



**2016 Annual Report**



# CHINABANK

Since 1920

## COMPANY PROFILE

China Banking Corporation (China Bank), stock symbol CHIB, is the first privately-owned commercial bank in the Philippines, which catered initially to the needs of Chinese-Filipino businessmen. Established in 1920, it played a key role in post-World War II reconstruction and economic recovery through its support to businesses and entrepreneurs in critical industries. It was listed in the local stock exchange in 1927, became the first bank in Southeast Asia to process deposit accounts online in 1969, and acquired its universal banking license in 1991.

China Bank offers a complete range of deposit, lending, international, and investment products and services to corporate, commercial, and retail customers. It also provides capital raising, merger and acquisition, financial restructuring, debt and securities underwriting, and economic advisory services through its investment house, China Bank Capital Corporation (CBCC), and securities brokerage through China Bank Securities. It also offers bancassurance and insurance brokerage services through its subsidiaries Manulife China Bank Life Assurance Corporation (MCBL) and China Bank Insurance Brokers, Inc. (CIBI), respectively, and an array of banking products and services for the retail and SME (small and medium enterprises) markets through its thrift bank subsidiary, China Bank Savings, Inc. (CBS).

With nearly a century of solid financials, strong commitment to personal, quality service, significant contribution to the country's financial landscape, and an enduring legacy of successful partnerships with generations of clients trusting the Bank with their wealth and future, China Bank remains one of the most respected, trusted, stable and profitable financial institutions in the country.

## MISSION

We will be a leading provider of quality services consistently delivered to institutions, entrepreneurs, and individuals here and abroad, to meet their financial needs and exceed their rising expectations. We will be a primary catalyst in the creation of wealth for our customers, driven by a desire to help them succeed, through a highly motivated team of competent and empowered professionals, guided by in-depth knowledge of their needs and supported by leading-edge technology. We will maintain the highest ethical standards, sense of responsibility, and fairness with respect to our customers, employees, shareholders, and the communities we serve.

## VISION

Drawing strength from our rich history, we will be the best, most admired, and innovative financial services institution, partnering with our customers, employees, and shareholders in wealth creation.

## CORE VALUES

- Integrity
- High Performance Standards
- Commitment to Quality
- Customer Service Focus
- Concern for People
- Efficiency
- Resourcefulness / Initiative



# SCALING GREATER HEIGHTS, ON A FIRM FOUNDATION

The mountain range in the cover represents the various layers of a strong foundation historically anchored upon core principles and timeless values that underpinned the strength of enduring partnerships over several generations. Upon closer scrutiny, the distinct ridges with the upward slope reflect the strategic initiatives in the last decade and recent years—strong business growth across key market segments and core businesses, impactful presence in capital markets, diversification of revenue streams for a more sustainable business model, leveraging upon rapid network expansion, enabled by robust technology platforms and efficient processes, and executed by a customer-centric organization of competent and empowered professionals—to ensure that China Bank continues to be relevant to its stakeholders and remain true to its mission to be a catalyst for wealth creation for its customers and partners.

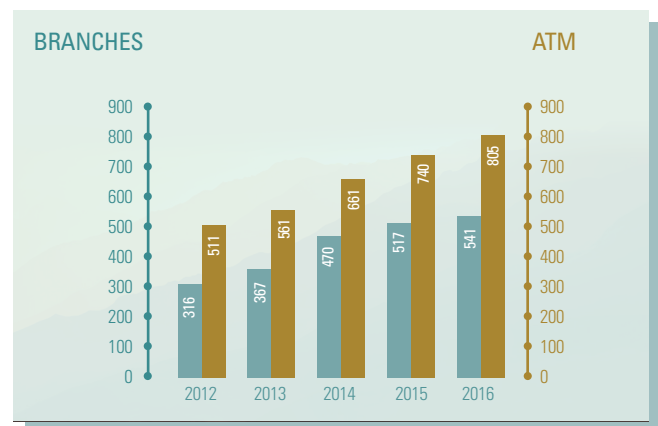
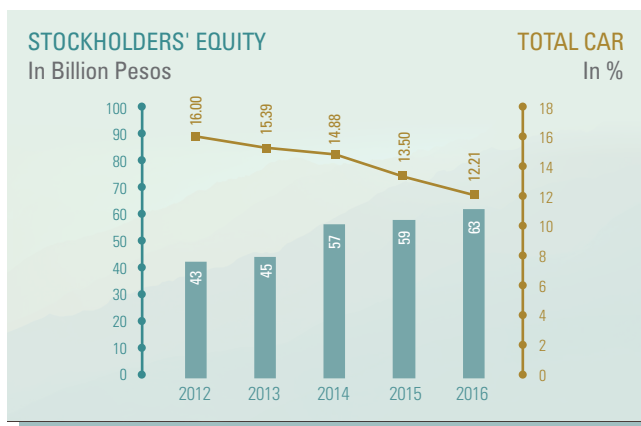
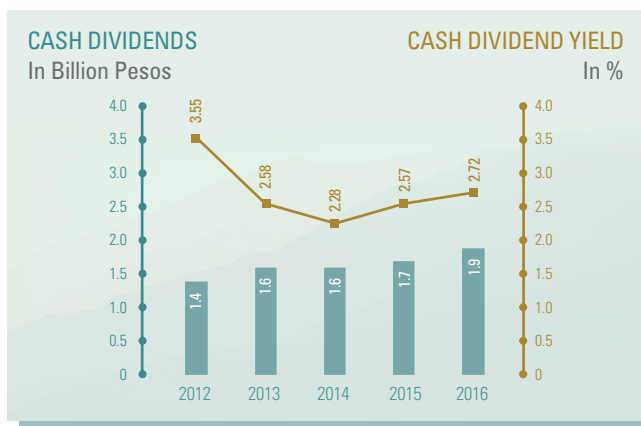
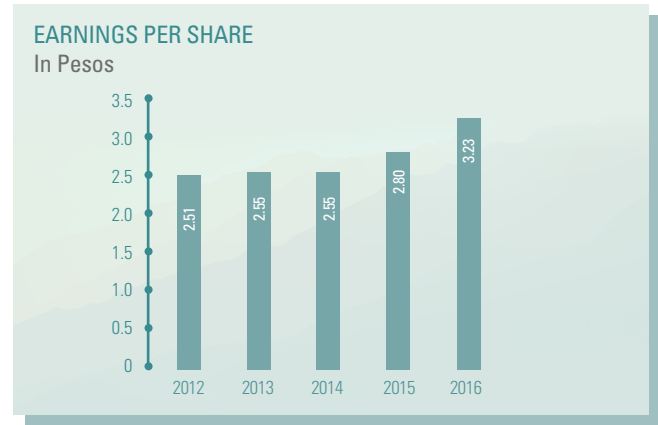
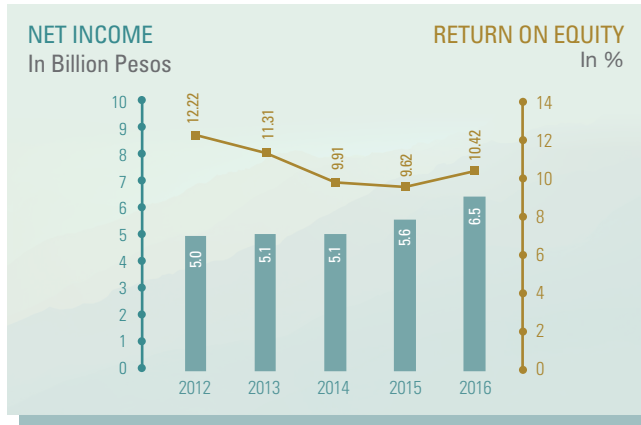
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# PERFORMANCE HIGHLIGHTS

