

# China Banking Corporation

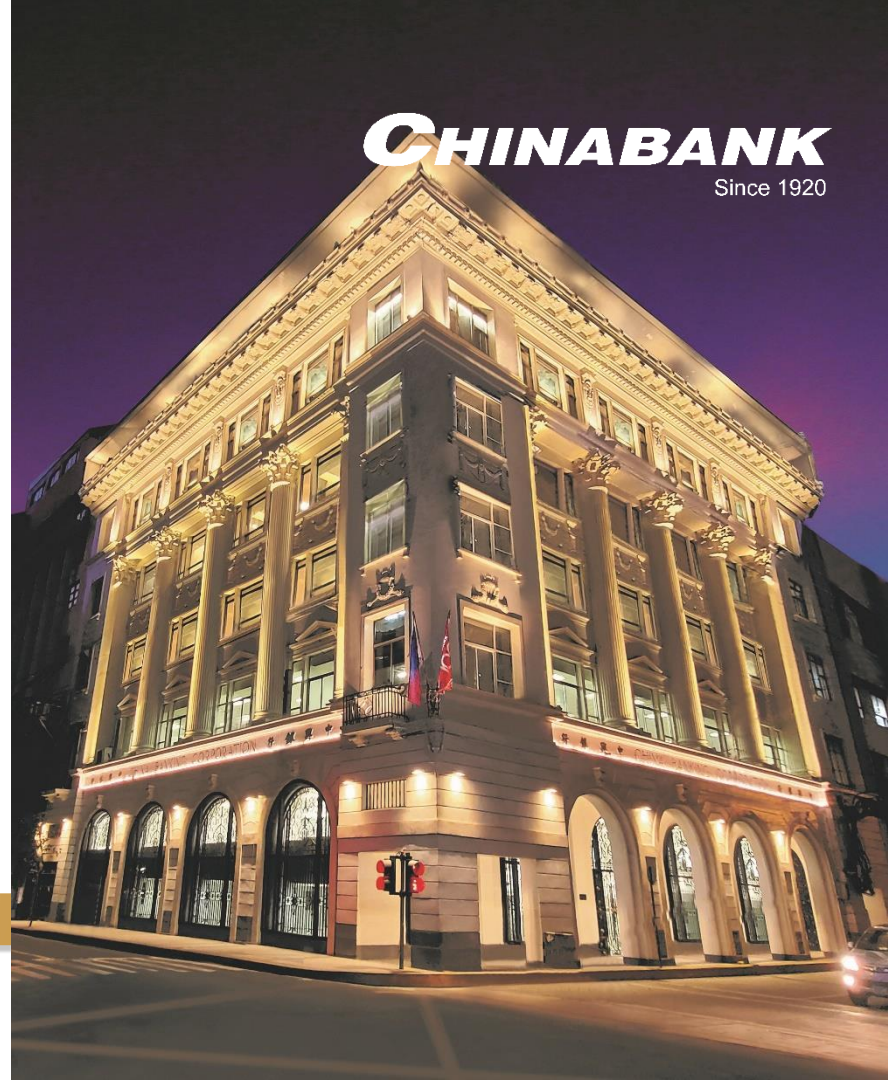
## ANALYSTS' BRIEFING

9M 2022 Results

November 10, 2022



THE BEST BANK IN THE COUNTRY



# Disclaimer

ANY INVESTMENT DECISION TO PURCHASE SECURITIES IN THE CONTEXT OF A PROPOSED OFFERING, IF ANY, SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR PUBLISHED IN RELATION TO SUCH AN OFFERING AND NOT ON THE BASIS OF THIS DOCUMENT WHICH DOES NOT CONSTITUTE OR FORM PART OF AN OFFER OR SOLICITATION OF AN OFFER TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES.

The information contained in this document has not been independently verified and no representation or warranty, expressed or implied, is made as to, and no reliance should be placed on, the information or opinions contained herein. The information set out herein does not purport to be complete, may be subject to revision and may change materially. China Banking Corporation (CHIB) is under no obligation to keep current the information contained in this document and any opinions expressed in it are subject to change without notice. None of CHIB or any of its affiliates, advisers or representatives shall have any liability whatsoever for any loss whatsoever arising from any use of this document or its contents or otherwise arising in connection with this document (whether direct, indirect, consequential or other). The information in this document should not be considered as a recommendation or advice to holding or purchasing securities or any other financial product, and does not take into account your particular investment objectives, needs or financial situation.

This document contains "forward-looking statements", which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "will", "would", "aim", "aimed", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "estimating", "intend", "plan", "contemplate", "seek to", "seeking to", "trying to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may", "will pursue" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond CHIB's control, that may change at any time, and could cause the actual results, performance or achievements of CHIB to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Recipients are cautioned not to place substantial or undue reliance on these forward-looking statements. All forward-looking statements included in this presentation are made only as of the date of this presentation and neither CHIB, the Dealers, nor any of their respective affiliates, agents, advisors or representatives (including directors, officers and employees) intend or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this document as a result of new information, future events or any other factors.

Recipients of this presentation are required to make their own independent investigation and appraisal of the business and financial condition of CHIB, and any tax, legal, accounting and economic considerations relevant to the situation. The Dealers may act as market makers or trade on a principal basis, or have undertaken or may undertake to trade for their own accounts, transactions in the Securities or related instruments of CHIB and may act as underwriter, placement agent, advisor or lender to CHIB. The Dealers and/or their respective employees may hold a position in any Securities mentioned herein. This document contains data sourced from and the views of independent third parties. In replicating such data in this document, neither CHIB nor the Dealers make any representation, whether express or implied, as to the accuracy of such data. The replication of any views in this document should not be treated as an indication that CHIB or the Dealers agree with or concurs with such views.





**Patrick D. Cheng**  
Chief Finance Officer



**Gerald O. Florentino**  
Investor Relations Head



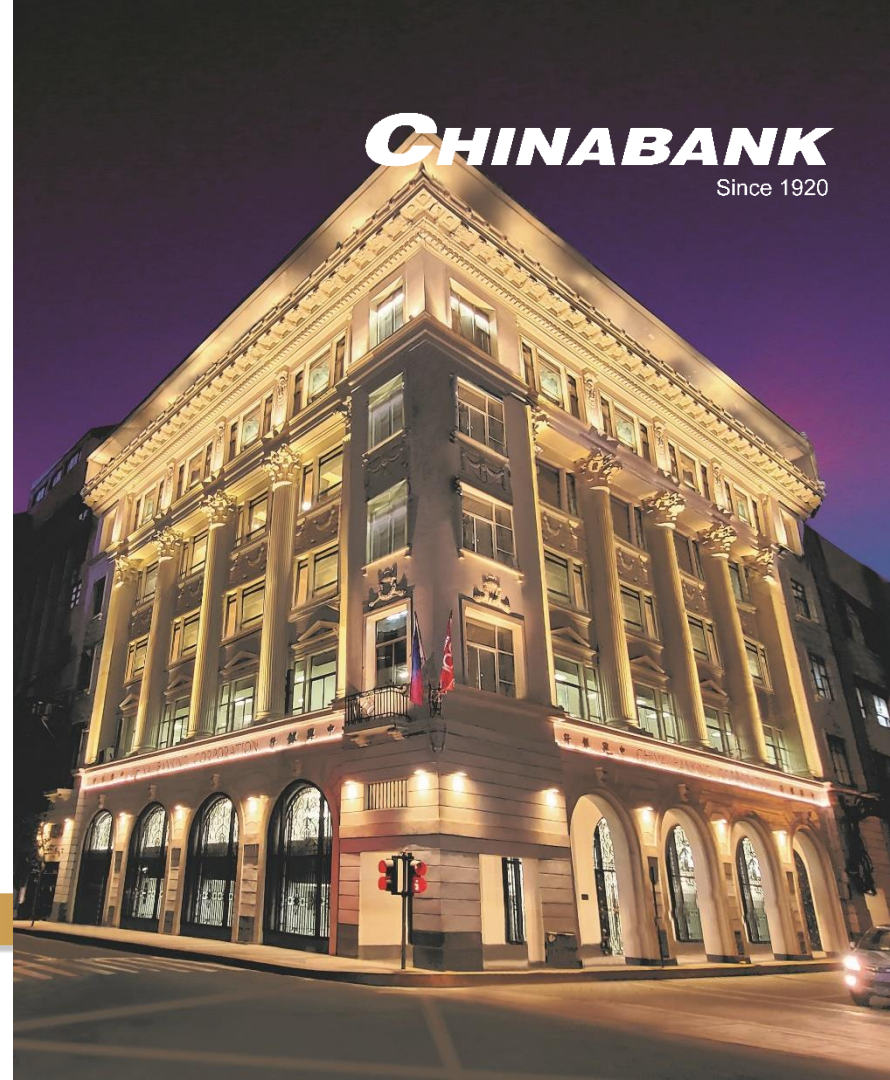
THE BEST BANK IN THE COUNTRY

# Reminders

- Microphones and cameras are disabled during the presentation.
- For the Q & A, attendees may:
  - ✓ Post a **live question**  
click the “Raise Hand” button to be recognized
  - ✓ Send questions thru the **chat box**



