

# China Banking Corporation

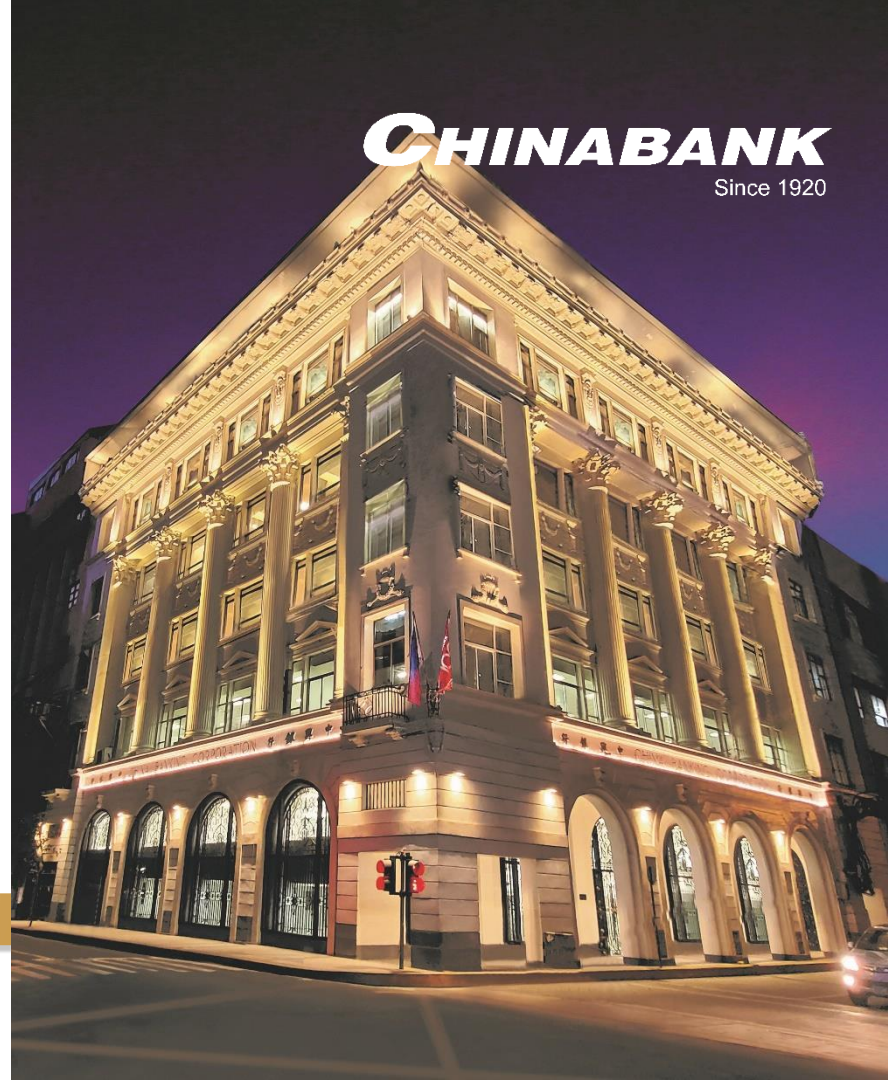
## ANALYSTS' BRIEFING

1H 2022 Results

August 12, 2022



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# Panelists



**Patrick D. Cheng**  
Chief Finance Officer



**Gerald O. Florentino**  
IR Head



**Domini S. Velasquez**  
Chief Economist



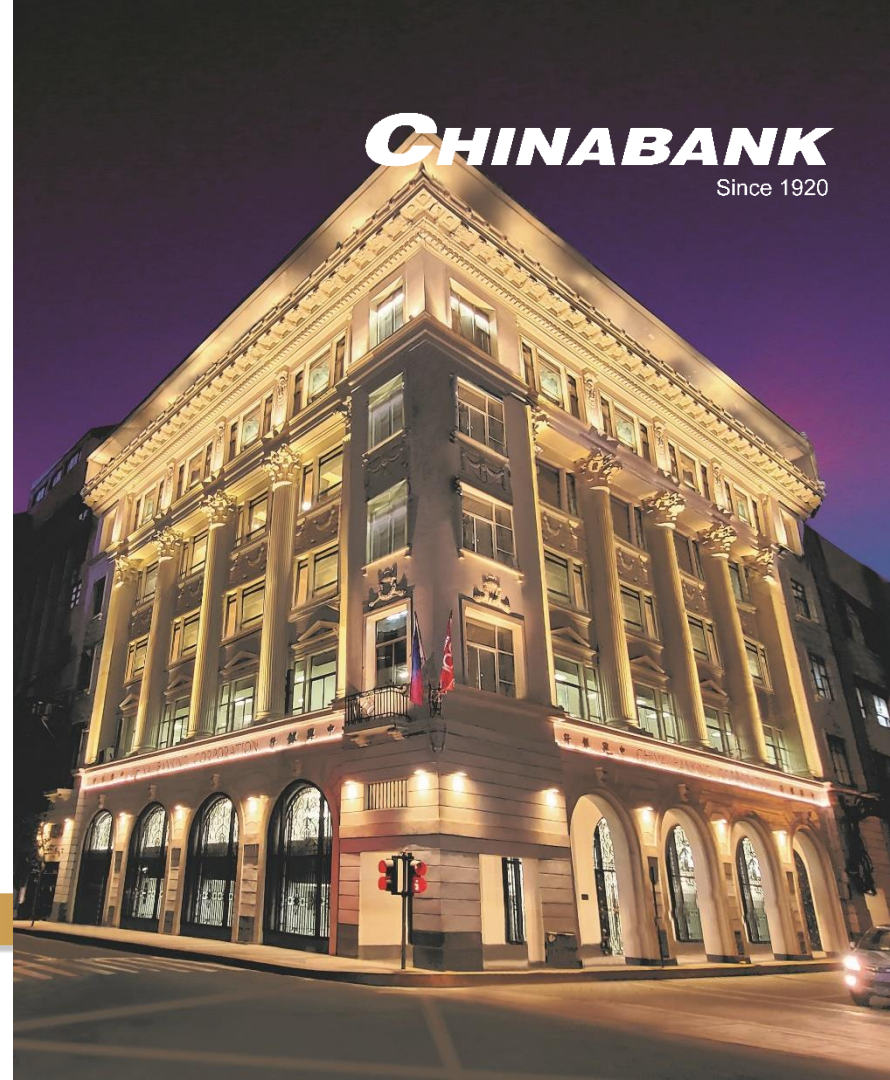
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# Reminders

- Microphones and cameras are disabled during the presentation.
- For the Q & A, attendees may:
  - ✓ Post a **live question**  
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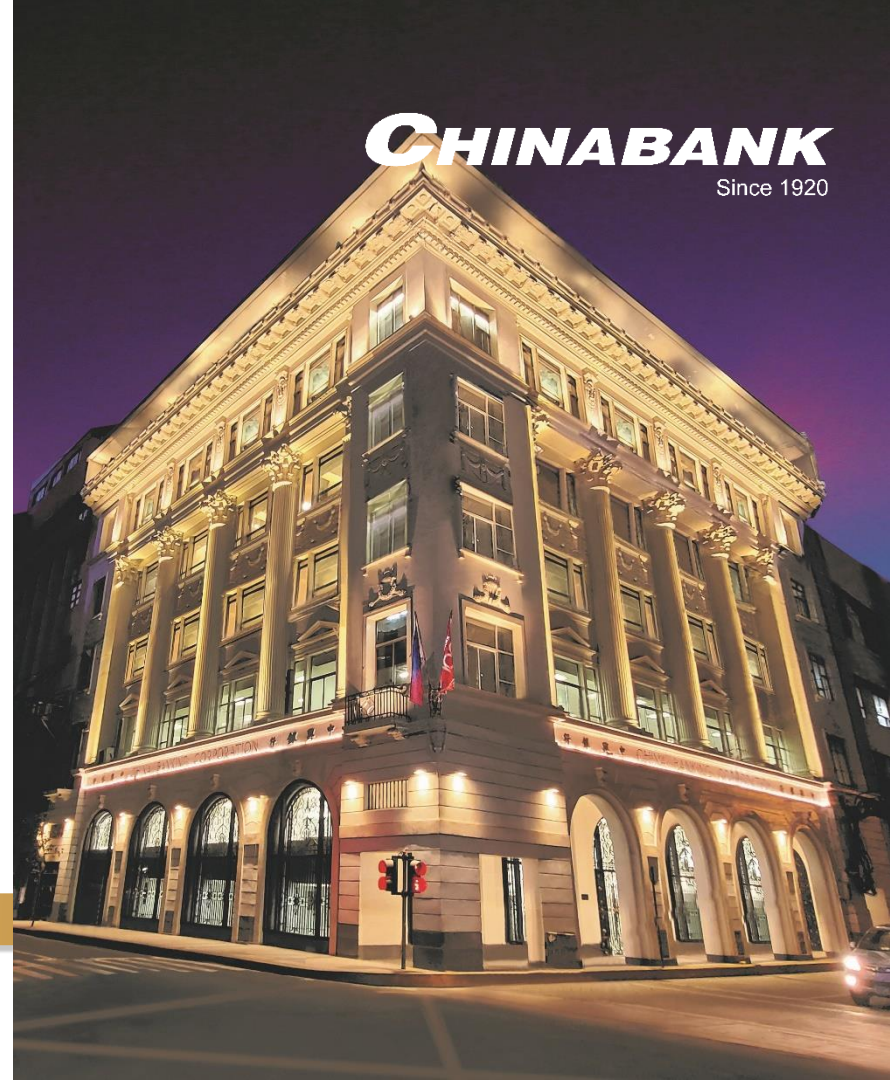




# Macroeconomic Outlook



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# Macroeconomic Overview

## Global outlook

1. **Slower** global GDP due to a weaker China and recessionary risks in some major economies (e.g. US, UK)
2. **Elevated** commodity prices and supply chain bottlenecks
3. **Further** monetary policy tightening