|                                                              | 2014                | 2015                | 2016        |
|--------------------------------------------------------------|---------------------|---------------------|-------------|
| <b>FOR THE YEAR (IN THOUSAND PESOS)</b>                      |                     |                     |             |
| Net Interest Income                                          | 14,088,747          | 15,085,184          | 16,694,195  |
| Non-Interest Income                                          | 4,759,277           | 4,487,142           | 5,094,746   |
| Operating Income                                             | 18,848,024          | 19,572,326          | 21,788,941  |
| Provision for Impairment and Credit Losses                   | 440,901             | 966,574             | 850,546     |
| Operating Expenses                                           | 11,727,211          | 12,193,207          | 13,350,873  |
| Net Income Attributable to Equity Holders of the Parent Bank | 5,117,832           | 5,606,666           | 6,458,296   |
| <b>AT YEAR-END (IN THOUSAND PESOS)</b>                       |                     |                     |             |
| Total Resources                                              | 471,220,813         | 526,826,963         | 633,198,011 |
| Loan Portfolio (Net)                                         | 290,418,730         | 309,761,777         | 386,827,300 |
| Investment Securities                                        | 59,026,895          | 71,209,973          | 98,982,422  |
| Total Deposits                                               | 399,301,544         | 439,265,686         | 541,583,018 |
| Stockholders' Equity                                         | 56,567,483          | 59,170,904          | 63,386,204  |
| Number of Branches                                           | 470                 | 517                 | 541         |
| Number of ATMs                                               | 661                 | 740                 | 805         |
| Number of Employees                                          | 7,245               | 7,540               | 8,124       |
| <b>KEY PERFORMANCE INDICATORS (IN %)</b>                     |                     |                     |             |
| <b>PROFITABILITY</b>                                         |                     |                     |             |
| Return on Average Equity                                     | 9.91                | 9.62                | 10.42       |
| Return on Average Assets                                     | 1.12                | 1.17                | 1.16        |
| Net Interest Margin                                          | 3.30                | 3.37                | 3.20        |
| Cost to Income Ratio                                         | 62.22               | 62.30               | 61.27       |
| <b>LIQUIDITY</b>                                             |                     |                     |             |
| Liquid Assets to Total Assets                                | 32.89               | 36.09               | 34.39       |
| Loans to Deposit Ratio                                       | 72.73               | 70.52               | 71.43       |
| <b>ASSET QUALITY</b>                                         |                     |                     |             |
| Non-Performing Loans (NPL) Ratio                             | 2.24                | 2.53                | 1.86        |
| NPL Cover                                                    | 101.25              | 87.33               | 91.00       |
| <b>CAPITALIZATION</b>                                        |                     |                     |             |
| Capital Adequacy Ratio (CET 1/Tier 1)                        | 13.95               | 12.58               | 11.30       |
| Capital Adequacy Ratio (Total CAR)                           | 14.88               | 13.50               | 12.21       |
| <b>SHAREHOLDER INFORMATION</b>                               |                     |                     |             |
| <b>MARKET VALUE</b>                                          |                     |                     |             |
| Market Price Per Share (In Pesos)                            | 40.29 <sup>1/</sup> | 34.44 <sup>1/</sup> | 38.00       |
| Market Capitalization (In Thousand Pesos)                    | 80,671,473          | 68,958,700          | 76,077,058  |
| <b>VALUATION</b>                                             |                     |                     |             |
| Earnings Per Share (In Pesos)                                | 2.55 <sup>1/</sup>  | 2.80 <sup>1/</sup>  | 3.23        |
| Price to Earnings Ratio (x)                                  | 15.74               | 12.30               | 11.76       |
| Book Value Per Share (In Pesos)                              | 28.25 <sup>1/</sup> | 29.56 <sup>1/</sup> | 31.66       |
| Price to Book Ratio (x)                                      | 1.43                | 1.17                | 1.20        |
| <b>DIVIDENDS</b>                                             |                     |                     |             |
| Cash Dividends Paid (In Thousand Pesos)                      | 1,589,272           | 1,716,414           | 1,853,728   |
| Cash Dividends Per Share (In Pesos)                          | 1.0                 | 1.0                 | 1.0         |
| Cash Payout Ratio (In %)                                     | 31.14               | 33.54               | 33.06       |
| Cash Dividend Yield (In %)                                   | 2.28                | 2.57                | 2.72        |
| Stock Dividends Paid (In Thousand Pesos)                     | 1,271,428           | 1,373,142           | 1,482,993   |
| Stock Dividends Per Share (In %)                             | 8                   | 8                   | 8           |

<sup>1/</sup> Restated to show the cumulative effects of stock dividends



## TO OUR STOCKHOLDERS AND FRIENDS,

In 2016, heightened political uncertainty and weaker domestic demand weighed down the global economy, which turned in its weakest performance since the 2008 financial crisis. We saw signs of a shift in trade and investment policies starting with the UK's vote to exit from the EU and the "America First" program of the Trump administration. Within the region, China's structural pivot towards a more inward-looking growth strategy anchored on encouraging domestic consumption and reducing reliance on exports was reflected in a more moderate but more sustainable GDP growth.

For the Philippines, the GDP growth of 6.8% was anchored on strong economic fundamentals buoyed by election spending, major investments in infrastructure and manufacturing output. Household spending remained a major component of domestic growth driven by robust remittances from overseas workers. Earnings from export of goods and services rose 9% partly from the growth in revenues from the business processing sectors and uptick in industrial demand. Meanwhile, the creation of two million jobs in 2016 helped bring down the unemployment rate to 5.5%. The rise in private sector capital formation, the implementation of PPP projects, and the acceleration of infrastructure spending

under the Duterte government – which augurs well for future growth and competitiveness were reflected in higher imports of capital goods and cut the current account surplus by 92% and brought the peso exchange rate to ₱49.81: US\$1.00 by year-end. Despite the rise in fuel prices and pump priming activities, average inflation rate rose to merely 1.8%.

Our banking system continued to operate in a highly challenging and competitive environment, defined by relatively more stringent regulatory standards in terms of capital adequacy, corporate governance, liquidity coverage, and institutional capability to absorb future shocks and cope with emerging threats, particularly in the area of cybersecurity. The Bangko Sentral pursued the liberalization of the banking system in the context of its eventual integration into the ASEAN banking system, which facilitated the entry of three foreign banks. The BSP introduced the interest rate corridor (IRC) last June to improve the transmission of monetary policy, specifically the management of the system's liquidity flows and rate setting mechanisms. The upward adjustment in the US policy rates and capital movements from emerging markets to quality US assets raised volatility in the regional money markets over the short term. The banking industry's assets and deposits expanded steadily by 13% and

Given the challenging business landscape, China Bank capitalized on opportunities to deepen relationships in the commercial and SME sectors, nurture the newer branches into profitability while continuing to expand the network, and establishing the business support infrastructure necessary to remain the bank of choice for our clients and secure our future success.



14%, respectively, even as excess system liquidity supported the strong growth in loans. Capital levels remained robust as the industry's average total CAR ratio of 16.15% exceeded the regulatory minimum.

Given the challenging business landscape, China Bank capitalized on opportunities to deepen relationships in the commercial and SME sectors, nurture the newer branches into profitability while continuing to expand the network, and establishing the business support infrastructure necessary to remain the bank of choice for our clients and secure our future success.

As a result of these broad-based initiatives, your Bank was able to grow net income by 15.32% to ₱6.46 billion, for a return on equity (ROE) of 10.42% and return to assets (ROA) of 1.16%. Total interest revenues grew 13.33% to ₱21.89 billion, with net interest income growing 10.67% to ₱16.69 billion. Non-interest revenues grew 13.54% to ₱5.09 billion, bolstered by the rise in trading gains to ₱918.09 million from ₱466.83 million due to favorable market conditions during the first three quarters of the year, complemented by growth in fees from service charges, bancassurance, remittances, investment banking commissions, trust fees, and gains from sale of foreclosed properties.

Total assets grew 20.19% to ₱633.20 billion for market share 4.7%, from 4.5% in the previous year. Gross loan portfolio grew

faster than industry by 24.19% to ₱393.74 billion, with significant growth across the business segments – corporate, middle market, and commercial – with a notable 26.50% growth in consumer loans. Investment securities portfolio grew 39.00% to ₱98.98 billion and accounted for 15.63% of assets, even as the portfolio mix was rebalanced to reduce sensitivity to market risk.

Total deposits grew 23.29% to ₱541.58 billion, of which 51.04% came from stable, low-cost deposits. China Bank returned to the peso market last November with its successful ₱9.59-billion offering of long-term negotiable certificates of time deposit (LTNCDs), the initial tranche of our ₱20-billion shelf offering. The proceeds of the LTNCD and the planned billion stock rights issuance in 2017 is expected to improve the stability and cost of our asset funding as we pursue our medium-term expansion plans.

Even with the significant growth in China Bank's loan portfolio, asset quality showed significant improvement as the absolute amount of NPLs declined, reflected in the decline in NPL ratio to a better-than-industry 1.86% from 2.53% of the previous year. Similarly, loan loss cover ratio improved to 91.00% from 87.33%, with the parent ratio improving from 123.07% to 153.10%. The improvement in the critical metrics of asset quality in part reflected the successful integration of Plantersbank into China Bank Savings and the subsequent clean up and strengthening



of the savings bank's balance sheet. Bolstered by the additional capital infusion of P2.5 billion, on top of its returning to a full-year profit of P233.53 million, CBS is now in a solid foundation to scale up on its consumer lending segment and focus into teachers' loans. CBS is now the fourth largest thrift bank in the country in assets (P81.25 billion), a network of 150 branches, and loan portfolio of P58.23 billion.

Fitch Ratings noted the faster growth in the bank's consumer portfolio as reflecting a growing risk appetite, but it took into consideration China Bank's history of conservative management, sound asset quality, ample funding & liquidity, and robust capitalization in upgrading our Long-Term Issuer Default Rating to 'BB+' and Viability Rating to 'bb+' with a Stable outlook. This upgrade was further affirmed in February 2017.

China Bank's presence in the capital markets was further strengthened with our investment house subsidiary, China Bank Capital Corporation (CBCC), generating a net income of P230 million in its first year of operations, as it actively participated in major loan syndications. Capturing the largest market share in retail bond issues earned CBCC recognition by The Asset Magazine (Hong Kong) in its Triple A Country Awards 2016 as the Best Domestic Bond House for the Philippines. The increase in CBCC's authorized capital from P500 million to P2 billion, with an additional capital infusion of P500 million, will enhance CBCC's capacity to handle the financial advisory, deal structuring, capital raising and asset securitization requirements of its growing clientele. Its acquisition of stock brokerage firm ATC Securities, to be renamed China Bank Securities Corporation, completes the platform to handle IPO and stock trading requirements, while the CBC Assets One (SPC), Inc., a special purpose company, will house its securitization deals.

The year marked the 10th anniversary of the fastest network expansion in China Bank's history, which we then dubbed as "the great leap forward". From 148 branches at the end of 2006, the China Bank group network ended the year with a combined footprint of 541 branches – of which 391 are in the parent bank and 150 in the savings bank subsidiary -- serving over 1.4 million customers. Indeed, China Bank Savings alone with 150 branches has more branches than China Bank 10 years before. While electronic channels and digital platforms will become the platforms for competition and customer service in the future, the expansion of the physical branch network in a fragmented archipelago remains a critical part of the effort to reach out to a growing population – 68% of whom still do not have bank accounts -- in an underbanked economy. The distribution network remains at the heart of our strategy to acquire customers, generate low cost funds, and deepen customer relationships by providing relevant products and services – a sustainable platform to improve cross sell ratios and generate fee revenues.

We foresee China Bank's distribution network expanding to 720 branches and over 1,000 ATMs by 2020, supporting the goal of doubling our customer base.