THE BEST BANK IN THE COUNTRY

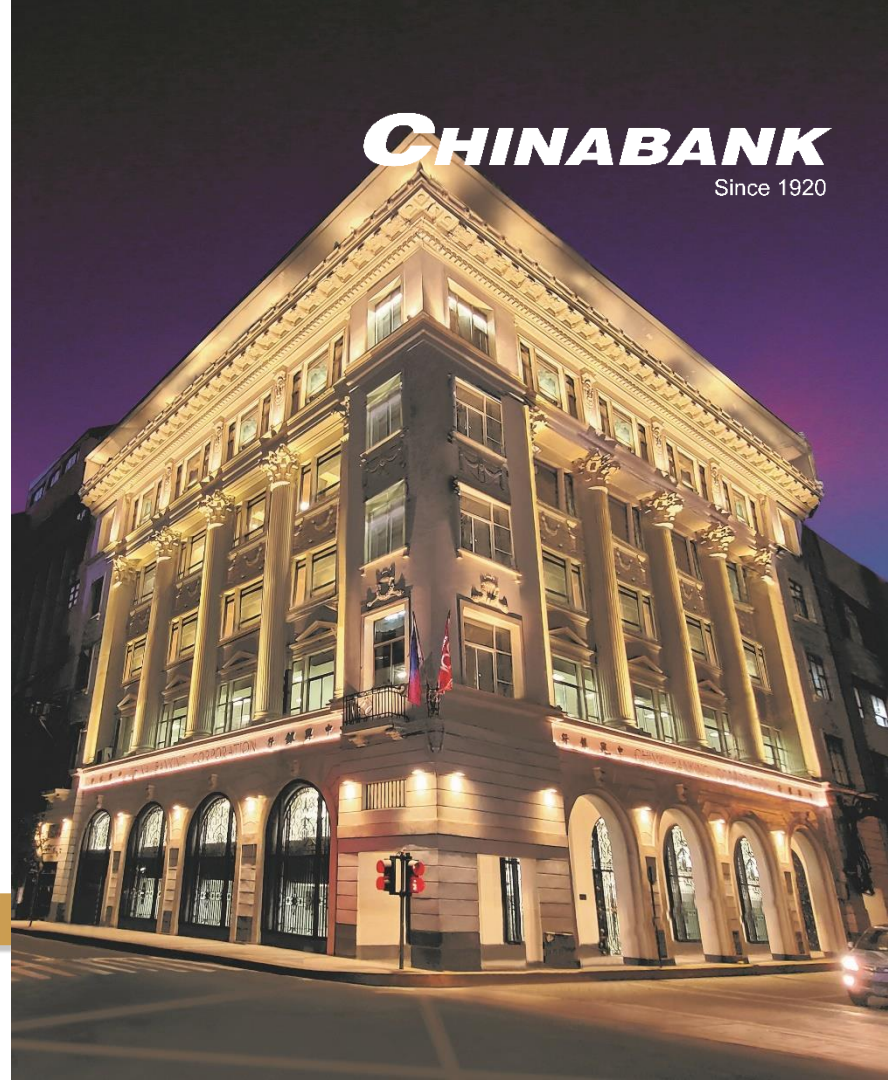




# 9M 2022 Financial Performance



THE BEST BANK IN THE COUNTRY



# 9M 2022 Performance Highlights



- Increased profitability with 9M 2022 net income up 31% to P14.7 Billion YoY driven by sustained NII growth
- Improved return on equity of 15.6% and return on assets of 1.6%
- Cost-to-income ratio further improved to 43%



- Continued assets expansion at 21% YoY to P1.3 Trillion
- Disciplined loan growth at 14% YoY; Business loans up 12% while consumer loans grew 21%
- Sustained CASA growth of 10% YoY



- Lower NPL ratio at 2.0% as of end-September 2022; NPL coverage at 161%
- Strong internal capital generation with CET 1 ratio of 14.9% 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 9M 2022



THE BEST BANK IN THE COUNTRY

# Financial Highlights

INCOME STATEMENTS In Php billions, except %	9M2021	9M2022	YoY Growth
Interest income	34.3	40.6	18%
Interest expense	(5.6)	(6.8)	23%
<b>Net interest income</b>	<b>28.8</b>	<b>33.7</b>	<b>17%</b>
Fee-based income	7.8	8.3	6%
<b>Total revenue</b>	<b>36.6</b>	<b>42.0</b>	<b>15%</b>
Operating expenses	(16.6)	(18.0)	8%
<b>Income before provisions and taxes</b>	<b>19.9</b>	<b>24.0</b>	<b>20%</b>
Provision for impairment and credit losses	(6.5)	(6.9)	7%
<b>Income before income tax</b>	<b>13.4</b>	<b>17.1</b>	<b>27%</b>
Provision for income tax	(2.3)	(2.4)	5%
<b>Net income</b>	<b>11.2</b>	<b>14.7</b>	<b>31%</b>
Return on Equity	13.6%	15.6%	
Return on Assets	1.5%	1.6%	
Net interest margin	4.2%	4.2%	
Cost-to-income ratio	45%	43%	

# 2022 Financial Highlights

BALANCE SHEETS in Php billions, except %	Sep-21	Dec-21	Sep-22	Sep'22 vs Dec'21	Sep'22 vs Sep'21
Liquid Assets	195	188	168	-10%	-14%
Investment Securities	232	279	391	40%	68%
Net Loans	592	609	676	11%	14%
Other Assets	36	36	40	9%	10%
<b>Total Assets</b>	<b>1,055</b>	<b>1,112</b>	<b>1,274</b>	<b>15%</b>	<b>21%</b>
Deposits	849	863	1,001	16%	18%
<i>CASA</i>	<i>529</i>	<i>555</i>	<i>582</i>	<i>5%</i>	<i>10%</i>
<i>Time Deposits</i>	<i>321</i>	<i>308</i>	<i>420</i>	<i>36%</i>	<i>31%</i>
Bills and Bonds Payable	70	108	115	6%	64%
Other Liabilities	22	22	25	15%	15%
<b>Total Liabilities</b>	<b>941</b>	<b>993</b>	<b>1,142</b>	<b>15%</b>	<b>21%</b>
<b>Total Equity</b>	<b>114</b>	<b>119</b>	<b>133</b>	<b>11%</b>	<b>16%</b>
<b>Total Liabilities and Equities</b>	<b>1,055</b>	<b>1,112</b>	<b>1,274</b>	<b>15%</b>	<b>21%</b>
NPL Ratio	3.4%	2.5%	2.0%		
NPL Cover	106%	116%	161%		
Tier 1/CET 1 Ratio	14.4%	14.9%	14.9%		
Capital Adequacy Ratio (CAR)	15.3%	15.7%	15.7%		