## Domestic outlook



Economy hinged on domestic demand

Clear-cut government priorities

Improvement in health outlook

Employment recovery

Elevated inflation until 1H 2023

Business uncertainties due to tighter financial conditions

Limited fiscal space

Weaker external demand



	FY 2020A	FY 2021A	1H 2022A	FY 2022F	FY 2023F
GDP growth (%)	-9.6	5.6	7.8	6.6	5.5-6.0
Inflation (%)	2.4	3.9	4.4	5.2	4.0-4.5
Policy rate (end, %)	2.0	2.0	2.5	4.0	4.5
10-Year BVAL Rate (end, %)	3.00	4.82	7.04	6.5	5.0-6.0
USDPHP (end)	48.0	51.0	55.0	54.5-55.0	53.0-54.0

## Key Takeaways

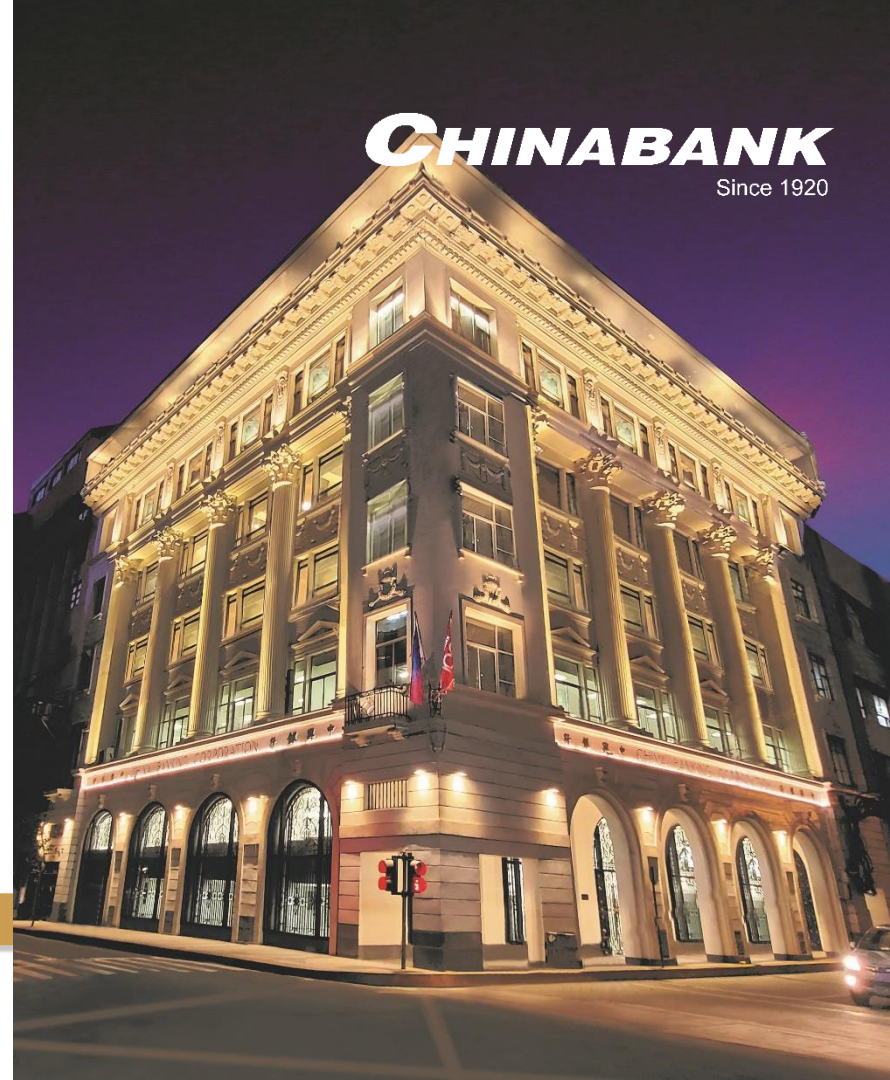
- 1. **Decent economic growth** and one of the highest among peers (especially in 2022) despite headwinds
- 2. **Continued reforms** will remain attractive for investors
- 3. **Normalization** to happen in mid-2023



# 1H 2022 Financial Performance



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# 1H 2022 Performance Highlights



- Increased profitability with 1H 2022 net income up 39% to P10.1 Billion YoY driven by sustained NII growth; quarterly income breaches P5.0-Bn mark in Q2
- Improved return on equity of 16.4% and return on assets of 1.7%
- Prudent cost management led to a flat OPEX YoY; improved cost-to-income ratio of 44%



- Continued assets expansion (17% YoY to P1.2 Trillion)
- Disciplined loan growth at 13% YoY; Business loans up 12% while consumer loans grew 16%
- Sustained CASA growth of 14% YoY



- Lower NPL ratio at 2.3% as of end-June 2022; NPL coverage at 128%
- Strong internal capital generation with CET 1 ratio of 14.8% and CAR of 15.7%
- Increased dividends with P1.00/share regular dividend and an additional P0.50/share special dividend with CET 1 ratio impact of 0.6%.

China Bank delivered a very strong performance in 1H 2022

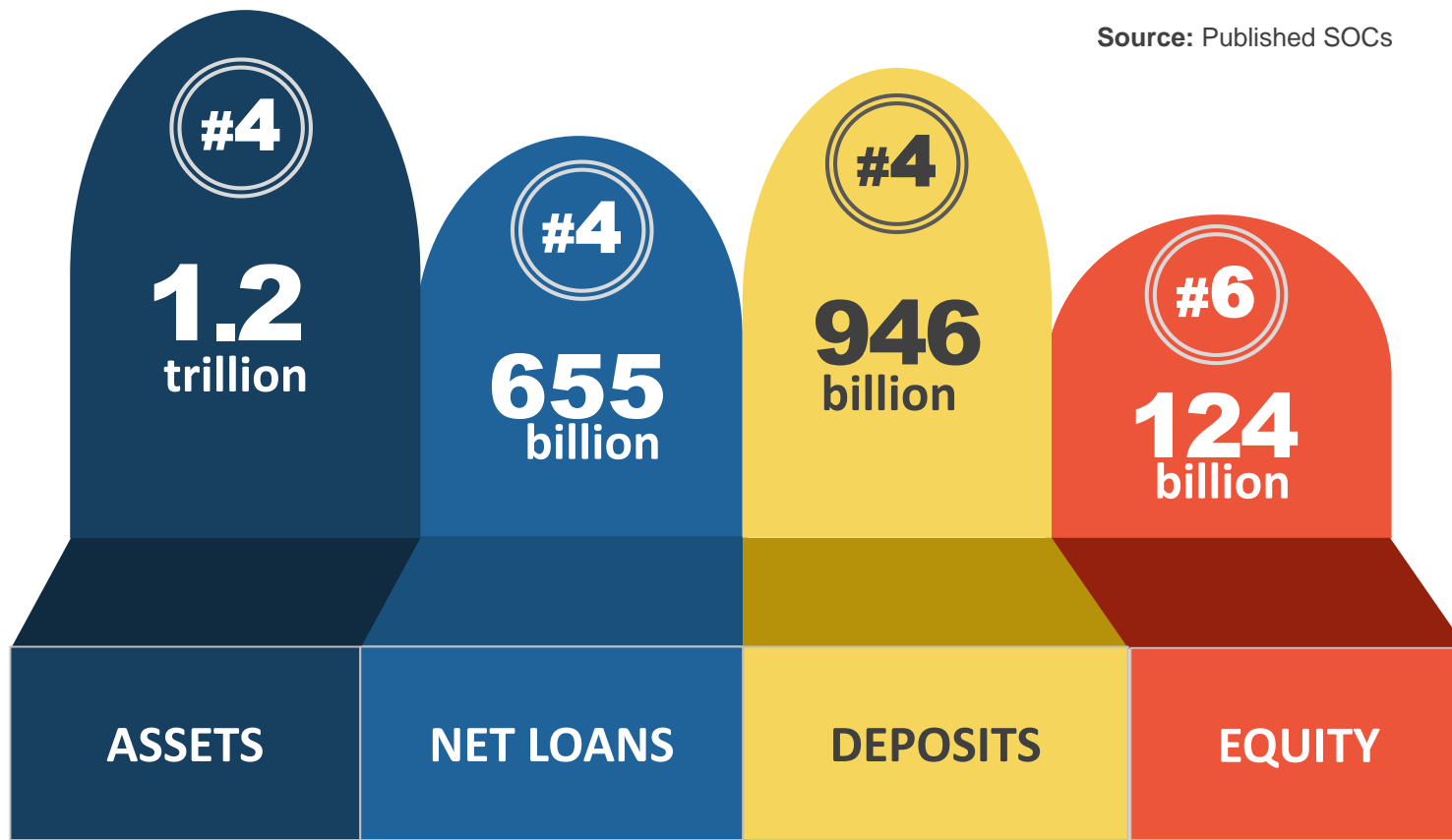


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How did we compare?

The country's **4th largest private commercial bank** as of June 2022

Source: Published SOC's



Details

# 1H 2022 Financial Highlights

INCOME STATEMENTS In Php billions, except %	1H2021	2H2021	1H2022	1H22 vs 2H21	1H22 vs 1H21
Interest income	22.7	23.0	25.9	12%	14%
Interest expense	(3.8)	(3.6)	(3.9)	8%	2%
<b>Net interest income</b>	<b>18.9</b>	<b>19.4</b>	<b>22.0</b>	<b>13%</b>	<b>16%</b>
Fee-based income	5.9	4.4	3.2	-27%	-46%
<b>Total revenue</b>	<b>24.8</b>	<b>23.8</b>	<b>25.2</b>	<b>6%</b>	<b>2%</b>
Operating expenses	(11.1)	(11.2)	(11.1)	-1%	0%
<b>Income before provisions and taxes</b>	<b>13.7</b>	<b>12.6</b>	<b>14.1</b>	<b>12%</b>	<b>3%</b>
Provision for impairment and credit losses	(5.4)	(3.5)	(1.7)	-53%	-69%
<b>Income before income tax</b>	<b>8.3</b>	<b>9.1</b>	<b>12.4</b>	<b>36%</b>	<b>49%</b>
Provision for income tax	(1.1)	(1.3)	(2.3)	83%	119%
<b>Net income</b>	<b>7.3</b>	<b>7.8</b>	<b>10.1</b>	<b>29%</b>	<b>39%</b>
Return on Equity	13.4%		16.4%		
Return on Assets	1.4%		1.7%		
Net interest margin	4.3%		4.3%		
Cost-to-income ratio	45%		44%		