The rapidly growing distribution network is enabled by a highly robust and integrated core banking platform Finacle by Infosys, rolled out in August 2015 simultaneously in both China Bank and China Bank Savings and later in the Plantersbank branches. The core banking systems allows real-time access to deposit and loan balances 24/7, general ledger and management of credit facilities. The China Bank Online retail internet portal, was upgraded in July, also using e-Finacle by Infosys, to enable greater convenience, service options, and security of use for our clients.



For the fifth consecutive year, China Bank won PSE's Bell Award for Excellence in Corporate Governance which annually recognizes the top five publicly-listed companies that adhere to the highest measure of corporate governance – the only bank to be so honored from 2012 to 2016.

**HENRY SY, SR.**  
Honorary Chairman  
and Advisor to the Board

As technology and information security remain key components of the Bank's transaction banking and client servicing strategies, China Bank was one of the first banks to adopt the EMV standard for its ATM & Credit Cards as well as its ATM network. We have made substantial investments in threat intelligence solutions to protect client transactions and ensure the security and continuity of banking operations. We also deployed touch screen ATMs with smart phone functionality last November at selected sites for a more user-friendly and convenient banking experience. More importantly, we laid the groundwork for our digital banking project to transform China Bank into a process efficient and technologically-driven business that integrates backroom processing, channel management, customer engagement, and branch redesign initiatives into a coherent banking roadmap.

For the fifth consecutive year, China Bank won PSE's Bell Award for Excellence in Corporate Governance which annually recognizes the top five publicly-listed companies that adhere to the highest measure of corporate governance – the only bank to be so honored from 2012 to 2016. Similar institutional awards were received such as *Banking & Finance Firm of the Year* by Finance Monthly (UK), *Best Corporate Governance Bank* by Global Banking & Finance Review (UK) and *Best Bank Governance Philippines 2016* by Capital Finance International (UK). At the leadership level, Chairman Hans Sy was conferred the *Asian Corporate Director Recognition Award* by Corporate Governance Asia, while President & CEO Ricardo Chua was given the *Asia Pacific Entrepreneurship Award (APEA)* by Enterprise Asia.

These awards are a testament to the Bank's commitment to high standards of performance for our customers and shareholders, and to be a socially responsible institution. In light of this, the Bank's corporate social responsibility (CSR) policy was enhanced and approved in 2016, under the environmental, social, and governance (ESG) framework.

We have put in place a growing physical network, technology infrastructure and digital platforms as key pieces of a solid foundation for sustainable business growth. Leveraging upon this foundation, our P15 billion stock rights offering will provide the capital strength to sustain the momentum of our growth in all key segments, take advantage of opportunities in an emerging economy with strong fundamentals and great potential for growth while having the capacity to handle the challenges of a rapidly changing economy and competitive landscape.

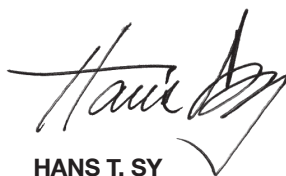
At the heart of our growth strategy is the distinct China Bank culture and emphasis on our DNA as a relationship bank. As the China Bank family grows to over 8,000 officers & staff members, we must ensure that our unique "brand" based on work competency, entrepreneurial mindset and customer service

orientation remains in place. Hence, training and mentoring will figure prominently in our human resource strategy for the present and for the future, with our China Bank Academy developing in-house & on-line training programs tailored for each department or function. However, employee development must eventually go beyond the training room - into the branch selling area, the trading floor, and even the actual client call – so the commitment to mold our future leaders must come from all levels in the Bank.

As we commend the China Bank officers and staff for a great year of results, we strongly exhort them to stay the course as we forge ahead towards our centennial anniversary in 2020. It is with great sadness that we mourn the passing of our independent director Mr. Dy Tiong in September, and with a deep sense of appreciation we acknowledge his invaluable contribution to China Bank.

We are pleased to welcome new members to the Management Team who will beef up the leadership ranks in key businesses and provide the expertise in new ones, drawing upon their wealth of experience to bring the Bank to a higher level of performance and continue our tradition to become the best partner for our clients.

On behalf of our colleagues on the Board, we thank our clients, shareholders, and employees for their support throughout the years, and we hope to be a cornerstone of their success as we move closer to our centennial year in 2020.



**HANS T. SY**

Chairman of the Board & the Executive Committee



**GILBERT U. DEE**

Vice Chairman



**RICARDO R. CHUA**

President & Chief Executive Officer





## LAYING THE FOUNDATIONS FOR SUSTAINABLE GROWTH

**BB+**

Fitch Ratings  
upgraded China  
Bank's long-term  
IDR to BB+

**cbs↑**

China Bank Savings  
achieved full-year  
profitability



China Bank  
won Best Bond  
House – Domestic,  
Philippines at the  
Triple A Country  
awards



Fortified the  
organization with key  
talent acquisition



China Bank was  
awarded with its  
fifth Philippine Stock  
Exchange Bell award  
in a row

## OPERATING HIGHLIGHTS





## OPERATING HIGHLIGHTS



## LAYING THE FOUNDATIONS FOR SUSTAINABLE GROWTH

The year 2016 saw China Bank celebrate its 96th anniversary replete with corporate milestones that made it another remarkable year.

The Bank maintained its focus on building a customer centric organization and building on the foundations for sustainability, as well as laying the groundwork to be able to compete in the digital banking sphere. Throughout the year, the Bank continued to expand its branch network, strengthen its manpower with highly skilled professionals, enhance its technological platforms, and enter into new business lines. This focus is anchored on three engines of growth:

- 1) Relationship Banking;
- 2) Financial Markets;
- and 3) Subsidiaries and affiliates.



## **CORPORATE MILESTONES**

### **Fitch Ratings' upgrade to BB+**

International credit rating agency Fitch Ratings has upgraded the Long-Term Issuer Default Rating of China Bank to 'BB+' from 'BB' and its Viability Ratings to 'bb+' from 'bb' with Stable outlook. This was later affirmed by Fitch in February 2017.

### **China Bank Savings' profitability and capital infusion**

China Bank Savings, the thrift banking subsidiary of China Bank, turned around to profitability in 2016. The Parent Bank infused an additional ₱2.5 billion in capital to CBS to further boost business growth and accelerate its contribution to group profitability.

### **First full-year operations of China Bank Capital**

Investment banking subsidiary China Bank Capital completed its maiden year of operations as market leader in retail bond issues. It garnered the biggest market share ahead of the big three investment houses in the country. It also won Best Bond House —Domestic, Philippines at the Triple A Country awards presented by Hong Kong-based journal, *The Asset*, and Best Bank for Domestic Debt Capital Markets Philippines from London-based publication *Global Banking & Finance Review*.

### **Strong organization with key talent acquisition**

China Bank officers are reputed in the industry to be better skilled, dynamic, and willing to perform multi-tasking work. The service oriented culture is ingrained in the employees' systems, allowing the institution to thrive in the face of tough challenges.

### **Excellence in governance awards**

China Bank won many awards on corporate governance in 2016, including an unprecedented fifth Philippine Stock Exchange Bell Award for Corporate Governance in a row. It is the highest honor bestowed by the institution to publicly listed companies that adhere to high standards of corporate governance. China Bank remains to be the only bank and the only listed company to have won five consecutive times. *(For more of China Bank's awards, see page 68.)*

## OPERATING HIGHLIGHTS

### FINANCIAL PERFORMANCE

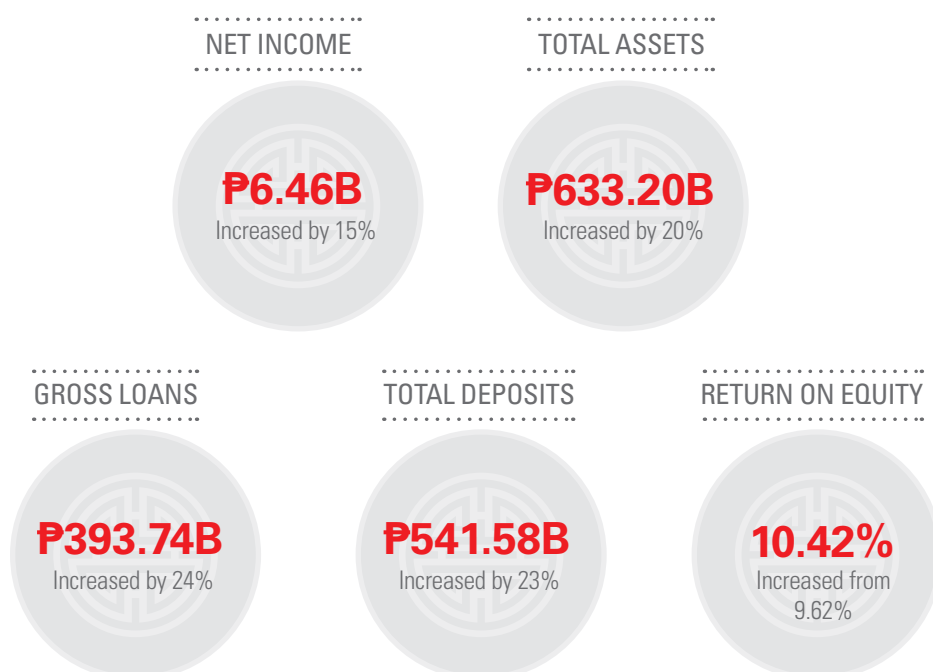
China Bank posted a 15% growth in net income to P6.46 billion in 2016, reflecting sustained growth in core businesses across all market segments. This translates to a return on equity of 10.42% and return on assets of 1.16%.