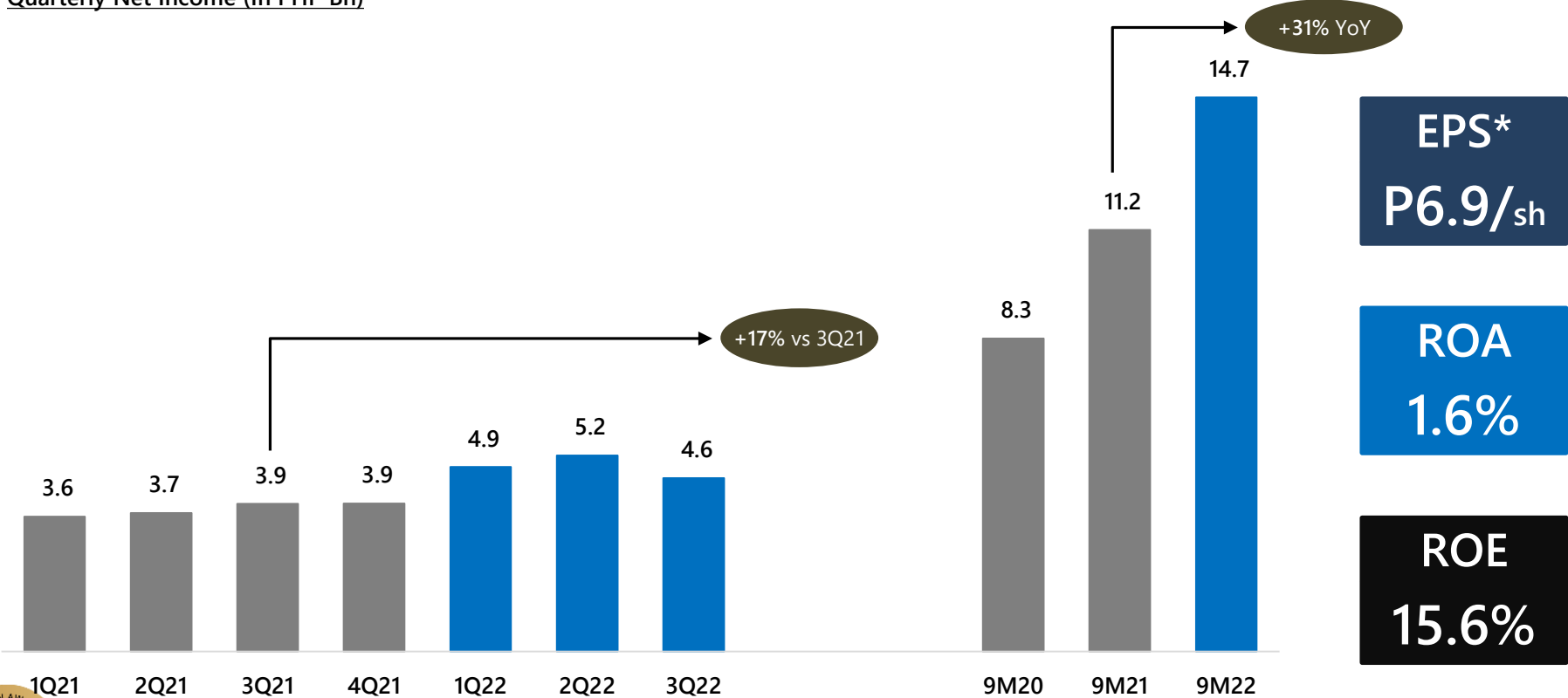


THE BEST BANK IN THE COUNTRY



# Sustained profitability amidst a challenging environment

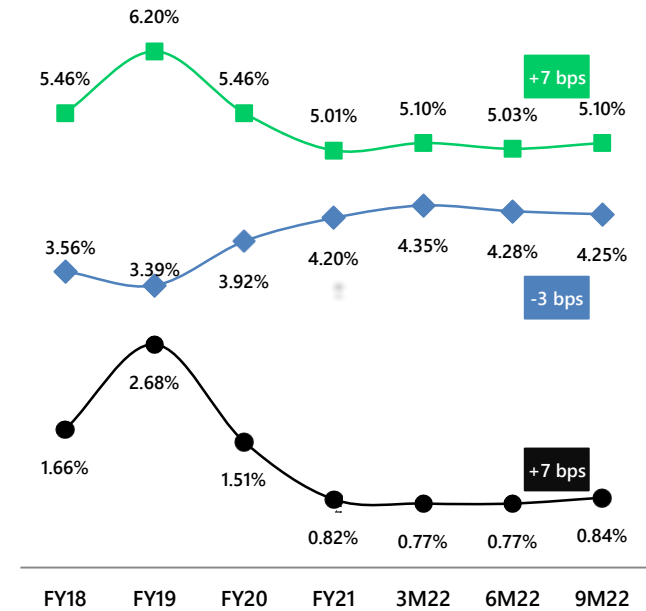
Quarterly Net Income (In PHP Bn)



THE BEST BANK IN THE COUNTRY

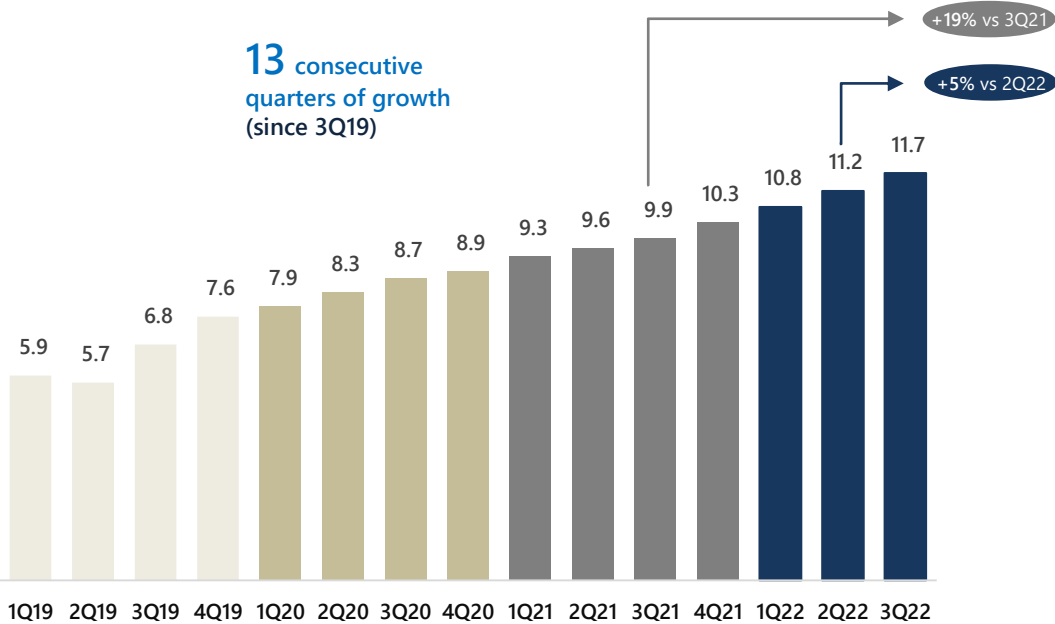
\*Trailing 12 month EPS

## NIM stabilizes above 4%



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

Net Interest Income (In PHP Bn)

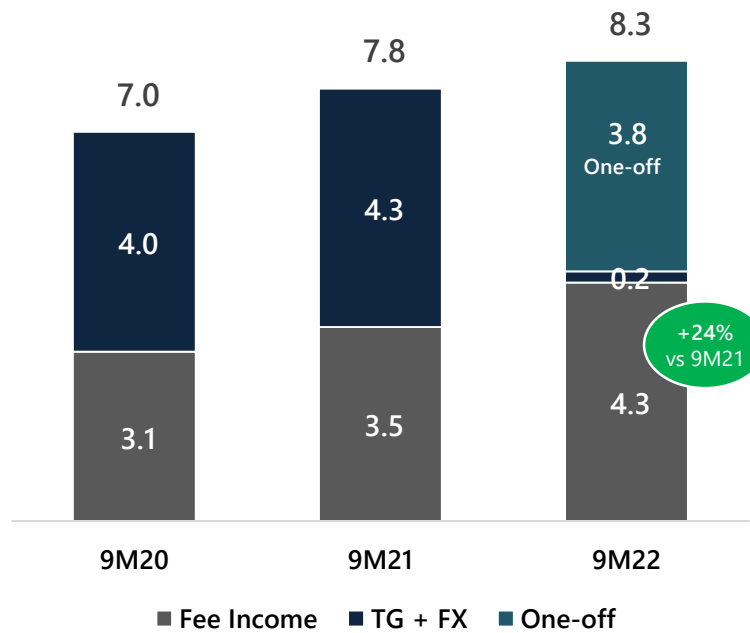


THE BEST BANK IN THE COUNTRY

# Fee-based income remains strong

## Core Fee income continues to grow

Fee-based Income (In PHP Bn)

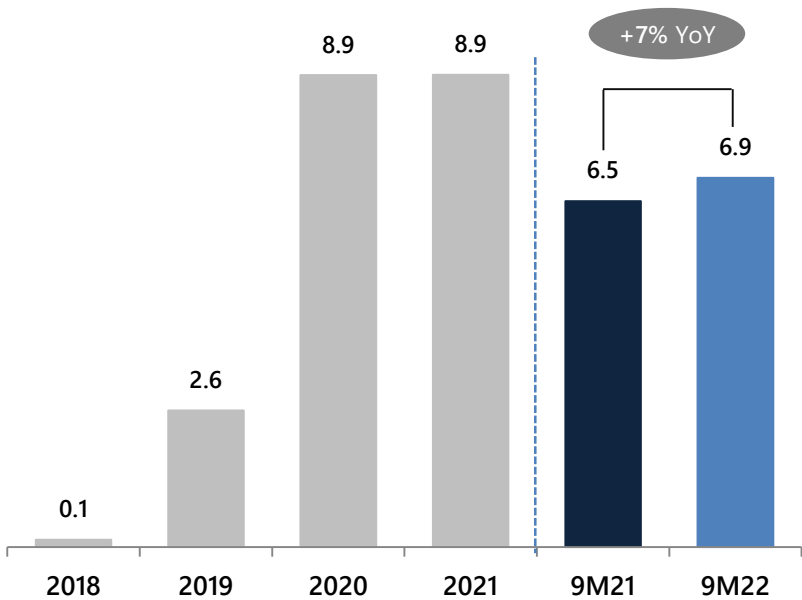


- ✓ Core fee income grew **24%** YoY to **P4.3 billion**.
- ✓ Service fees and commissions went up by **21%** to **P2.3 billion**.
- ✓ The decline in Treasury-related gains was offset by **higher accrual income on Investment securities**.