# 1H 2022 Financial Highlights

BALANCE SHEETS in Php billions, except %	Jun-21	Dec-21	Jun-22	Jun'22 vs Dec'21	Jun'22 vs Jun'21
Liquid Assets	177	188	169	-10%	-4%
Investment Securities	238	279	341	22%	43%
Net Loans	576	609	655	8%	14%
Other Assets	36	36	38	3%	5%
<b>Total Assets</b>	<b>1,027</b>	<b>1,112</b>	<b>1,202</b>	<b>8%</b>	<b>17%</b>
Deposits	827	863	945	10%	14%
<i>CASA</i>	<i>517</i>	<i>555</i>	<i>589</i>	<i>6%</i>	<i>14%</i>
<i>Time Deposits</i>	<i>310</i>	<i>308</i>	<i>357</i>	<i>16%</i>	<i>15%</i>
Bills and Bonds Payable	69	108	101	-7%	45%
Other Liabilities	21	22	29	30%	37%
<b>Total Liabilities</b>	<b>917</b>	<b>993</b>	<b>1,075</b>	<b>8%</b>	<b>17%</b>
<b>Total Equity</b>	<b>110</b>	<b>119</b>	<b>127</b>	<b>7%</b>	<b>16%</b>
<b>Total Liabilities and Equities</b>	<b>1,027</b>	<b>1,112</b>	<b>1,202</b>	<b>8%</b>	<b>17%</b>
NPL Ratio	3.5%	2.5%	2.3%		
NPL Cover	99%	116%	128%		
Tier 1/CET 1 Ratio	14.2%	14.9%	14.8%		
Capital Adequacy Ratio (CAR)	15.1%	15.7%	15.7%		

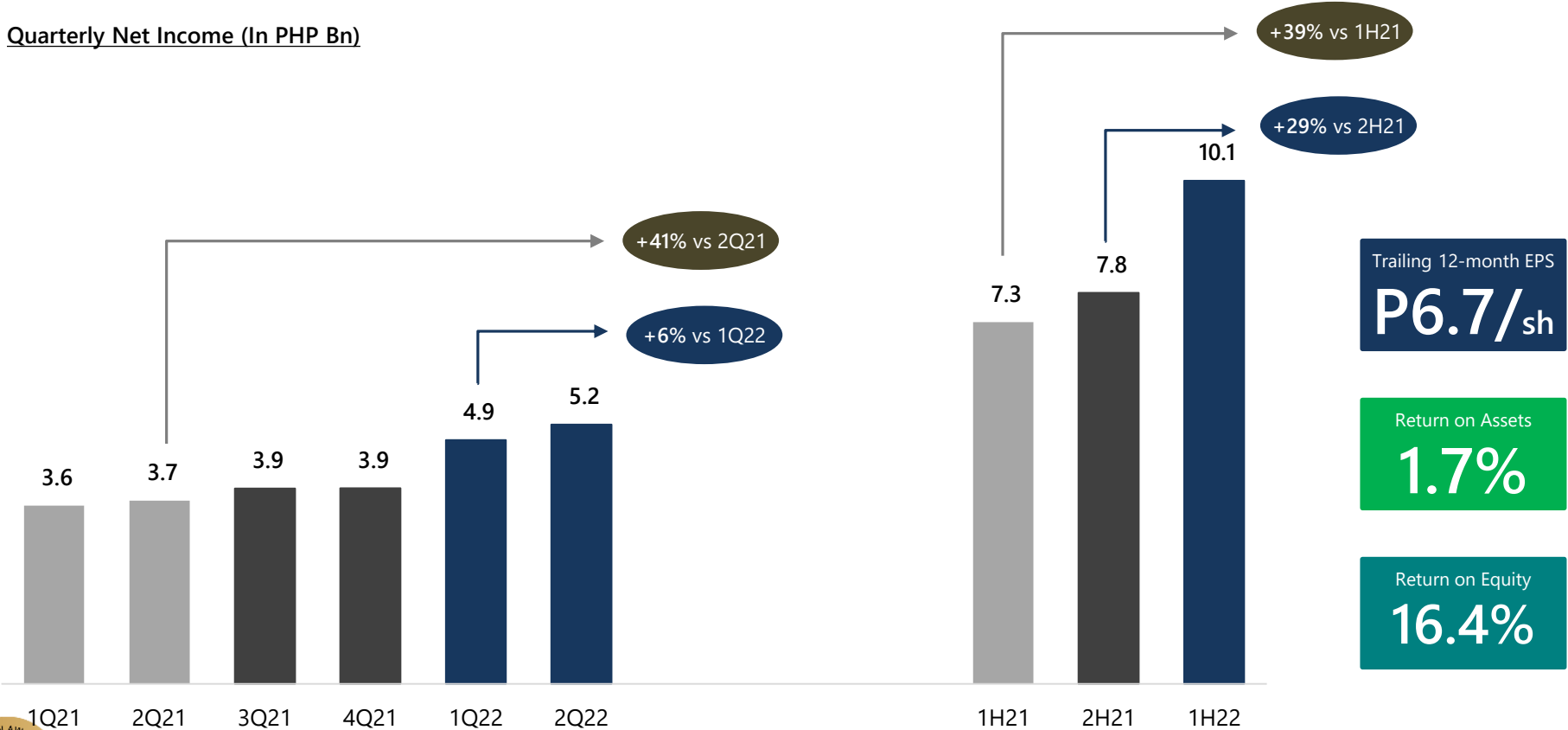


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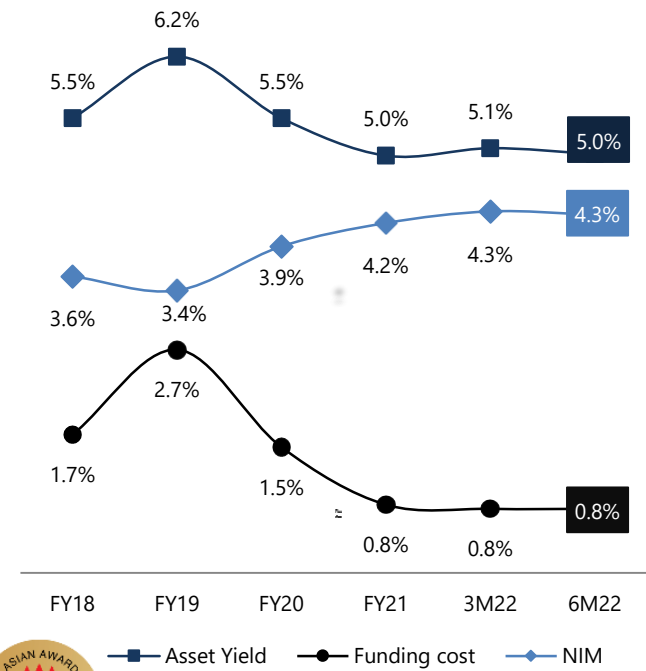
# Sustained profitability amidst a challenging environment

Quarterly Net Income (In PHP Bn)



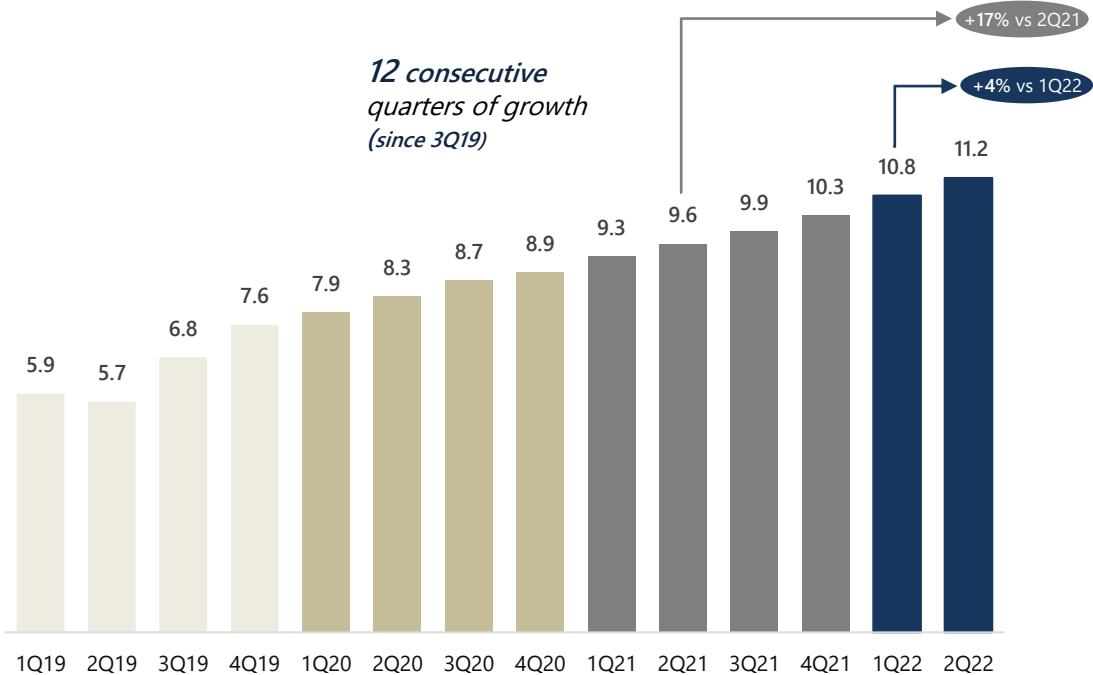
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## NIM stabilizes above 4%



## Net interest income continues to grow Q-on-Q

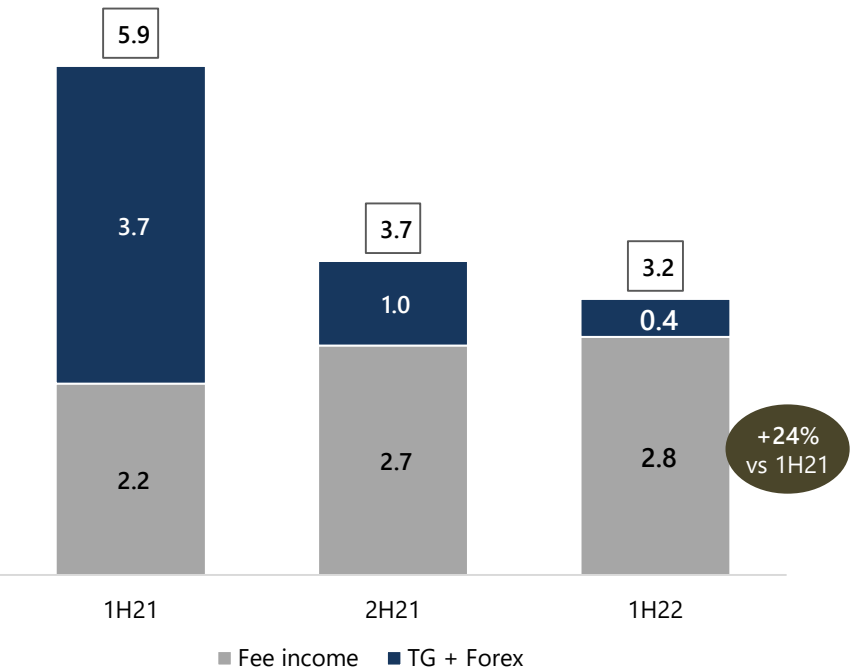
Net Interest Income (In PHP Bn)



