



May 15, 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 17-Q as of March 31, 2019 filed with the Securities and Exchange Commission (SEC).

For your information and guidance.

Thank you.

Very truly yours,

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

CHINA BANKING CORPORATION

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

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SEC Registration Number

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(Company’s Full Name)

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

Patrick D. Cheng

(Contact Person)

885-5555

(Company Telephone Number)

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Month Day
(Fiscal Year)

1	7	-	Q
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(Form Type)

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Month Day
(Annual Meeting)

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(Secondary License Type, If Applicable)

Corporate Governance and Finance Dept.
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(Department Requiring this document)

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(Amended Articles Number/Section)

1,917

Total No. of Stockholders

Total Amount of Borrowings	

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SEC FORM 17-Q

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

1. For the quarter period ended March 31, 2019
2. Commission identification number 443
3. BIR Tax Identification No.. 000-444-210-000

CHINA BANKING CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)

CHINA BANK BUILDING 8745 PASEO DE ROXAS COR. VILLAR STS., MAKATI CITY 1226

7. Address of registrant's principal office Postal Code
8. Issuer's telephone number, including area code (02) 885-5555
9. Former name, former address and former fiscal year, if changed since last report NA
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock Outstanding	Amount of debt outstanding
<u>COMMON</u>	<u>2,685,899,812</u>	

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

Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE

COMMON

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached are the following:

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

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


Annex IX:	Management's Discussion
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PART II OTHER INFORMATION

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

SIGNATURES

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

Issuer	<u>CHINA BANKING CORPORATION</u>
	
Principal Financial/Accounting Officer/Controller	<u>PATRICK D. CHENG</u>
Signature and Title	<u>Chief Finance Officer</u>
Date.....	May 15, 2019

Part I – Financial Information

Item 1. Financial Statements

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as of December 31, 2018.

The accounting policies adopted are consistent with those of the previous financial year except for the following amendment to PFRS which became effective as of January 1, 2019.

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.

Lessees 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 recognized a right of use asset and lease liability for covered lease contracts.

- b. **Seasonality or Cyclicity of Interim Operations.** Changes in the Group's financial condition or operation were due more to external factors such as interest movements and cost of borrowings rather than seasonality or cyclical aspects.
- c. **Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.** Changes in nature and amounts in the financial statements were due more to market-related factors inherent in the nature of the issuer's business operations and are not considered unusual. Below

are some significant changes as explained in the Management's Discussions of Financial Condition and Results of Operation:

	March 31, 2019	December 31, 2018	Increase (Decrease)
Assets			
Cash and Other Cash Items	11,219,548	15,639,474	(4,419,926)
Due from Bangko Sentral ng Pilipinas	116,357,825	101,889,773	14,468,052
Interbank Loans Receivable and Securities Purchased Under Resale Agreement	—	11,998,040	(11,998,040)
Financial Assets at Fair Value through Profit or Loss	8,624,091	7,596,261	1,027,830
Financial Assets at Fair Value through Other Comprehensive Income	13,390,784	10,101,527	3,289,257
Investment Securities at Amortized Cost	193,117,445	172,537,036	20,580,409
Investments in Associates	407,467	335,092	72,375
Bank Premises, Furniture, Fixtures and Equipment - net	8,722,310	6,450,458	2,271,852
Liabilities			
Bills Payable	64,051,381	39,826,532	24,224,849
Income Tax Payable	606,735	477,585	129,150
Accrued Interest and Other Expenses	4,285,862	3,842,525	443,337
Derivative Liabilities	681,477	455,150	226,328
Other Liabilities	9,026,311	7,681,646	1,344,664
	March 31, 2019	March 31, 2018	Increase (Decrease)
Income			
Interest on Loans and Receivable	8,692,990	6,158,088	2,534,902
Interest on Trading and investments	2,448,514	1,182,092	1,266,422
Interest on Due from BSP and other banks	245,291	190,261	55,030
Trading and Securities Gain (Loss)	175,274	(292,934)	468,208
Service charges, fees and commissions	769,168	575,795	193,372
Foreign Exchange Gain (Loss) - net	(74,252)	140,201	(214,453)
Income from Asset Acquired	81,060	38,537	42,522
Miscellaneous	343,158	390,307	(47,149)
Expense			
Interest on Deposit Liabilities	4,987,904	2,153,882	2,834,022
Bills payable and other borrowings	470,170	84,992	385,177
Taxes and licenses	872,845	701,407	171,438
Occupancy costs	631,633	477,523	154,110
Provision for impairment and credit losses	273,356	171,494	101,862
Insurance	456,836	400,225	56,611
Repairs and Maintenance	37,197	33,898	3,299
Entertainment, amusement and recreation	70,721	57,656	13,065
Miscellaneous	968,022	755,510	212,512
Provision for Income Tax	288,554	231,370	57,184

- d. **Changes in Estimates of Amounts Reported.** There were no changes in estimates of amounts reported in prior interim periods of current financial year or in estimates of amounts reported in prior financial years.
- e. **Issuances, Repurchases, and Repayments of Debt and Equity Securities.** There were no issuances, repurchases and repayments of debt and equity securities made by the issuer.
- f. **Segment Information.** Operating businesses are recognized and managed separately according to the nature of business served, with each segment representing a strategic business unit. The Bank's comparative revenues and expenses by business segments are shown in Annex VII.
- g. **Dividends.** At the annual stockholders meeting held on May 2, 2019, the stockholders approved the declaration of ₱0.88 per share cash dividends. Cash dividend will be paid on May 31, 2019.

