-	-
Financial assets derecognised during the period	(51,863)	(587)	1,225	(51,225)
Total net P&L charge during the period	(2,941)	25,187	1,225	23,471
Other movements without P&L impact				
Write-offs, foreclosures and other movements	-	(4,608)	(15,697)	(20,305)
Total movements without P&L impact	-	(4,608)	(15,697)	(20,305)
Loss allowance at December 31, 2018	53,678	25,774	19,400	98,852

	Consolidated			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Investments in debt instruments (AC)				
Loss allowance at January 1, 2018	5,818	532,164	151,836	689,818
Total net P&L charge during the period	142,818	(8,989)	-	133,828
Write-offs. Foreclosures and other movements	60,312	(508,858)	-	(448,545)
Loss allowance at December 31, 2018	208,949	14,317	151,836	375,102

	Consolidated			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Investments in debt instruments (FVOCI)				
Loss allowance at January 1, 2018	4,061	0	-	4,061
Total net P&L charge during the period	(565)	2	-	(564)
Write-offs, foreclosures and other movements	–	–	–	-
			–	
Loss allowance at December 31, 2018	3,496	2	-	3,498

	Consolidated						
	2017						
	Loans and Receivables					AFS Financial Assets	
	Corporate and Commercial Lending	Consumer Lending	Trade−related Lending	Others	Total	Unquoted Equity Securities	Accrued Interest Receivable
Balance at beginning of year	₱4,593,387	₱1,631,460	₱277,623	₱152,525	₱6,654,995	₱38,742	₱179,339
Provisions (recoveries) during the year	224,815	453,404	158	–	678,377	–	37,821
Transfers/others	(897,841)	(5,000)	(91,205)	(143)	(994,189)	85	(51,708)
Balance at end of year	₱3,920,361	₱2,079,864	₱186,576	₱152,382	₱6,339,183	₱38,827	₱165,452
Individual impairment	₱950,102	₱925,165	₱54,429	₱151,836	₱2,081,532	₱38,827	₱165,452
Collective impairment	2,970,259	1,154,699	132,147	546	4,257,651	–	–
	₱3,920,361	₱2,079,864	₱186,576	₱152,382	₱6,339,183	₱38,827	₱165,452

Corporate and commercial lending	Parent			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	1,463,125	2,504,510	1,145,534	5,113,169
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(12,166)	26,542	-	14,376
Transfer from Stage 1 to Stage 3	(149)	-	15,940	15,791
Transfer from Stage 2 to Stage 1	87,675	(609,658)	-	(521,983)
Transfer from Stage 2 to Stage 3	-	(91)	12,139	12,048
Transfer from Stage 3 to Stage 1	3	-	(692)	(689)
Transfer from Stage 3 to Stage 2	-	402	(41,564)	(41,162)
New financial assets originated or purchased	1,560,644	79,805	97,884	1,738,333
Changes in PDs/LGDs/EADs	(133,642)	(1,009,545)	9,740	(1,133,447)
Financial assets derecognised during the period	(209,096)	(10,947)	(262,008)	(482,051)
Total net P&L charge during the period	1,293,269	(1,523,492)	(168,561)	(398,784)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(110,226)	(19,240)	(67,211)	(196,677)
Total movements without P&L impact	(110,226)	(19,240)	(67,211)	(196,677)
Loss allowance at December 31, 2018	2,646,168	961,778	909,762	4,517,708

Consumer lending	Parent			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	72,857	13,726	708,170	794,753
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(222)	919	-	697
Transfer from Stage 1 to Stage 3	(1,548)	-	73,986	72,438
Transfer from Stage 2 to Stage 1	628	(2,447)	-	(1,819)
Transfer from Stage 2 to Stage 3	-	(567)	143,142	142,575
Transfer from Stage 3 to Stage 1	188	-	(12,493)	(12,305)
Transfer from Stage 3 to Stage 2	-	31	(4,990)	(4,959)
New financial assets originated or purchased	27,182	1,999	74,735	103,916
Changes in PDs/LGDs/EADs	1,952	(3,359)	(824)	(2,231)
Financial assets derecognised during the period	(2,032)	(4,581)	19,358	12,745
Total net P&L charge during the period	26,148	(8,005)	292,914	311,057
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(4,839)	-	(287,062)	(291,901)
Total movements without P&L impact	(4,839)	-	(287,062)	(291,901)
Loss allowance at December 31, 2018	94,166	5,721	714,022	813,909

Trade-related lending	Parent			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	44,695	5,195	33,872	83,762
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	48,922	25,774	-	74,696
Changes in PDs/LGDs/EADs	-	-	-	-
Financial assets derecognised during the period	(44,695)	(587)	1,225	(44,057)
Total net P&L charge during the period	4,227	25,187	1,225	30,639
Other movements without P&L impact				
Write-offs, foreclosures and other movements	-	(4,608)	(15,697)	(20,305)
Total movements without P&L impact	-	(4,608)	(15,697)	(20,305)
Loss allowance at December 31, 2018	48,922	25,774	19,400	94,096

	Parent			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Investments in debt instruments (AC)				
Loss allowance at January 1, 2018	-	532,164	-	532,164
Total net P&L charge during the period	140,309	(8,989)	-	131,320
Write-offs, foreclosures and other movements	60,312	(508,858)	-	(448,545)
Loss allowance at December 31, 2018	200,622	14,317	-	214,938

	Parent			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Investments in debt instruments (FVOCI)				
Loss allowance at January 1, 2018	4,061	0	-	4,061
Total net P&L charge during the period	(565)	2	-	(564)
Write-offs, foreclosures and other movements	-	-	-	-
Loss allowance at December 31, 2018	3,496	2	-	3,498

	Parent						
	2017						
	Loans and Receivables					AFS Financial Assets	
	Corporate and Commercial Lending	Consumer Lending	Trade–related Lending	Others	Total	Unquoted Equity Securities	Accrued Interest Receivable
Balance at beginning of year	₱4,381,126	₱1,061,364	₱265,846	₱689	₱5,709,025	₱6,323	₱62,019
Provisions (recoveries) during the year	138,503	252,010	158	–	390,671	–	141
Transfers/others	(898,767)	–	(91,206)	(143)	(990,116)	–	(3,891)
Balance at end of year	₱3,620,862	₱1,313,374	₱174,798	₱546	₱5,109,580	₱6,323	₱58,269
Individual impairment	₱728,378	₱925,165	₱46,061	₱–	₱1,699,604	₱6,323	₱58,269
Collective impairment	2,892,484	388,209	128,737	546	3,409,976	–	–
	₱3,620,862	₱1,313,374	₱174,798	₱546	₱5,109,580	₱6,323	₱58,269

The corresponding movement of the gross carrying amount of the financial asset are shown below:

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Corporate and commercial lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	343,382,501	21,959,934	3,803,100	369,145,536
Transfers:				
Transfer from Stage 1 to Stage 2	(2,204,591)	2,204,591	-	-
Transfer from Stage 1 to Stage 3	(541,790)	-	541,790	-
Transfer from Stage 2 to Stage 1	5,741,579	(5,741,579)	-	-
Transfer from Stage 2 to Stage 3	-	(110,906)	110,906	-
Transfer from Stage 3 to Stage 1	4,599	-	(4,599)	-
Transfer from Stage 3 to Stage 2	-	58,581	(58,581)	-
Movements in outstanding balance	-12,748,731	-1,385,560	(68,568)	(14,202,859)
Financial assets derecognised during the period	(146,379,371)	(4,302,610)	(647,546)	(151,329,527)
New financial assets purchased or originated	203,356,235	4,842,239	204,531	208,403,004
Write-offs	(49,904)	-	(45,800)	(95,704)
Foreclosures	(20,000)	(100,000)	-	(120,000)
Gross carrying amount as at December 31, 2018	**390,540,527**	**17,424,690**	**3,835,233**	**411,800,451**

Consumer lending	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2018	59,172,559	11,538,435	3,147,219	73,858,213
Transfers:				
Transfer from Stage 1 to Stage 2	(297,371)	297,371	-	-
Transfer from Stage 1 to Stage 3	(695,183)	-	695,183	-
Transfer from Stage 2 to Stage 1	385,789	(385,789)	-	-
Transfer from Stage 2 to Stage 3	-	(241,795)	241,795	-
Transfer from Stage 3 to Stage 1	94,603	-	(94,603)	-
Transfer from Stage 3 to Stage 2	-	7,300	(7,300)	-
Movements in outstanding balance	(5,137,045)	(841,339)	(42,527)	(6,020,911)
Financial assets derecognised during the period	(6,609,339)	(7,913,933)	(310,274)	(14,833,546)
New financial assets purchased or originated	33,786,248	750,348	213,449	34,750,046
Write-offs	(568)	-	(503,842)	(504,409)
Foreclosures	(8,052)	-	(26,400)	(34,452)
Gross carrying amount as at December 31, 2018	**80,691,641**	**3,210,598**	**3,312,700**	**87,214,939**

Trade-related lending	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2018	11,023,818	1,185,331	40,138	12,249,287
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Movements in outstanding balance	3,437,693	-	-	3,437,693
Financial assets derecognised during the period	(13,581,251)	(1,180,722)	(1,122)	(14,763,096)
New financial assets purchased or originated	11,229,908	1,684,378	-	12,914,287
Write-offs	-	(4,608)	(12,455)	(17,063)
Foreclosures	-	-	(3,242)	(3,242)
Gross carrying amount as at December 31, 2018	**12,110,169**	**1,684,378**	**23,319**	**13,817,866**

Investments in amortised cost	**Consolidated** ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2018	**106,283,139**	**1,491,862**	**-**	**107,775,001**
Transfers:				
Transfer from Stage 1 to Stage 2	(1,503,373)	1,503,373	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	1,015,768	(1,015,768)	-	-
Transfer from Stage 2 to Stage 3	-	(508,880)	508,880	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Movements in outstanding balance	-	-	-	-
Financial assets derecognised during the period	(1,499,195)	-	(508,880)	(2,008,075)
New financial assets purchased or originated	59,725,675	3,678,571	-	63,404,246
Other movements	3,556,344	32,786	151,836	3,740,965
Gross carrying amount as at December 31, 2018	**167,578,357**	**5,181,944**	**151,836**	**172,912,137**

Investments at FVOCI (debt)	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2018	**7,139,941**	**-**	**-**	**7,139,941**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Movements in outstanding balance	-	-	-	-
Financial assets derecognised during the period	(1,301,024)	-	-	(1,301,024)
New financial assets purchased or originated	5,548,115	-	-	5,548,115
Other movements	(1,392,669)	-	-	(1,392,669)
Gross carrying amount as at December 31, 2018	**9,994,362**	**-**	**-**	**9,994,362**

Corporate and commercial lending	Parent ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2018	314,896,868	20,860,133	1,396,331	337,153,332
Transfers:				
Transfer from Stage 1 to Stage 2	(1,614,808)	1,614,808	-	-
Transfer from Stage 1 to Stage 3	(16,150)	-	16,150	-
Transfer from Stage 2 to Stage 1	5,416,311	(5,416,311)	-	-
Transfer from Stage 2 to Stage 3	-	(22,537)	22,537	-
Transfer from Stage 3 to Stage 1	471	-	(471)	-
Transfer from Stage 3 to Stage 2	-	58,581	(58,581)	-
Movements in outstanding balance	(13,147,095)	(1,041,488)	(12,753)	(14,201,336)
Financial assets derecognised during the period	(138,623,015)	(3,962,344)	(410,260)	(142,995,619)
New financial assets purchased or originated	196,692,368	4,810,531	160,778	201,663,677
Write-offs	(49,904)	-	(45,800)	(95,705)
Foreclosures	(20,000)	(100,000)	-	(120,000)
Gross carrying amount as at December 31, 2018	**363,535,045**	**16,801,373**	**1,067,931**	**381,404,350**