# Fee-based income driving revenue growth

## Core Fee income continues to grow

Fee-based Income (In PHP Bn)

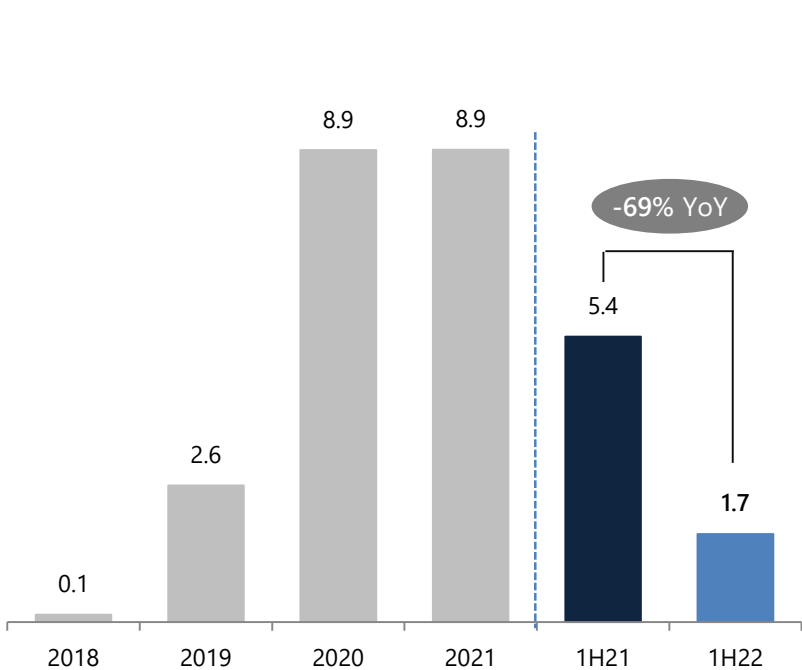


- ✓ Core fee income grew **24%** YoY to **P2.8 billion**.
- ✓ Trading gains declined by **83%** YoY to **P596 million**.
- ✓ Service charges, fees, and commissions were up **21%** to **P1.5 billion** due to higher deposits and transactions-based fees.

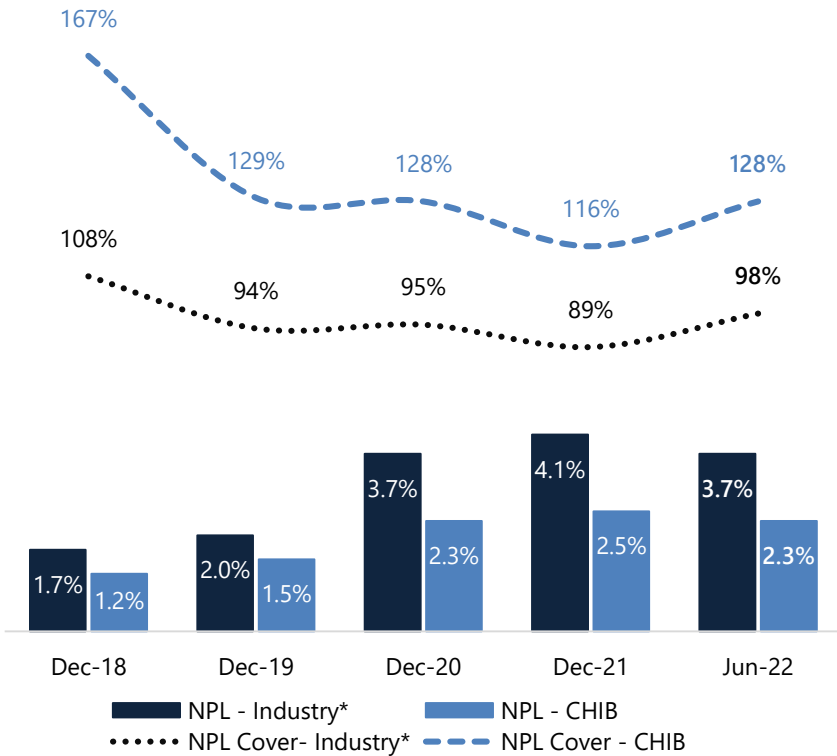


Lower provisions from stable asset quality

Provisions (In PHP Bn)



NPL has stabilized; NPL cover remains sufficient



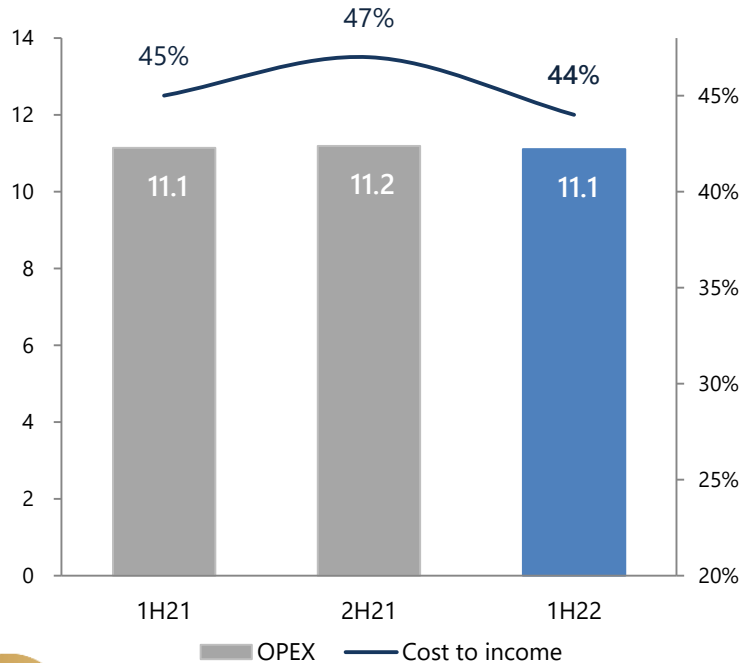
\*BSP data (UKB + TB), as of June 2022





## Prudent cost management

Operating Expenses ex provisions (In PHP Bn)



## Improving efficiency

	1H2021	FY2021	1H2022
Headcount	9,807	9,747	9,704
Branches	636	637	637
ATMs	1,038	1,037	1,036
Cost-to-income ratio	45%	46%	44%

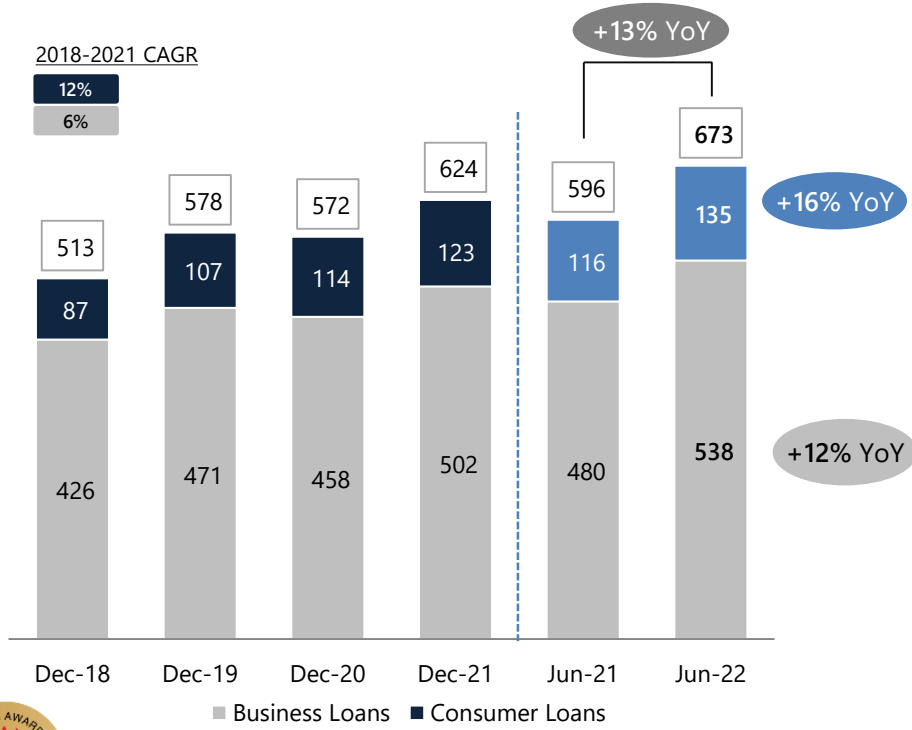


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# Disciplined loan growth

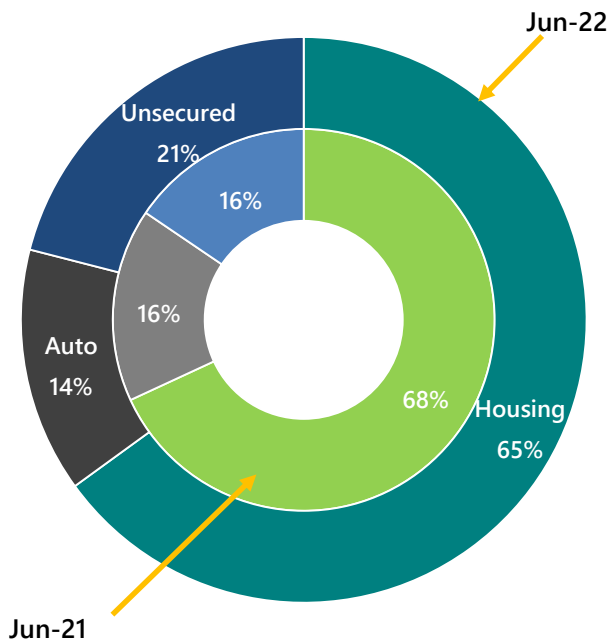
## Continued expansion in both consumer and corporate segments