- h. **Effect of Changes in the Composition of the Enterprise during the Interim Period.**
There were no changes in the composition of the issuer including business combinations, acquisitions, or disposal of subsidiaries and long term investments, restructuring, and discontinuing operations during the period.
- i. **Changes in Contingent Liabilities or Contingent Assets.** There are various outstanding commitments and contingent liabilities but management does not anticipate any material losses as a result of these transactions.
- j. **Material Contingencies and Any Other Events.**
Capital Infusion to Manulife China Bank Life Assurance Corporation (MCBL). On February 22, 2019, the Bangko Sentral ng Pilipinas (BSP) approved the Bank's capital infusion of ₱40 million to Manulife China Bank Life Assurance Corporation (MCBL) to comply with the capitalization requirement of the Insurance Commission for insurance companies, which was paid on March 21, 2019.
- k. **Financial Risk Disclosure.** On April 3, 2019, the BOD affirmed the priority risk areas of the Bank considered in the 2019 ICAAP submission.

The Bank submitted its annually updated ICAAP document, in compliance with BSP requirements, on March 29, 2019. In the said document, the Bank retained the Pillar 1 Plus approach using the Pillar 1 capital as the baseline. The process of allocating capital for all types of risks above the Pillar 1 capital levels include quantification of capital buffer for Pillar 2 risks under normal business cycle/condition, in addition to the quantification based on the results of the Integrated Stress Test (IST). The adoption of the IST allows the Bank to quantify its overall vulnerability to market shocks and operational losses in a collective manner driven by events rather than in silo. The capital assessment in the document discloses that the Group and the Parent Company has appropriate and sufficient level of internal capital.

- l. **Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.** There were no material events subsequent to the end of the interim period that have been reflected in the financial statements for the period other than disclosed in Item g.
- m. **Material commitment for capital expenditures.** The Bank expects to incur capital expenditures related to the ongoing branch expansion plan and technology-related investments. Funding will be sourced internally.
- n. **Fair Value Measurement.** As of March 31, 2019 and December 31, 2018, except for the following financial instruments, the carrying values of the Group's financial assets and liabilities as reflected in the balance sheets and related notes approximate their respective fair values:

	March 31, 2019		December 31, 2018 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial Assets at Amortized Cost				
Government bonds	₱132,515,538	₱131,023,464	₱117,260,018	₱108,886,906
Private bonds	60,601,907	60,338,786	55,277,018	54,077,408
Loans and receivables				
Corporate and commercial loans	405,263,510	401,013,578	406,403,070	389,177,803
Consumer loans	89,689,408	88,471,276	85,688,187	85,222,099
Trade-related loans	12,139,043	12,437,829	13,662,914	13,283,538
Others	516,860	549,120	50,785	56,603
Sales contracts receivable	992,276	1,027,103	1,040,939	1,101,941
Financial Liabilities				
Deposit liabilities	313,457,362	306,977,905	321,343,811	299,666,264

As of March 31, 2019 and December 31, 2018, the fair value hierarchy of the Group's assets and liabilities are presented below:

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	2,628,682	223,820	-	2,852,502
Treasury notes	-	655,029	-	655,029
Treasury bills		1,414,077	-	1,414,077
Private bonds	1,206,999		-	1,206,999
Quoted equity shares	2,209,343			2,209,343
Derivative assets	-	286,140	-	286,140
Financial Assets at FVOCI				
Government bonds	4,320,555	8,869,622	-	13,190,177
Quoted private bonds	101,030		-	101,030
Quoted equity shares	81,211	-	-	81,211
Unquoted equity shares	18,365	-	-	18,365
	10,566,186	11,448,688	-	22,014,875
Financial liabilities at FVPL				
Derivative liabilities	-	681,477	-	681,477
	-	681,477	-	681,477
Fair values of assets carried at amortized cost/cost				
Investment securities at amortized cost				
Government bonds	131,023,464	-	-	131,023,464
Private bonds	60,338,786	-	-	60,338,786
Loans and receivables				
Corporate and commercial loans	-	-	401,013,578	401,013,578
Consumer loans	-	-	88,471,276	88,471,276
Trade-related loans	-	-	12,437,829	12,437,829
Others	-	-	549,120	549,120
Sales contracts receivable	-	-	1,027,103	1,027,103
Investment properties				
Land	-	-	5,593,799	5,593,799
Buildings and improvements	-	-	2,199,002	2,199,002
	191,362,249	-	511,291,707	702,653,957
Fair values of liabilities carried at amortized cost				
Deposit liabilities	-	-	306,977,905	306,977,905
	-	-	306,977,905	306,977,905

	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	P492,521	P141,372	P–	P633,893
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
	P9,969,698	P7,709,725	P–	P17,679,423
Financial liabilities at FVPL				
Derivative liabilities	P–	P455,150		P455,150
	P–	P455,150		P455,150

December 31, 2018 (Audited)				
	Level 1	Level 2	Level 3	Total
Government bonds	P108,886,906	P—		P108,886,906
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				
Land	—	—	8,696,956	8,696,956
Buildings and improvements	—	—	1,371,972	1,371,972
	P162,964,314	P—	P498,910,912	P661,875,227
Fair values of liabilities carried at amortized cost				
Deposit liabilities	P—	P—	P299,666,264	P299,666,264
	P—	P—	P299,666,264	P299,666,264

- o. **Related Party Transactions.** Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Transactions with Retirement Plans

Income earned by the Group from managing the retirement plans amounted to P12.06 million, and P12.32 million for the three-month periods ended March 31, 2019 and 2018. The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Trust Investment Committee (TIC) of the Parent Company. The members of the TIC are directors and key management personnel of the Parent Company.