Consumer lending	Parent ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2018	35,519,556	7,085,076	1,430,659	44,035,292
Transfers:				
Transfer from Stage 1 to Stage 2	(297,371)	297,371	-	-
Transfer from Stage 1 to Stage 3	(695,183)	-	695,183	-
Transfer from Stage 2 to Stage 1	385,789	(385,789)	-	-
Transfer from Stage 2 to Stage 3	-	(241,795)	241,795	-
Transfer from Stage 3 to Stage 1	94,603	-	(94,603)	-
Transfer from Stage 3 to Stage 2	-	7,300	(7,300)	-
Movements in outstanding balance	(4,831,880)	(902,628)	(42,526)	(5,777,034)
Financial assets derecognised during the period	(4,044,525)	(3,588,822)	(141,242)	(7,774,589)
New financial assets purchased or originated	21,786,039	553,104	180,687	22,519,829
Write-offs	(568)	-	(283,947)	(284,514)
Foreclosures	(8,052)	-	(26,400)	(34,452)
Gross carrying amount as at December 31, 2018	**47,908,408**	**2,823,817**	**1,952,306**	**52,684,532**

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Trade-related lending	Parent ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	 Total
Gross carrying amount as at January 1, 2018	**9,462,533**	**1,185,331**	**40,138**	**10,688,002**
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	–	–	–	–
Financial assets derecognised during the period	(9,462,533)	(1,180,722)	(1,122)	(10,644,378)
New financial assets purchased or originated	11,229,908	1,684,378	–	12,914,287
Write-offs	–	(4,608)	(12,455)	(17,063)
Foreclosures	–	–	(3,242)	(3,242)
Gross carrying amount as at December 31, 2018	**11,229,908**	**1,684,378**	**23,319**	**12,937,606**

Investments in amortised cost	Parent ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	 Total
Gross carrying amount as at January 1, 2018	**101,081,352**	**1,491,862**	**-**	**102,573,214**
Transfers:				
Transfer from Stage 1 to Stage 2	(1,503,373)	1,503,373	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	1,015,768	(1,015,768)	–	–
Transfer from Stage 2 to Stage 3	–	(508,880)	508,880	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	–	–	–	–
Financial assets derecognised during the period	(1,499,195)	-	(508,880)	(2,008,075)
New financial assets purchased or originated	56,300,580	3,678,571	-	59,979,151
Other movements	3,462,329	32,786	-	3,495,114
Gross carrying amount as at December 31, 2018	**158,857,460**	**5,181,944**	**-**	**164,039,404**

Parent

Investments at FVOCI (debt)	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	 Total
Gross carrying amount as at January 1, 2018	**5,147,303**	–	–	**5,147,303**
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	–	–	–	–
Financial assets derecognised during the period	(1,107,221)	-	-	(1,107,221)
New financial assets purchased or originated	5,265,658	-	-	5,265,658
Other movements	(1,164,380)	-	-	(1,163,733)
Gross carrying amount as at December 31, 2018	**8,141,359**	**-**	**-**	**8,141,359**

While the Group recognizes through the statement of income the movements in the expected credit losses computed using the models, the Group also complies with BSP's regulatory requirement to appropriate a portion of its retained earnings at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 23). In 2018, the amount of retained earnings appropriated for this purpose increased by ₱340.41 million for both the Group and the Parent Company.

	Consolidated			Parent		
	2018	2017	2016	2018	2017	2016
Provision for Inpairment and Credit Losses	**₱141,076**	₱754,171	₱850,546	**(₱1,957)**	₱423,922	₱521,475
Retained Earnings, appropriated	**340,409**	–	–	**340,409**	–	–
	₱481,485	₱754,171	₱850,546	**₱338,452**	₱423,922	₱521,475

17. Deposit Liabilities

As of December 31, 2018 and 2017, 33.64% and 36.13% respectively, of the total deposit liabilities of the Group and 37.56% and 40.19% of the parent are subject to periodic interest repricing. The remaining deposit liabilities bear annual fixed interest rates ranging from 0.13% to 4.55% in 2018, 0.13% to 3.65% in 2017, 0.13% to 3.25% in 2016, 0.13% to 2.75% in 2015 and 2014.

Interest Expense on Deposit Liabilities
This account consists of:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Demand	**₱257,129**	₱233,984	₱197,595	**₱182,521**	₱163,524	₱143,917
Savings	**3,491,085**	1,120,422	819,991	**3,429,446**	1,072,849	567,447
Time	**7,873,305**	5,167,529	3,813,969	**6,124,047**	3,974,430	2,917,763
	₱11,621,609	₱6,521,935	₱4,831,555	**9,738,032**	₱5,210,803	₱3,629,127

BSP Circular No. 830 requires reserves against deposit liabilities. As of December 31, 2018 and 2017, due from BSP amounting to ₱100.06 billion and ₱95.90 billion, respectively, for the Group and ₱93.26 billion and ₱89.17 billion, respectively, for the Parent Company were set aside as reserves for deposit liabilities per latest report submitted BSP. As of December 31, 2018 and 2017, the Group is in compliance with such regulation.

LTNCD
On August 3, 2016, the BOD of the Parent Company approved the issuance of Long Term Negotiable Certificates of Deposits (LTNCD) of up to ₱20.00 billion in tranches of ₱5.00 billion to ₱10.00 billion each and with tenors ranging from 5 to 7 years to support the Group's strategic initiatives and business growth. On October 27, 2016, the Monetary Board of the BSP approved the LTNCD issuances. On November 18, 2016, the Parent Company issued the first tranche at par with aggregate principal amount of ₱9.58 billion due May 18, 2022. The LTNCDs bear a fixed coupon rate of 3.65% per annum, payable quarterly in arrears. Subject to BSP rules, the Group has the option to pre–terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest.

On June 2, 2017, the Parent Company issued at par LTNCDs with aggregate principal amount of ₱6.35 billion due December 22, 2022, representing the second tranche of the ₱20.00 billion.

On March 7, 2018, the Board of Directors approved the Bank's Peso funding program of up to ₱50 billion via a combination of Long–Term Negotiable Certificate of Time Deposit and/or Retail Bonds and/or Commercial Papers.

On July 12, 2018, the Parent Company issued at par LTNCDs with aggregate principal amount of ₱10.25 billion due January 12, 2024, representing the first tranche of the ₱20 billion LTNCD approved by BSP on June 14, 2018. 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.

The LTNCDs are included under the 'Time deposit liabilities' account.

18. Bills Payable

Bills Payable

The Group's and the Parent Company's bills payable consist of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Interbank loans payable	**₱ 28,426,800**	₱16,378,274	**₱ 28,426,800**	₱16,378,274
Trade finance	**5,804,832**	3,739,757	**5,804,832**	3,739,757
BPS rediscounting (Note 10)	**4,132,800**	–	**4,132,800**	–
Promissory Notes	**1,462,100**	–	**1,462,100**	–
	₱39,826,532	₱20,118,031	**₱39,826,532**	₱20,118,031

Interbank loans payable

Interbank loans payable consists of short–term dollar–denominated borrowings of the Parent Company with annual interest ranging from 3.11% to 4.73% and from 0.12% to 2.28% in 2018 and 2017, respectively.

As of December 31, 2018, the carrying amount of foreign currency–denominated investment securities at amortized cost and FVOCI pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱13.32 billion and ₱0.73 billion, respectively. The carrying amount of peso–denominated investment securities at amortized cost pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱20.69 billion. The fair value of investment securities at amortized cost pledged as collateral amounted to ₱31.86 billion as of December 31, 2018 (Note 9).

As of December 31, 2017, the carrying amount of foreign currency–denominated HTM and AFS financial assets pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱3.43 billion and ₱3.72 billion, respectively. The carrying amount of peso–denominated HTM, AFS and HFT financial assets pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱10.25 billion, ₱0.10 billion and ₱0.49 billion, respectively. The fair value of HTM financial assets pledged as collateral amounted to ₱13.24 billion as of December 31, 2017 (Note 9).

As of December 31, 2018 and 2017, margin deposits amounting to ₱930.82 billion and ₱497.26 million, respectively, are deposited with various counterparties to meet the collateral requirements for its interbank loans payable.

Trade finance

As of December 31, 2018 and 2017, trade finance consists of the Parent Company's borrowings from financial institutions using bank trade assets as the basis for borrowing foreign currency. The refinancing amount should not exceed the aggregate amount of trade assets.

19. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	**2017**
Accrued interest payable	**₱1,737,659**	₱813,068	**₱1,513,147**	₱707,342
Accrued payable for employee benefits	**958,643**	963,774	**958,643**	956,348
Accrued taxes and other licenses	**229,059**	116,158	**149,088**	96,153
Accrued lease payable	**198,759**	166,246	**198,759**	162,875
Accrued other expenses payable	**718,405**	568,373	**522,515**	361,230
	₱3,842,525	₱2,627,619	**₱3,342,152**	₱2,283,948

20. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Financial liabilities				
Accounts payable	**₱3,426,924**	₱3,131,826	**₱2,248,710**	₱1,827,956
Due to PDIC	**628,142**	531,645	**628,142**	531,645
Acceptances payable	**348,738**	469,518	**357,832**	469,518
Other credits−dormant	**241,720**	281,008	**241,720**	213,681
Due to the Treasurer of the Philippines	**386,930**	43,174	**378,871**	33,950
Margin deposits	**3,359**	3,004	**3,359**	3,004
Expected credit losses on off−balance sheet exposures	**1,629,150**	–	**1,619,131**	–
Miscellaneous (Note 23)	**682,487**	938,901	**301,701**	430,041
	7,347,450	5,399,076	**5,779,466**	3,509,795
Nonfinancial liabilities				
Withholding taxes payable	**325,508**	202,174	**270,346**	155,320
Retirement liabilities (Note 24)	**8,686**	119,451	–	–
	334,194	321,625	**270,346**	155,320
	₱7,681,644	₱5,720,701	**₱6,049,812**	₱3,665,115

Accounts payable includes payables to suppliers and service providers, and loan payments and other charges received from customers in advance.

Off-balance sheet exposures (see Note 30) subject to ECL include syndicated and long-term lines. ECL for these exposures that was recognized on January 1, 2018 amounted to ₱1.67 billion for the Group and ₱1.61 billion for the Parent Company.

Miscellaneous mainly includes sundry credits, inter−office float items, and dormant deposit accounts.