Gross Loans (In PHP Bn)



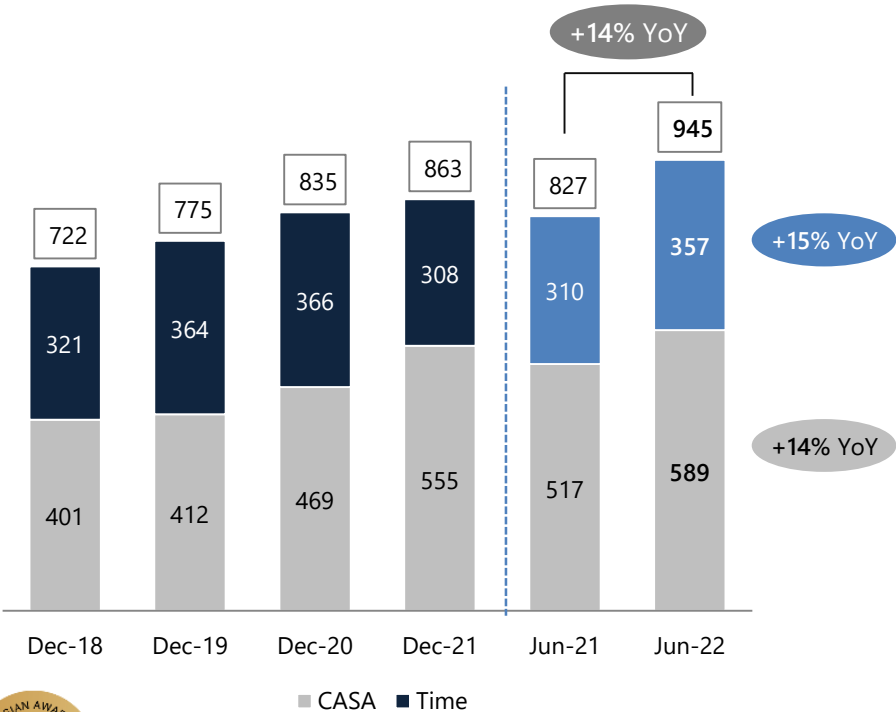
## Well-secured consumer lending portfolio

Consumer Loans Breakdown, Jun-22 vs Jun-21



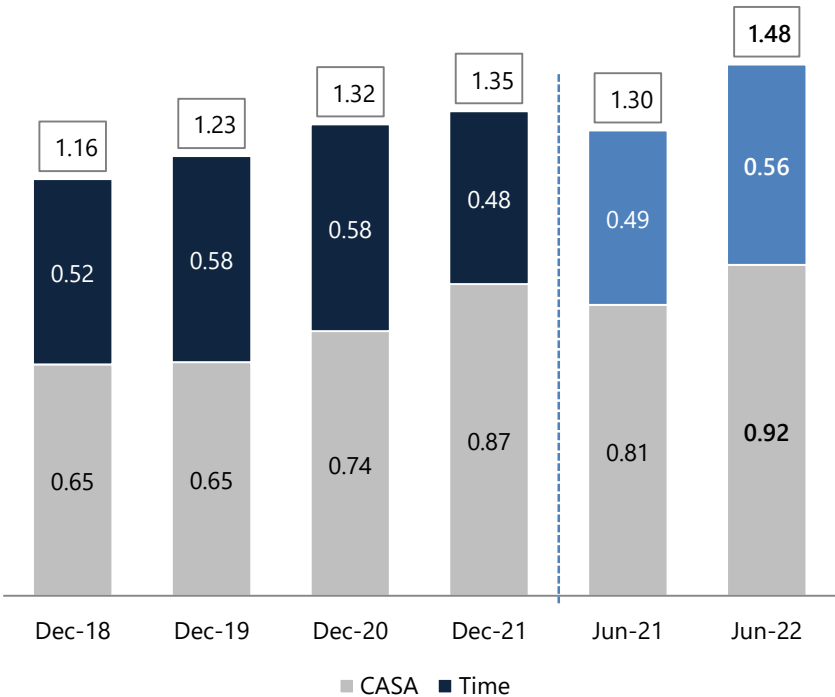
## Strong CASA growth and steady funding mix

Deposits (In PHP Bn)



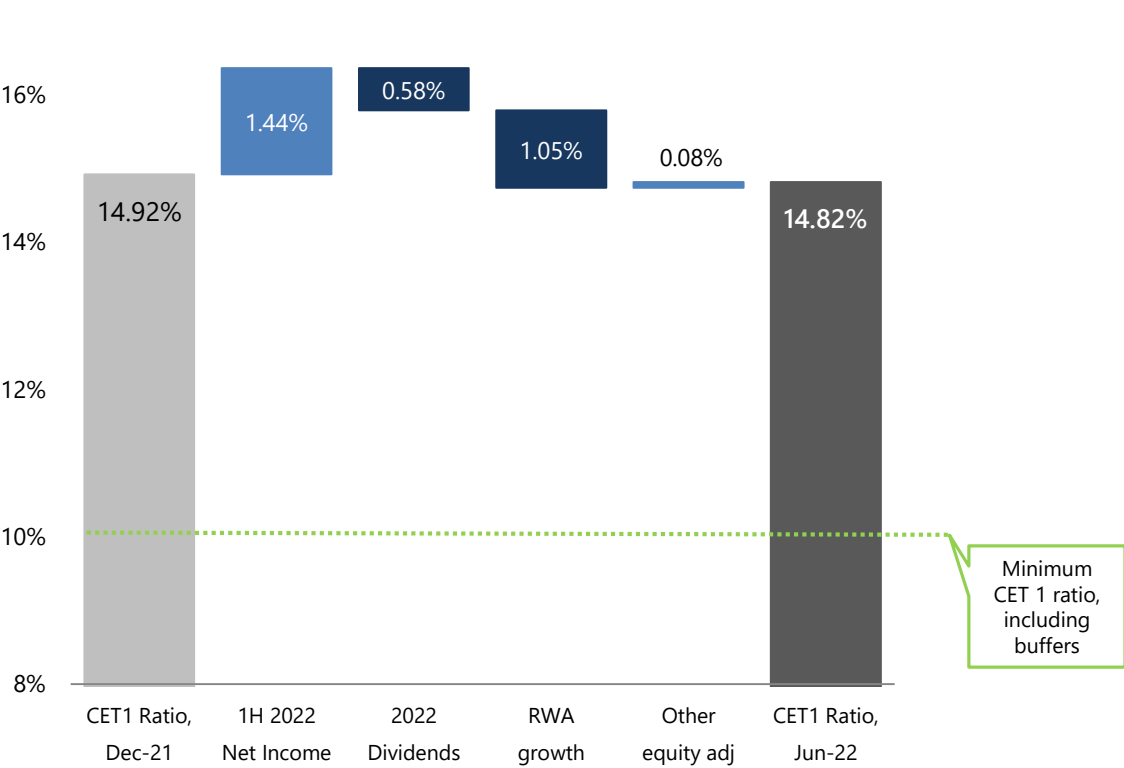
## Improving CASA per branch

Deposits per branch (In PHP Bn)



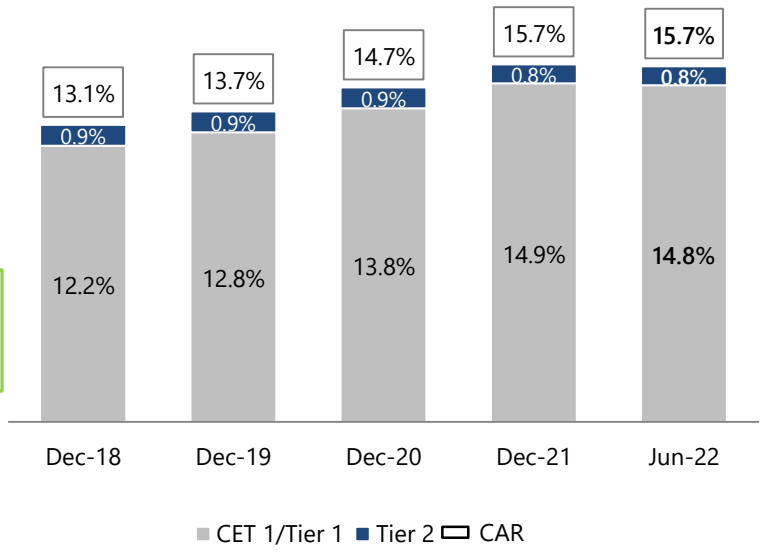
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# Strong internal capital generation results to higher capital buffer



## Enough capital buffer:

- ✓ to absorb credit shock;
- ✓ to support Asset growth; and
- ✓ to sustain dividend payment to shareholders