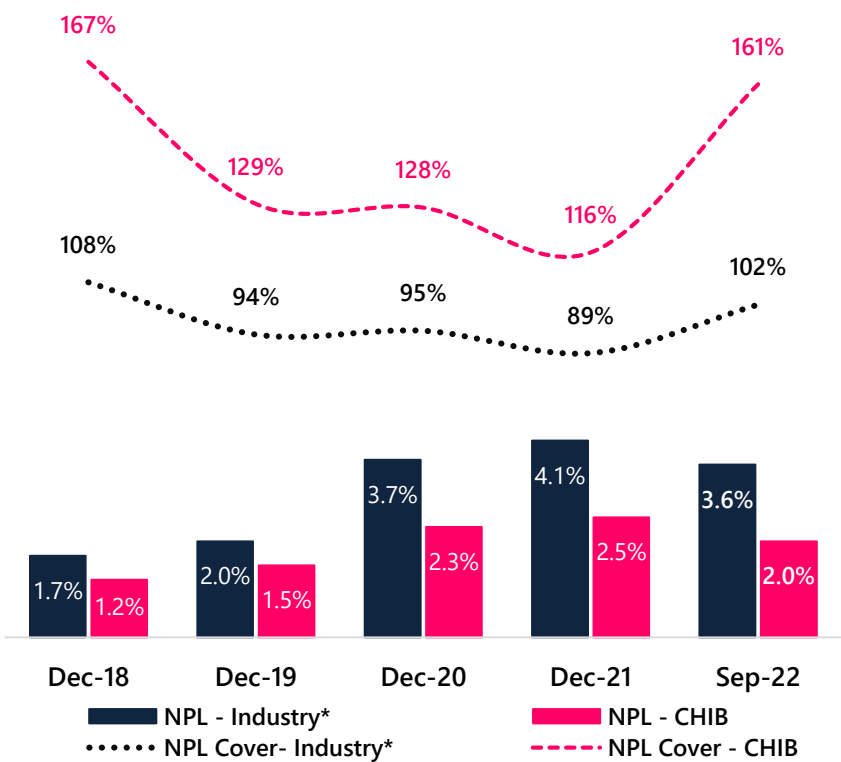


## Conservative policy results to higher provisions

Provisions (In PHP Bn)



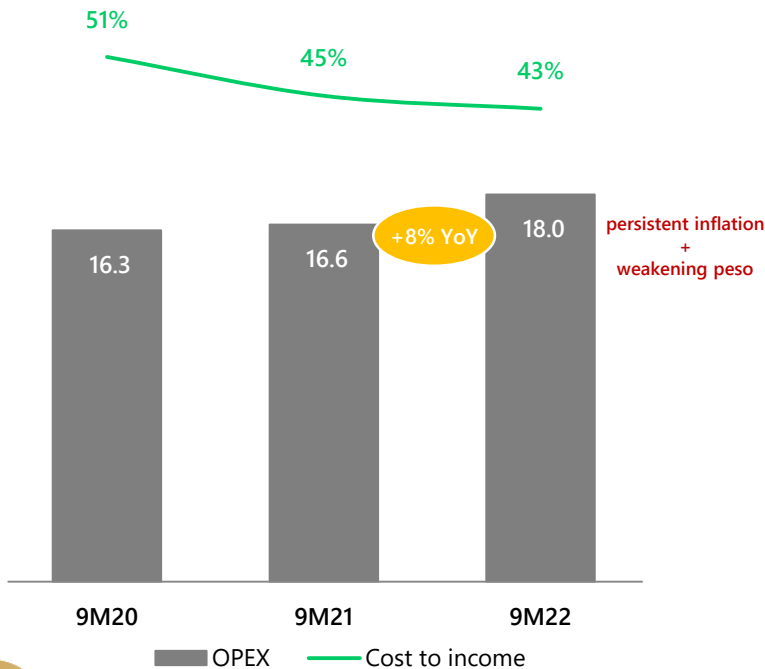
## NPL has stabilized; NPL cover remains adequate



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

## Prudent cost management

Operating Expenses ex provisions (In PHP Bn)



## Improving efficiency

	9M2021	FY2021	9M2022
Headcount	9,790	9,747	10,017
Branches	636	637	638
ATMs	1,034	1,037	1,035
Cost-to-income ratio	45%	46%	43%

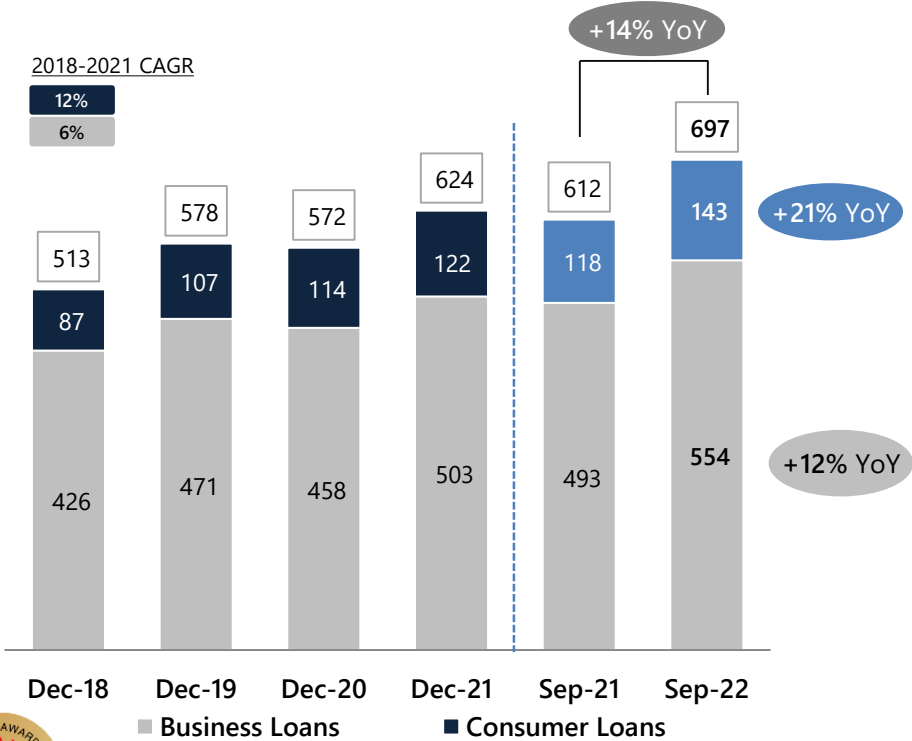




# Disciplined loan growth

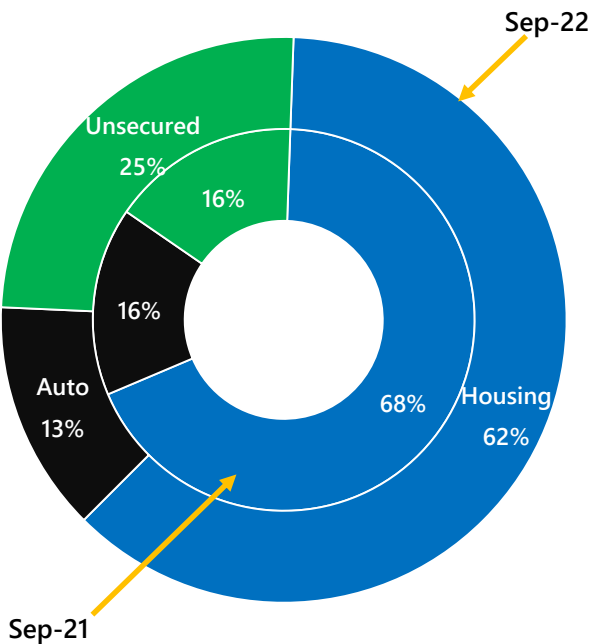
## Continued expansion in both consumer and corporate segments

Gross Loans (In PHP Bn)



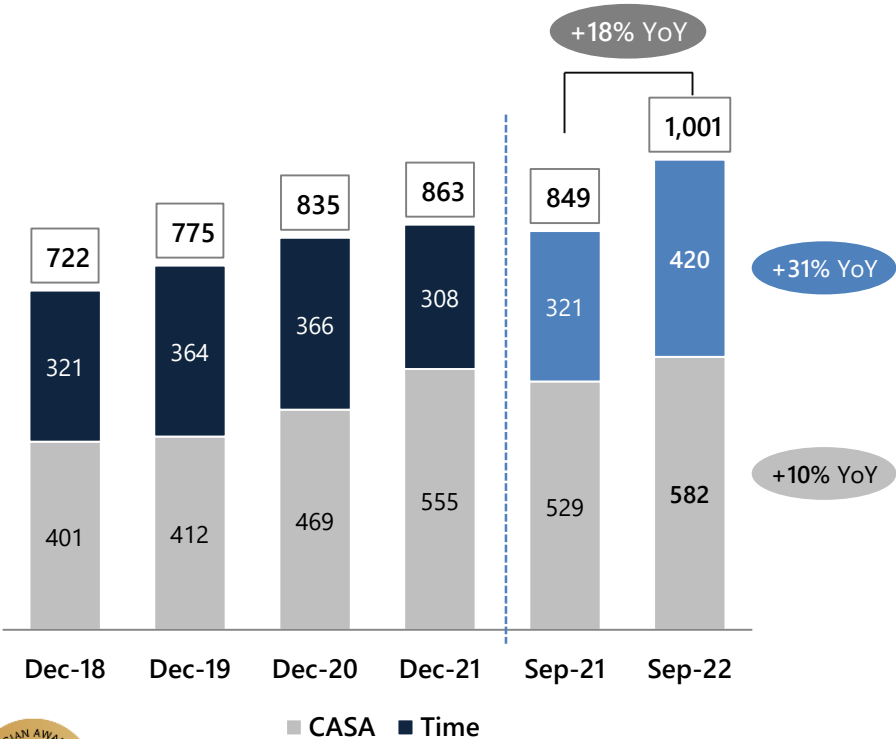
## Well-secured consumer lending portfolio