Transactions with related party retirement plan follow:

	March 31, 2019	December 31, 2018 (Audited)
Balance Sheet		
Deposit in banks	P385,099	P560,672
Equity Investments	1,465,452	1,479,097
Total market value	1,465,452	1,479,097
Number of shares held	54,579	54,579
Three Months Ended March 31		
	2019	2018
Income Statement		
Dividend income	P54,579	P51,571
Interest income	6,364	3,622

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

Other Related Party Transactions

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

Category	March 31, 2019		
	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans and receivables		2,347,650	These are secured loans with interest rate of 5.13% and maturity of 5.12 years; collateral includes shares of stocks with fair value of P5.1 billion.
Issuances	—		
Repayments	(4,418,850)		
Deposit liabilities		1,146	These are checking accounts with annual average rate of 0.13%.
Deposits			

March 31, 2019			
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
Withdrawals	—		
Associates			
Deposit Liabilities		307,147	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	140,869		
Withdrawals	(13)		
Key Management Personnel			
Loans		280	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%;Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuance	—		
Repayments	(208)		
Deposit Liabilities		10,743	These are checking, savings and time deposit account with annual average interest rates ranging from 0.25% to 1.00%
Deposits	44,221		
Withdrawals	(48,046)		
Other Related Parties			
Deposit Liabilities		1,077,926	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposit	5,019,388		
Withdrawals	(4,055,400)		

December 31, 2018 (Audited)			
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans		P6,766,500	Partially secured Loans with interest rate of 2 - 5.12% and maturity of two to seven years..
Issuances	P86,125,000		
Repayments	(2,350,000)		
Deposit Liabilities		374	These are checking accounts with annual average rate of 0.13%.
Deposit	2,532,609		
Withdrawals	(2,532,493)		
Associates			
Deposit Liabilities		166,372	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	487,691		
Withdrawals	(399,123)		
Key Management Personnel			
Loans		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%.
Deposit	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%.
Deposit	35,337,503		
Withdrawals	(35,165,054)		

Other related parties pertain to subsidiaries of the significant investor.

Interest income earned and interest expense incurred from the above loans and deposit liabilities, respectively, for the three-month periods ended March 31, 2019 and March 31, 2018 are presented below:

	Significant Investor		Associate	
	March 31		March 31	
	2019	2018	2019	2018
Interest income	P11,738	P10,565	P—	P—
Interest expense	—	—	143	52
	Key Management Personnel		Other Related Parties	
	March 31		March 31	
	2019	2018	2019	2018
Interest income	P2	P7	P—	P—
Interest expense	4	6	32	33

Related party transactions of the Group with significant investor, associate and other related parties pertain to transactions of the Parent Company with these related parties.

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

		Subsidiaries	
	March 31, 2019	December 31, 2018	Nature, Terms and Conditions
Balance Sheet			
Accounts receivable	₱1,260	₱1,242	This pertains to various expenses advanced by CBC in behalf of CBSI
Security deposits	9,334	2,270	This pertains to the rental deposits with CBSI and CBCC for office space leased out to the Parent Company
Accounts payable	2,270	4,858	This pertains to various unpaid rental to CBSI

		Subsidiaries	
	March 31, 2019	March 31, 2018	Nature, Terms and Conditions
Income Statement			
Miscellaneous income	₱450	₱450	Human resources functions provided by the Parent Company to its subsidiaries such as recruitment and placement, training and development, salary and benefits development, systems and research, and employee benefits. Under the agreement between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee
Occupancy cost	5,003	4,956	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	17,824	45,407	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Annex I

(Amounts in thousands)

		March 2019	December 2018
		Unaudited	Audited
ASSETS			
Cash and Other Cash Items	P	11,219,548	15,639,474
Due from Bangko Sentral ng Pilipinas		116,357,825	101,889,773
Due from Other banks		9,325,693	9,455,447
Interbank Loans Receivable and Securities Purchased under Resale Agreements		-	11,998,040
Financial Assets at Fair Value through Profit or Loss		8,624,091	7,596,261
Financial Assets at Fair Value through Other Comprehensive Income		13,390,784	10,101,527
Investment Securities at Amortized Cost		193,117,445	172,537,036
Loans and Receivables - net		507,608,820	505,804,955
Accrued Interest Receivable		5,304,394	5,697,182
Investments in Associates		407,467	335,092
Bank Premises, Furniture, Fixtures and Equipment - net		8,722,310	6,450,458
Investment Properties		4,912,862	4,789,602
Deferred Tax Assets		2,594,810	2,514,889
Intangible Assets		4,197,507	4,202,599
Goodwill		839,748	839,748
Other Assets		6,232,719	6,219,559
	P	892,856,024	866,071,640
LIABILITIES AND EQUITY			
Liabilities			
Deposit Liabilities			
Demand		160,371,348	161,239,669
Savings		246,389,822	239,539,817
Time		313,457,362	321,343,811
		720,218,533	722,123,296
Bills Payable		64,051,381	39,826,532
Manager's Checks		2,564,892	2,577,175
Income Tax Payable		606,735	477,585
Accrued Interest and Other Expenses		4,285,862	3,842,525
Derivative Liabilities		681,477	455,150
Deferred Tax Liabilities		1,186,513	1,231,145
Other Liabilities		9,026,311	7,681,646
		802,621,704	778,215,054
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital Stock			
Common Stock - P10 par value			
Authorized - 3,300,000,000 shares			
Issued - 2,685,899,812 shares		26,858,998	26,858,998
Capital paid in excess of par value		17,122,626	17,122,626
Surplus Reserves		3,835,923	4,031,008
Surplus		42,666,451	40,497,255
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		(291,563)	(702,509)
Remeasurement Gain on Defined Benefit Asset		14,622	117,047
Remeasurement on Life Insurance Reserve of Associate		19,154	19,154
Cumulative Translation Adjustment		(552)	(91,699)
		90,225,659	87,851,879
Non-controlling Interest		8,661	4,708
		90,234,320	87,856,586
	P	892,856,024	866,071,640

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

	March 2019	December 2018
	Unaudited	Audited
CONTINGENT ACCOUNTS		
Unused commercial letters of credit	18,530,868	20,978,009
Outstanding guarantees Issued	679,257	944,262
Inward bills for collection	1,231,613	2,563,604
Outward bills for collection	72,170	55,135
IRS receivable	16,632,500	11,366,980
Spot exchange bought	5,359,297	3,624,709
Spot exchange sold	8,277,194	3,247,995
Forward exchange bought	47,439,739	37,359,690
Forward exchange sold	23,305,143	24,678,551
Trust department accounts	138,155,608	133,806,226
Credit card Lines	9,798,200	12,568,703
Late deposits/payments received	348,688	495,347
Deficiency claims receivable	287,172	287,647
Standby credit commitment	3,642,558	3,149,787
Others	570	1,846
	273,760,578	255,128,491