Net interest income grew 11% to P16.69 billion, driven by the 13% rise in interest revenue from loans to P17.89 billion. Fee-based revenues improved 14% to P5.09 billion, bolstered by trading gains of P918.09 million and robust growth in revenues from service charges and fees, trust fees and gains on sale of acquired assets. Operating expense growth was limited to 8% even with the continued expansion in distribution network and investments in people and technology to support the growth of new businesses.

Total assets grew 20% to P633.20 billion, as loans and deposits grew faster than industry. Gross loans rose 24% to P393.74 billion, led by the 27% growth in consumer loans. Total deposits rose 23% to P541.58 billion, with the 21% growth in low-cost CASA deposits to P276.42 billion reflecting the strength of the China Bank franchise boosted by deposit growth from new branches. CASA ratio stood at 51.04%, while loans-to-deposit ratio stood at 71.43%.

Total capital funds reached P63.39 billion, resulting in Common Equity Tier 1 (CET 1) at 11.30% and Total CAR 12.21%.

### BALANCE SHEET HIGHLIGHTS





## GROWING OUR BASE

Aligned with our core strategy to reach more markets and acquire new clients and partners, China Bank opened 39 branches in 2016—ending the year with a total network of 391 branches in strategic locations (541 including CBS branches). It also deployed 65 automated teller machines, bringing the total number of ATMs to 805, including those of CBS. We ended the year with 1.46 million customers.

## OUR REACH

|                                                                                     |                                       | China Bank   | China Bank Savings |
|-------------------------------------------------------------------------------------|---------------------------------------|--------------|--------------------|
|    | <b>1.46M</b><br>CUSTOMERS             | <b>1.17M</b> | <b>295K</b>        |
|  | <b>541</b><br>TOTAL BRANCH<br>NETWORK | <b>391</b>   | <b>150</b>         |
|  | <b>805</b><br>ATMs                    | <b>652</b>   | <b>153</b>         |
|  | <b>8,124</b><br>TOTAL EMPLOYEES       | <b>6,155</b> | <b>1,969</b>       |

## OPERATING HIGHLIGHTS



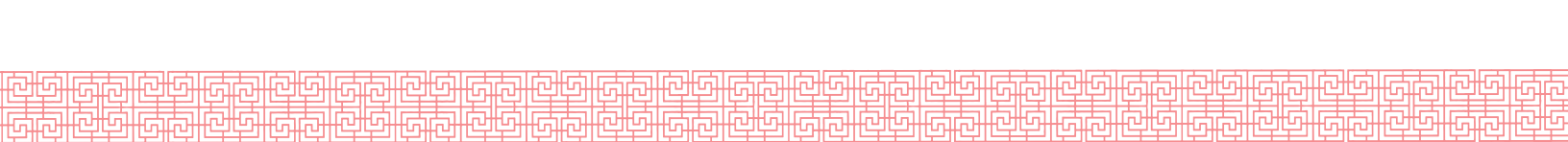
## RELATIONSHIP BANKING

### RETAIL / BRANCH BANKING

China Bank offers a complete range of deposit, lending, international, and investment banking products and services to corporate, commercial, and retail customers. Its commitment to cultivate stronger relationships and enduring partnerships with its clients has prompted China Bank to embark on a journey of rapid branch expansion, development of new market bases, and an image enhancement project to complement the organizational progress that was occurring within.

In the last decade, China Bank has been on an upward trajectory in key result areas. The organization is now almost four times bigger compared to 10 years ago. Its thrift banking arm China Bank Savings alone has 150 branches today, which is bigger than the Parent Bank China Bank 10 years ago with only 148 branches.

Through all this fast-paced development, China Bank remains committed to the same objectives of acquiring customers, deepening relationships, and striving to be the best bank for its clients while setting its sights on new goals: shifting its focus to a segmented strategy that maximizes presence and returns from our targeted markets, strengthening of balance sheet and improved profitability, capitalizing on process and technology upgrades to achieve operational efficiency, and creating an organization that adapts to change.



The Bank will continue to focus on marketing consumer products through cross-selling initiatives and promotions. Last but not least, in order to achieve maximum operational efficiency, the Bank will embark on its biggest project to date – to undergo digital transformation – which would enable the Bank to compete in the digital banking sphere.

China Bank is one of the first banks to comply with the BSP's directive to convert all ATM cards to EMV (Europay, Mastercard, and Visa) standard by end of year. EMV is the most recent advancement in automated banking to help combat fraud and protect its users' payment data. Other benefits include improved transaction security whether through ATM or point-of-sale terminal; added layers of protection as EMV addresses the threat of skimming or counterfeit fraud type, and assured adherence to international standards for card payments.

In July 2016, the Bank's personal online banking portal, China Bank Online, was upgraded to allow customers to transact online with greater ease and security. With the new platform, users experience a simpler way of managing their accounts and enjoy added security. Other benefits of the upgrade include being able to instantly view one's accounts and transaction history, apply for insurance coverage, use the built-in loan calculator, and personalize one's own homepage.

Also in 2016, in a first-in-country unveiling, China Bank introduced a new ATM user experience wherein the machine mimics the interface of a smartphone, resulting in a more interactive and user-friendly touch system and transactions that are shorter, faster, and like before, secure. This is set to transform the user interface landscape of self-service banking in the country and will be the de facto standard for all banks in the future.



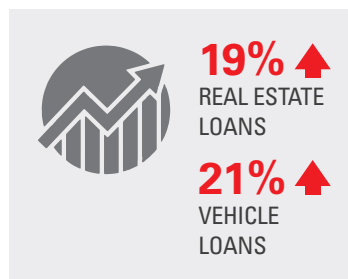
#### RETAIL BANKING BUSINESS SEGMENT

*(L-R) Stephen Y. Tan, Clara C. Sy, Noemi L. Uy, Shirley C. Lee, Elizabeth C. Say, Manuel M. Te, Mandrake P. Medina, Madelyn V. Fontanilla, Danilo T. Sarita, Shirley G. K. Tan, and Henry D. Sia*



## OPERATING HIGHLIGHTS

### CONSUMER BANKING



#### REAL ESTATE AND VEHICLE LOANS

China Bank's real estate loans grew by 19% in 2016. The bulk of the growth came from the developer referred channel, which grew by a hefty 58%. This may be attributed to an improved market visibility with the group's active participation in events hosted by real estate associations and developers, housing fairs and open houses, and brokers' nights.

The collaboration of the Consumer Banking Group (CBG) with China Bank Capital Corporation, the Bank's investment house subsidiary, resulted in ₱1.69 billion worth of new loans to developers.

China Bank's vehicle loans portfolio grew by a significant 21%, with new loans growing by 26% backed by active branch referrals. China Bank branches consistently gave positive feedback on the service turnaround time.

Past due levels were kept within limits, and the basic principles of prudent credit underwriting were observed.



#### REMITTANCES

2016 was a banner year for China Bank's Remittance Business Division. Aside from marking its 10th year in the remittance business, it has reached a major milestone in terms of volume of transactions as it exceeded the US\$1 billion mark, placing it amongst the industry's major players. Business volume increased by 53% versus 2015 levels while transaction count increased by 33%. The Bank now enjoys 31% market share in the Kingdom of Saudi Arabia, which is home to 1.2 million overseas Filipinos. The March 2016 trip to the Kingdom by EVP and COO William C. Whang, together with the heads of the Division, strengthened our relationships with key strategic partners in Saudi Arabia.

In terms of products and services, the main thrust of the Bank's remittance team is to encourage overseas Filipinos (both land-based and sea-based) and their beneficiaries to utilize and take advantage of the Overseas Kababayan Savings Account. In line with the BSP's vision for inclusion, this deposit account does not require initial deposit and maintaining balance, a perfect instrument for overseas Filipino families to start and manage their savings which they can use to invest or start a business.

Cash Pick-up, on the other hand, remains to be a preferred service given by China Bank's vast network of payout channels through its own branches as well as China Bank Savings, MLhuillier, Cebuana Lhuillier, Palawan Pawnshop, LBC, and SM Global Pinoy Centers.

China Bank remains compliant with the Anti-Money Laundering Act in the performance of the above-stated services.



**47,000**  
CARDS  
ISSUED

**₱4.58**  
billion  
IN GROSS  
BILLINGS

### CREDIT CARDS

2016 marked the second year of the credit card issuing business of China Bank. The year ended with 47,000 issued cards and ₱4.58 billion in gross billings, up by 210% from 2015.

The increase in cards issued was supported by acquisition campaigns which focused mainly on branch clients. The “Free for Five” promo was launched in March, and the “Free for Life” promo in July. Both programs offered free annual fees for life as long as the approved cardholders are able to meet the spending requirements. At the same time, Branch Referral Programs (BRP) such as “Refer and Win a Trip to Singapore”, “Ready, Take Charge for 600k”, and “Thrice the Prize” were launched to support the new card acquisition campaign. The credit card division recognized and awarded the top branch performers for the year.

Card usage programs for the year focused on tactical themes. We started 2016 with a Chinese New Year promo wherein we partnered with various merchants such as AirAsia Philippines, EDSA Shangri-La, and Sincerity Café and Restaurant, to name a few. For Valentine’s Day and Mother’s Day, Miladay and Island Rose offered special discounts to China Bank MasterCard cardholders. Another big promotion was the Mid-Autumn Festival Raffle wherein three lucky cardholders won a Prada, Gucci, or Balenciaga bag.

The major usage campaign for 2016 was the “Priceless Las Vegas” raffle promo which was launched in October 2016. Every ₱2,000 single receipt purchase or charge gave the cardholder one raffle entry for a chance to win a trip to Las Vegas for two.

Other usage highlights include the 0% installment programs with SM, Lazada 11.11 Online Revolution, Zalora 12.12 Online Fever, and Platinum and World MasterCard exclusives with Jewelmer and Fairmont Makati.

In 2017, the credit card division aims to offer more benefits to its growing number of cardholders by offering a more robust and inclusive set of programs.