21. Other Operating Income and Miscellaneous Expenses

Service Charges, Fees and Commissions

Details of this account are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Service and collection charges:						
Deposits	**₱606,051**	₱540,323	₱597,294	**₱606,051**	₱539,941	₱535,397
Loans	**330,520**	276,054	214,237	**330,520**	34,758	40,301
Remittances	**303,817**	311,768	302,184	**47,397**	311,768	302,184
Others	**109,290**	112,725	114,791	**107,652**	99,116	93,452
	1,349,677	1,240,870	1,228,506	**1,091,620**	985,583	971,334
Fees and commissions	**1,427,605**	1,200,854	894,963	**438,107**	409,415	348,114
	₱2,777,283	₱2,441,724	₱2,123,469	**₱1,529,727**	₱1,394,998	₱1,319,448

Trading and Securities Gain − Net

This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
AFS financial assets	**(₱2,104)**	₱363,350	₱918,673	**(₱2,451)**	₱340,351	₱856,031
Financial assets designated at FVPL (Note 9)	**(36,766)**	170,352	111,615	**(40,831)**	170,352	111,615
Held−for−trading (Note 9)	**(224,583)**	(55,257)	(135,709)	**(224,583)**	(112,458)	(138,286)
Derivative assets (Note 25)	**(19,827)**	(3,510)	23,510	**(19,827)**	(3,510)	23,510
HTM financial assets	**11,728**	5,025	–	**11,728**	5,025	–
	(₱271,552)	₱479,960	₱918,089	**₱(275,964)**	₱399,760	₱852,870

Miscellaneous Income

Details of this account are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Bancassurance (Note 11)	**₱357,786**	₱360,009	₱383,483	**₱357,786**	360,009	383,483
Dividends (Note 9)	**127,084**	91,073	193,229	**126,386**	91,073	193,229
Recovery of charged off assets	**144,924**	199,014	18,734	**100,517**	184,272	10,523
Rental on bank premises	**111,572**	111,651	91,591	**80,388**	83,911	67,134
Fund transfer fees	**49,171**	59,682	50,658	**49,171**	59,682	50,658
Rental safety deposit boxes	**26,341**	24,933	24,627	**26,341**	24,825	24,269
Miscellaneous income (Notes 12, 13 and 15)	**444,863**	670,161	116,122	**389,545**	587,884	70,801
	₱1,261,741	₱1,516,523	₱878,445	**₱1,130,134**	₱1,391,657	₱800,097

On April 11, 2017, the BTr paid the Group the final tax withheld (FWT) from the proceeds of the Poverty Eradication and Alleviation Certificates (PEACe) bonds last October 18, 2011, plus 4.00% interest per annum from October 19, 2011 to April 10, 2017. Total settlement amount were paid in the form of 3−year Retail Treasury Bonds with interest of 4.25% per annum. The settlement resulted in gain amounting to ₱381.65 million and ₱356.77 million for the Group and Parent Company, respectively, which is presented under 'Miscellaneous income' in 2017.

Miscellaneous Expenses

Details of this account are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Information technology	**₱231,895**	₱402,314	₱108,458	**₱231,895**	₱339,214	₱227,627
Service charges	**500,459**	219,430	225,889	**452,540**	219,430	225,889
Litigations	**198,011**	176,602	117,363	**65,157**	22,815	43,261
Freight	**37,593**	38,909	34,331	**24,352**	27,953	27,354
Broker's fee	**35,843**	39,129	12,403	**31,891**	39,128	12,403
Clearing and processing fee	**22,024**	21,252	27,379	**17,355**	16,320	24,525
Membership fees and dues	**17,756**	18,642	29,329	**16,260**	17,160	28,135
Miscellaneous expense	**1,011,053**	951,274	518,834	**779,702**	808,638	352,295
	₱ 2,054,634	₱1,867,552	₱1,073,986	**₱ 1,619,152**	₱1,490,658	₱941,489

22. 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, 2018 and 2017 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the respective reporting date:

	Consolidated					
	2018			2017		
	Within Twelve Months	**Over Twelve Months**	**Total**	Within Twelve Months	Over Twelve Months	Total
Financial assets						
Cash and other cash items	**₱15,639,474**	**₱–**	**₱15,639,474**	₱12,685,984	₱–	₱12,685,984
Due from BSP	**101,889,773**	**–**	**101,889,773**	98,490,014	–	98,490,014
Due from other banks	**9,455,447**	**–**	**9,455,447**	15,641,476	–	15,641,476
Interbank loans receivable and SPURA	**11,998,040**	**–**	**11,998,040**	18,751,845	–	18,751,845
Financial assets at FVPL	**6,273,368**	**1,322,894**	**7,596,262**	12,730,270	3,508,618	16,238,888
Financial assets at FVOCI AFS financial assets – gross	**1,364,962**	**8,732,542**	**10,097,504**	7,389,865	39,094,353	46,484,218
Investment securities at amortized cost HTM financial assets	**9,893,261**	**163,018,876**	**172,912,137**	628,196	64,658,071	65,286,267
Loans and receivables – gross	**166,260,382**	**346,629,390**	**512,889,772**	163,581,848	292,036,163	455,618,011
Accrued interest receivable – gross	**6,000,736**	**–**	**6,000,736**	3,883,957	–	3,883,957
Other assets – gross	**3,294,964**	**1,121,036**	**4,416,000**	3,188,970	1,223,673	4,412,643
	332,070,407	**520,824,738**	**852,895,145**	336,972,425	400,520,878	737,493,303
Nonfinancial assets						
Bank premises, furniture, fixtures and equipment – net of accumulated depreciation and amortization	–	**6,450,458**	**6,450,458**	–	6,877,012	6,877,012
Investment properties – net of accumulated depreciation	–	**6,064,835**	**6,064,835**	–	6,509,539	6,509,539
Deferred tax assets	–	**2,514,889**	**2,514,889**	–	1,778,081	1,778,081
Investments in associates	–	**335,092**	**335,092**	–	329,422	329,422
Intangible assets	–	**4,215,199**	**4,215,199**	–	4,104,032	4,104,032
Goodwill	–	**839,748**	**839,748**	–	839,748	839,748
Other assets – gross	**1,351,634**	**1,211,331**	**2,562,965**	1,281,008	1,292,209	2,573,217
	1,351,634	**21,631,552**	**22,983,186**	1,281,008	21,730,043	23,011,051
Allowance for impairment and credit losses (Note 16)			**(9,551,150)**			(8,748,958)
Unearned discounts (Note 10)			**(255,535)**			(307,886)
			(9,806,685)			(9,056,844)
			₱866,071,646			₱751,447,510
Financial liabilities						
Deposit liabilities	**682,760,286**	**39,363,010**	**722,123,296**	₱602,734,404	₱32,358,989	₱635,093,393
Bills payable	**39,826,532**	–	**39,826,532**	20,118,031	–	20,118,031
Manager's checks	**2,577,175**	–	**2,577,175**	2,441,042	–	2,441,042
Accrued interest and other expenses*	**2,098,994**	**352,335**	**2,451,329**	1,114,252	267,189	1,381,441
Derivative liabilities	**455,150**	–	**455,150**	267,533	–	267,533
Other liabilities	**6,110,225**	**1,213,812**	**7,324,037**	5,399,076	–	5,399,076
	733,828,362	**40,929,157**	**774,757,519**	632,074,338	32,626,178	664,700,516
Nonfinancial liabilities						
Accrued interest and other expenses	**161,542**	**1,229,654**	**1,391,196**	105,468	1,140,710	1,246,178
Deferred tax liabilities	**–**	**1,231,145**	**1,231,145**	–	1,161,653	1,161,653
Income tax payable	**477,585**	**–**	**477,585**	362,041	–	362,041
Other liabilities	**325,508**	**32,102**	**357,610**	202,174	119,451	321,625
	₱734,792,997	**₱43,422,058**	**₱778,215,055**	₱632,744,021	₱35,047,992	₱667,792,013

*Accrued interest and other expenses include accrued interest payable and accrued other expenses payable (Note 19).

	Parent Company					
	2018			2017		
	Within Twelve Months	**Over Twelve Months**	**Total**	Within Twelve Months	Over Twelve Months	Total
Financial assets						
Cash and other cash items	**₱13,705,304**	**₱–**	**₱13,705,304**	₱11,160,173	₱–	₱11,160,173
Due from BSP	**95,092,944**	**–**	**95,092,944**	91,717,037	–	91,717,037
Due from other banks	**7,837,894**	**–**	**7,837,894**	14,066,620	–	14,066,620
SPURA	**8,998,040**	**–**	**8,998,040**	17,347,522	–	17,347,522
Financial assets at FVPL	**5,366,903**	**1,322,894**	**6,689,796**	12,633,520	3,423,303	16,056,823
AFS financial assets – gross	**1,059,474**	**7,153,536**	**8,213,010**	6,733,105	36,210,301	42,943,406
HTM financial assets	**6,852,074**	**157,187,330**	**164,039,404**	346,208	61,187,285	61,533,493
Loans and receivables – gross	**144,064,744**	**303,001,501**	**447,066,245**	136,176,920	255,754,257	391,931,177
Accrued interest receivable – gross	**5,171,374**	**–**	**5,171,374**	3,247,352	–	3,247,352
Other assets – gross	**1,773,527**	**224,035**	**1,997,562**	1,927,221	208,496	2,135,717
	289,922,279	**468,889,296**	**758,811,575**	295,355,678	356,783,642	652,139,320
Nonfinancial assets						
Bank premises, furniture, fixtures and equipment – net of accumulated depreciation and amortization	**–**	**5,265,386**	**5,265,386**	–	5,464,582	5,464,582
Investment properties – net of accumulated depreciation	**–**	**2,309,762**	**2,309,762**	–	2,756,921	2,756,921
Deferred tax assets	**–**	**1,739,219**	**1,739,219**	–	1,297,271	1,297,271
Investments in subsidiaries	**–**	**14,333,567**	**14,333,567**	–	13,560,733	13,560,733
Investment in associates	**–**	**335,092**	**335,092**	–	329,422	329,422
Intangible assets	**–**	**915,531**	**915,531**	–	800,861	800,861
Goodwill	**–**	**222,841**	**222,841**	–	222,841	222,841
Other assets – gross	**1,056,495**	**756,160**	**1,812,655**	895,082	991,386	1,886,468
	1,056,495	**25,877,558**	**26,934,054**	895,082	25,424,017	26,319,099
Allowances for impairment and credit losses (Note 16)			**(7,284,317)**			(6,921,550)
Unearned discounts (Note 10)			**(208,377)**			(267,099)
			(7,492,694)			(7,188,649)
			₱778,252,935			₱671,269,770
Financial liabilities						
Deposit liabilities	**606,235,158**	**32,008,204**	**638,243,362**	₱534,657,559	₱24,578,420	₱559,235,979
Bills payable	**39,826,532**	–	**39,826,532**	20,118,031	–	20,118,031
Manager's checks	**2,069,812**	–	**2,069,812**	1,709,248	–	1,709,248
Accrued interest and other expenses*	**2,035,662**	–	**2,035,662**	1,068,572	–	1,068,572
Derivative liabilities	**455,150**	–	**455,150**	267,533	–	267,533
Other liabilities	**5,779,467**	–	**5,779,467**	3,509,795	–	3,509,795
	656,401,780	**32,008,204**	**688,409,985**	561,330,738	24,578,420	585,909,158
Nonfinancial liabilities						
Accrued interest and other expenses	**149,088**	**1,157,402**	**1,306,490**	96,153	1,119,223	1,215,376
Income tax payable	**414,233**	–	**414,233**	339,155	–	339,155
Other liabilities	**270,346**	–	**270,346**	155,320	–	155,320
	₱657,235,448	**₱33,165,606**	**₱690,401,055**	₱561,921,366	₱25,697,643	₱587,619,009

*Accrued interest and other expenses include accrued interest payable and accrued other expenses payable (Note 19).

23. Equity

The Parent Company's capital stock consists of (amounts in thousands, except for number of shares):

	2018		2017	
	Shares	**Amount**	**Shares**	**Amount**
Common stock – ₱10.00 par value				
Authorized – shares	**3,300,000,000**		3,300,000,000	
Issued and outstanding				
Balance at beginning of year	**2,684,771,716**	**₱26,847,717**	2,002,027,836	₱20,020,278
Stock rights	–	–	483,870,967	4,838,710
Additional issuance of shares	**1,128,096**	**11,281**	–	–
Stock dividends*	–	–	198,872,913	1,988,729
	2,685,899,812	**₱26,858,998**	2,684,771,716	₱26,847,717

*The stock dividends declared include fractional shares equivalent to 1,009 and 1,060 in 2018 and 2017, respectively.

The Parent Company shares are listed in the Philippine Stock Exchange.

Stock Rights Offering

On February 22, 2017, the BOD authorized the Parent Company to conduct a rights issue by way of offering common shares to certain eligible shareholders. The BSP approved the stock rights offering on March 6, 2017.

Each eligible shareholder was entitled to one share, at ₱31.00 apiece, per 4.1375 existing common shares as of April 19, 2017. The stock rights offering yielded a subscription of 483,870,967 common shares which were listed at the Philippine Stock Exchange on May 10, 2017. The total proceeds of the stock rights offering amounted to ₱14.9 billion, net of stock issuance cost of ₱52.09 million which was deducted from additional paid in capital.