CHINA BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Annex II

(Amounts in thousands)

		MARCH 2019	MARCH 2018
INTEREST INCOME			
Loans and receivable	P	8,692,990	6,158,088
Trading and investments		2,448,514	1,182,092
Due from BSP and other banks		245,291	190,261
		11,386,795	7,530,441
INTEREST EXPENSES			
Deposit liabilities		4,987,904	2,153,882
Bills payable and other borrowings		470,170	84,992
		5,458,074	2,238,874
NET INTEREST INCOME		5,928,721	5,291,567
Trading and securities gain/(loss)		175,274	(292,934)
Service charges, fees and commissions		769,168	575,795
Foreign exchange gain- net		(74,252)	140,201
Income from asset acquired		81,060	38,537
Miscellaneous		343,158	390,307
TOTAL OPERATING INCOME		7,223,128	6,143,474
Compensation and fringe benefits		1,443,510	1,450,989
Taxes and licenses		872,845	701,407
Occupancy costs		631,633	477,523
Depreciation and amortization		320,035	363,815
Provision for impairment and credit losses		273,356	171,494
Insurance		456,836	400,225
Repairs and maintenance		37,197	33,898
Entertainment, amusement and recreation		70,721	57,656
Miscellaneous		968,022	755,510
TOTAL OPERATING EXPENSES		5,074,155	4,412,517
INCOME BEFORE INCOME TAX		2,148,972	1,730,956
PROVISION FOR INCOME TAX		288,554	231,370
NET INCOME	P	1,860,419	1,499,586
Attributable to:			
Equity holders of the parent		1,858,283	1,497,939
Non-controlling Interest		2,136	1,648
	P	1,860,419	1,499,586
Earnings Per Share			
a. Basic		3.15	2.86
b. Diluted *		3.15	2.86
Net Income		1,858,283	1,497,939
Weighted Ave. Number of Common Shares Outstanding		2,685,826	2,292,651

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

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Quarters Ended March 2019 and 2018

Annex III

(Amounts in thousands)

	MARCH 2019	MARCH 2018
Net Income	1,860,420	1,499,587
Other Comprehensive Income (Loss):		
<i>Items that recycle to profit or loss in subsequent periods:</i>		
Net unrealized gain (loss) on fair value through profit or loss		
Fair value gain(loss) for the year, net of tax	425,171	(110,797)
Gains taken to profit or loss	(12,384)	(18,291)
Share in Other Comprehensive Income of Subsidiaries:		
Surplus Reserves	(195,085)	1,265
Cumulative translation adjustment	91,467	6,492
<i>Items that do not recycle to profit or loss in subsequent periods:</i>		
Remeasurement gain on defined benefit asset or liability	(102,768)	(334)
Other Comprehensive Income for the year	206,400	(121,665)
Total Comprehensive Income for the year	2,066,822	1,377,921
Total comprehensive income attributable to:		
Equity holders of the Parent Company	2,062,867	1,375,422
Non-controlling Interest	3,953	2,499
	2,066,822	1,377,921

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands)

Annex IV

	Capital Paid in		Surplus Reserves	Surplus Free	Net unrealized gains (losses) on FVOCI	Remeasurement gain on defined benefit asset or liability	Remeasurement on life insurance reserve of an associate	Cumulative Translation Adjustment	Total	Minority Interest	Total Equity
	Capital Stock	Excess of Par Value									
Balance at December 31, 2018	26,858,998	17,122,626	4,031,008	40,497,256	(702,509)	117,047	19,154	(91,699)	87,851,880	4,708	87,856,589
Total comprehensive income for the year	-	-	-	1,858,283	410,946	(102,424)	-	91,147	2,257,952	3,953	2,261,904
Retained Earnings, appropriated	-	-	(195,085)	195,085	-	-	-	-	0	-	0
Other adjustments	-	-	-	115,827	-	-	-	-	115,827	-	115,827
Balance at March 31, 2019	26,858,998	17,122,626	3,835,923	42,666,451	(291,563)	14,622	19,154	(552)	90,225,659	8,661	90,234,320
Balance at December 31, 2017, as previously reported	26,847,717	17,096,228	926,689	40,360,564	(1,813,280)	283,763	(12,221)	(38,698)	83,650,763	4,736	83,655,500
Effect of initial application of PFRS 9:	-	-	-	(3,803,205)	1,761,420	-	-	-	(2,041,785)	-	(2,041,785)
Balance at December 31, 2017, as restated	26,847,717	17,096,228	926,689	36,557,359	(51,860)	283,763	(12,221)	(38,698)	81,608,978	4,736	81,613,714
Total comprehensive income for the year	-	-	1,265	1,497,939	(130,006)	(334)	-	6,558	1,375,422	2,499	1,377,921
Transfer from Surplus to Surplus Reserves	-	-	25,065	(25,065)	-	-	-	-	0	-	0
CBC shares subscription	11,281	26,397	-	-	-	-	-	-	37,678	-	37,678
Balance at March 31, 2018	26,858,998	17,122,626	953,019	38,030,233	(181,866)	283,429	(12,221)	(32,140)	83,022,079	7,235	83,029,314