Consumer Loans Breakdown, Sep-22 vs Sep-21



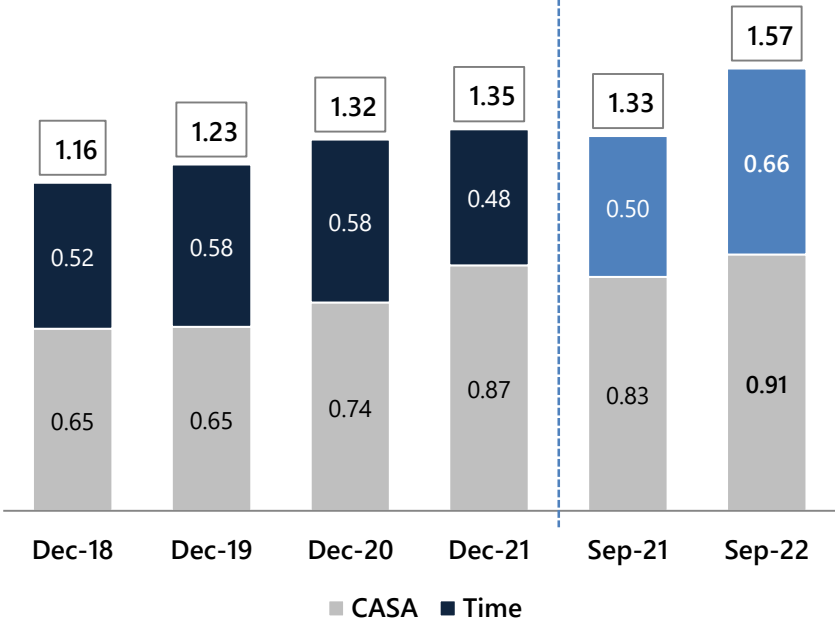
Sustained CASA growth and steady funding mix

Deposits (In PHP Bn)

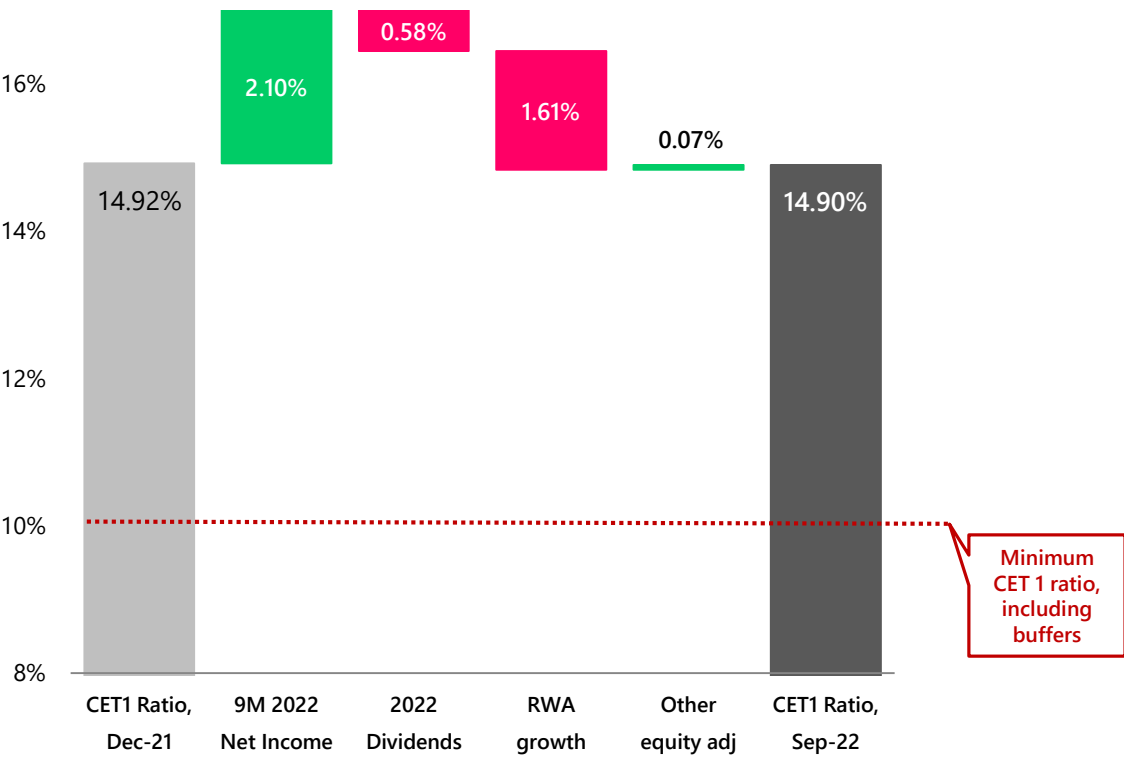


Improving CASA per branch

Deposits per branch (In PHP Bn)

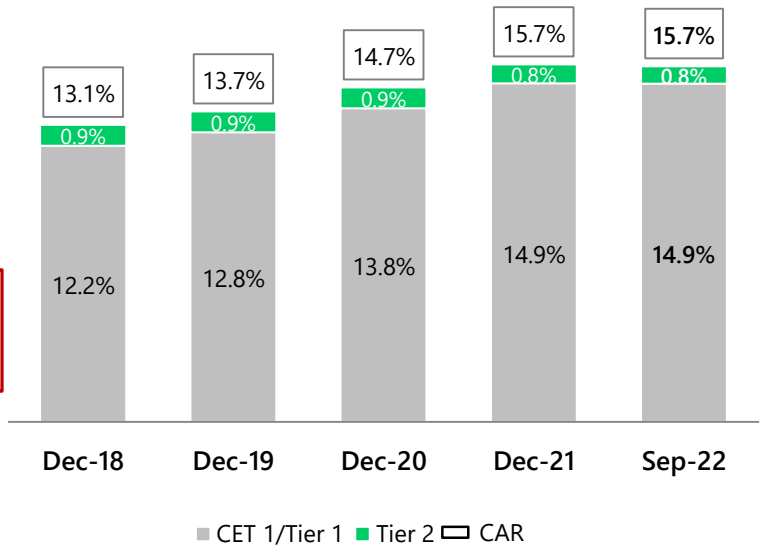


# Strong internal capital generation results to higher capital buffer



## Enough capital buffer:

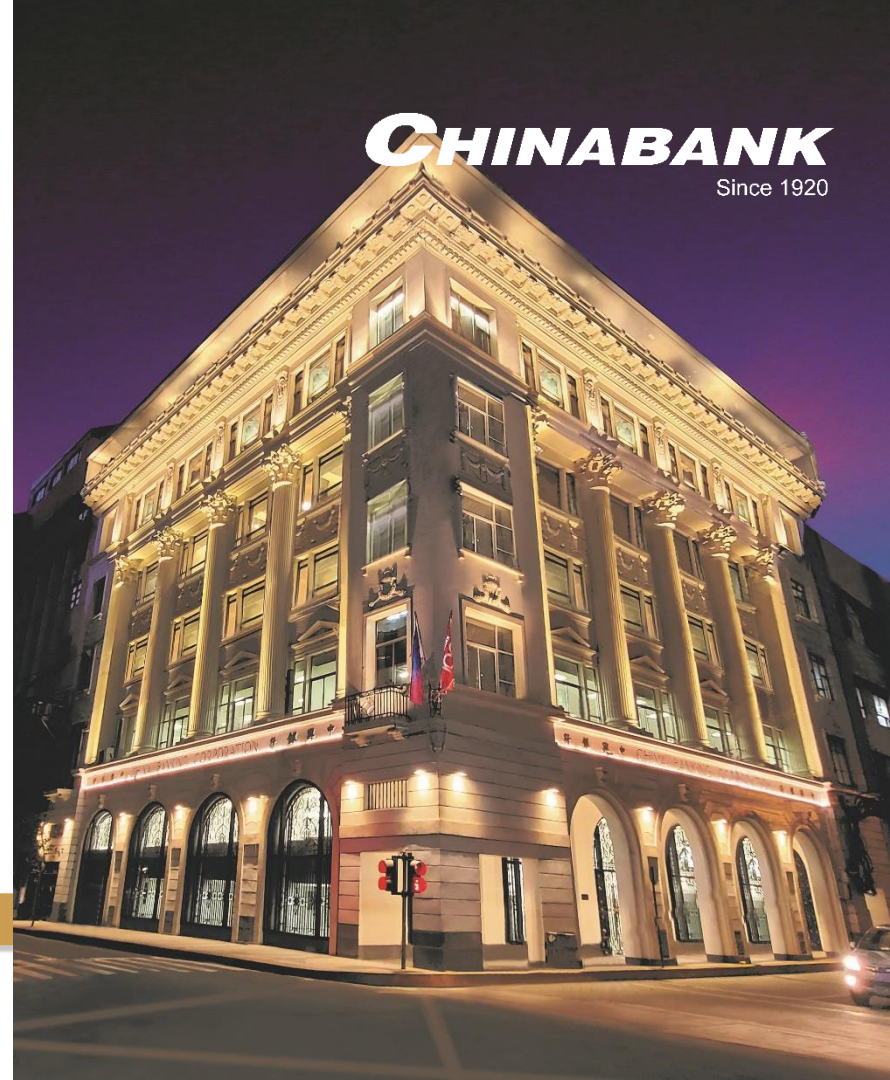
- ✓ to absorb credit shock;
- ✓ to support Asset growth; and
- ✓ to sustain dividend payment to shareholders