The additional capital enabled the Parent Company to grow its loan portfolio, expand its branch network, and support its other strategic business initiatives.

Increase in the Parent Company's Authorized Capital Stock

On March 15, 2017 and May 4, 2017 the BOD approved and the stockholders ratified, respectively, the increase in the Parent Company's authorized capital stock from ₱25.00 billion to ₱33.00 billion, or from 2.50 billion to 3.30 billion shares with par value of ₱10.00 per share. The increase in the Parent Company's authorized capital stock was subsequently approved by the BSP and the SEC on August 2, 2017 and September 29, 2017, respectively.

On June 7, 2017, the Parent Company and the Trust and Asset Management Group (on behalf of the CBC Employees Retirement Plan) entered into a subscription agreement whereas the latter will subscribe to 1,128,096 new common shares of the Parent Company at a subscription price per share equal to the higher between the closing price of the Parent Company's stock dividend or the par value of ₱10.00 per share.

On January 24, 2018, the BOD of the Parent Company, during a special board meeting, confirmed the issuance of the shares to CBC Employees Retirement Plan in accordance with the subscription agreement which was paid at a subscription price of ₱33.40 per share (closing price of the Group's shares at the Philippine Stock Exchange on October 20, 2018 which is the record date of the Parent Company's stock dividend).

The summarized information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares*
April 12, 1991	100,000
October 7, 1993	150,000
August 30, 1994	200,000
July 26, 1995	250,000
September 12, 1997	500,000
September 5, 2005	1,000,000
September 14, 2007	1,600,000
September 5, 2008	2,000,000
August 29, 2014	2,500,000
September 29, 2017	3,300,000

** Restated to show the effects of the ten−for−one stock split in 2012*

As reported by the Parent Company's transfer agent, Stock Transfer Service, Inc., the total number of stockholders is 1,928 and 1,934 as of December 31, 2018 and 2017, respectively.

Dividends

Details of the Parent Company's cash dividend payments follow:

Cash Dividends

Date of Declaration	Date of Record	Date of Payment	Cash Dividend Per Share
May 03, 2018	May 17, 2018	June 01, 2018	0.83
May 04, 2017	May 18, 2017	June 02, 2017	0.80
May 05, 2016	May 23, 2016	June 03, 2016	1.00
May 07, 2015	August 12, 2015	September 09, 2015	1.00
May 08, 2014	September 19, 2014	October 15, 2014	1.00
May 02, 2013	July 19, 2013	August 14, 2013	1.20

Stock Dividends

Date of Declaration	Date of Record	Date of Payment	Stock Dividend Per Share
March 15, 2017	October 20, 2017	November 03, 2017	8%
May 05, 2016	May 23, 2016	June 03, 2016	8%
May 07, 2015	August 12, 2015	September 09, 2015	8%
May 08, 2014	September 19, 2014	October 15, 2014	8%
May 02, 2013	July 19, 2013	August 14, 2013	10%

Surplus

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, 2018 and 2017, 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 (Note 12). 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 associates amounting to ₱1.64 billion and ₱851.57 million as of December 31, 2018 and 2017, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and 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.

Upon adoption of PFRS 9, BSP requires appropriation of a portion of the Group's Retained Earnings at an amount necessary to bring to at least 1% the allowance for credit losses on loans.

As of January 1, 2018 and December 31, 2018, the accumulated amount of appropriation to surplus reserves amounted to P2.43 billion and P2.75 billion, respectively. Appropriation for the year amounted to P312.82 million (Note 16).

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, 2018 and 2017.

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 (RWA), 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 RWA are computed based on BSP regulations. RWA consists 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 BSP guidelines took effect on July 1, 2007. Thereafter, banks were required to compute their CAR using these guidelines.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard & Poor's, Moody's and Fitch, while PhilRatings were used on peso–denominated exposures to Sovereigns, MDBs, Banks, LGUs, Government Corporations, Corporates.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk–based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi–banks, in accordance with the Basel III standards. The circular took effect on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and this ratio shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2016. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The CAR of the Group and the Parent Company as of December 31, 2018 as reported to the BSP are shown in the table below.

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
	(Amounts in Million Pesos)			
CET 1 Capital	**₱84,726**	₱78,086	**₱81,957**	₱77,161
Less: Regulatory Adjustments	**10,492**	7,434	**17,208**	13,854
	74,234	70,652	**64,749**	63,307
Additional Tier 1 Capital		–	–	–
Less: Regulatory Adjustments		–	–	–
		–	–	–
Net Tier 1 Capital	**74,234**	70,652	**64,749**	63,307
Tier 2 Capital	**5,659**	3,970	**4,982**	3,410
Less: Regulatory Adjustments	**–**	–	**–**	–
Net Tier 2 Capital	**5,659**	3,970	**4,982**	3,410
Total Qualifying Capital	**₱79,893**	₱74,622	**₱69,731**	₱66,717

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
	(Amounts in Million Pesos)			
Credit RWA	**₱565,777**	₱480,956	**₱498,030**	₱451,457
Market RWA	**5,154**	7,665	**5,204**	7,540
Operational RWA	**39,470**	36,047	**31,877**	28,526
Total RWA	**₱610,401**	₱524,668	**₱535,110**	₱487,523
CET 1 capital ratio	**12.16%**	13.47%	**12.10%**	14.02%
Tier 1 capital ratio	**12.16%**	13.47%	**12.10%**	14.02%
Total capital ratio	**13.09%**	14.22%	**13.03%**	14.78%

The Parent Company has complied with all externally imposed capital requirements throughout the period.

The issuance of BSP Circular No. 639 covering the ICAAP in 2009 supplements the BSP's risk–based capital adequacy framework under Circular No. 538. In compliance with this circular, the Parent Company has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Parent Company. The level and structure of capital are assessed and determined in light of the Parent Company's business environment, plans, performance, risks and budget, as well as regulatory edicts. BSP requires submission of an ICAAP document every March 31. The Group has complied with this requirement.

24. **Retirement Plan**

The Group has separate funded noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. The retirement plans are administered by the Parent Company's Trust Group which acts as the trustee of the plans. 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, 2018.

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The amounts of net defined benefit asset in the balance sheets follow:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Net plan assets (Note 15)	**₱777,827**	₱995,050	**₱756,159**	₱991,386
Retirement liabilities (Note 20)	**(8,686)**	(119,451)	–	–
	₱769,141	₱875,599	**₱756,159**	₱991,386

The movements in the defined benefit asset, present value of defined benefit obligation and fair value of plan assets follow:

	Consolidated 2018											
		Net benefit cost				Remeasurements in OCI						
	January 1, 2018	**Current service cost**	**Net interest**	**Net pension expense***	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in demographic assumptions**	**Changes in remeasurement gains (losses)**	**Contribution by employer**	**December 31, 2018**
	(a)	**(c)**	**(d)**	**(e) = c + d**	**(f)**	**(g)**	**(h)**	**(i)**		**(j) = g + h + i**	**(k)**	**(l) = a + b + e + f + j + k**
Fair value of plan assets	**4,868,423**	**–**	**272,914**	**272,914**	**(275,805)**	**(619,071)**	**–**	**–**		**(619,071)**	**612,788**	**4,859,249**
Present value of defined benefit obligation	**3,992,824**	**431,972**	**223,936**	**655,907**	**(275,805)**	**–**	**38,390**	**(321,209)**		**(282,819)**		**4,090,108**
Net defined benefit asset	**875,599**	**(431,972)**	**48,978**	**(382,994)**	**–**	**(619,071)**	**(38,390)**	**321,209**		**(336,251)**	**612,788**	**769,141**

**Presented under Compensation and fringe benefits in the statements of income.*

	Consolidated 2017											
		Remeasurements in OCI										
		Net benefit cost										
	January 1, 2017	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Changes in remeasurement gains (losses)	Contribution by employer	December 31, 2017
	(a)	(c)	(d)	(e) = c + d	(f)	(g)	(h)	(i)		(j) = g + h + i	(k)	(l) = a + b + e + f + j + k
Fair value of plan assets	₱4,521,109	₱–	₱217,203	₱217,203	(₱288,014)	(₱153,076)	₱–	₱–	₱–	(₱153,076)	₱571,200	₱4,868,423
Present value of defined benefit obligation	3,911,041	375,598	188,654	564,252	(288,014)	–	48,675	(₱243,130)	₱–	(194,455)	–	3,992,824
Net defined benefit asset	₱610,068	(₱375,598)	₱28,549	(₱347,049)	₱–	(₱153,076)	(₱48,675)	₱243,130	₱–	₱41,379	₱571,200	₱875,599

**Presented under Compensation and fringe benefits in the statements of income.*

	Parent Company 2018										
		Net benefit cost				Remeasurements in OCI					
	January 1, 2018	**Current service cost**	**Net interest**	**Net pension expense***	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Changes in remeasurement gains (losses)**	**Contribution by employer**	**December 31, 2018**
	(a)	**(c)**	**(d)**	**(e) = c + d**	**(f)**	**(g)**	**(h)**	**(i)**	**(j) = g + h + i**	**(k)**	**(l) = a + b + e + f + j + k**
Fair value of plan assets	**4,558,199**	**–**	**255,259**	**255,259**	**(235,193)**	**(590,629)**	**–**	**–**	**(590,629)**	**480,000**	**4,467,637**
Present value of defined benefit obligation	**3,566,814**	**324,756**	**199,742**	**324,956**	**(235,193)**	**–**	**97,785**	**(245,646)**	**(147,861)**	**–**	**3,711,477**
Net defined benefit asset	**991,386**	**(324,756)**	**55,518**	**(69,697)**	**–**	**(590,629)**	**97,785**	**245,646**	**(442,768)**	**480,000**	**756,160**

**Presented under Compensation and fringe benefits in the statements of income.*

	Parent Company 2017										
		Net benefit cost				Remeasurements in OCI					
	January 1, 2017	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Changes in remeasurement gains (losses)	Contribution by employer	December 31, 2017
	(a)	(c)	(d)	(e) = c + d	(f)	(g)	(h)	(i)	(j) = g + h + i	(k)	(l) = a + b + e + f + j + k
Fair value of plan assets	₱4,315,996	₱–	₱206,736	₱206,736	(₱273,001)	(₱141,532)	₱–	₱–	(₱141,532)	₱450,000	₱4,558,199
Present value of defined benefit obligation	3,561,242	264,989	170,583	435,573	(273,001)	–	50,525	(207,525)	(157,000)	–	3,566,813
Net defined benefit asset	₱754,754	(₱264,989)	₱36,153	(₱288,837)	–	(₱141,532)	(₱50,525)	₱207,525	₱15,468	₱450,000	₱991,386

**Presented under Compensation and fringe benefits in the statements of income.*

The Group and the Parent Company is recommended to contribute to its defined benefit pension plan in 2019 amounting to ₱614.33 million and ₱453.28 million.

In 2018 and 2017, the major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Parent Company shares (Note 29)	**31.54%**	36.30%	**33.76%**	38.75%
Equity instruments	**23.83%**	20.97%	**21.76%**	21.59%
Cash and cash equivalents	**10.17%**	9.94%	**9.07%**	7.54%
Debt instruments	**19.39%**	14.74%	**19.39%**	12.93%
Other assets	**15.08%**	18.05%	**16.03%**	19.19%
	100.00%	100.00%	**100.00%**	100.00%

The following table shows the breakdown of fair value of the plan assets:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Due from BSP	**₱–**	₱–	**₱–**	₱–
Deposits in banks	**479,650**	486,822	**399,395**	345,702
Financial assets at FVPL	**868,381**	993,381	**839,145**	967,053
AFS financial assets		–		–
Quoted debt securities	**969,754**	513,233	**832,834**	404,197
Quoted equity securities	**46,101**	33,652	**15,023**	23,121
Parent Company shares	**1,487,360**	1,777,250	**1,487,360**	1,777,250
Investments in unit investment trust fund	**145,203**	199,557	**117,097**	179,913
Corporate bonds	**8,750**	8,750	**8,750**	8,750
Loans and receivable	**523,483**	688,029	**520,663**	685,179
Investment properties*	**162,323**	143,799	**162,323**	143,799
Other assets	**25,444**	52,078	**23,019**	51,219
	₱4,716,449	₱4,896,551	**₱4,405,609**	₱4,586,183

* Investment properties comprise properties located in Manila.