CHINA BANKING CORPORATION
STATEMENTS OF CASH FLOWS
For the periods ended

Annex V

	MARCH		MARCH	
	2019		2018	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	2,148,972	P	1,730,956
Adjustment to reconcile income before income tax to net cash provided operations:				
Provision for probable losses		273,356		171,494
Depreciation and amortization		320,035		363,815
Trading Gain/Loss on FVOCI		410,946		(130,006)
Gain on sale of investment properties		(81,060)		(38,537)
Operating income before changes in operating assets and liabilities		3,072,250		2,097,722
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Financial assets at FVPL		(1,027,830)		2,764,067
Loans and receivables		(2,077,221)		(1,773,631)
Other assets		408,433		(396,305)
Increase (decrease) in the amounts of:				
Deposit liabilities		(1,904,763)		(21,454,677)
Manager's checks		(12,283)		(619,458)
Accrued interest and other expenses		443,337		409,813
Other liabilities		1,570,992		1,653,053
Net cash provided by operations		472,916		(17,319,416)
Income taxes paid		(283,958)		(165,153)
Net cash provided by operating activities		188,958		(17,484,568)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net additions to bank premises, furniture, fixtures and equipment		(2,591,887)		(337,133)
Adjustment of minority interest		38,636		35,443
Additional investment of an associate		1,817		852
Decrease (increase) in equity investments		(40,000)		-
Decrease (increase) in the amounts of:		(32,375)		-
Decrease (increase) in the amounts of:				
AFS financial assets		(3,289,257)		39,769,253
HTM financial assets		(20,580,409)		(41,925,017)
Net cash provided by (used in) investing activities		(26,493,476)		(2,456,602)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in bills payable		24,224,849		(7,684,258)
Issuance of additional shares		-		37,678
Net cash provided by financing activities		24,224,849		(7,646,579)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(2,079,669)		(27,587,749)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		15,639,474		12,685,984
Due from Bangko Sentral ng Pilipinas		101,889,773		98,490,014
Due from Other banks		9,455,447		15,641,476
Interbank loans receivable and securities purchased under resale agreements		11,998,040		18,751,845
		138,982,734		145,569,320
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		11,219,548		9,147,367
Due from Bangko Sentral ng Pilipinas		116,357,825		92,494,241
Due from Other banks		9,325,693		8,516,439
Interbank loans receivable and securities purchased under resale agreements		-		7,823,525
	P	136,903,066	P	117,981,572
Bills payable				
Balance at beginning of year		39,826,532		20,118,031
Cash flows during the year				
Proceeds	127,735,330		31,837,084	
Settlement	(114,234,806)	13,500,524	(40,571,134)	(8,734,050)
Non-cash changes				
Foreign exchange movement	(4,236,058)		1,049,792	
Amortization of transaction cost	14,960,383	10,724,325		1,049,792
Balance as of March 31		64,051,380		12,433,773

China Banking Corporation
Aging of Loans and Receivables
March 31, 2019

Annex VI

	Total	Current	90 days or less	91 to 180 days	181 days to 1 year	More than 1 year	Total Past Due	Items in Litigation
Loans and Receivables	514,647,667	506,863,490	2,596,949	744,726	978,636	2,554,104	6,874,415	909,763
Less: Allow for Probable Losses & Unamortized Discount	7,038,847							
Net Loans and Receivables	507,608,820							
Accounts Receivables	2,708,301	2,012,912	4,364	50,714	13,531	309,396	378,005	317,383
Less: Allowance for Probable Losses	340,583							
Net Accounts Receivables	2,367,718							
Accrued Interest Receivables	5,597,517	5,597,517						
Less: Allowance for Probable Losses	293,123							
Net Accrued Interest Receivables	5,304,394							

CHINA BANKING CORPORATION

PROFITABILITY REPORT BY BUSINESS SEGMENT

Segment Report

China Bank's operating businesses are recognized and managed separately according to the nature of services provided and the markets served, with each segment representing a strategic business unit. The Bank's business segments are as follows:

- a. Lending Business - principally handles all the lending, trade finance and corollary banking products and services offered to corporate and institutional customers as well as selected middle market clients. It also handles home loans, contract-to-sell receivables auto loans and credit cards for individual and/or corporate customers. Aside from the lending business, it also provides cash management services and remittance transactions;
- b. Retail Banking Business - principally handles retail and commercial loans, individual and corporate deposits, overdrafts and funds transfer facilities, trade facilities and all other services for retail customers;
- c. Financial Markets - principally provides money market, trading and treasury services, manages the Bank's funding operations through the use of government securities, placements and acceptances with other banks as well as offers advisory and capital-raising services to corporate clients and wealth management services to high net-worth customers; and
- d. Others – handles other services including but not limited to trust and investment management services, asset management, insurance brokerage, credit management, thrift banking business, operations and financial control, and other support services.

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

Segment assets are those operating assets that are employed by a segment in its operating activities that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net as management primarily relies on the net interest income as a measure of performance, instead of gross income and expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool of funds rate which approximates the marginal cost of funds.

Other operating income mainly consists of trading and securities gain (loss) - net, service charges, fees and commissions, trust fee income and foreign exchange gain - net. Other operating expense mainly consists of compensation and fringe benefits, provision for impairment and credit losses, taxes and licenses, occupancy, depreciation and amortization, stationery, supplies and postage and insurance. Other operating income and expense are allocated between segments based on equitable sharing arrangements.

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

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

The following tables present relevant information regarding business segments as of March 31, 2019:



**PROFITABILITY REPORT BY BUSINESS SEGMENT
FOR THE PERIOD ENDING MARCH 31, 2019
CONSOLIDATED
(Amounts in thousands of Pesos)**

	LENDING BUSINESS	RETAIL BANKING BUSINESS	FINANCIAL MARKETS	OTHER BUSINESS & SUPPORT UNITS	BANKWIDE
Net interest income	6,169,984	(897,051)	1,129,796	(474,008)	5,928,721
Third Party Intersegment	(4,209,700)	4,200,118	(853,821)	863,403	-
Net Interest Income after Intersegment Transactions	1,960,284	3,303,067	275,975	389,396	5,928,721
Other Operating Income	405,643	413,458	238,008	237,298	1,294,407
Total Revenue	2,365,927	3,716,524	513,983	626,694	7,223,128
Other Operating expense	(776,227)	(1,924,238)	(247,665)	(2,126,025)	(5,074,155)
Income before income tax	1,589,700	1,792,286	266,318	(1,499,331)	2,148,973
Income tax provision	57,284	-	(263,059)	(82,779)	(288,554)
Net Income	1,646,984	1,792,286	3,259	(1,582,110)	1,860,419
Total Assets	377,660,669	491,020,261	208,323,678	(184,148,584)	892,856,024
Total Liabilities	15,767,928	502,007,890	107,075,203	177,770,683	802,621,704
Depreciation & Amortization	13,536	116,275	13,338	176,886	320,035
Provision for impairment and credit losses	243,165	35,231	(4,882)	(158)	273,356
Capital Expenditures	4,407	34,085	1,513	38,850	78,855