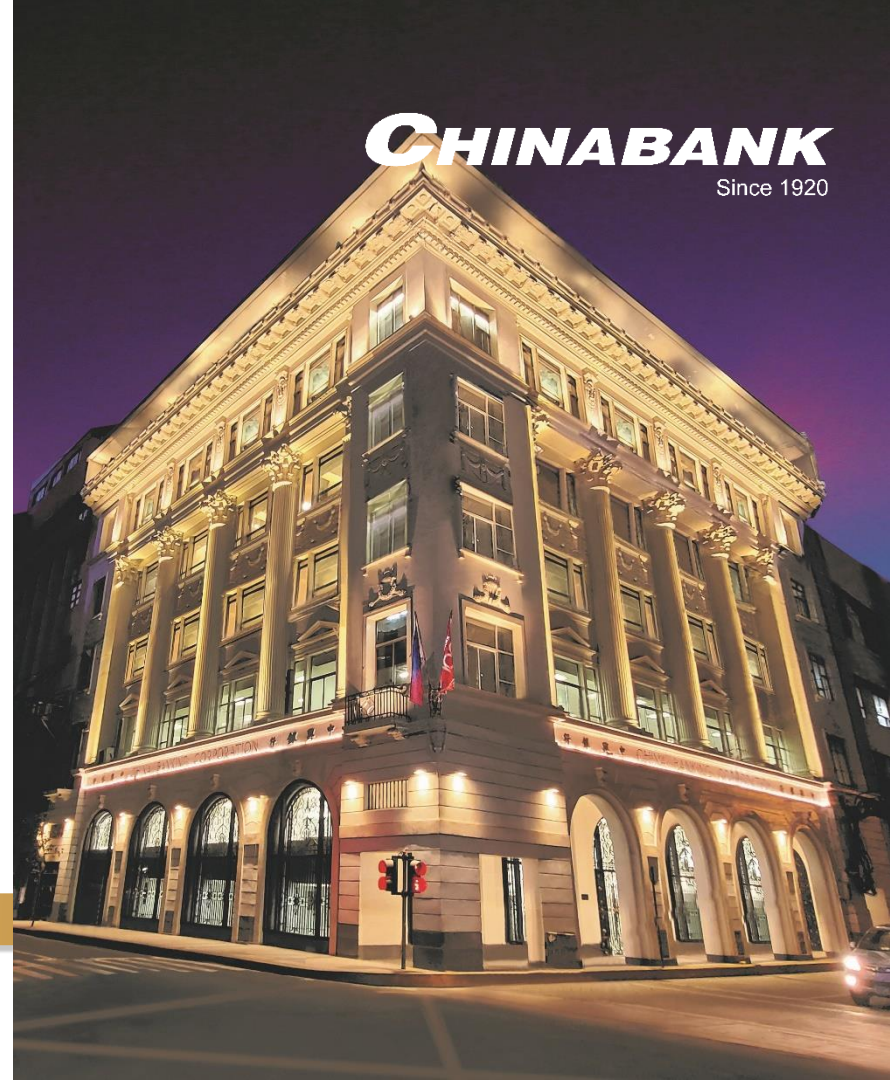




# Digital Initiatives



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**CHINABANK**  
Since 1920

# DIGITAL BANKING

1H '22 vs 1H '21

Bringing our signature touch in relationship banking to our customers anytime, anywhere.



underpinned by a **rapid increase** in digital transactions



**+44%**  
Digital TXNs  
year-on-year



**+16%**  
Active Users  
year-on-year



**+43%**  
Enrollments  
year-on-year



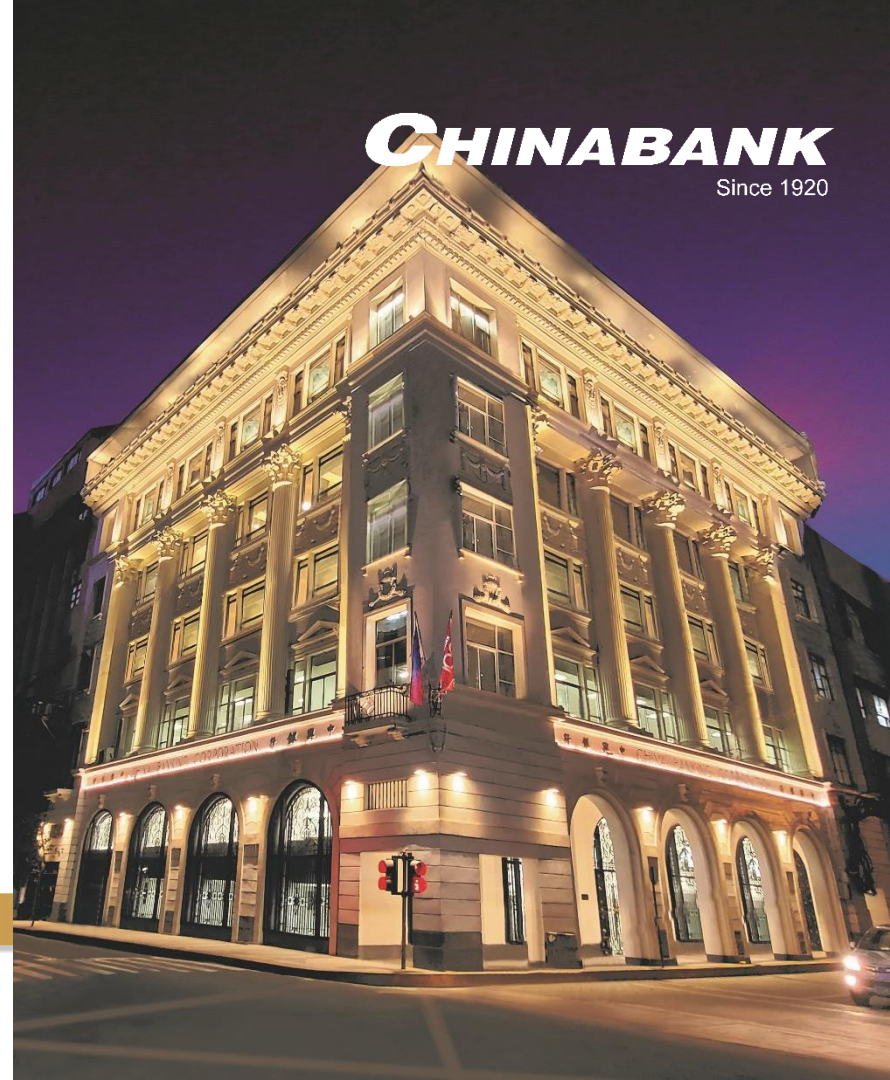
**+45%**  
Gross  
TXN Value  
year-on-year



# Awards and Recognitions



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# We are the Best Bank in the Philippines



## China Bank Best Bank in the Philippines

### China Bank Capital

-  **Best Bond Adviser (Domestic) for the 6<sup>th</sup> consecutive year**
-  **Best New Bond:** *Sole issue manager, bookrunner and lead underwriter, D&L Industries' P5 Bn fixed-rate retail bond*
-  **Best Green Bond – Corporate:** *one of the domestic lead managers, AC Energy's US\$400 Mn green notes*
-  **Best IPO:** Domestic co-lead underwriter, *Monde's P48.6 Bn IPO*
-  **Best REIT:** underwriter for RL Commercial REIT's P23.5 Bn IPO
-  **Best Corporate Bond:** *one of the domestic lead managers, Petron's USD550 Mn senior perpetual capital securities*
-  **Triple A Best Bond, Sustainable Capital Market Awards,** *domestic lead manager, Globe's US\$600 Mn resettable senior unsecured perpetual capital securities*

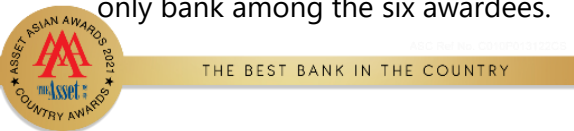
## Track record of excellence in Corporate Governance



The ASEAN Capital Markets Forum named China Bank for fiscal year 2019 as:

- ✓ Among the top 3 publicly listed companies (PLCs) in the Philippines;
- ✓ Among the top 20 PLCs in ASEAN, and
- ✓ As an ASEAN Asset Class

The Institute of Corporate Directors distinguished China Bank with a **4-Golden Arrow** recognition at the **ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Recognition Ceremony 2020**, the only bank among the six awardees.



# Other Citations

 <p>China Bank Easy Tax</p> <p>Best Digital Business Banking Initiative</p> <p>2022</p>	 <p>2<sup>nd</sup> Strongest Bank in the Philippines</p> <p>2021</p>	 <p>Cesar E.A. Virata Award (Bank Category)</p> <p>2021</p>	 <p>Mobile Banking &amp; Payment Initiative of the Year Philippines</p> <p>2020</p>	 <p>Top Corporate Securities Market Makers and Top Fixed-income Brokering participants</p> <p>2019</p>	 <p>Apo Agua Infrastructure Php9 Billion financing</p> <p>Utility Deal of the Year Philippines</p> <p>2019</p>
 <p>Atlantic Gulf and Pacific Company Php6 Billion term loan</p> <p>Oil and Gas Deal of the Year Philippines</p> <p>2019</p>	 <p>Best Bond Adviser</p> <p>Domestic Bond Category</p> <p>2019, 2018, 2017</p>	 <p>China Bank Corporation P30 Billion Fixed Rate Retail Bond</p> <p>Best Retail Bond Philippines</p> <p>2019</p>	 <p>Autotax Payment Facility</p> <p>Most Innovative Public Sector System Philippines</p> <p>2019</p>	 <p>Best Corporate Governance Disclosure and Transparency Award</p> <p>2019</p>	 <p>Pagtugon Award for Universal and Commercial Banks</p> <p>2018, 2019</p>
 <p>Best Managed Fund for Bond Long-Term Dollar Category</p> <p>2019, 2018, 2017</p>	 <p>Best Managed Fund for Balanced Peso Category</p> <p>2018</p>	 <p>Best Fixed Income Deal - PHP181 Billion ROP Bureau of the Treasury's Retail Treasury Bond</p> <p>2018</p>	 <p>Best Fixed Income Deal - Ayala Corporation US\$400 Million Fixed-For-life Bonds (Ayala USD Fixed For Life)</p> <p>2018</p>	 <p>Best Investor Relations Bank Philippines</p> <p>2019, 2018, 2016</p>	 <p>Top Corporate Issue Manager / Arranger Investment House Category</p> <p>2018, 2017</p>

In summary, CHIB continues to be..