The carrying value of the plan assets of the Group and Parent Company amounted to ₱4.7 billion and ₱4.90 billion, respectively, as of December 31, 2018, and ₱4.41 billion and ₱4.59 billion, respectively, as of December 31, 2018

The principal actuarial assumptions used in 2018 and 2017 in determining the retirement asset (liability) for the Group's and Parent Company's retirement plans are shown below:

	2018					
	Parent	**CBSI**	**CIBI**	**CBC–PCCI**	**CBCC**	**CBSC**
Discount rate:						
January 1	**5.60%**	**5.63%**	**5.82%**	**5.82%**	**5.85%**	**5.85%**
December 31	**7.15%**	**7.27%**	**7.33%**	**7.33%**	**7.38%**	**7.4%**
Salary increase rate	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**

	2017					
	Parent	CBSI	CIBI	CBC–PCCI	CBCC	CBSC
Discount rate:						
January 1	4.79%	5.08%	5.14%	5.14%	5.19%	–
December 31	5.60%	5.63%	5.82%	5.82%	5.85%	5.85%
Salary increase rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

The sensitivity analysis below has been determined based on the impact of reasonably possible changes of each significant assumption on the defined benefit liability as of the end of the reporting period, assuming all other assumptions were held constant:

December 31, 2018	Parent	CBSI	CIBI	CBC−PCCI	CBCC	CBSC
Discount rate						
(+1%)	**(₱84,696)**	**(₱28,746)**	**(₱469)**	**(₱1,980)**	**(₱1,001)**	**(₱206)**
(−1%)	**133,008**	**37,942**	**608**	**2,504**	**1,260**	**272**
Salary increase rate						
(+1%)	**126,701**	**36,802**	**598**	**2,443**	**1,236**	**268**
(−1%)	**(83,078)**	**(28,456)**	**(470)**	**(1,969)**	**(1,002)**	**(207)**

December 31, 2017	Parent	CBSI	CIBI	CBC−PCCI	CBCC	CBSC
Discount rate						
(+1%)	(₱176,120)	(₱39,471)	(₱1,138)	(₱6,434)	(₱1,157)	(₱218)
(−1%)	266,156	50,838	1,568	11,519	1,460	285
Salary increase rate						
(+1%)	250,898	48,520	1,504	11,019	1,414	272
(−1%)	(171,429)	(38,611)	(1,115)	(6,328)	(1,146)	(212)

The weighted average duration of the defined benefit obligation are presented below:

	December 31, 2018	December 31, 2017
Parent Company	**13**	13
CBSI	**18**	18
CIBI	**19**	19
CBC−PCCI	**19**	19
CBCC	**23**	22
CBSC	**25**	–

The maturity analyses of the undiscounted benefit payments as of December 31, 2018 and 2017 are as follows:

December 31, 2018	Parent	CBSI	CIBI	CBC−PCCI	CBCC	CBSC
1 year and less	**₱1,020,830**	**₱9,552**	**₱1,578**	**₱538**	**₱–**	**₱–**
More than 1 year to 5 years	**1,112,345**	**81,367**	**1,306**	**17,652**	**–**	**–**
More than 5 years to 10 years	**2,349,644**	**210,666**	**10,410**	**36,531**	**5,015**	**–**
More than 10 years to 15 years	**2,537,302**	**715,066**	**5,796**	**54,937**	**–**	**–**
More than 15 years to 20 years	**4,117,126**	**972,734**	**–**	**141,549**	**103,091**	**3,741**
More than 20 years	**27,553,459**	**11,606,160**	**455,722**	**1,097,718**	**381,490**	**182,074**

December 31, 2017	Parent	CBSI	CIBI	CBC–PCCI	CBCC	CBSC
1 year and less	₱927,473	₱12,666	₱–	₱17,059	₱–	₱–
More than 1 year to 5 years	935,382	70,067	1,571	8,957	–	2,038
More than 5 years to 10 years	2,183,572	178,995	16,915	47,035	5,212	665
More than 10 years to 15 years	2,452,767	635,724	8,790	60,509	13,184	–
More than 15 years to 20 years	3,614,035	1,034,331	–	151,035	103,356	1,751
More than 20 years	22,632,896	10,283,386	477,064	1,267,884	402,263	164,340

25. **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, 2018 and 2017 amounted to US$515.77 million and US$228.48 million, respectively, while the sell US dollar forward contracts amounted to US$313.38 million and US$164.89 million, respectively. Weighted average buy US dollar forward rate as of December 31, 2018 is ₱53.52 and ₱51.13 in 2017, while the weighted average sell US dollar forward rates are ₱51.41 and ₱53.60, respectively.

The aggregate notional amounts of the outstanding buy Euro currency forwards as of December 31, 2018 and 2017 amounted to €127.10 million and €113 million, respectively. The weighted average buy Euro forward rates as of December 31, 2018 are ₱59.95 and ₱59.32 in December 31, 2017.

The aggregate notional amounts of the outstanding Futures as of December 31, 2018 and December 31, 2017 amounted to US$5 million and nil, respectively.

The aggregate notional amounts of the outstanding IRS as of December 31, 2018 and 2017 amounted to ₱11.367 billion and ₱9.99 billion, respectively.

The aggregate notional amounts of the outstanding buy US Dollar NDF as of December 31, 2018 and 2017 amounted to US$40.00 million and US$5.00 million, respectively. The weighted average buy NDF rate as of December 31, 2018 is ₱52.93 and ₱49.85 in December.
As of December 31, 2018 and 2017, the fair values of derivatives follow:

	2018		2017	
	Derivative Asset	**Derivative Liability**	Derivative Asset	Derivative Liability
Currency forwards	**₱339,190**	**₱362,689**	₱294,873	₱235,787
IRS	**58,390**	**90,530**	28,963	31,746
Futures	**–**	**1,931**	–	–
Warrants	**10,268**	**–**	9,751	–
	₱407,848	**₱455,150**	₱333,587	₱267,533

Fair Value Changes of Derivatives

The net movements in fair value changes of derivative instruments are as follows:

	2018	2017
Balance at beginning of year	**66,053**	(₱26,910)
Fair value changes during the year	**(288,211)**	132,805
Settled transactions	**174,855**	(39,841)
Balance at end of year	**(47,302)**	₱66,054

The net movements in the value of the derivatives are presented in the statements of income under the following accounts:

	2018	2017	2016
Foreign exchange gain (loss)	**(82,585)**	₱96,401	(₱283,973)
Trading and securities gain (loss)* (Note 21)	**(30,771)**	(3,437)	23,510
	(113,356)	₱92,964	(₱260,463)

*Net movements in the value related to embedded credit derivatives and IRS.

26. 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 2018, 2017 and 2016 amounted to ₱844.24 million, ₱782.30 million and ₱681.05 million, respectively, for the Group, and ₱541.24 million, ₱518.47 million and ₱450.53 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	
	2018	2017	**2018**	2017
Within one year	**₱557,275**	₱601,876	**₱543,366**	₱551,239
After one year but not more than five years	**2,349,845**	2,230,498	**1,898,564**	1,984,453
After five years	**1,119,114**	1,335,370	**713,620**	915,394
	₱4,026,233	₱4,167,744	**₱3,155,550**	₱3,451,086

The Group and the Parent Company have also entered into commercial property leases on its investment properties (Note 13).

Future minimum rentals receivable under noncancellable operating leases follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Within one year	**₱10,906**	₱26,521	**₱9,068**	₱19,913
After one year but not more than five years	**19,688**	19,246	**13,202**	1,042
After more than five years	**15,466**	7,810	**–**	–
	₱46,060	₱53,577	**₱22,270**	₱20,955

27. 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 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 FCDUs and OBUs is taxed at 7.50% (now 15% effective January 1, 2018), while all other income of the FCDU is subject to the 30.00% corporate tax.

<u>Relevant Tax Updates</u>
Republic Act 10963, The Tax Reform for Acceleration and Inclusion (TRAIN), is first package of the comprehensive tax reform program of the government. The bill was signed into law on December 19, 2017 and took effect on January 1, 2018, amending some provisions of the old Philippine tax system.

Except for resident foreign corporations, which is still subject to the existing rate of 7.5%, tax on interest income of foreign currency deposit was increased to 15% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds and others are now subjected to a higher rate.

<u>RR 4-2011</u>
On March 15, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 4−2011 which prescribed the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU and within RBU.

On April 6, 2015, the Bank and other member banks of the Bankers Association of the Philippines (BAP), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati (Makati Trial Court). Further, in Civil Case No. 15-287, the Bank and other BAP member banks assailed the validity of RR 4-2011 on the ground, among others, that (a) the RR violates the petitioner-banks substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribes method of allocation; and (e) it violates the equal protection clause of the Constitution.

On April 8, 2015, the Makati Trial Court issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 25, 2015, Makati Trial Court issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 4-2011 against the Bank and other BAP member banks, including issuing Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the Makati Trial Court issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Bank and other BAP member banks are concerned.

On May 25, 2018, the Makati Trial Court issued a decision annulling RR 4-2011 and making the Writ of Preliminary Injunction permanent.

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		
	2018	2017	2016	**2018**	2017	2016
Current						
Final tax	**₱908,756**	₱677,450	₱498,750	**₱836,560**	₱607,136	₱458,011
RCIT	**1,070,191**	977,968	907,782	**926,792**	829,109	785,800
MCIT	**46,051**	–	–	**–**	–	–
	2,024,998	1,655,418	1,406,532	**1,763,352**	1,436,245	1,243,811
Deferred	**246,424**	(166,241)	(279,980)	**495,882**	206,239	(160,672)
	₱2,271,422	₱1,489,177	₱1,126,552	**₱2,259,234**	₱1,642,484	₱1,083,139

The details of net deferred tax assets (liabilities) follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Net deferred tax assets on:				
Allowance for impairment and credit losses	**₱2,806,637**	₱2,567,623	**₱2,340,436**	₱2,076,465
Revaluation Increment on land (Notes 11 and 22)	**(547,405)**	(547,405)	**(547,405)**	(547,405)
Fair value adjustments on asset foreclosure and dacion transactions – net of depreciated portion	**346,238**	(29,533)	**25,437**	(222)
Net defined benefit asset	**(243,812)**	(297,416)	**(228,277)**	(297,416)
Others	**151,403**	84,812	**149,029**	65,849
	₱2,514,889	₱1,778,080	**₱1,739,219**	₱1,297,271

	Consolidated	
	2018	2017
Net deferred tax liabilities on:		
Fair value adjustments on asset foreclosure and dacion transactions – net of depreciated portion	**₱245,547**	₱210,577
Fair value adjustments on net assets (liabilities) of PDB and Unity Bank	**812,84)**	805,515
Others	**169,095**	145,501
	₱1,229,316	₱1,161,653

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	
	2018	2017	**2018**	2017
Allowance for impairment and credit losses	**₱2,809,469**	₱2,306,353	**₱163,062**	₱–
Accrued compensated absences	–	171,431	–	65,384
NOLCO	**329,959**	–	–	–
Excess of MCIT over RCIT	**46,122**	–	–	–
Others	**34,572**	371,427	–	–
	₱3,220,122	₱2,849,211	₱163,062	₱65,384