# Digital Initiatives



THE BEST BANK IN THE COUNTRY



# DIGITAL BANKING

9M '22 vs 9M '21

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



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



**+41%**  
Digital TXNs  
year-on-year



**+18%**  
Active Users  
year-on-year



**+42%**  
Enrollments  
year-on-year



**+40%**  
Gross  
TXN Value  
year-on-year

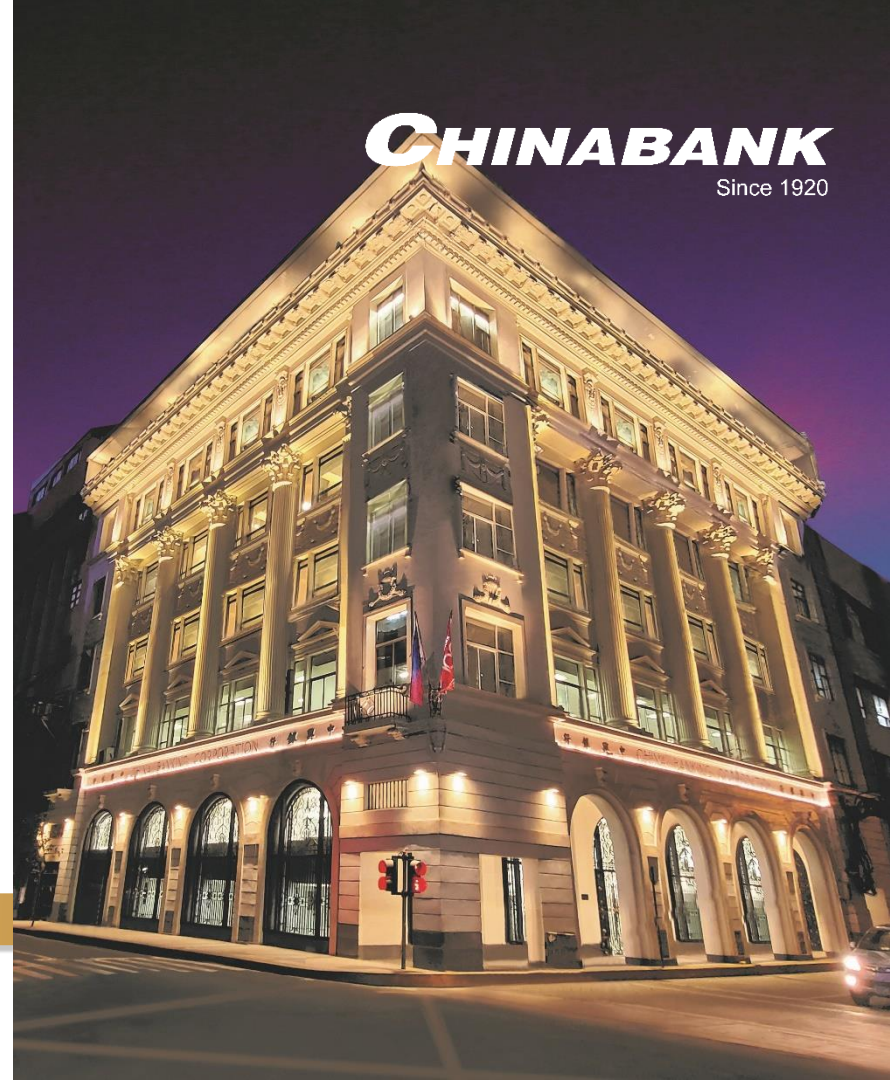




# Awards and Recognitions









THE BEST BANK IN THE COUNTRY



# 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
-  **Triple A Best Bond, Sustainable Capital Market Awards,** *domestic lead manager, Globe's US\$600 Mn resettable senior unsecured perpetual capital securities*

**THE ASIAN BANKER™**  
STRATEGIC BUSINESS INTELLIGENCE FOR THE FINANCIAL SERVICES COMMUNITY

**2<sup>nd</sup> Strongest Bank** in the Philippines - 2021



THE BEST BANK IN THE COUNTRY

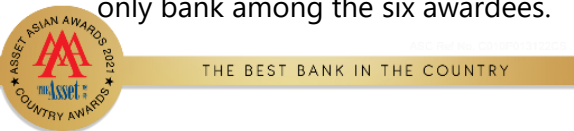
## Track record of excellence in Corporate Governance



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



China Bank Easy Tax

Best Digital Business Banking Initiative

2022



2<sup>nd</sup> Strongest Bank in the Philippines

2021



Cesar E.A. Virata Award (Bank Category)

2021



Mobile Banking & Payment Initiative of the Year Philippines

2020



Top Corporate Securities Market Makers and Top Fixed-income Brokering participants

2019



Apo Agua Infrastructure Php9 Billion financing

Utility Deal of the Year Philippines

2019



Atlantic Gulf and Pacific Company Php6 Billion term loan

Oil and Gas Deal of the Year Philippines


2019



Best Bond Adviser

Domestic Bond Category

2019, 2018, 2017



China Bank Corporation P30 Billion Fixed Rate Retail Bond

Best Retail Bond Philippines

2019



Autotax Payment Facility

Most Innovative Public Sector System Philippines

2019



Best Corporate Governance Disclosure and Transparency Award

2019



Pagtugon Award for Universal and Commercial Banks

2018, 2019



Best Managed Fund for Bond Long-Term Dollar Category

2019, 2018, 2017



Best Managed Fund for Balanced Peso Category

2018



Best Fixed Income Deal - PHP181 Billion ROP Bureau of the Treasury's Retail Treasury Bond

2018



Best Fixed Income Deal - Ayala Corporation US\$400 Million Fixed-For-life Bonds (Ayala USD Fixed For Life)

2018



Best Investor Relations Bank Philippines

2019, 2018, 2016



Top Corporate Issue Manager / Arranger Investment House Category

2018, 2017

In summary, CHIB continues to be..

Profitable

Adequately-capitalized

Well-managed

	9M2021	FY2021	9M2022
Return on Equity	13.6%	13.6%	15.6%
Return on Assets	1.5%	1.5%	1.6%
CET 1/Tier 1 Ratio	14.4%	14.9%	14.9%
Capital Adequacy Ratio	15.3%	15.7%	15.7%
NPL Ratio	3.4%	2.5%	2.0%
NPL Coverage Ratio	106%	116%	161%



THE BEST BANK IN THE COUNTRY

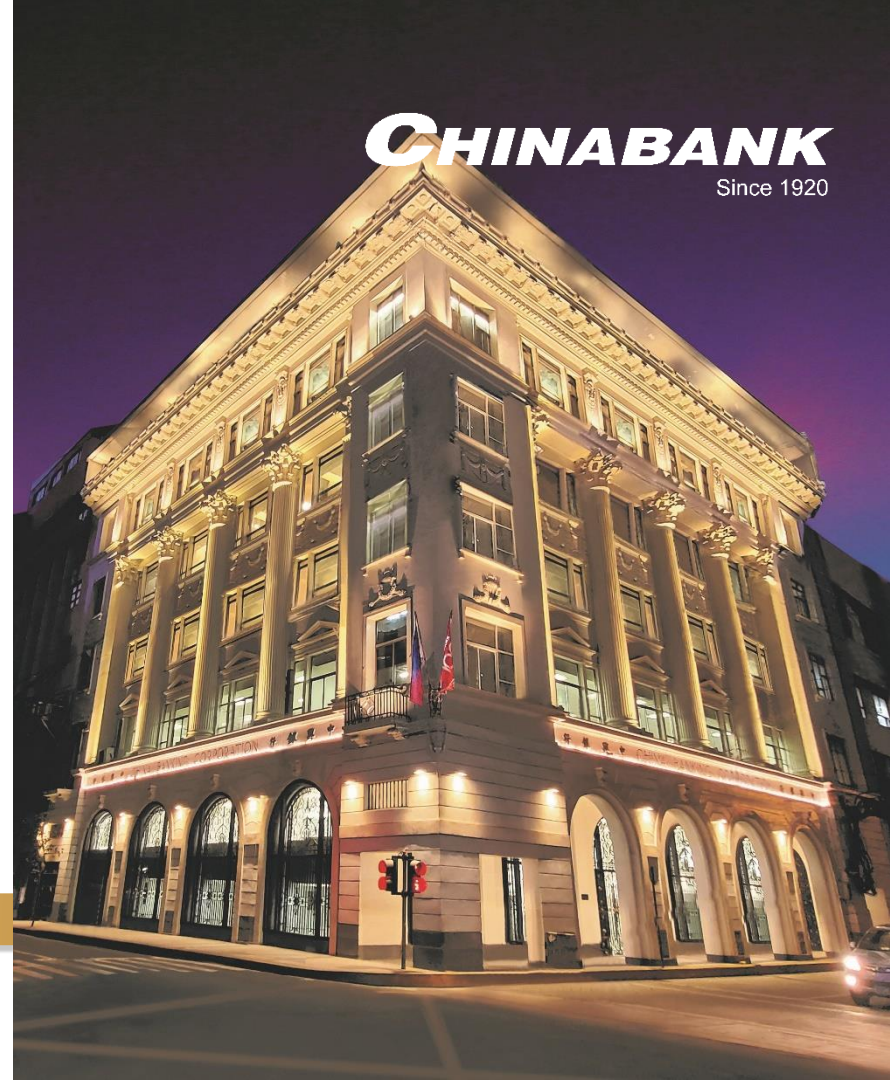


## Q & A

- ✓ Please click the “Raise Hand” button to be recognized.
- ✓ You may also send questions thru the chat box.