Profitable

Adequately-capitalized

Well-managed

	1H2021	FY2021	1H2022
Return on Equity	13.4%	13.6%	16.4%
Return on Assets	1.4%	1.5%	1.7%
CET 1/Tier 1 Ratio	14.2%	14.9%	14.8%
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NPL Ratio	3.5%	2.5%	2.3%
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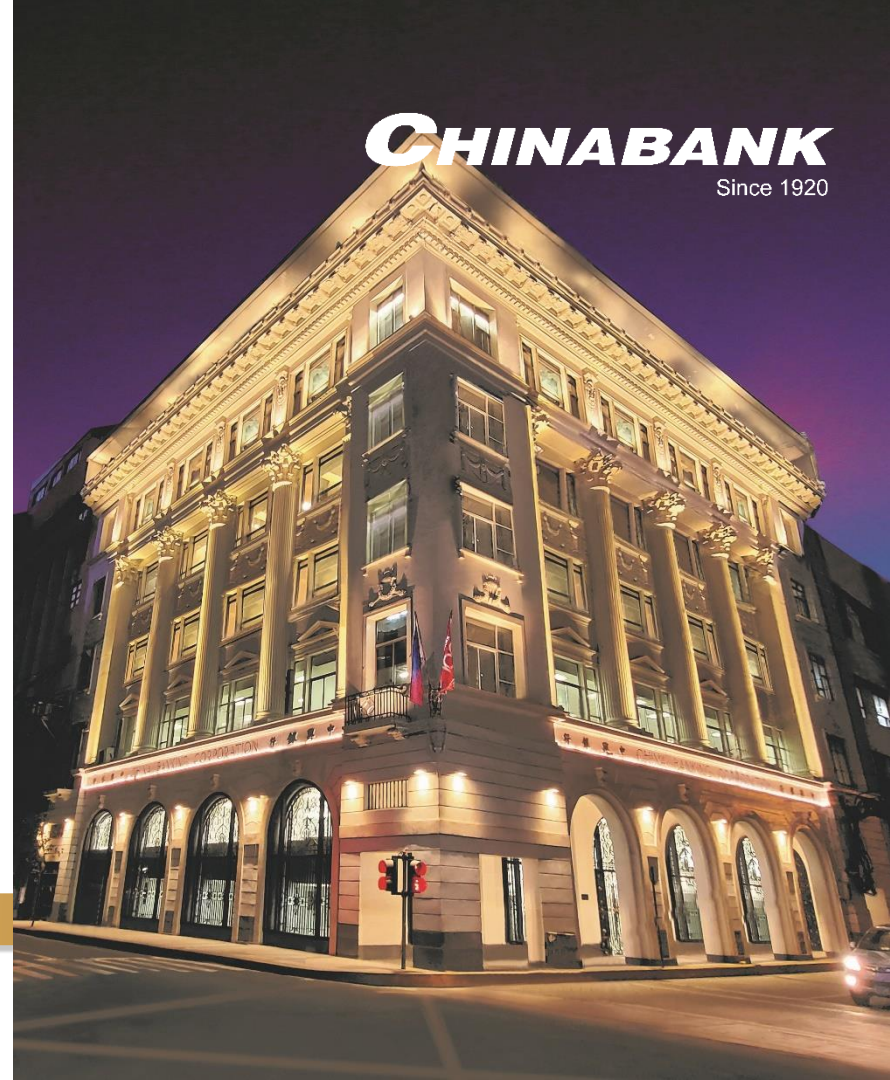
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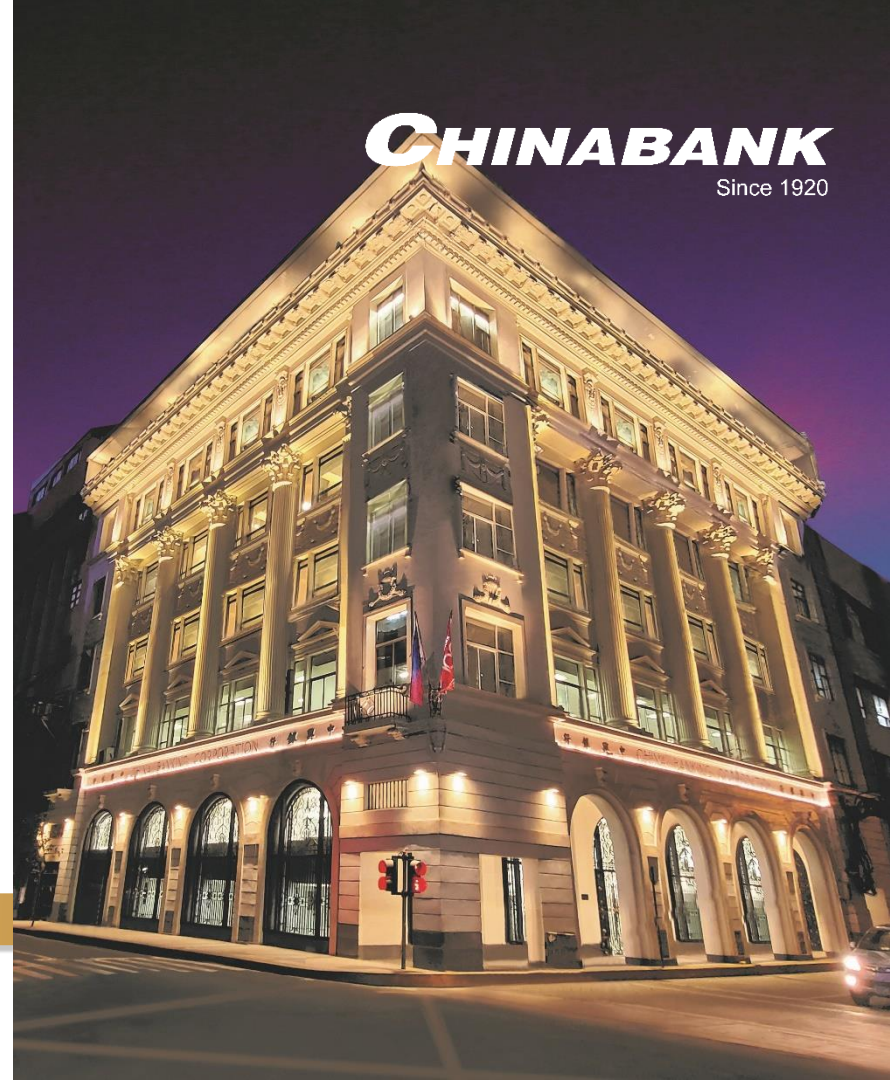




# Additional Information



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**CHINABANK**  
Since 1920



## CLIENTS AND COMMUNITY

- ✓ Almost 100% of branches open for operations
- ✓ Working closely with clients in the most challenged sectors
- ✓ Increased ATM withdrawal limit to P50K until the community quarantine is lifted
- ✓ Waived fees on InstaPay & PesoNet until end-2021
- ✓ Provided digital options to retail and business clients
  - Released latest version of China Bank Mobile App
- ✓ Implemented Track & Trace Plan for clients/ visitors/ external and internal messengers
- ✓ Provided regular communication on customer updates, cyberfraud protection, health & safety
- ✓ Extended vaccination, financial and logistics support to contractors, service crew and security personnel



## EMPLOYEES

- ✓ **98%** of employees fully vaccinated, **58%** given booster shots
- ✓ Compliant with health standards of DOH, DOLE, DTI, and IATF
  - Detection, contact tracing, testing, isolation & referral
  - Housekeeping & disinfection
  - Provision of PPEs
  - Awareness campaigns/reminders
  - WFH arrangements / split office
- ✓ Expanded Health Care Services
  - Enhanced HMO limits/coverage
  - Dedicated COVID-19 testing facility
  - Dedicated telemedicine doctors and nurses to monitor COVID19 cases
- ✓ Provided financial assistance to COVID+ employees
- ✓ Continuous logistical support and transportation services
- ✓ MegaTower extension office

## Who we are

- ✓ One of the oldest privately owned banks, established in 1920
- ✓ Publicly-listed since 1927 on the Manila Stock Exchange
- ✓ Strong presence in the entrepreneur, middle market and business segments
- ✓ Longest relationship with Chinese-Filipinos, serving up to the 4<sup>th</sup> generation
- ✓ Best practice in Corporate Governance



637 branches\*

*\*As of June 30, 2022*

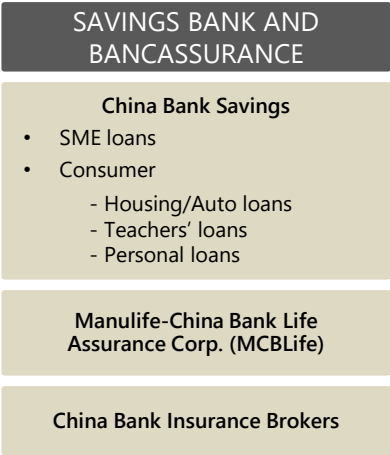
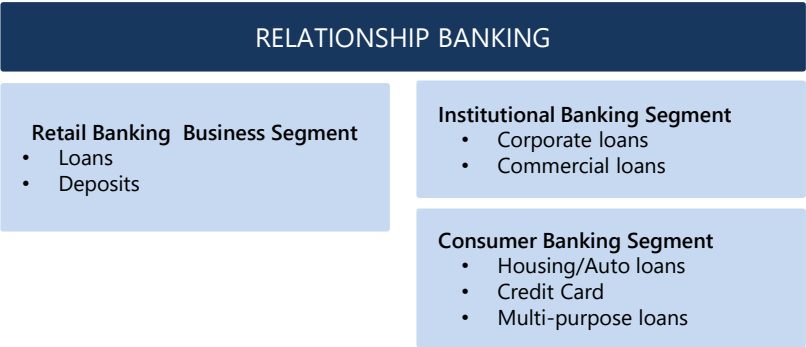


1,036 ATMs\*



9,704 Employees\*

## Full Service Platform



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EQUITY PROFILE

Particulars	August 12, 2022
Ticker	CHIB
Stock Price	Php28.15
Market Cap (in PHP Mn)	75,760
Market Cap (in USD Mn)	1,370*
Book Value per Share	Php47.3
Earnings per Share	Php6.7
Price to Book	0.6
Price to Earnings	4.2

\*Based of Aug 11, 2022 USDPHP exchange rate of PHP 55.31

CREDIT RATINGS

MOODY'S

- Investment grade credit rating of [Baa2](#) with [stable outlook](#) from May 2017
- Same level as the Philippine sovereign rating and at par with the country's three biggest banks
- Affirmed in July 2022