As of December 31, 2018, details of the Subsidiary's NOLCO are as follows:

InceptionYear	Original Amount	Used Amount	Expired Amount	Remaining Balance	Expiry Year
2015	₱–	₱–	₱–	₱–	2015
2016	–	–	–	–	2016
2017	–	–	–	–	2017
2018	329,959	–	–	329,959	2018
	₱329,959	₱–	₱–	₱329,959	

As of December 31, 2018, details of the excess of MCIT over RCIT of the Subsidiary follow:

InceptionYear	Original Amount	Used Amount	Expired Amount	Remaining Balance	Expiry Year
2015	₱35,414	₱35,313	₱101	₱–	2016
2016	–	–	–	–	2017
2017	–	–	–	–	2018
2018	46,122	–	–	46,122	2019
	₱81,536	₱35,313	₱101	₱46,122	

The reconciliation of the statutory income tax to the provision for income tax follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Statutory income tax	**₱3,116,258**	₱2,703,632	₱2,276,256	**₱3,110,883**	₱2,746,937	₱2,262,431
Tax effects of						–
FCDU income	**(250,305)**	(498,029)	(549,881)	**(252,809)**	(496,062)	(543,591)
Non–taxable income	**(984,372)**	(939,179)	(219,042)	**(895,392)**	(837,850)	(179,507)
Interest income subjected to final tax	**(318,857)**	(279,914)	(464,491)	**(276,675)**	(266,103)	(604,445)
Nondeductible expenses	**827,904**	771,915	243,937	**676,253**	612,065	146,205
Others	**(119,204)**	(269,248)	(160,227)	**(103,027)**	(116,503)	2,046
Provision for income tax	**₱2,271,422**	₱1,489,177	₱1,126,552	**₱2,259,224**	₱1,642,484	₱1,083,139

28. 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 (Note 30).

In compliance with the requirements of current banking regulations relative to the Parent Company's trust functions : (a) government bonds included under HFT financial assets and AFS financial assets with total face value of ₱1.781 billion and ₱1.176 billion as of December 31, 2018 and 2017, respectively, are deposited with the BSP as security for the Parent Company's faithful compliance with its fiduciary obligations (Note 9); 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.

29. 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,
- significant investors
- 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 normally made in the ordinary course of business and based on the terms and conditions discussed below.

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 ₱47.60 million and ₱44.38 million, respectively, in 2018, ₱42.89 million and ₱41.69 million, respectively, in 2017, and ₱44.35 million and ₱41.41 million, respectively, in 2016.

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.

A summary of transactions with related party retirement plans follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Deposits in banks	**₱560,672**	₱486,822	**₱399,395**	₱345,702
AFS financial assets	**1,479,097**	1,777,250	**1,479,097**	1,777,250
Dividend income	**45,301**	47,751	**45,301**	47,751
Interest income	**16,882**	2,037	**13,311**	1,520
Total market value of shares	**1,479,097**	1,777,250	**1,479,097**	1,777,250
Number of shares held	**54,579**	51,571	**54,579**	51,571

In 2016, dividend income and interest income of the retirement plan from investments and placements in the Parent Company amounted to ₱44.21 million and ₱2.07 million, respectively, for the Group, and ₱44.21 million and ₱1.17 million, respectively, for the Parent Company.

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.

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 ManCom to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Short–term employee benefits	**₱533,995**	₱482,345	₱380,394	**₱441,361**	₱408,311	₱315,284
Post–employment benefits	**5,064**	2,501	4,774	**4,418**	2,501	2,194
	₱539,059	₱484,846	₱385,168	**₱445,778**	₱410,812	₱317,478

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 (4.00%) of the Parent Company's net earnings, with certain deductions in accordance with BSP regulation. Non–executive directors do not receive any performance–related compensation. Directors' remuneration covers all Parent Company's 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 10.

Group

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

	December 31, 2018		
Category	**Amount / Volume**	**Outstanding Balance**	**Terms and Conditions**
Significant Investor			
Loans and receivables		**₱6,766,500**	Partially secured Loans with interest rate of 2 – 5.12% and maturity of two to seven years.
Issuances	**₱86,125,000**		
Repayments	**(2,350,000)**		
Deposit liabilities		**374**	These are checking accounts with annual average rate of 0.13%.
Deposits	**2,532,609**		
Withdrawals	**(2,532,493)**		
Associate			
Deposit liabilities		**166,372**	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	**487,691**		
Withdrawals	**(399,123)**		
Key Management Personnel			
Loans and receivables		**488**	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	**388**		
Repayments	**(39,213)**		
Deposit liabilities		**79,241**	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	**406,225**		
Withdrawals	**(350,120)**		
Other Related Parties			
Deposit liabilities		**238,933**	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**35,337,503**		
Withdrawals	**(35,165,054)**		

	December 31, 2017		
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans and receivables		₱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%.
Deposits	3,164,475		
Withdrawals	(3,164,441)		
Associate			
Deposit liabilities		77,722	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	1,175,969		
Withdrawals	(1,386,319)		
Key Management Personnel			
Loans and receivables		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%.
Deposits	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%.
Deposits	16,038,034		
Withdrawals	(16,008,489)		

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2018, 2017, and 2016 follow:

	Significant Investor			**Associate**		
	2018	2017	2016	**2018**	2017	2016
Interest income	**₱42,601**	₱169,706	₱138,944	**₱–**	₱–	₱–
Interest expense	**3**	61	12	**168**	1,849	1,513

	Key Management Personnel			**Other Related Parties**		
	2018	2017	2016	**2018**	2017	2016
Interest income	**₱7,921**	₱17,102	₱385	**₱–**	₱–	₱–
Interest expense	**2,121**	47	40	**2,129**	69	11

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.

	December 31, 2018		
Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investor			
Loans and receivables		**₱6,766,500**	These are secured loans with interest rate of 5.13% and maturity of four years; collateral includes shares of stocks with fair value of ₱28.44 billion
Issuances	**₱86,125,000**		
Repayments	**(2,350,000)**		
Deposit liabilities		**374**	These are checking accounts with annual average rate of 0.13%.
Deposits	**2,532,609**		
Withdrawals	**(2,532,493)**		
Subsidiaries			
Deposit liabilities		**114,339**	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**3,668,567**		
Withdrawals	**(3,587,029)**		
Associate			
Deposit liabilities		**₱166,291**	These are savings accounts with annual average interest rates ranging from0.25% to 1.00%.
Deposits	**₱487,691**		
Withdrawals	**(399,123)**		
Key Management Personnel			
Loans and receivables		**488**	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%
Issuances	**388**		
Repayments	**(39,213)**		
Deposit liabilities		**14,569**	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	**365,236**		
Withdrawals	**(369,439)**		
Other Related Parties			
Deposit liabilities			These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**35,229,849**	**113,937**	
Withdrawals	**(35,167,475)**		

	December 31, 2017		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Loans and receivables		₱6,682,725	These are secured loans with interest rate of 5.13% and maturity of four years; collateral includes shares of stocks with fair value of ₱28.44 billion
Issuances	₱5,624,213		
Repayments	(1,651,488)		
Deposit liabilities		257	These are checking accounts with annual average rate of 0.13%.
Deposits	3,164,475		
Withdrawals	(3,164,441)		
Subsidiaries			
Deposit liabilities		32,801	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	330,111		
Withdrawals	(311,528)		
	December 31, 2017		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Associate			
Deposit liabilities		₱77,722	These are savings accounts with annual average interest rates ranging from0.25% to 1.00%.
Deposits	₱1,175,969		
Withdrawals	(1,386,319)		
Key Management Personnel			
Loans and receivables		952	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%
Issuances	417		
Repayments	(714)		
Deposit liabilities		18,772	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	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%.
Deposits	16,038,034		
Withdrawals	(16,008,489)		

In 2017, the Parent Company sold its investment property to a related party for a total cash selling price of ₱161.58 million and recognized gain of ₱142.61 million.

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2018, 2017 and 2016 in relation to amounts due from related parties.

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2018, 2017 and 2016 follow:

	Subsidiaries			Associate		
	2018	2017	2016	**2018**	2017	2016
Interest expense	**₱375**	₱46	₱33	**₱168**	₱1,849	₱1,513

	Key Management Personnel			Other Related Parties		
	2018	2017	2016	**2018**	2017	2016
Interest income	**₱11,277**	₱46	₱56	**₱–**	₱–	₱–
Interest expense	**19**	47	40	**131**	69	11

	Significant Investor		
	2018	2017	2016
Interest income	**₱42,601**	₱169,706	₱138,944
Interest expense	**3**	61	12

Outright purchases and outright sale of debt securities of the Parent Company with its subsidiaries in 2018 and 2017 follow:

	Subsidiaries	
	2018	2017
Peso−denominated		
Outright purchase	**₱817,030**	₱675,016
Outright sale	**4,246,628**	18,902,488
Dollar – denominated (equity)		
Outright purchase	**5,117**	–
Outright sale	**41,400**	–

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

	Subsidiaries		
	2018	2017	**Nature, Terms and Conditions**
Balance Sheet			
Accounts receivable	**₱1,242**	₱2,741	This pertains to various expenses advanced by CBC in behalf of CBSI
Security deposits	**2,270**	2,736	This pertains to the rental deposits with CBSI for office space leased out to the Parent Company
Accounts payable	**4,858**	10,607	This pertains to various unpaid rental to CBSI

	Subsidiaries			
	2018	2017	2016	**Nature, Terms and Conditions**
Income Statement				
Miscellaneous income	**₱1,800**	₱1,800	₱1,800	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 agreement between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee
Occupancy cost	**19,937**	24,532	22,255	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	**204,749**	193,651	169,658	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 the BSP, the Group discloses loan transactions with its and affiliates and investees and with certain directors, officers, stockholders and related interests (DOSRI). Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non–risk as defined in the regulations.

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:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Total outstanding DOSRI loans	**₱10,273,436**	₱11,507,281	**₱10,268,296**	₱11,500,850
Percent of DOSRI loans granted under regulations existing prior to BSP Circular No. 423	–	–	–	–
Percent of DOSRI loans granted under BSP Circular No. 423	–	–	–	–
Percent of DOSRI loans to total loans	**2.00%**	2.54%	**2.30%**	2.95%
Percent of unsecured DOSRI loans to total DOSRI loans	**1.78%**	1.52%	**1.77%**	1.51%
Percent past due DOSRI loans to total DOSRI loans	–	–	–	–
Percent of non–performing DOSRI loans to total DOSRI loans	–	–	–	–

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.

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.

30. 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	
	2018	2017	**2018**	2017
Trust department accounts (Note 28)	**₱133,806,226**	₱131,813,251	**₱133,806,226**	₱131,577,983
Committed credit lines	**122,804,833**	152,806,666	**122,280,671**	150,471,220
Unused commercial letters of credit (Note 29)	**20,978,009**	21,596,174	**20,829,020**	21,383,196
Foreign exchange bought	**37,359,690**	18,736,175	**37,359,690**	18,736,175
Foreign exchange sold	**24,678,551**	15,179,964	**24,678,551**	15,179,964
Credit card lines	**12,568,703**	10,359,997	**12,568,703**	10,359,997
IRS receivable	**11,366,980**	9,991,390	**11,366,980**	9,991,390
Outstanding guarantees issued	**944,262**	3,079,993	**420,100**	744,547
Inward bills for collection	**2,563,604**	2,386,848	**2,563,604**	2,386,848
Standby credit commitment	**3,149,787**	2,274,398	**3,149,787**	2,274,398
Spot exchange sold	**3,624,709**	1,399,180	**3,624,709**	1,399,180
Spot exchange bought	**3,247,995**	996,333	**3,247,995**	996,333
Deficiency claims receivable	**287,647**	291,831	**287,647**	219,831
Late deposits/payments received	**495,347**	127,832	**458,675**	116,313
Outward bills for collection	**55,135**	93,772	**53,211**	91,943
Others	**1,846**	1,614	**1,694**	1,354

There are several suits, assessments or notices and claims that remain contested. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.