Financial Soundness Indicators

<i>PROFITABILITY (%)</i>	<u>Jan – Mar 2019</u>	<u>Jan – Mar 2018</u>
Return on Average Equity	8.38	7.09
Return on Average Assets	0.85	0.81
Cost to income ratio	66	69
Net Interest Margin	2.94	3.06
<i>LIQUIDITY (%)</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
Liquid Assets to Total Assets	39	38
Loans to Deposit Ratio	70	70
<i>ASSET QUALITY (%)</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
Gross NPL Ratio	1.2	1.2
Non-performing Loan (NPL) Cover	162	167
<i>SOLVENCY</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
Debt to Equity Ratio	8.9	8.9
Asset to Equity Ratio	9.9	9.9
Interest Coverage Ratio	1.4	1.8*
<i>CAPITAL ADEQUACY (%)</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
CET 1 / Tier 1 Ratio	12.86	12.16
Total CAR	13.77	13.09

*for Jan-Mar 2018

Definition of Ratios

Profitability Ratios:

Return on Average Equity	-	$\frac{\text{Net Income after Income Tax}}{\text{Average Total Equity}}$
Return on Average Assets	-	$\frac{\text{Net Income after Income Tax}}{\text{Average Total Assets}}$
Cost-to-Income Ratio	-	$\frac{\text{Operating Expenses excl Provision for Impairment \& Credit Losses}}{\text{Total Operating Income}}$
Net Interest Margin	-	$\frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$

Liquidity Ratios:

Liquid Assets to Total Assets	-	$\frac{\text{Total Liquid Assets}}{\text{Total Assets}}$
Loans to Deposit Ratio	-	$\frac{\text{Loans (Net)}}{\text{Deposit Liabilities}}$

Asset Quality Ratios:

Gross NPL Ratio	-	$\frac{\text{Gross Non-Performing Loans}}{\text{Gross Loans}}$
Non-Performing Loan (NPL) Cover	-	$\frac{\text{Total Allowance for Impairment \& Credit Losses on Receivables from Customers plus Retained Earnings Appropriated for Gen. Loan Loss Provision}}{\text{Gross Non-Performing Loans}}$

Solvency Ratios:

Debt to Equity Ratio	-	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Asset to Equity Ratio	-	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Interest Coverage Ratio	-	$\frac{\text{Net Income Before Tax and Interest Expense}}{\text{Interest Expense}}$

Capital Adequacy Ratio:

Capital to Risk Assets Ratio	-	BSP prescribed formula:
CET 1 CAR	-	$\frac{\text{CET 1 Capital}}{\text{Total Risk Weighted Assets}}$
Tier 1 CAR	-	$\frac{\text{Tier 1 Capital}}{\text{Total Risk Weighted Assets}}$
Total CAR	-	$\frac{\text{Total Qualifying Capital}}{\text{Total Risk Weighted Assets}}$

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

Financial Highlights (Consolidated)

<i>In Million Pesos</i>	<u>Jan – Mar 2019</u>	<u>Jan – Mar 2018</u>
Gross Revenues	12,681	8,382
Gross Expenses	10,821	6,883
Net Income	1,860	1,500

<i>In Million Pesos</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
Total Resources	892,856	866,072
Loan Portfolio (Net)	507,609	505,805
Total Deposits	720,219	722,123
Equity	90,234	87,857

Key Performance Indicators

<i>PROFITABILITY (%)</i>	<u>Jan – Mar 2019</u>	<u>Jan – Mar 2018</u>
Return on Average Equity	8.38	7.09
Return on Average Assets	0.85	0.81
Cost to income ratio	66	69
Net Interest Margin	2.94	3.06
<i>LIQUIDITY (%)</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
Liquid Assets to Total Assets	39	38
Loans to Deposit Ratio	70	70
<i>ASSET QUALITY (%)</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
Gross NPL Ratio	1.2	1.2
Non-performing Loan (NPL) Cover	162	167
<i>SOLVENCY</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
Debt to Equity Ratio	8.9	8.9
Asset to Equity Ratio	9.9	9.9
Interest Coverage Ratio	1.4	1.8*
<i>CAPITAL ADEQUACY (%)</i>	<u>Mar 2019</u>	<u>Dec 2018</u>
CET 1 / Tier 1 Ratio	12.86	12.16
Total CAR	13.77	13.09

*for Jan-Mar 2018

Economic Environment

The world economy is seen to grow at a slower pace in 2019 on the back of the escalating trade disputes between US and China. The US economy performed above market expectations, growing by 3.2% year-on-year despite the 35-day government shutdown which lasted until late-January 2019. The US Fed kept policy rates on hold as inflation (+1.5%) continued to run below the 2% target. Meanwhile, China's GDP growth slowed anew to 6.4% amid tepid global demand and domestic crackdown and despite the US\$298 billion tax-cut package set out by the Chinese government.

Philippine GDP growth dropped to a 17-quarter low of 5.6% in 1Q 2019 as the budget impasse significantly slowed government and capital formation spending. Nevertheless, infrastructure disbursements increased by 26.3% year-on-year to P118.4 billion from January to February. The continued increase in imports has further widened the current account deficit to US\$7.9 billion or 2.6% of GDP in FY 2018. As a result, the Philippine peso depreciated by 5.9% to a low of P52.89: US\$1.00 in mid-March 2019 from the P49-level at the start of 2018. Gross international reserves remained adequate at US\$84.0 billion or 7.4 months' worth of imports. Domestic liquidity grew 4.2% in March to P11.4 trillion, while household consumption sustained its growth (+6.3%). Inflation settled comfortably within the target range at 3.0% in April, which brought the year-to-date average inflation to 3.6%. Consequently, the BSP slashed policy rates by 25 bps in May, a partial reversal of the 175 bps increase in 2018, to offset the impact of the delayed budget approval on economic growth. The reserve requirement ratio was kept at 18%.