## OPERATING HIGHLIGHTS

### LENDING

#### INSTITUTIONAL / CORPORATE BANKING

China Bank continued to reinforce its presence in the corporate market in 2016 with major accounts ranging from expanding business segments, such as power and utility, PPP projects, telecommunications, mining, and logistics. It forged ahead with its service to corporate clients through its cash management businesses, and defended its market share for small-and-medium scale enterprises (SMEs), as well as the middle market and commercial ones by addressing their funding requirements. The Institutional Banking Group sought for opportunities for long-term financing, and pursued point-of-sale terminal cash-out services and corporate auto-debit arrangements with several banking partners.

#### CASH MANAGEMENT SERVICES

The year 2016 was a successful year for Cash Management Services Division (CMSD) as the team completed several milestone projects and achievements for China Bank. CMSD achieved its goals of CASA deposits and the resources attributable to CMSD initiatives.

In September, CMSD and power company Meralco sealed a new partnership for an Auto Debit Arrangement, which allows corporate customers to pay their Meralco bills with a facility designed to automate and streamline the manual processing, consolidation, and fulfillment of bills. In the same month, another Auto Debit Arrangement deal was closed—this time with SM Development Corporation (SMDC)—which allows SMDC unit buyers to conveniently pay their monthly amortizations via debit from their enrolled China Bank account. Currently, this is available only to China Bank employees, but SMDC plans to expand this facility to all their customers by 2017.

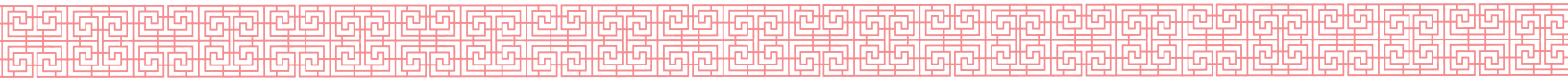
In December, CMSD and Universal Storefront Services Corporation (USSC) implemented a facility called POS Cash Out, allowing all ATM account holders of BancNet-member banks to withdraw cash through point-of-sale devices located USSC branches.

#### INSTITUTIONAL BANKING GROUP

*(Standing L - R) Luis M. Afable, Layne Y. Arpon, Gerard Majella T. Dee, Victor O. Martinez, Christopher P. Chua, and Betty L. Biunas (Seated) Lilian Yu, Domingo P. Dayro, and Cristina F. Gotuaco*







CMSD is about to implement the new-generation internet banking platform for the business clients of China Bank, which will provide corporate customers with increased processing capability, more intuitive user experience, and a refreshing new layout. Included in this project are three major innovations: a mobile app that can be used for approving transactions, a second factor authentication for a more secure environment, and an invoice management module which allows a community of buyers and sellers to settle and reconcile invoices online.

In September 2016, CMSD was awarded by the Social Security System (SSS) as Best Collecting Partner Bank, a distinction that is awarded to financial institutions with the highest collections, the biggest volume of transactions, and the widest coverage for the year. In 2016, China Bank has garnered a total collection volume of ₱3.88 billion for the SSS.



## OPERATING HIGHLIGHTS

### FINANCIAL MARKETS

#### CHINA BANK CAPITAL CORPORATION AND CHINA BANK SECURITIES CORPORATION\*

China Bank Capital Corporation, the wholly-owned investment house of China Bank, completed its maiden year of operations in 2016 and established two new subsidiaries: a stock brokerage house and a special purpose corporation. It reported a performance revenue of ₱385.24 million for full-year 2016.

The stock brokerage house, which will be named China Bank Securities Corporation, enables China Bank Capital to do Initial Public Offerings (IPOs) and list these IPO shares in the Philippine Stock Exchange. The China Bank Group's clients will also gain access to stock brokerage services for their equities-related transactions.

The special purpose corporation known as CBC Assets One (SPC), Inc. will be utilized as a vehicle to hold the assets for the securitization transactions of China Bank Capital. Early in 2016, China Bank Capital was mandated by listed property developer 8990 Holdings, Inc. to be the Arranger and Lead Underwriter for the ₱5 billion securitization of Contract To Sell (CTS) receivables of its various subsidiaries – which, when completed, will be the largest securitization transaction in the country. The receivables will be purchased by CBC Assets One (SPC) Inc., and repackaged into fixed-income securities. This is an innovative approach by China Bank Capital to address the financing requirements of the low-cost housing industry. The addition of these two new subsidiaries to China Bank Capital's portfolio rounds out its offerings and helps improve its capabilities on the capital origination side.

The investment house participated in numerous landmark transactions in 2016, most notably as Sole Issue Manager, Sole Bookrunner, and Joint Lead Underwriter for the ₱7 billion Fixed Retail Bonds issued by Ayala Land, Inc. as well as being mandated Lead Arranger and Bookrunner for the Cebu Pacific ₱3.99 billion Term Loan Facility.

CHINA BANK CAPITAL  
CORPORATION AND  
CHINA BANK SECURITIES  
CORPORATION  
(L-R) Ryan Martin L. Tapia,  
Charles A. Gamo,  
Manolo C. San Diego,  
and Peter M. Mutuc



*\*Currently known as ATC Securities Inc. pending SEC approval of change of name.*



**EC CHINABANK CAPITAL**  
A subsidiary of CHINABANK

**Making a difference for our stakeholders is its own reward; accolades a welcome bonus.**

Your trust has motivated us to work hard and has inspired us to complete deals that allowed us to capture the largest market share in the domestic capital market, and have made us the preferred investment bank partner for top corporate and middle market companies, within just a year since inception.

**Best Bond House - Domestic Philippines**  
The Asset Country Awards  
Best Houses - Southeast Asia  
2016

**Global Banking & Finance Review Awards**  
London  
2016

Beyond recognition and rewards, these are testaments of our commitment to enduring partnerships and being the best investment bank for our clients.

To cap a positively eventful year, China Bank Capital was hailed “Best Bond House—Domestic” at the Triple A Country Awards presented by regional journal *The Asset*, and “Best Bank for Domestic Debt Capital Markets” by London-based publication *Global Banking & Finance Review*. These awards are fully supported by actual performance: its third quarter report to the Board of Directors noted that for the period January-September 2016, China Bank Capital generated the largest volume of retail bond issues (public debt instruments) with ₱16.77 billion from the most number of issues (7). As a result, China Bank Capital garnered the largest market share with 27.94%, ahead of the big three investment houses with market shares of 18.3%, 16.7% and 13.9%.

With this performance, we are able to demonstrate China Bank’s institutional capability: a good organization staffed by competent and knowledgeable professionals that do more for our corporate and business clients (origination side) and our depositor/investor base (distribution side).

For our business and corporate clients, China Bank is a full-service partner with the competence to advise them on how to enable business growth with the right mix of loans, bonds and equity, in a manner that reflects how well we understand their businesses, their unique circumstances, the challenges they face and the opportunities they can utilize. We are fully able to support our customers with a wider range of services, from sound advise to a complete set of financing services.

To our depositors, this means being able to generate a wider variety of investment instruments that we can make available to our customers to diversify their investment portfolios without having to rely on other banks or investment houses.



## OPERATING HIGHLIGHTS



### WEALTH MANAGEMENT

In 2016, our team of seasoned and dedicated Relationship Managers continued to give our affluent customers a more rewarding preferred banking experience. With the success of last year's strategies and management systems, our internal units have been able to better support our expanded services. This leverage has allowed us to reinforce the business model with more robust product platforms and more efficient processes.

Our client-centric approach such as providing “on call” relationship managers and adopting an open-architecture banking platform continue to bolster our Wealth Management Group (WMG), allowing them to improve on their well-established personalized service programs, and continue delivering the best-in-class banking solutions in tandem with China Bank's products to optimize each customer's portfolio.

This year's positive outlook gained much from China Bank's SOPRA Wealth Management System—a client management platform initiated in the previous year that introduced enhanced processes tailored to be more responsive to our clients' needs. Our private bankers also leveraged on investment banking as well as external counterparties to provide vastly improved product solutions.

As part of our efforts to reach out to more wealth management clients, we expanded our regional presence since the previous year, including the establishment of a new wealth management center in Bacolod and the expansion of our Alabang Cluster's coverage to include Batangas.



### WEALTH MANAGEMENT

*(L-R) Angela D. Cruz  
and Cesaré Edwin M. Garcia*

## TREASURY

The year saw the Treasury Group undergo a major change in its organizational structure alongside the entry of several key officers to lead the trading and sales units. The changes were aligned with the Group's renewed focus on the distribution desks to tap a broader and growing market for securities and investments. To achieve this goal, the various sales desks covering fixed-income securities and foreign exchange – catering to both retail and institutional clients – were consolidated under a single sales cluster complete with its own middle office and brokerage units. The addition of these support units will serve to ensure smooth day-to-day operations by unburdening the frontline personnel with operational concerns while also complying with regulatory requirements.

The Group continued to play an active role in the fixed income market, participating in almost all of the major private and government bond issuances through aggressive origination efforts of the Bank's investment house subsidiary. Apart from corporate bonds issued by the country's top corporations, the unit was also one of six selling agents of the ₱100 billion 25-year retail treasury bonds (RTB 10-5) issued by the Bureau of Treasury during the third quarter of 2016. Given stepped-up trading activities in the primary and secondary markets, the Group was recognized as one of the top performing Government Securities Eligible Dealers (GSED) by the Bureau of Treasury and by the Philippine Dealing System in terms of brokering and sales activities which ranked it as number 9th and 5th respectively in 2016.

To keep pace with the growing need for financial instruments, the group likewise expanded the list of accredited counterparties and allowable investment outlets, including the review and increase in counterparty lines and limits.