31. 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:

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 Group's funding operations by 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 Group's businesses are organized to cater to the banking needs of market segments, facilitate customer engagement, ensure timely delivery of products and services as well as achieve cost efficiency and economies of scale. Accordingly, the corresponding segment information for all periods presented herein are restated to reflect such change.

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 President.

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.

The Group has no significant customers which contributes 10.00% 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, 2018, 2017 and 2016:

	Lending Business			Retail Banking Business		
	2018	2017	2016	**2018**	2017	2016
Results of Operations						
Net interest income						
Third party	**₱19,034,015**	₱13,876,995	₱11,234,520	**(₱871,505)**	₱855,933	₱477,635
Intersegment	**(12,956,205)**	(8,438,704)	(6,185,045)	**11,763,393**	7,915,744	7,067,165
	6,077,810	5,438,291	5,049,475	**10,891,888**	8,771,677	7,544,800
Other operating income	**1,794,959**	1,317,298	907,182	**1,619,591**	1,465,962	1,234,356
Total revenue	**7,872,769**	6,755,589	5,956,657	**12,511,479**	10,237,639	8,779,156
Other operating expense	**(1,559,750)**	(2,294,490)	(2,228,638)	**(7,138,661)**	(6,536,859)	(5,759,880)
Income before income tax	**6,313,019**	4,461,099	3,728,019	**5,372,818**	3,700,780	3,019,276
Provision for income tax	**210,176**	236,856	96,461	**–**	–	(6,833)
Net income	**₱6,523,195**	₱4,697,955	₱3,824,480	**₱5,372,818**	₱3,700,780	₱3,012,443
Total assets	**₱376,187,705**	₱299,052,197	₱251,890,331	**₱471,540,704**	₱431,622,883	₱361,036,278
Total liabilities	**4,819,787**	1,171,742	2,233,433	**499,955,967**	444,030,414	₱365,417,688
Depreciation and amortization	**73,475**	61,988	51,266	**437,201**	378,597	₱313,745
Provision for impairment and credit losses	**₱(328,404)**	₱668,360	₱916,974	**₱103,780**	₱238,645	₱126,025
Capital expenditures	**₱66,105**	₱63,136	₱451,770	**₱148,179**	₱118,378	₱647,525

	Financial Markets			Other Business and Support Units		
	2018	2017	2016	**2018**	2017	2016
Results of Operations						
Net interest income						
Third party	**₱4,028,486**	₱1,661,494	₱2,039,741	**₱735,189**	₱3,231,982	₱2,942,296
Intersegment	**(434,176)**	1,124,033	(424,779)	**1,626,988**	(601,073)	(457,341)
	3,594,310	2,785,527	1,614,962	**2,362,177**	2,630,909	2,484,955
Other operating income	**522,523**	879,737	1,386,223	**1,721,223**	2,438,697	1,566,985
Total revenue	**4,116,833**	3,665,264	3,001,185	**4,083,401**	5,069,606	4,051,943
Other operating expense	**(916,021)**	(1,264,773)	(959,151)	**(8,582,525)**	(6,619,869)	(5,253,750)
Income before income tax	**3,200,812**	2,400,491	2,042,034	**(4,499,124)**	(1,550,263)	(1,201,807)
Provision for income tax	**(730,643)**	(547,624)	(388,807)	**(1,750,956)**	(1,178,409)	(827,373)
Net income	**₱2,470,169**	₱1,852,867	1,653,227	**₱(6,250,080)**	(₱2,728,672)	(2,029,180)
Total assets	**₱170,463,397**	₱168,052,729	₱128,281,917	**(₱152,120,165)**	(₱147,280,299)	(₱108,010,515)
Total liabilities	**₱88,040,610**	₱140,321,883	₱124,409,814	**₱185,398,690**	₱82,267,974	₱77,750,872
Depreciation and amortization	**₱49,433**	₱41,852	₱30,449	**₱737,576**	₱735,052	₱729,326
Provision for impairment and credit losses	**₱51,689**	₱–	₱–	**₱314,011**	(₱152,834)	(₱192,453)
Capital expenditures	**₱60,838**	₱63,795	₱230,076	**₱299,388**	₱389,402	(₱193,719)

	Total		
	2018	2017	2016
Results of Operations			
Net interest income			
Third party	**₱22,926,186**	₱19,626,404	₱16,694,192
Intersegment	**–**	–	–
	22,926,186	19,626,404	16,694,192
Other operating income	**5,658,296**	6,101,694	5,094,746
Total revenue	**28,584,482**	25,728,098	21,788,941
Other operating expense	**(18,196,956)**	(16,715,991)	(14,201,419)
Income before income tax	**10,387,526**	9,012,107	7,587,522
Provision for income tax	**(2,271,422)**	(1,489,177)	(1,126,552)
Net income	**₱8,116,104**	₱7,522,930	₱6,460,970
Total assets	**₱866,071,642**	₱751,447,510	₱633,198,011
Total liabilities	**₱778,215,053**	₱667,792,013	₱569,811,807
Depreciation and amortization	**₱1,297,685**	₱1,217,489	₱1,124,786
Provision for impairment and credit losses	**₱141,076**	₱754,171	₱850,546
Capital expenditures	**₱574,510**	₱634,711	₱1,135,652

The Group's share in net income (loss) of an associate included in other operating income amounting to ₱101.01 million, ₱73.13 million and (₱89.38 million) in 2018, 2017 and 2016, respectively are reported under 'Other Business and Support Units'.

32. Earnings Per Share

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:

	2018	2017	2016
a. Net income attributable to equity holders of the parent	**₱8,110,379**	₱7,513,972	₱6,458,296
b. Weighted average number of common shares outstanding (Note 23)	**2,685,826**	2,581,182	2,243,086
c. EPS (a/b)	**₱3.02**	₱2.91	₱2.88

As of December 31, 2018, 2017 and 2016, there were no outstanding dilutive potential common shares.

33. Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Return on average equity	**9.54%**	10.01%	10.42%	**9.54%**	10.01%	10.32%
Return on average assets	**1.04%**	1.12%	1.16%	**1.17%**	1.27%	1.33%
Net interest margin	**3.10%**	3.11%	3.20%	**2.97%**	2.91%	3.03%

34. Supplementary Information for Cash Flow Analysis

The following is a summary of certain non–cash investing activities that relate to the analysis of the statements of cash flows:

	Consolidated		
	2018	2017	2016
Addition to investment properties from settlement of loans	**₱523,343**	₱579,089	₱784,415
Fair value gain in AFS financial assets	**(451,786)**	158,946	405,722
Cumulative translation adjustment	**(52,900)**	(15,970)	(3,637)
Addition to chattel mortgage from settlement of loans	**626,182**	559,283	334,553

	Parent Company		
	2018	2017	2016
Addition to investment properties from settlement of loans	**₱240,680**	₱126,652	₱296,844
Fair value gain in AFS financial assets	**(381,791)**	113,020	405,722
Cumulative translation adjustment	**(58,792)**	(16,197)	(3,637)
Addition to chattel mortgage from settlement of loans	**20,135**	10,824	19,088

The following table shows the reconciliation analysis of liabilities arising from financing activities for the period ended December 31, 2018:

	2018		2017	
Balance at beginning of year		**₱20,118,031**		₱16,954,998
Cash flows during the year				
Proceeds	**184,568,424**		252,268,556	
Settlement	**(171,215,735)**	**13,352,688**	(249,219,839)	3,048,717
Non−cash changes				
Foreign exchange movement	**4,132,800**		71,613	
Amortization of transaction cost	**2,223,012**	**6,355,812**	42,703	114,316
Balance at end of year		**₱39,826,532**		₱20,118,031

35. **Offsetting of Financial Assets and Liabilities**

The amendments to PFRS 7 require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table.

December 31, 2018						
				Effects of remaining rights of set−off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a−b]	Financial instruments	Fair value of financial collateral	Net exposure [c−d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
SPURA	**₱7,000,000**		**₱7,000,000**	**₱7,000,000**	**₱7,000,000**	**₱0**
Currency forwards	**129,322**		**129,322**	**33,933**		**95,389**
IRS	**28,198**		**28,198**	**3,481**		**24,717**
	₱7,157,525		**₱7,157,525**	**₱7,037,414**	**₱7,000,000**	**₱120,105**
Financial liabilities						
Bills payable	**₱27,372,201**		**₱27,372,201**	**₱34,689,129**	**₱32,547,479**	**₱0**
Currency forwards	**52,249**		**52,249**	**33,933**		**18,316**
IRS	**20,963**		**20,963**	**4,481**		**17,481**
	₱27,448,413		**₱27,448,413**	**₱34,726,543**	**₱32,547,479**	**₱35,798**

December 31, 2017

Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a–b]	Effects of remaining rights of set–off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c–d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Financial assets						
SPURA	₱18,751,845		₱18,751,845	₱18,751,845	₱18,749,98	₱1,865
Currency forwards	117,562	₱	117,562	32,748	–	84,814
IRS	28,963	–	28,963	₱8,361	–	20,602
	₱146,525	–	₱146,525	₱41,109	–	₱105,416
Financial liabilities						
Bills payable	₱14,306,179					
Currency forwards	62,555	₱–	₱14,306,179	₱17,984,923	₱17,453,765	₱–
IRS	31,745	–	62,555	32,748	–	29,807
	31,745	–	31,745	8,361	–	23,384

The amounts disclosed in column (d) include those rights to set−off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non−cash collateral, excluding the extent of over−collateralization.

36. 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 1, 2019.

37. Supplementary Information Required 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 2018.

Gross receipts tax	₱1,195,417
Documentary stamps tax	1,019,554
Local taxes	67,618
Fringe benefit tax	11,227
Others	14,131
Balance at end of year	₱2,307,948

Withholding Taxes

Details of total remittances of withholding taxes in 2018 and amounts outstanding as of December 31, 2018 are as follows:

	Total remittances	Amounts outstanding
Final withholding taxes	₱1,701,246	₱235,888
Withholding taxes on compensation and benefits	494,956	29,057
Expanded withholding taxes	134,058	9,050
	₱2,330,259	₱273,994

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
China Banking Corporation
8745 Paseo de Roxas cor. Villar St.
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of China Banking Corporation and Subsidiaries (the Group) and the parent company financial statements of China Banking Corporation (the Parent Company) as at December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 1, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332523, January 3, 2019, Makati City

March 1, 2019

CHINA BANKING CORPORATION
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2018

CHINA BANKING CORPORATION
8745 Paseo de Roxas corner Villar Street Makati City

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018
(Amounts in Thousands)

Unappropriated Retained Earnings, Beginning		**₱40,360,564**
Adjustments:		
Prior years non-actual/unrealized income net of tax (2007-2017)	(4,501,407)	
Transfer of revaluation increment to surplus	(1,277,277)	
Prior years net earnings of subsidiaries not available for dividends	(901,695)	
		(6,680,379)
Unappropriated Retained Earnings, As adjusted, Beginning		**33,680,185**
Add: Net income during the period	**8,110,379**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	101,009	
Unrealized foreign exchange gain- net (except those attributable to Cash and Cash Equivalents)	–	
Fair value adjustments (Mark-to-Market gains)	24,575	
Net earnings of subsidiaries not available for dividends	702,293	
Fair value adjustments of investment property resulting to gain	112,604	
Provision for deferred taxes	495,882	
Sub-total	**1,436,363**	
Add: Non-actual losses		
Loss on fair value adjustment on investment property (after tax)	**212,813**	
Net income actually earned/ realized during the period		**6,886,829**
Less: Cash dividend declarations during the period	2,229,297	
Appropriation of Retained Earnings during the period	371,691	
Appropriation to Surplus Reserves	2,732,628	
Effect of initial application of PFRS 9	2,640,071	
Unappropriated Retained Earnings, Ending, Available for Dividend Declaration		**(7,973,687)**
		₱ 32,593,327