The combined assets of the UK/B & TB industry expanded 11.1% year-on-year to P16.8 trillion in March. Loans-to-deposit ratio inched up to 74% as loan portfolio growth (+11.8%) outpaced that of deposits (+6.1%). Gross NPL ratio went up to 2.03%, while loan loss coverage went down to 98%. The UK/B industry remained well-capitalized with total CAR ratios of 14.82% (solo) and 15.44% (consolidated) in December 2018, which were above the regulatory minimum. Larger banks raised about P99 billion in fresh funds due to more stringent capital adequacy requirements and to support business expansion.

Results of Operation

Analysis of Consolidated Statements of Income (unaudited) For the period ended March 31, 2019 and March 31, 2018

For the first quarter of the year, the Bank recorded a **net income** of P1.9 billion, 24.1% higher than the P1.5 billion recorded in the same period last year due to higher operating income, resulting in a return on equity of 8.38% and return on assets of 0.85%.

Total interest income increased 51.2% to P11.4 billion from P7.5 billion. **Interest income from loans and receivables** was up 41.2% to P8.7 billion from P6.2 billion on the back of robust year-on-year loan portfolio expansion. **Interest income from trading and investments** was 107.1% higher at P2.5 billion from the year-on-year build-up in securities holdings. **Interest income from due from BSP and other banks** likewise increased 28.9% to P245.3 million because of the growth in placements with correspondent banks.

Total interest expense amounted to P5.5 billion, P3.2 billion larger than last year due to the fund build-up and higher borrowing cost. **Interest expense on deposit liabilities** increased P2.8 billion to P5.0 billion arising from the deposit expansion. **Interest expense on bills payable and other borrowings** increased by P385.2 million to P470.2 million due to higher fund borrowings.

Despite the P637.2 million or 12.0% improvement in **net interest income**, consolidated **net interest margin** compressed to 2.94% from 3.06% because of the growth in interest bearing liabilities coupled with the increase in funding cost.

Provision for impairment and credit losses totaled P273.4 million, P101.9 million or 59.4% higher year-on-year on the back of sustained loan expansion.

Total **non-interest income** increased by P442.5 million or 51.9% as **trading and securities gain** of P175.3 million rebounded by P468.2 million due to favorable market conditions which benefited the dealership business and returns on tradable securities. **Service charges, fees, and commissions** increased 33.6% to P769.2 million from the upswing in investment banking and other transactional fees. Also, **income from assets acquired** was 110.3% higher at P81.1 million because of higher sales of foreclosed properties. Meanwhile, **foreign exchange loss** amounted to (P74.3) million from P140.2 million because of the month-to-month movement in the Peso-Dollar exchange rate. **Miscellaneous income** decreased 12.1% to P343.2 million from lower penalties and related revenues.

Operating expenses (excluding provision for impairment and credit losses) rose 13.2% to P4.8 billion as the Bank continued to expand its distribution network and employee base. **Occupancy costs** were up 32.3% to P631.6 million, as the Bank undertook additional capital outlays related to the business & network expansion. Likewise, **repairs and maintenance** were 9.7% higher at P37.2 million from various technology platform upgrades/developments. **Depreciation & amortization** decreased 12.0% to P320.0 million from lower inventory of foreclosed assets. **Taxes and licenses** were up 24.4% to P872.8 million mainly from higher gross receipts and documentary stamp taxes. **Insurance**, which includes PDIC premium payments, grew 14.1% to P456.8 million with the year-on-year increase in deposits. **Entertainment, amusement and recreation** increased 22.7% to P70.7 million from the booking of larger marketing- and selling-related expenses. **Miscellaneous expenses** increased 28.1% to P968.0 million mainly from the uptick in technology-related expenses and transactional costs.

Consolidated **cost-to-income ratio** was reported at 66%, higher than the 69% recorded in the same period last year.

Financial Condition

Analysis of Consolidated Statement of Financial Condition As of March 31, 2019 (unaudited) and December 31, 2018 (audited)

Assets totaled P892.9 billion, 3.1% higher than the recorded P866.1 billion year-end 2018.

Cash and other cash items fell 28.3% to P11.2 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from *Bangko Sentral ng Pilipinas*** was up P14.5 billion or 14.2%, mainly from the uptick in deposits with the BSP which include reserves.

Investment securities amounted to P215.1 billion, up by 13.1% from P190.2 million. **Financial assets at fair value through profit & loss (FVPL)** increased P1.0 billion or 13.5%. **Financial assets at fair value through other comprehensive income (FVOCI)**, increased P3.3 billion or 32.6% to P13.4 billion due to build-up in securities volume. **Investment securities at amortized cost** climbed P20.6 billion to P193.1 billion with the growth in fixed income assets. The Bank's securities portfolio accounted for 24% of consolidated resources, higher than the 22% at year-end.

The Bank's liquidity ratio stood at 39%, slightly higher than last year's 38%.

Gross loan portfolio was at P514.9 billion, up P59.7 billion year-on-year with the sustained credit demand across all market segments. **Net loans** stood at P507.6 billion.

Accrued interest receivable decreased by 6.9% to P5.3 billion from P5.7 billion because of the annual drop in volume interbank loans receivable & securities purchased under resale agreement, as well as FVPL securities. **Investments in associates** increased by P72.4 million due to infusion of P40 million additional capital to the Bank's affiliate, Manulife China Bank Life Assurance Corporation (MCBL). **Bank premises, furniture, fixture, and equipment** grew by P2.3 billion or 35.2% to P8.7 billion due to PFRS-16 related adjustments.