THE BEST BANK IN THE COUNTRY

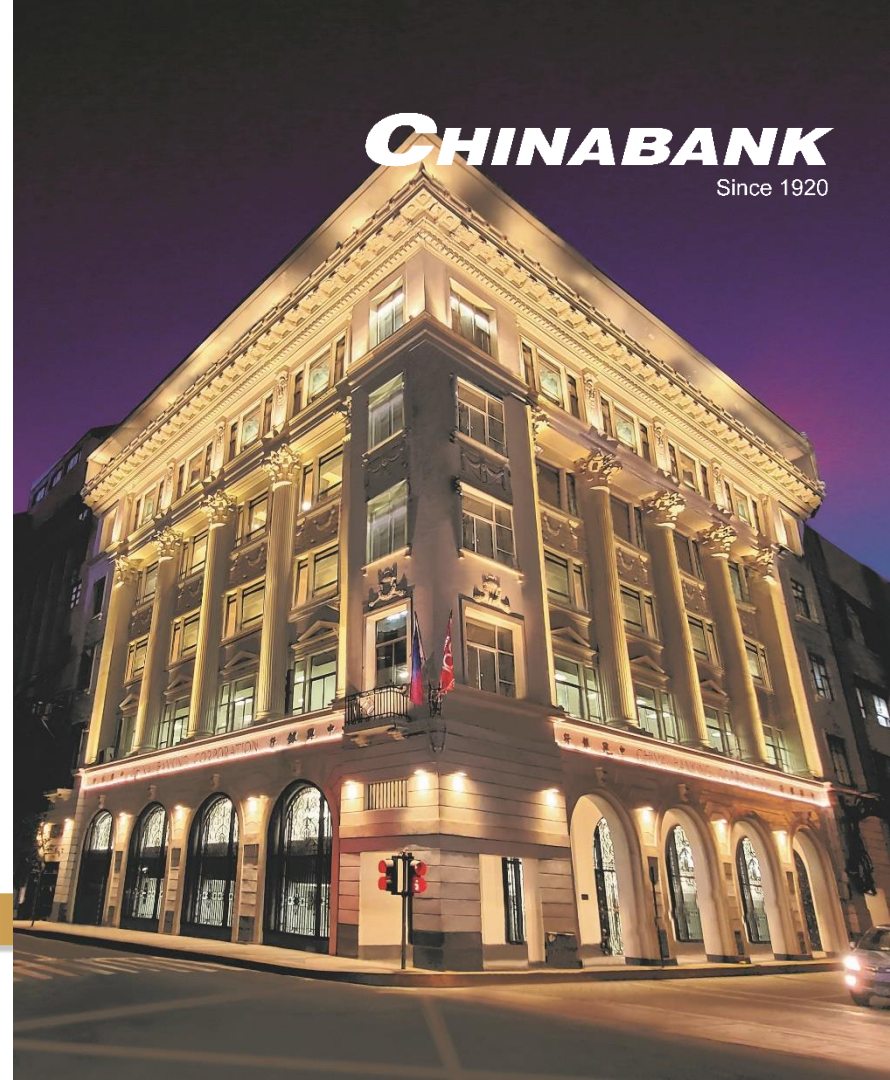


**CHINABANK**  
Since 1920

# Additional Information



THE BEST BANK IN THE COUNTRY

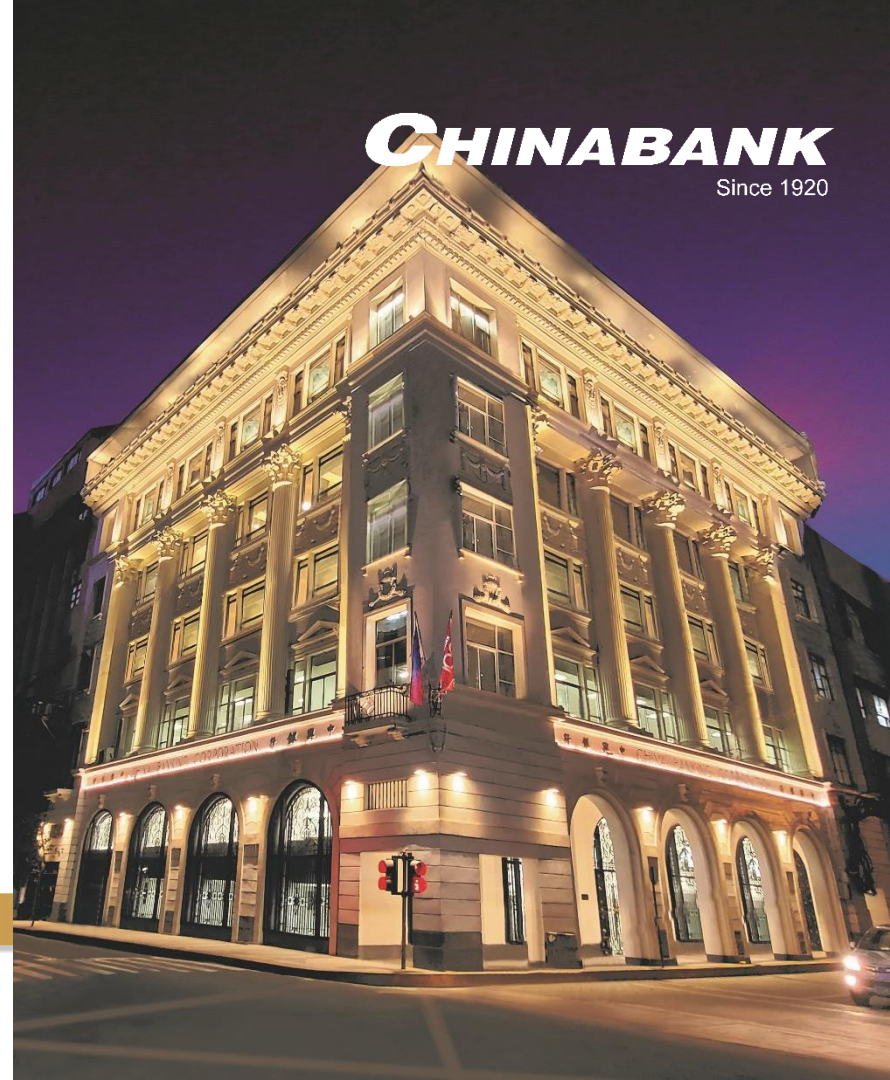


**CHINABANK**  
Since 1920

# Macroeconomic Outlook



THE BEST BANK IN THE COUNTRY







## Inflation

1. Inflation hit a 14-year high of 7.7% in October
2. Inflation path in 2023 will post a deceleration, reaching BSP's target by late 2023
3. But FY 2023 average will likely breach BSP's upper end target again
4. Upside risks include food shortages, tight supply of oil, and upside pressure on electricity and water rates



## Interest Rates & FX

1. The BSP's policy rate is at 4.25%, up 225 bps since the start of the year
2. The BSP will hike in lockstep with the Fed, reaching a terminal rate of 6.0% by Q1 2023
3. Domestic interest rates will trend downwards by Q2 2023 due to lower inflation outlook
4. PHP movement against the USD will rely on interest rate differentials with the US



## Economic Growth

1. Slower global GDP in 2023 (IMF: 2.7%) due to a weaker China and recessionary risks in some major economies (e.g. US, UK)
2. Philippine GDP growth will likely slowdown in 2023 amid a global slowdown, aggressive monetary tightening, and reduced government spending
3. Rely on private sector activities leveraging on structural reforms from the previous administration



	FY 2021A	As of Oct 2022	FY 2022F	FY 2023F
GDP growth (%)	5.6	7.7	6.6	5.5-6.0
Inflation (%)	3.9	5.4	Emerging: 5.8	4.6
Policy rate (end, %)	2.0	4.25	5.5	5.75
10-Year BVAL Rate (end, %)	4.82	7.44	7.7	5.9
USDPHP (end)	51.00	57.97	58.0-58.5	59.0-59.5