CHINA BANKING CORPORATION
SCHEDULE II
LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
EFFECTIVE AS OF DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**	**Not Early Adopted**
Framework for the Preparation and Presentation of Financial Statements		✓			
Conceptual Framework Phase A: Objectives and qualitative Characteristics		✓			
PFRSs Practice Statement Management Commentary		✓			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓	
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓	
	Amendments to PFRS 1: Government Loans			✓	
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓	
PFRS 2	Share Based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
	Amendment to PFRS 2: Definition of Vesting Condition			✓	
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓	
PFRS 3 (Revised)	Business Combinations	✓			
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓	
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓	
	PFRS 3 – Amendments to PFRS 3, Business Combinations, Previously held interest in a joint operation				✓
	PFRS 3 – Definition of a Business				✓
PFRS 4	Insurance Contracts			✓	
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4			✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓			
	Amendment to PFRS 5: Changes in methods of disposal			✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PFRS 7: Transition	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 7 ***(cont'd)***	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓			
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	✓			
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments	✓			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓			
	Amendment to PFRS 8: Aggregation of segments, reconciliation of the total of the reportable segments' assets to the entity's assets	✓			
PFRS 9	Financial Instruments	✓			
	Prepayment Features with Negative Compensation				✓
PFRS 10	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Transition Guidance			✓	
	Amendments to PFRS 10: Investment Entities			✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*				✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓	

**On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.*

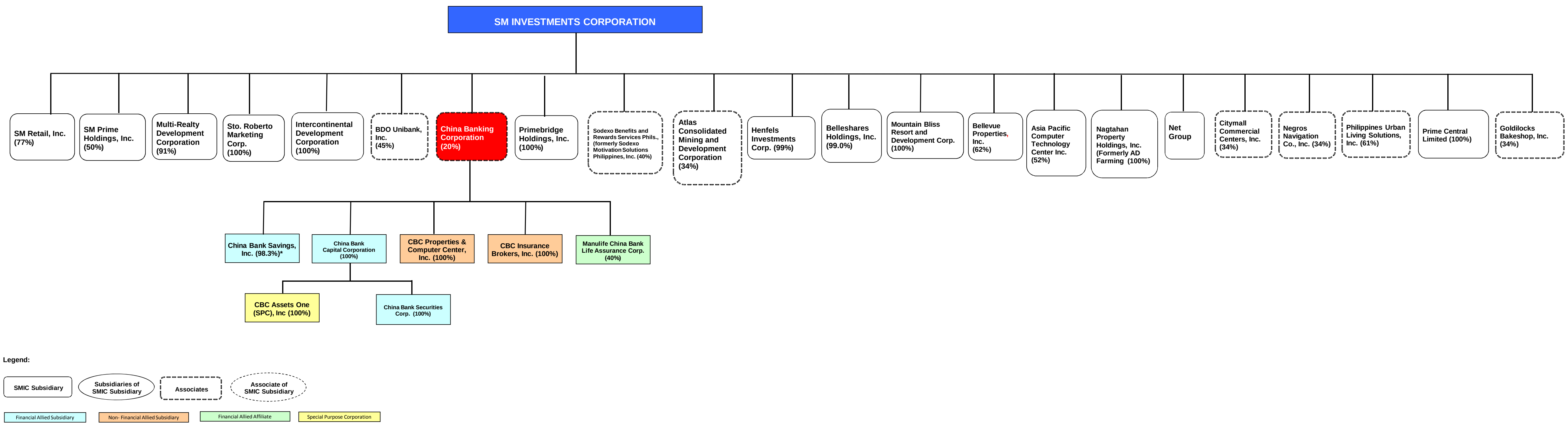
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 11	Joint Arrangements			✓	
	Amendments to PFRS 11: Transition Guidance			✓	
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓	
	Amendments to PFRS 11 – Joint Arrangements, Previously held interest in a joint operation				✓
PFRS 12	Disclosure of Interest in Other Entities	✓			
	Amendments to PFRS 12: Transition Guidance			✓	
	Amendments to PFRS 12: Investment Entities			✓	
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓	
PFRS 13	Fair Value Measurements	✓			
	Amendment to PFRS 13: Short-term Receivables and Payables	✓			
	Amendment to PFRS 13: Portfolio Exception			✓	
PFRS 14	Regulatory Deferral Accounts			✓	
PFRS 15	Revenue from contracts with customers	✓			
PFRS 16	Leases				✓
PFRS 17	Insurance Contracts				✓
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosure	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
	Amendments to PAS 1: Disclosure Initiative	✓			
	Definition of Material				✓
PAS 2	Inventories	✓			
PAS 7	Statement of Cash Flows	✓			
	Amendments to PAS 7: Disclosure Initiative	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
	Definition of Material				✓
PAS 10	Events after the Reporting Period	✓			
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 – Deferred Tax: Recovery of Underlying Assets	✓			
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓			
	PAS 12 - Income tax consequences of payments on financial instruments classified as equity				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
PAS 17	Leases	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓	
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓	
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓	
	PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement				✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation			✓	
PAS 23 (Revised)	Borrowing Costs			✓	
	Borrowing costs eligible for capitalization				✓
PAS 24 (Revised)	Related Party Disclosure	✓			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27 (Amended)	Separate Financial Statements	✓			
	Amendments for investment entities			✓	
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓			
PAS 28 (Amended)	Investments in Associates	✓			
	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓	
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓	
	Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures				✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 32 *(cont'd)*	Amendment to PAS 32: Classification of Rights Issues			✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting			✓	
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'			✓	
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓	
PAS 40	Investment Property	✓			
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓			
	Amendments to PAS 40: Transfers of Investment Property	✓			
PAS 41	Agriculture			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓			
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓	
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓	
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓	
IFRIC 10	Interim Financial Reporting and Impairment			✓	
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓	
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓	
IFRIC 21	Levies			✓	
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓	
IFRIC-23	Uncertainty over Income Tax Treatments				✓
SIC - 7	Introduction of the Euro			✓	
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			✓	
SIC - 15	Operating Leases - Incentives			✓	
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓	
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS OF DECEMBER 31, 2018



Notes:
% Refers to the Parent Company's Effective Ownership.

China Banking Corporation
Schedule A – Financial Assets
December 31, 2018
(Amounts in Thousands)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on market quotation at end of reporting period	Income accrued
Financial Assets at Fair Value through Profit or Loss				
Treasury Notes	₱902,487	₱838,662	₱838,662	₱8,517
Government Bonds	612,155	633,893	633,893	7,192
Treasury Bills	1,252,388	1,214,170	1,214,170	–
Private Bonds	3,220,846	3,189,063	3,189,063	9,735
Equity Shares	4,263,935 shares	513,230	513,230	
	788,700	799,395	799,395	18,485
Derivative assets	397,579	397,579	397,579	19,862
	19,529 warrants	10,268	10,268	–
		₱7,596,261	₱7,596,261	₱45,307
Financial Assets at Fair Value through Other Comprehensive Income				
Government Bonds	₱10,105,251	₱9,944,507	₱9,944,507	₱111,625
Private Bonds	42,526	35,370	35,370	–
Equities	18,852,518 shares	121,650	121,650	–
		₱10,101,527	₱10,101,527	₱111,625
Investment Securities at Amortized Cost				
Government Bonds	₱108,144,547	₱117,411,854	₱117,411,854	₱1,422,543
Private Bonds	54,812,500	55,125,181	55,125,181	310,561
	₱162,957,047	₱172,537,036	₱172,537,036	₱1,733,104

China Banking Corporation
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2018

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of period

The Group has no receivables from directors, officers, employees, related parties and principal stockholders that did not arise from ordinary course of business.

China Banking Corporation
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2018
(Amounts in Thousands)

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non- Current	Balance at end of period
China Bank Savings	₱2,741	₱1,242	₱2,741	₱–	₱1,242	₱–	₱1,242

China Banking Corporation
Schedule D - Intangible Assets - Other Assets
December 31, 2018
(Amounts in Thousands)

Description (i)	Beginning Balance	Additions at Cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending Balance
Branch Licenses	₱3,607,500	₱–	₱–	₱–	₱–	₱3,607,500
Software	496,533	144,123	115,840	–	68,646	593,462
Goodwill	839,748					839,748

(I) The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.

(II) For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

(III) If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

China Banking Corporation
Schedule E - Long-Term Debt
December 31, 2018
(Amounts in Thousand)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt' in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (	Interest Rate %	Maturity Date

None to Report

China Banking Corporation
Schedule F - Indebtedness to Related Parties
(Long-term from Related Companies)
December 31, 2018

Name of Related Parties [i]	Balance at beginning of period	Balance at end of period [ii]
	None to Report	

[i] The related parties named shall be grouped as in Schedule D. The information called shall be stated for any persons whose investments shown separately in such related schedule.
[ii] For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

China Banking Corporation
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2018

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding [(i)]	Amount owned by person of which statement is filed	Nature of guarantee [(ii)]

None to Report

[(i)] Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
[(ii)] There must be a brief statement of the nature of the guarantee, such as “Guarantee of principal and interest”, “Guarantee of Interest”, or “Guarantee of Dividends”. If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

China Banking Corporation
Schedule H - Capital Stock
December 31, 2018
(Absolute numbers of shares)

Title of Issue [i]	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties [ii]	Directors, officers and employees	Others [iii]
Common stock - ₱10 par value						
Authorized - shares	3,300,000,000					
Issued and outstanding		2,685,899,812		877,970,984	59,565,223	1,748,363,605

(i) Include in this column each type of issue authorized
(ii) Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.
(iii) Indicate in a note any significant changes since the date of the last balance sheet filed.

CHINA BANKING CORPORATION
SCHEDULE I- FINANCIAL SOUNDNESS INDICATORS

	2018	2017	2016
PROFITABILITY (%)			
Return on Assets[1]	**1.04**	1.12	1.16
Return on Equity[2]	**9.54**	10.01	10.42
Net Interest Margin[3]	**3.10**	3.11	3.20
Cost to Income Ratio	**63**	62	61
LIQUIDITY (%)			
Liquid Assets to Total Assets	**38**	36	34
Loans (net) to Deposit Ratio	**70**	71	71
ASSET QUALITY (%)			
Gross Non-Performing Loans Ratio [4]	**1.2**	1.4	1.9
Non-performing Loan (NPL) Cover	**167[6]**	99[5]	91[5]
SOLVENCY RATIOS			
Debt to Equity Ratio	**8.9**	8.0	9.0
Asset to Equity Ratio	**9.9**	9.0	10.0
Interest Rate Coverage Ratio[7]	**1.9**	2.3	2.5
CAPITALIZATION (%)			
Capital Adequacy Ratio			
CET 1 / Tier 1	**12.16**	13.47	11.30
Total CAR	**13.09**	14.22	12.21

Notes

1. Net income divided by average total assets for the period indicated. Average total assets is based on the average monthly balances for the respective periods indicated.

2. Net income divided by average total equity for the period indicated. Average total equity is based on the average monthly balances for the respective periods indicated.

3. Net interest income divided by average interest-earning assets which is based on the average monthly balances for the respective periods indicated. Interest-earning assets include due from other banks, due from BSP, securities purchased under resale agreement, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment securities at amortized cost and loans and receivables.

4. Total NPLs divided by loans and receivables, net of unearned discount and gross of allowance for credit and impairment losses.

5. Total allowance for impairment and credit losses on receivables from customers divided by total NPLs.

6. The sum of total allowance for impairment and credit losses on receivables from customers and retained earnings appropriated for general loan loss provision divided by total NPLs.

7. Net Income before Tax and Interest Expense divided by Interest Expense