PhilRatings  
PHILIPPINE RATING SERVICES CORPORATION

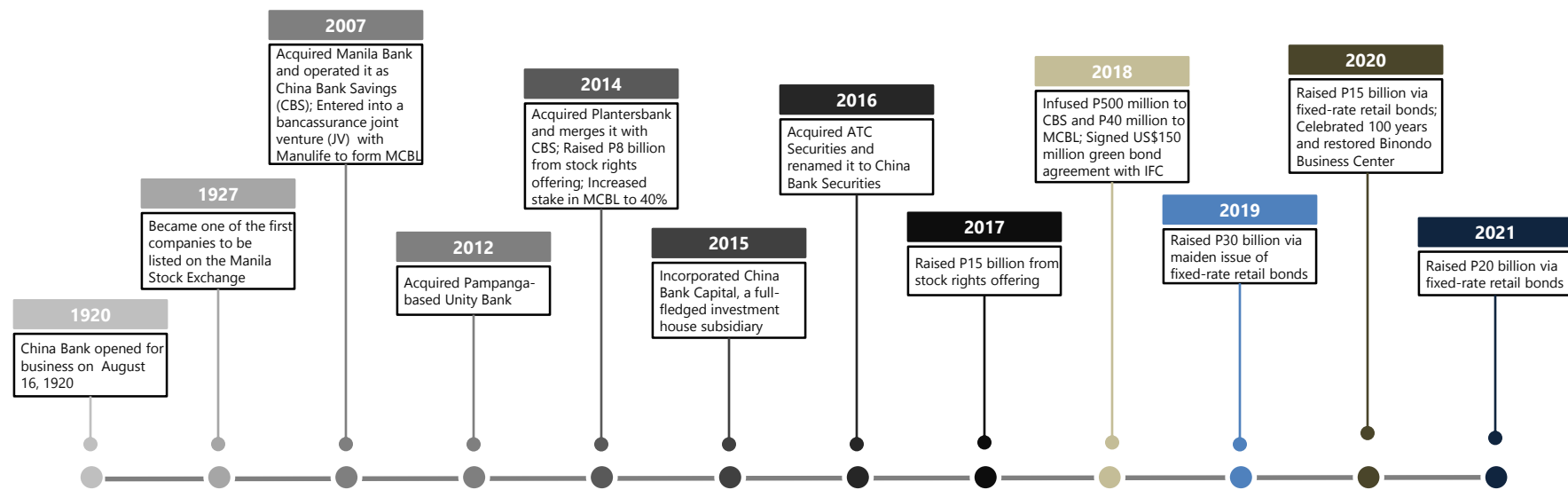
- Investment grade issuer rating of [PRS Aaa \(corp.\)](#) with [stable outlook](#) in February 2019
- Affirmed in October 2021



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# China Bank Profile

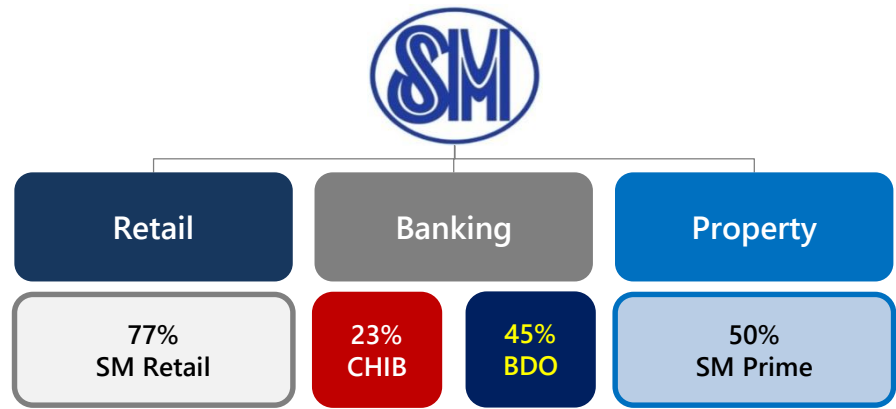
## Corporate Milestones



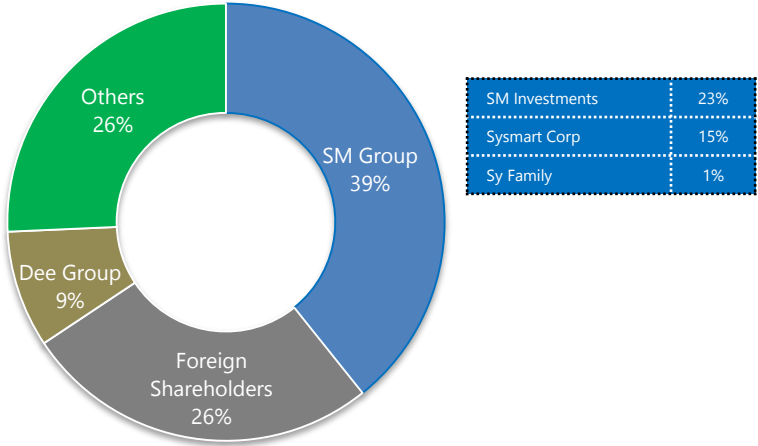
# Strong Support and Synergies with the SM Group

China Bank benefits from being part of one of the largest and most diversified conglomerates in the Philippines

## Snapshot of SM Group Business Lines



## Current Shareholdings



## Distinct Benefits for China Bank



Access to the SM Group's ecosystem of merchants, suppliers and contractors to promote the Bank's products



51 branches and 141 ATMs in SM Group's shopping malls, SaveMore, CityMall and Alfamart locations



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# Financial Highlights – Quarterly Income Statements

<b>INCOME STATEMENTS</b> <i>In PHP billions, except %</i>	<b>1Q'21</b>	<b>2Q'21</b>	<b>3Q'21</b>	<b>4Q'21</b>	<b>1Q'22</b>	<b>2Q'22</b>	<b>2Q'22 VS 2Q'21</b>	<b>2Q'22 VS 2Q'21</b>
Interest income	11.4	11.4	11.6	12.2	12.6	13.2	5%	17%
Interest expense	(2.0)	(1.8)	(1.8)	(1.8)	(1.9)	(2.0)	7%	12%
<b>Net interest income</b>	<b>9.3</b>	<b>9.6</b>	<b>9.9</b>	<b>10.3</b>	<b>10.8</b>	<b>11.2</b>	<b>4%</b>	<b>17%</b>
Fee-based income	3.4	2.5	1.9	1.8	1.7	1.5	-12%	-40%
<b>Total revenues</b>	<b>12.7</b>	<b>12.1</b>	<b>11.8</b>	<b>12.1</b>	<b>12.5</b>	<b>12.7</b>	<b>2%</b>	<b>5%</b>
Operating expenses	(6.2)	(4.9)	(5.5)	(5.7)	(5.7)	(5.4)	-5%	9%
<b>Income before provisions and taxes</b>	<b>6.5</b>	<b>7.1</b>	<b>6.3</b>	<b>6.4</b>	<b>6.8</b>	<b>7.3</b>	<b>8%</b>	<b>3%</b>
Provision for impairment and credit losses	(2.2)	(3.1)	(1.1)	(2.4)	(0.8)	(0.9)	12%	-72%
<b>Income before income tax</b>	<b>4.3</b>	<b>4.0</b>	<b>5.1</b>	<b>4.0</b>	<b>6.0</b>	<b>6.5</b>	<b>8%</b>	<b>61%</b>
Provision for income tax	(0.7)	(0.3)	(1.2)	(0.1)	(1.1)	(1.3)	15%	289%
<b>Net Income</b>	<b>3.6</b>	<b>3.7</b>	<b>3.9</b>	<b>3.9</b>	<b>4.9</b>	<b>5.2</b>	<b>6%</b>	<b>41%</b>



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# Highly capable management team\*



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



**Gilbert U. Dee**  
*Vice Chairman of the Board*



**William C. Whang**  
*Director and President*



**Romeo D. Uyan, Jr.**  
*Senior Executive Vice President and Chief Operating Officer*



**Patrick D. Cheng**  
*Executive Vice President and Chief Finance Officer*



**Rosemarie C. Gan**  
*Executive Vice President and Adviser to the Retail Banking Business Segment*



**Aloysius C. Alday, Jr.**  
*Senior Vice President and Head of Consumer Banking Segment and Customer Contact Center Group*



**Ananias S. Cornelio III**  
*Senior Vice President and Chief Risk Officer*



**Jose L. Osmeña, Jr.**  
*Senior Vice President and Head of Retail Banking Business Segment*



**Magnolia Luisa N. Palanca**  
*Senior Vice President and Head of Financial Markets Segment*



**Christopher Ma. Carmelo Y. Salazar**  
*Senior Vice President, Treasurer and Head of Treasury Group*



**Manuel C. Tagaza**  
*Senior Vice President and Head of Digital Banking Business Group*



**Lilian Yu**  
*Senior Vice President and Head of Institutional Banking Segment*



**Atty. Aileen Paulette De Jesus**  
*Vice President II and Chief Compliance Officer*



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\*Note: Management Team as of Aug. 12, 2022



## How did we compare?

### Balance Sheet Indicators (June 2022)

CONSOLIDATED	Assets		Net Loans <sup>1/</sup>		Deposits		Equity	
in PHP Billions	Amt	Rank	Amt	Rank	Amt	Rank	Amt	Rank
BDO	3,754	1	2,371	1	2,956	1	432	1
MBT	2,707	2	1,249	3	2,062	2	301	3
BPI	2,472	3	1,550	2	1,995	3	303	2
CHIB	1,226	4	655	4	946	4	124	6
PNB	1,204	5	582	5	886	5	164	4
RCB	1,040	6	496	6	740	6	112	8
UBP	872	7	349	8	555	8	140	5
SECB	796	8	483	7	570	7	123	7
EW	416	9	216	9	336	9	59	9

<sup>1/</sup> Net Loans = Loans-Others less General Provisions

Note: Based on Published SOC's



# How did we compare?

## Net Income and ROE

CONSOLIDATED in PHP Billions	NET INC 1H'21	NET INCOME			Y/y % / x	ROE 1H'22
		1Q	2Q	1H'22		
BDO	21.5	11.8	12.3	24.0	12%	11.3%
MBT	11.8	8.1	7.7	15.8	34%	10.0%
BPI	11.8	8.0	12.5	20.4	73%	14.0%
PNB	22.1	2.8				
CHIB	7.3	4.9	5.2	10.1	39%	16.4%
RCB	3.3	2.1	4.0	6.1	84%	9.5%
UBP	8.3	2.6	3.4	6.1	(27%)	10.7%
SECB	3.1	2.7				
EW	3.8	0.5				

### Common Themes during the period

- ✓ NII growth amid increase in interest expenses
- ✓ Improvement in core other income, as trading gains dwindle
- ✓ Credit buffers reversed amid better credit status of borrowers

### Other Highlights

- ✓ **Big 3 + CHIB GNPL ratios** below 3% in Q1, while **CHIB is the only mid-tier bank >100% NPL Cover**
- ✓ **BPI up 73% in 1H** due to higher revenues & lower provisions; includes net gain on property sale and CREATE adjustments

Source: SEC Disclosures



# Thank You!



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