Meanwhile, the implementation of the new treasury platform using Calypso will be fully operational by the second quarter of 2017. The new system which covers front, middle and back end is expected to support the growing treasury operations, enhance trading capabilities, and improve flexibility and speed to adapt to regulatory changes and new business trends.

**TREASURY GROUP**  
(L-R) Jerry Ron T. Hao, Cristina C. Hernandez,  
Marisol M. Teodoro, Cristina P. Arceo,  
and Filemon Cecilio A. Cabungcal



## OPERATING HIGHLIGHTS

Overall, the Treasury Group remained as a major contributor to the Bank's bottom line and is expected to continue to do so with the implementation of vital structural changes and revitalized sales and distribution efforts.

### TRUST AND ASSET MANAGEMENT

The China Bank Trust and Asset Management Group is one of the leaders in the country today, with Assets Under Management (AUM) growing by 30% to ₱102.73 billion, one of the highest growths recorded in the industry. We ended 2016 ranked fourth\* in terms of AUM among privately-owned local banks—two notches higher than last year.

The Trust Group continues to provide customized solutions to meet our clients' unique financial needs through a full set of Unit Investment Trust Funds (UITFs), investment management service, and corporate trust services.

We remain committed to our disciplined investment processes to ensure optimal performance of our UITFs. In 2016, our funds have consistently performed in the upper quartile of their respective categories. In fact, our Dollar Fund was awarded Best Managed Fund of the Year for the USD Long Term Bond Fund category by the CFA Society Philippines.

| AUM (in billion PhP) |                                                                                     | CHINA BANK FUNDS | RANKING                                                                                                   |
|----------------------|-------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------------------------------|
| 2016                 |  | 103B             | Short-Term 1 out of 28<br>Intermediate Fixed Income 1 out of 9<br>Equity 1 out of 28<br>Dollar 1 out of 8 |
| 2015                 |  | 79B              |                                                                                                           |



TRUST & ASSET  
MANAGEMENT GROUP  
(L-R) Norman del Carmen,  
Carina L. Yandoc,  
and Gemma B. Deladia

\*Source: UITF.com.ph

## OPERATIONS AND SUPPORT

### Business Operations

The Bank's Business Operations Group is comprised of Loans and Discounts, International Banking, Remittance Operations, and Treasury Operations that provide the operations and documentation support for the Relationship Banking and Financial Markets segments. This Group focuses on the consistent and timely delivery of services based on established service level standards that were designed to enhance the Bank's transaction turnaround times, process efficiency and cost competitiveness. The revenue generating segments also rely on the Business Operations Groups in achieving their customer retention and profitability targets.

### Corporate Support

The Bank's Corporate Support Group is comprised of Information Technology, Credit Management, Human Resources, Legal and Collection, Alternative Channels and Administrative Division. This group manages the Bank's substantial investments in IT infrastructure for service efficiency and central customer database, credit support, employee development, organization development, legal efficiency, and logistics. The Bank expects to capitalize on its shared platform of support services across its business groups and units to sustain competitiveness and profitability.

The Bank also provides a wide range of other services through its Financial Management, Risk Management, Office of the Corporate Secretary, Compliance, Audit, Information Security, Security Office, and Investor and Corporate Relations.

#### OPERATIONS AND SUPPORT GROUPS

(L-R) Belenette C. Tan, Richard S. Borja, Dorothy T. Maceda, Virginia Y. Uy, Wilfredo L. Sy, Ma. Luz B. Favis, Marie Carolina L. Chua, Melissa F. Corpus, Francisco Eduardo A. Sarmiento





## OPERATING HIGHLIGHTS



## SUBSIDIARIES AND AFFILIATES

### CHINA BANK SAVINGS, INC.

China Bank Savings (CBS) concludes its ninth year by achieving a turnaround to become a profitable thrift bank arm of the China Bank Group. The business has sustained a momentum of growth and created a new market for China Bank.

CBS is now the country's fourth largest thrift bank given an asset size of ₱81 billion, 9% higher year-on-year. The savings bank ranked fourth and fifth in terms of deposits and net loans which expanded by 8% to ₱72 billion and 14% to ₱58 billion, respectively. The increase in capital of ₱2.5 billion will support the expansion of CBS into new market segments.

By providing wealth-building, innovative products and services to the broad Consumer and Small and Medium Enterprise (SME) market, CBS contributes to financial inclusiveness and improving the quality of life of clients and the communities where the Bank operates. The year 2016 saw the rapid advance of Department of Education Loan operations allowing CBS to tap a potential market of over 300,000 public school teachers and DepEd personnel in five regions, including SOCCSKSARGEN in Mindanao.



The Bank's successful partnership with Manulife China Bank Life Assurance Corporation (MCBLife) resulted in significant fee income from bancassurance sales. The Bank continues to evolve its service menu to distribute sachet-type insurance products for short to long-term needs—from protection, health cover and retirement to investments with a life insurance component.

CBS aims to grow its brick-and-mortar presence in locations accessible to people in the community, including supermarkets and community malls, and through secure and convenient electronic, mobile and online banking channels. The Bank ended the year with 150 branches. It focused on expanding to new areas and consolidating branches in the provinces to effectively service its chosen markets.

CBS launched new promos and products like exclusive Affordabundle and Buyout Promo offers for DepEd Loan clients, ROPAnalo promo to push disposal of acquired assets, LENDR online consumer finance platform, and EMV cards. It is also presently migrating to the new Finacle Core Banking Solution (FCBS) to improve processes and customer experience.

CBS launched its Social Media Engagement initiative on Facebook to reach out to the highly-engaged, mobile-first market segment. The campaign aimed to boost consumer confidence in our brand, encourage foot traffic to brick-and-mortar branches and drum up interest in deposit and consumer offers like CBS home and auto loans. The initiative is attributed to having increased the number of likes on the CBS Facebook page by 800% within one month of the February 2016 launch.

CHINA BANK SAVINGS, INC.  
(Standing L-R) Jose F. Acetre,  
Maria Teresita R. Dean, Jan Nikolai  
M. Lim, Lani D. Larion, Adonis C.  
Yap, Maria Lilibeth C. Paradero,  
Luis Bernardo F. Puhawan and  
James Christian T. Dee.  
(Seated) Sonia B. Ostrea and  
Neliza Ma. R. Oñate



## OPERATING HIGHLIGHTS



### MANULIFE CHINA BANK LIFE ASSURANCE CORPORATION (MCBLife)

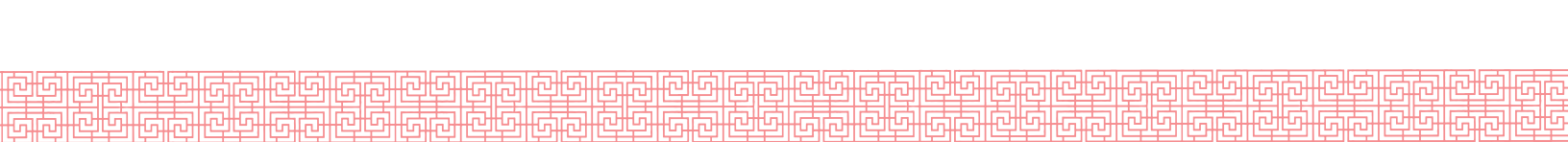
Manulife China Bank Life Assurance Corporation (MCBLife) is the bancassurance affiliate of China Bank, which was formed when the Bank entered into a strategic partnership with Manulife Philippines in 2007. This gave our clients direct access to innovative financial solutions and products that can help them achieve protection and financial growth. In 2014, China Bank raised its equity stake in MCBLife to 40%.

For 2016, MCBLife posted the highest growth at 48% versus its competitors. In terms of groups of companies, Manulife + MCBLife ranks third in premium income ranking, next only to Philam Life + BPI PhilAC and Sun Life + Sun Life Grepa.

In 2016, MCBLife made life insurance more affordable with the launch of SURESecure, a product available in China Bank Savings branches that provides life insurance coverage for one year for an annual premium of P299. Benefits include coverage worth P10,000 in the event of death of total or permanent disability, and P30,000 in the event of accidental death and dismemberment. Individuals between 18 and 60 years can avail of SURESecure and are eligible for life insurance coverage without having to go through a medical examination. The product can also be purchased as a gift to loved ones.



CHINABANK INSURANCE  
BROKERS, INC. AND  
MANULIFE CHINA BANK LIFE  
ASSURANCE CORPORATION  
(L-R) Julieta P. Guanlao and  
Regina Karla F. Libatique



2016 also saw MCBLife start a partnership with actor Richard Yap as its brand ambassador. A respected actor, successful family man, and devoted family man, he is the embodiment of many of MCBLife customers' aspirations. Apart from being an actor, he is also a serial entrepreneur with several restaurants and a pet grooming shop under his name. He was also brand ambassador of Manulife Philippines for three years.

#### **CHINABANK INSURANCE BROKERS, INC.**

Established in 1998 as a wholly-owned subsidiary of China Bank providing direct insurance broking for retail and corporate customers, Chinabank Insurance Brokers increase in profit margin to 41% for 2016. It continued to lay the groundwork for its growth, including redistribution of insurance portfolio among preferred insurance companies, systems and manpower development, and strengthened branches in Cebu, Davao, and South Luzon. It also added two new departments to its structure which are now fully operational: the Business Development department and the Operations department. Its current projects include a systems upgrade to be able to improve customer service and operational efficiency.

#### **CHINA BANK PROPERTIES AND COMPUTER CENTER, INC.**

CBC Properties and Computer Center, Inc. (PCCI ) manages the Bank's electronic banking and e-commerce requirements, including sourcing, developing and maintaining software and hardware, financial systems, access devices and networks to foster the safety and soundness of China Bank's technology infrastructure and keep its processing capabilities in top shape.