On the liabilities side, **total deposits** were recorded at P720.2 billion, of which CASA (demand and savings deposits) amounted to P406.8 billion. CASA ratio was sustained at 56%. **Bills payable** grew by 60.8% to P64.1 billion from the increase in alternative fund sources, including BSP rediscounting and interbank borrowings. **Income tax payable** was at P606.7 million, a P129.2 million or 27.0% uptrend year-to-date due to higher regular corporate income tax payable for the year. **Accrued interest and other expenses** were 11.5% larger at P4.3 billion because of the setup of accruals and payroll expenses. **Derivative liabilities** increased 49.7% to P681.5 million due to higher currency swaps volume. **Other liabilities** increased by P1.3 billion to P9.0 billion due to the booking of lease payable related to the implementation of PFRS-16.

Total equity (including minority interest) reached to P90.2 billion, slightly higher than last year's P87.9 billion mainly from the P2.1 billion increase in **surplus**. **Net unrealized loss on financial assets at FVOCI** declined 58.5% to (P291.6) million from (P702.5) million in December arising from the mark-to-market revaluation of the Bank's unsold securities. Meanwhile, **cumulative translation adjustment** was recorded at (P0.6) million 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's Common Equity Tier 1 (CET 1/ Tier 1) ratio and total CAR were computed at 12.86% and 13.77%, respectively.

Total Comprehensive Income

For the period ended March 31, 2019 and March 31, 2018

The Bank recorded **total comprehensive income** of P2.1 billion during the first quarter of the year, a 50.0% or P688.9 million increase from the P1.4 billion recorded last year mainly from the P541.9 million increase in net unrealized gain on FVOCI.

Key Performance Indicators

Profitability

CHIB's net income of P1.9 billion resulted in an 8.38% ROE and 0.85% ROA given improved operating income. Despite the Bank's continued expansion program and technology upgrade, the cost-to-income ratio improved to 66% from the 69% in 1Q 2018. Net interest margin compressed to 2.94% from 3.06% because of the growth in interest bearing liabilities coupled with the increase in funding cost.

Liquidity

The Bank's liquidity ratio (the ratio of liquid assets to total assets) was higher at 39% from 38% in December 2018 due to the increase in total investment securities.

Asset Quality

Despite loan expansion, gross NPL ratio was steady at 1.2% due to sustained observance of sound credit practices. Consolidated NPL cover was at 162%, better than 149% recorded in March 2018. NPL cover for the Parent Bank was at 330% as of March 2019.

Solvency Ratios

Debt-to-equity and asset-to-equity ratios for the quarter remained steady at 8.9 and 9.9, respectively. Interest coverage ratio for the period decreased to 1.4 as against 1.8 for the first quarter of 2018.

Capitalization

China Bank's CET 1 / Tier 1 CAR and Total CAR ratios were registered at 12.86% and 13.77%, respectively. The Bank's capital is largely comprised of CET 1/ Tier 1 (core) capital.

Corporate Developments

At the annual Stockholders' Meeting on May 2, 2019, the Board of Directors declared cash dividends amounting to P2.4 billion or P0.88 per share, for a 3.3% cash dividend yield. Said dividends were 6.1% higher than P2.2 billion declared in 2018. Payment is scheduled on May 31, 2019.

The stockholders approved the nomination/ election to the Board of Directors of Hans T. Sy (Chairman), Gilbert U. Dee (Vice Chairperson), William C. Whang (President), Peter S. Dee, Joaquin T. Dee, Harley T. Sy, Herbert T. Sy, Jose T. Sio, including independent directors Alberto S. Yao (Lead Independent Director), Margarita L. San Juan, Philip S.L. Tsai, Angeline Ann H. Hwang (new Independent Director), and Ricardo R. Chua as Advisor to the Board.

The Philippine Ratings Corporation (PhilRatings) gave China Bank an issuer rating of PRS Aaa, the highest in corporate credit rating assigned on the PRS scale, because of the Bank's strong capacity to meet financial obligations. PhilRatings cited the Bank's growth strategy which supports expansion in scale, market reach, and product base, while keeping a solid franchise in core markets; synergies between management and shareholders; sound asset quality; and improvement in funding profile.

The Bank received numerous awards and distinctions during the period. London-based publication Capital Finance International (CFI.co) recognized China Bank as the *Best Bank Governance* in the Philippines for its consistent adherence to ethical and fair business practices that goes beyond compliance to make positive impact on the communities it serves, while managing carbon footprints through sustainability efforts. The Bank was also recognized at the Philippine Dealing System (PDS) Annual Awards as among the country's *Top Corporate Securities Market Makers* and *Top Fixed-Income Brokering Participants* for its numerous deals and size of transaction volume for the year 2018. It also received its third *Anvil Award* for its 2017 Annual Financial and Sustainability Report. At The Asset's Triple A Country Awards, the investment banking house subsidiary, China Bank Capital, also won as *Best Bond Advisor*, *Best Syndicated Loan* for the P73.5 billion facility for Bloomberry Resorts, and *Most Innovative Deal* for Ayala Land's P10 billion retail bond issues.

Subsidiaries

The Bank's subsidiaries include China Bank Insurance Brokers, Inc., CBC Properties and Computer Center, Inc., China Bank Savings, Inc., and China Bank Capital Corporation. These subsidiaries comprised about 11% of consolidated resources.

- **China Bank Insurance Brokers, Inc. and CBC Properties & Computer Center, Inc.**

(In Mn Pesos)	Jan-Mar '19	Jan-Dec '18	Jan-Mar '18
Net Income	16	62	43
Total Assets	758	524	882

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

(In Mn Pesos)	Jan-Mar '19	Jan-Dec '18	Jan-Mar '18
Net Income	97	370	112
Total Assets	95,512	95,780	87,331

- **China Bank Capital Corporation**

(In Mn Pesos)	Jan-Mar '19	Jan-Dec '18	Jan-Mar '18
Net Income	55	368	49
Total Assets	2,090	1,986	1,677