## Key Takeaways

- 1. **Decent economic growth in 2023**, albeit lower than the government’s target, despite headwinds
- 2. **Structural reforms** will remain attractive for investors
- 3. **A high interest rate environment** will be the norm in 2023

## 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



638 branches\*



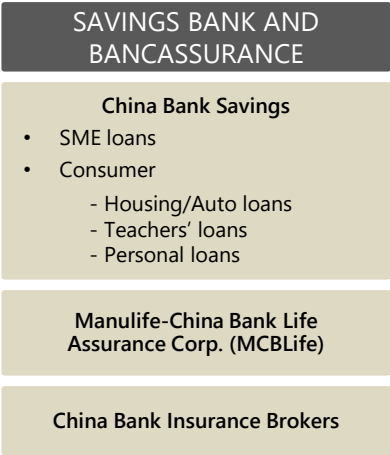
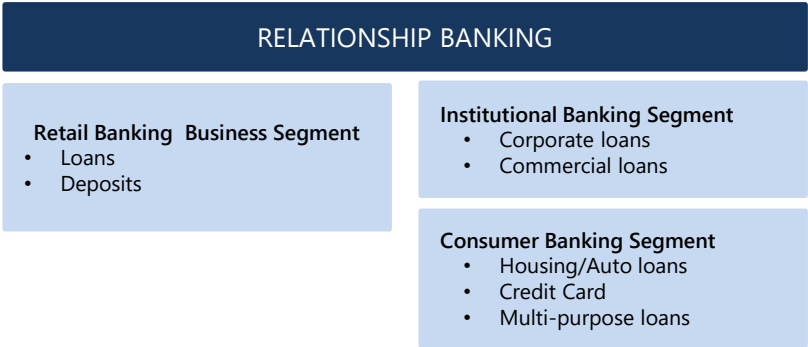
1,035 ATMs\*



10,017 Employees\*

*\*As of September 30, 2022*

## Full Service Platform



THE BEST BANK IN THE COUNTRY

EQUITY PROFILE

Particulars	November 9, 2022
Ticker	CHIB
Stock Price	Php26.40
Market Cap (in PHP Mn)	71,050
Market Cap (in USD Mn)	1,219*
Book Value per Share	Php49.2
Earnings per Share	Php6.9
Price to Book	0.5
Price to Earnings	3.8

\*Based of Nov 9, 2022 USDPHP exchange rate of PHP 58.292

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

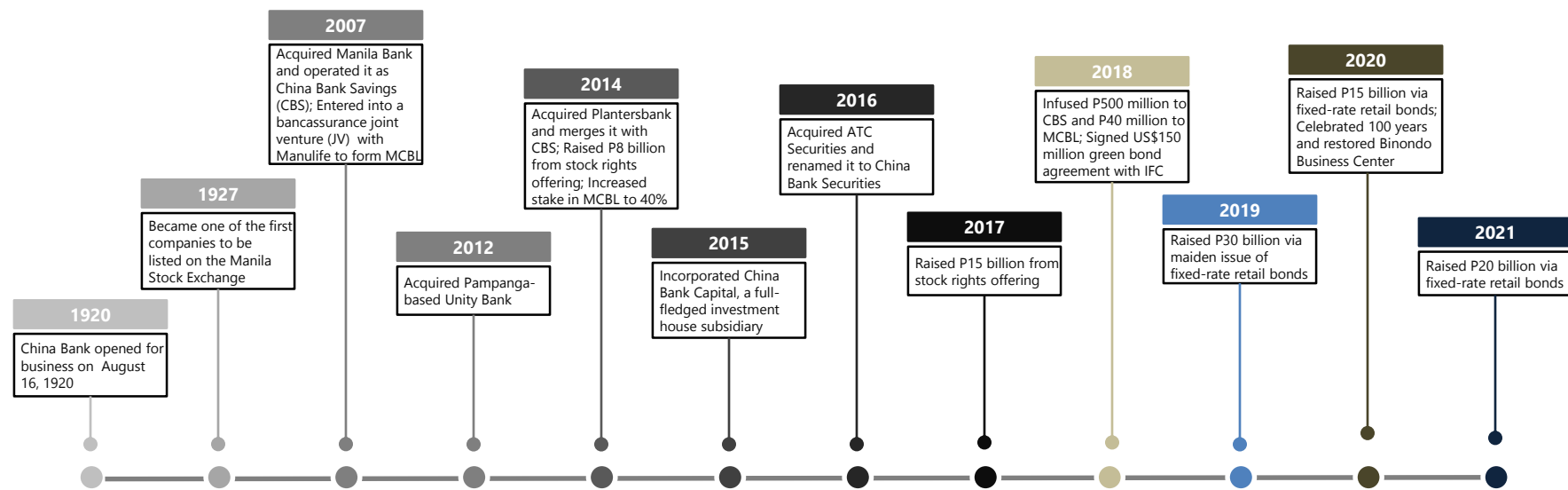


THE BEST BANK IN THE COUNTRY



# China Bank Profile

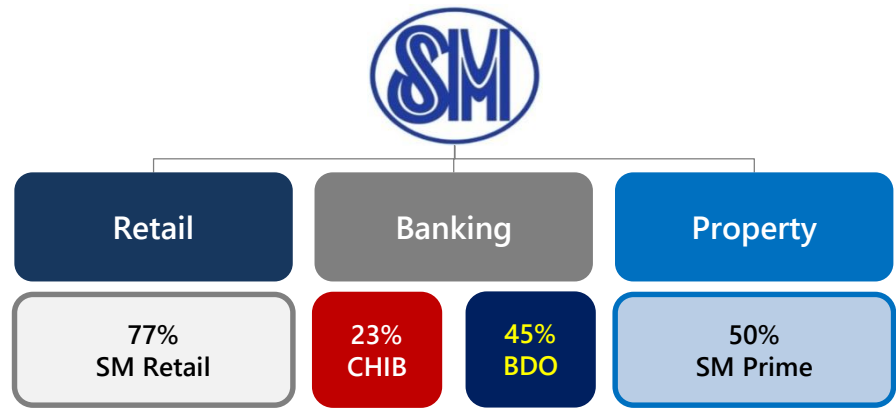
## Corporate Milestones



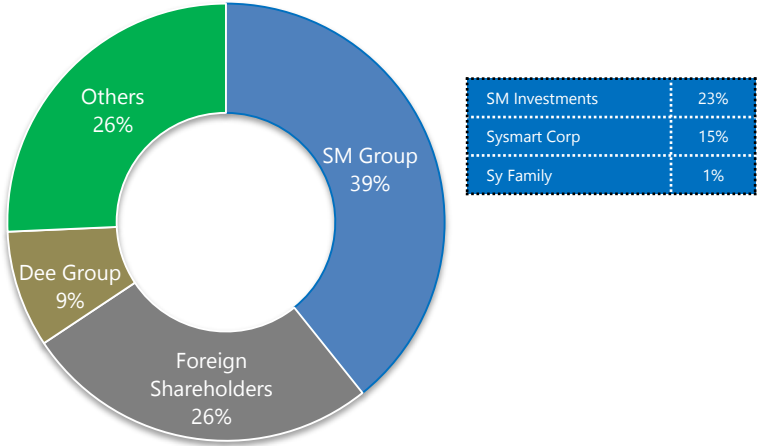
# Strong Support and Synergies with the SM Group

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



THE BEST BANK IN THE COUNTRY

# Financial Highlights – Quarterly Income Statements

INCOME STATEMENTS In Php billions, except %	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022	3Q22 vs 2Q22	3Q22 vs 3Q21
Interest income	11.4	11.4	11.6	12.2	12.6	13.2	14.7	11%	26%
Interest expense	(2.0)	(1.8)	(1.8)	(1.8)	(1.9)	(2.0)	(2.9)	47%	68%
Net interest income	9.3	9.6	9.9	10.3	10.8	11.2	11.7	5%	19%
Fee-based income	3.4	2.5	1.9	1.8	1.7	1.5	5.0	235%	166%
Total revenue	12.7	12.1	11.8	12.1	12.5	12.7	16.8	32%	43%
Operating expenses	(6.2)	(4.9)	(5.5)	(5.7)	(5.7)	(5.4)	(6.9)	27%	25%
Income before provisions and taxes	6.5	7.2	6.3	6.4	6.8	7.3	9.9	35%	59%
Provision for impairment and credit losses	(2.2)	(3.1)	(1.1)	(2.4)	(0.8)	(0.9)	(5.3)	503%	364%
Income before income tax	4.3	4.0	5.1	4.0	6.0	6.5	4.6	-28%	-9%
Provision for income tax	(0.7)	(0.3)	(1.2)	(0.1)	(1.1)	(1.3)	(0.0)	-98%	-98%
Net income	3.6	3.7	3.9	3.9	4.9	5.2	4.6	-12%	17%



# 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*



**Delfin Jay M. Sabido IX**  
*Senior Vice President, Chief Innovation & Transformation Officer and Head of Innovation and Transformation 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*



THE BEST BANK IN THE COUNTRY

# Thank You!



ASC Ref No. C010P013122CS

THE BEST BANK IN THE COUNTRY