**CHINA BANK PROPERTIES AND  
COMPUTER CENTER, INC.**  
*(Standing L-R) Augusto P. Samonte,  
and Phillip M. Tan  
(Seated) Editha N. Young*









# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

## SUSTAINABLE BANKING

China Bank for the last 96 years of its journey served as a partner in the wealth creation of its customers while helping the nation as well in building a strong and sustainable banking industry.

As China Bank seeks to create a more adaptive banking landscape for its customers that generate shareholder's value while protecting the stakeholders, we are utilizing a sustainable reporting model taking the ESG framework as a guide.

Towards this commitment, we seek to highlight in this report our key performance indicators on environmental and social activities and our good governance policies and practices.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Our focus on ESG (Environmental, Social, Governance) is anchored on the fundamentals and guiding principles of the Bank where China Bank commits itself to responsive, principled banking and good corporate governance that will create value to its shareholders and uphold positive transformation among its various stakeholders, through a comprehensive approach to corporate social responsibility and environmental awareness that is consistent with its core values, mission and vision statement.

China Bank is one of the first companies in the country—spearheaded by SM Investments, Inc. (SMIC), the holding company of the SM conglomerate—to adopt the ESG consciousness in our business operations. SMIC prepared and published a consolidated ESG Report in January 2016, which gave an account of the business model and practices of the various companies under the SM Group, that create value for all its stakeholders, focusing on key areas: environmental sustainability, social impact and governance. The framework is modeled from highly sustainable companies worldwide that have begun to embrace this paradigm, and we believe that the rest of the country will follow suit in our thrust to conduct a business that is holistically beneficial to all our stakeholders.

The Bank integrates social, environmental, and governance practices into its day-to-day business activities to maintain a balance between its business interests and its stakeholders' welfare. China Bank has been promoting financial inclusion, sustainable finance, environmental protection, and social development, and continues to engage its employees and partners with customers, various community groups, and charitable organizations to support causes that serve the interests and the needs of society as a whole, and help provide solutions to economic, social, and environmental challenges.

China Bank values partnerships by engaging or involving itself in various industry and cause-oriented associations such as Banking Association of the Philippines, Bankers' Institute of the Philippines, CFA Society Philippines, Financial Executives Institute of the Philippines, Philippine Association of National Advertisers, Trust Officers Association of the Philippines, and United Nations International Strategy for Disaster Reduction (UNISDR) - ARISE.

## Human Resources

China Bank has always prided itself for its genuine concern for people. While we place the utmost importance on customer and client service, we give the same degree of care and support to our staff and employees. As one of the key drivers in increasing our shareholder value, we ensure that our employment policies and employee support systems are held to the highest of standards, supported by the best practices in the human resources industry. Aside from adopting efficient and thorough recruitment processes, inclusive development opportunities, and focused retention programs, we strive to create a harmonious work environment to maximize the potential of our employees. With China Bank's dedication to its personnel, it establishes a measure of prestige befitting an employer that the country's finest professionals would be proud to serve.

To effectively support the Bank's rapid business growth, capital ventures, and branch expansion, the China Bank group hired 1,939 employees, closing the year 2016 with a total of an 8,124-strong workforce group-wide. They represent some of the best and most talented young professionals in the industry, bringing with them diverse skill sets and fresh new perspectives. Together, they are the pioneers that will set the pace for the Bank's continued growth.



## RECRUITMENT

Our recruitment policies ensure that the individuals we tap are both highly capable and show great promise to become even better professionals. Our hiring process selects candidates of the highest caliber who meet with stringent qualification requirements. Current employees are also offered the chance to apply for vacant positions. In this way, we practice an equal opportunity hiring system that considers the most qualified applicants regardless of origin. Employment and appointment of officer level employees are subject to strict compliance with policies, rules and regulations set by the BSP. Furthermore, the Bank ensures that employees are placed properly through target selection, competency-based training, development, and succession planning.

## COMPENSATION AND BENEFITS

China Bank greatly values its employees and ensures that they are well-provided for, most prominently with competitive compensation packages. Our salary range complies with industry standards, while also considering an employee's responsibilities, experience, and performance. We have institutionalized generous reward systems designed to encourage employees to perform above and beyond expectations. An employee's level in the organization is determined by the Job Grade (for rank and file employees) or Corporate Rank (for officers) identified with their position, which is the basis of compensation and benefits relative to the banking industry. The position title of an employee defines the general description of their function (e.g. Customer Relations Assistant, Branch Head) while the Job Grade and Corporate Rank determine the hierarchy in terms of pay and benefits (e.g. Manager, Senior Manager, Assistant Vice President).

The Human Resources Division (HRD) regularly reviews its salary administration programs and proposes salary range adjustments that align with current industry standards, subject to Board approval. Opportunities for pay increases coincide with the Bank's performance during the year. Promotions, merit increases, profit sharing, and performance bonuses are dependent on the individual employees' performance rating and contributions to the Bank.

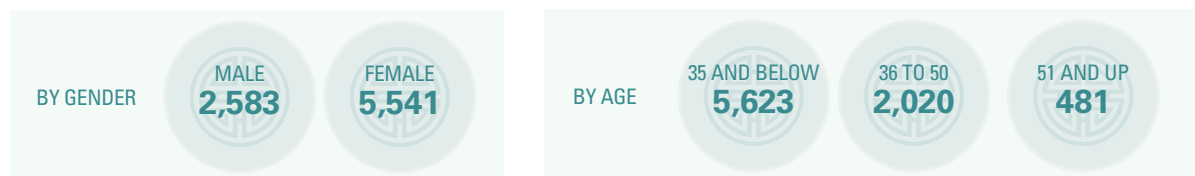
On top of salary, our remuneration package includes fringe benefits including medical, dental, and hospitalization programs, car plan (for officers), financial assistance programs (e.g. housing, car, appliance, and personal loans), employee retirement plan, leave privileges (vacation leave, sick leave, maternity/paternity leave, study leave, and other leaves mandated by law), group life and accident insurance coverage, rice subsidy, meal and travel allowances, and bank uniforms.

The inclusive and comprehensive scope of our compensation packages embodies our wider agenda of nurturing and empowering promising talent and creating an environment that fosters long-term professional relationships based on industry-approved labor practices. The bank also engages in Collective Bargaining Agreements (CBA) with union members, negotiating fair policies for the benefit of our employees. It provides for wage increases, higher insurance coverage, improvements in medical allowance, and a contract signing bonus for all rank and file employees nationwide. China Bank has already had 24 successful CBAs in its 96-year history, and China Bank Savings has had its first CBA last 2015.



# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

## EMPLOYEE BREAKDOWN



### BY GROUP

|                                |      |
|--------------------------------|------|
| China Bank Capital Corp.       | 21   |
| CBC Insurance Brokers, Inc.    | 69   |
| CBC Property & Comp Ctr., Inc. | 165  |
| China Banking Corp.            | 5900 |
| China Bank Savings, Inc        | 1969 |

### EMPLOYEE BREAKDOWN BY GEOGRAPHIC ASSIGNMENT

|                 |       |
|-----------------|-------|
| NCR             | 5,173 |
| Luzon (Non-NCR) | 1,651 |
| Visayas         | 835   |
| Mindanao        | 465   |

### EMPLOYEE BREAKDOWN BY RANK

|                 |       |
|-----------------|-------|
| Rank and File   | 5,356 |
| Junior Officers | 2,493 |
| Senior Officers | 275   |

## TRAINING

China Bank is committed to developing the potential of its employees and offering them opportunities to advance in their careers. Our diverse and thorough training programs are designed to equip our officers and staff with the skills and competencies they need to meet and exceed our strategic objectives—preparing them for higher responsibilities and to adapt to changes in the business environment, banking regulations, and new technology, methods, and procedures.

These Employee Development Programs have been formulated to provide focused, relevant, and timely content that will nurture and fortify the skills and knowledge they need as they fulfill their tasks and duties.

|                                        |
|----------------------------------------|
| • Supervisory Development Program      |
| • Management Trainees                  |
| • Technical Staff Development Program  |
| • Branch Heads Training Program        |
| • Junior Executive Development Program |
| • Area Heads Development Program       |

The Bank likewise invests heavily on job-specific training for its employees to ensure employees are equipped with the right competencies to perform their roles effectively. This includes both Technical and Behavioral Skills.

Professional training and development programs are offered through both in-house and company-sponsored external training courses. These courses are designed to have direct relevance to the trainees' duties and functions, or else prepare them for a specific new function.

We also offer a Tuition Refund Program for Graduate Studies, where employees can pursue Masters in Business Administration, Finance, Banking, Economics, Statistics, Computer Science, Business Management, and other courses related to banking and investments, with the financial support of the Bank. As a China Bank scholar, an employee must maintain passing grades, at the same time, a performance rating of "Good" at work.

|                        | Programs Conducted | Participants |
|------------------------|--------------------|--------------|
| Officer Training       | 134                | 2863         |
| Staff Training         | 256                | 7150         |
| New Programs/courses   | 202                | 3704         |
| External               | 280                | 486          |
| Tuition Refund Program |                    | 8            |
| Total                  | 917                | 15585*       |

\*Total attendance is more than number of employees as employees participate in several courses during the year.

Total training hours: 193,163.14

## REWARDS AND RECOGNITION

Our Rewards and Recognition program acknowledges high-performing employees and fosters a positive and productive working environment where they are encouraged to constantly strive for excellence. Deserving employees are given promotions and those who perform above and beyond the call of duty or those with outstanding achievements are given awards. During our regular Retail Banking Business National Convention, top performing branches and branch managers are honoured for their exemplary performance in different categories.

Employee loyalty and dedication are also duly rewarded. Service awards are given at every China Bank anniversary celebration to employees who have rendered service of 10, 15, 20, 25, 30, and 35 years.

### Rewards & Recognition Program Awards

- Model Employee of the Year
- Quick Win Award
- Breakthrough Idea Award
- Top Sales and Marketing Award
- Project of the Year
- Product of the Year
- Special Meritorious Circumstances Award
- Special Citation Award
- Critical Project Completion Award

### RBB National Convention Awards

- Branch of the Year
- Top CASA (Checking & Savings Account) Contributors
- Top Sales Associates
- Top Performers / Referrers (for Bancassurance, Consumer Banking Group, Cash Management, Insurance, Private Banking Group, Treasury Group, and Trust Group)

## WORK-LIFE BALANCE

At China Bank, we recognize the need for our employees to maintain a holistic approach to their lifestyle, both in and out of work. We believe that a productive and motivated workforce requires ample opportunities to exercise and pursue their non-professional and recreational interests and

to have enough chances for rest and relaxation. To this end, we have implemented a diverse work-life balance program for our employees.

Outside of the workplace, we provide our employees with activities that strengthen camaraderie and promote community participation and personal growth. In 2016, many employees participated in company-sponsored sports activities like bowling and basketball, other forms of recreation, as well as workshops and programs that addressed employees' health and wellness.

The Bank has several programs designed to uplift the "total person" in employees. These programs give employees avenues to learn other skills outside of their profession. This includes livelihood-related programs, sports and recreational programs, educational programs and scholarships, and social and spiritual activities.

### Work-life Balance

- Cooking, baking
- Music
- Dancing
- Various hobbies

### Sports

- Basketball
- Volleyball
- Bowling
- Badminton

### Social Clubs

- Running
- Photography

### Spiritual

- Masses
- Bible studies

### Outreach Programs Financial Literacy (Orientation)

- Managing Your Finances (during Orientation for New Employees)

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Our office hours are from 8.30 am to 5.30 pm, with a one-hour lunch break. Employees report to work five days a week.

They are entitled to various types of leaves as mandated by law and enjoy breaks during the declared public holidays of the Philippines.



### EMPLOYEE COMMUNICATIONS

The Bank's administration constantly maintains a good relationship with its employees to ensure that both of their objectives remain aligned with the Bank's goals while simultaneously addressing their concerns. We offer our employees a safe and supportive work environment where everyone is granted their right to be respected and heard, and treated equally and fairly. Any concerns, opinions and suggestions are promptly noted and duly acted upon. The Bank implements policies, resources and mechanisms to efficiently manage and resolve employee grievances and appeals, process employee feedback, adjudicate disciplinary cases and to promote a better understanding of and adherence to China Bank's operational policies and procedures, Code of Ethics, as well as the relevant laws and BSP rules and regulations.

News and information about company developments, employee movements, as well as events, promos and messages from company officials are featured and coursed through to employees in the Bank's official newsletter called NewsTeller. The publication is released every two months and is distributed to all branches. China Bank Savings likewise produces the CBS NewsTeller, which focuses on CBS-related events and developments.

With its integrated slate of Communication Programs, employees are given an inviting and open avenue to express and relay their experiences, suggestions, and feedback.

- **Sharepoint Café:** Used to generate ideas, solutions and action plans that can address possible concerns or issues encountered by officers of the Bank. It also aims to build rapport among CBC officers and increase their commitment and pride in the Bank.
- **Third Phase Interview:** A follow-up mechanism to monitor the extent of adjustment of new employees on their third month with the Bank. It focuses on the nature of work being handled, training received, relationships with peers and superiors, clarifications concerning bank policies, existing procedures in handling work, and problems at work, if any.
- **Organizational Health Check:** an Organization Development intervention which aims to ensure engagement and commitment among employees. It involves questionnaires and one-one-one interviews with employees of target group.
- **Team Effectiveness Program:** A program that uses a Needs Assessment Questionnaire to identify strengths and improvement areas of a group to achieve team effectiveness for better performance.
- **Voice Avenue:** A retention tool in assessing an employee's current disposition and perception about his/her job and the organization. It identifies what makes employees stay and what keeps them engaged after a certain period of time, and determines what can prevent future resignations.

### EMPLOYEE SAFETY AND HEALTH

China Bank employs its own Safety and Health Policy to safeguard our employees against injury, sickness or death, and to ensure that the workplace retains a certain standard of safety, security, and health to promote productivity. This policy is supported by the Corporate Safety and Health Committee (CSHC) and the Unit Safety and Health Committee (USHC).

The CSHC is our central planning and policy-making group in all matters regarding safety and health, including



the timely updating and revision of China Bank's emergency procedures and evacuation plans in case of fire or other hazardous incidents. Meanwhile, the USHC is chiefly involved with directing our accident prevention efforts, including annual fire and earthquake drills, and spreading awareness about emergency escape routes, in accordance with the prescribed Bank safety and health programs and pertinent government regulations. Each USHC has its own Red Cross-certified first aider who is duly trained in Adult CPR and Office First Aid to ensure prompt and proper response in case of any office emergencies.

To ensure and strengthen Bank-wide implementation and observance of Occupational Safety and Health Standards, each branch or department has its own USHC. In case of disasters, the CSHC and the USHC will coordinate with our Operational Risk Department for disaster contingency planning and the mobilization of the Crisis Management Team.

Our Makati headquarters houses a well-stocked clinic staffed by both a registered nurse and a doctor that employees can consult with regarding their health concerns. There are also on-duty nurses in our offices in Philcom Building, VGP Center, Binondo Center, and Cebu Business Park. The medical team also provides guidance and supervision on occupational health. First aid kits are available in all branches. Health and safety bulletins are regularly disseminated to our employees through email and the Bank's Intranet, covering topics such as accident prevention and work-related sickness prevention.



## EMPLOYEE WELFARE

We have employee welfare programs in place as carried out by our HRD, such as seminars to develop other skills sets or livelihood training. In September 2016, HRD conducted a series of free livelihood workshops called "Go Entre Pinoy" where a professional cook taught a tocino and longganisa-making class to the Bank's drivers, messengers, janitorial, maintenance and catering staff, and even their relatives.



The Bank also regularly conducts fire and earthquake safety drills among its employees to make sure that they are equipped with the knowledge on how to keep safe in the event that a disaster strikes.

In 2016, HRD introduced a series of non-work-related workshops whose aim is to provide a venue for employees to de-stress. Aptly called "Work-life Balance Seminars," these half-day activities are usually done on Saturdays and introduce China Bankers to a wide range of hobbies and interests such as dancing, soap-making, calligraphy, and even self-defense. Professionals in their respective fields are invited to be the resource people for each workshop, ensuring that employees learn new skills and pastimes only from the best.

As a testament to our commitment to prioritize the health and wellbeing of our own employees, we received compliance certifications from government bodies such as the Department of Labor and Employment and Occupational Health and Safety Standards.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### COMPANY CULTURE

One aspect of China Bank that has kept it distinct from its peers is its deeply-cherished culture of trust. From its inception, trust was the foundation of China Bank's business model, a culture that China Bankers have imbibed until today. Each employee is inculcated with the virtues of integrity, openness, transparency, loyalty and honesty, which they are encouraged to demonstrate to both clients and colleagues. Even with China Bank's rapid expansion and growth through the years, its culture of trust remains the one constant that connects and binds all China Bankers to the same standards and ethos espoused by our founders.

By institutionalizing the virtue of trust, our employees propagate a culture that informs and guides the way they conduct themselves, in accordance with our stated company core values: Integrity, High Performance Standards, Commitment to Quality, Customer Service Focus, Concern for People, Efficiency, and Resourcefulness / Initiative. China Bankers are guided by clearly defined roles and expectations, reinforced by training and supplementary tools designed to advance their professional careers and contribute to the Bank's success.

We firmly believe that employees treated with trust and respect will strive to repay that in kind. A trusted employee would ensure to the best of their abilities that their conduct and actions will only result in the same kind of goodwill that they have been given. In the same way, we have implemented succession plans that ensure the sustainability of our business. HRD conducts periodic reviews of the current talent pool and offers individual career development plans to employees. This ensures that intellectual capital is not lost, but rather transferred from one employee to another.

### Environmental Protection

China Bank conducts its operations in such a way that regards its communities and the environment with as much importance as it does its business. In its workforce culture, an innate sense of obligation to give back is strongly emphasized, as well as in sustainability efforts aimed at creating value not only for our shareholders, but more importantly, for the nation and for the environment.

#### RESOURCE MANAGEMENT AND EFFICIENCY

The China Bank head office is actively involved in the program "Promoting Energy Efficiency in the Makati Central Business District," and in the last eleven years, it has been implementing projects to progressively lessen its operation's impact on the environment, like switching to energy-efficient lighting and air conditioning systems, acquiring technologies to automate processes, including installing video conferencing facilities at the head office and business centers in Luzon, Visayas, and Mindanao to reduce the need for travel and thereby contribute to a reduction in land and air travel emissions.

It also developed policies on conserving energy, water, and paper supplies bank wide. For over 15 years, the Bank has had a solid waste management program, which is continually implemented and improved upon up to this day.

Launched in 2012 to raise awareness on environmental issues and promote reducing, reusing, and recycling, China Bank's "Going Green Campaign" continues to encourage our employees and customers to adopt and promote environment consciousness and sustainable working and living habits. Thus, we practice measures that promote resource and energy efficiency, and minimization of environmental hazards through various conservation strategies. Despite our growing workforce and operations, we continually pursue initiatives in all branches, aimed at minimizing power, water, and paper consumption, as well as reducing waste.

In offices and branches, we have replaced fluorescent lights with more energy-efficient bulbs, reduced the use of paper by 30% by cutting down on the requirement for printed matter (and if we do need to print, we use recycled paper, as in the case of our publications like the Annual Report), actively uses digital communications such as e-mail and webchats for employee communications, and have optimized electronic facility to reduce paper trail for certain bank transactions, such as online viewing of statements of account.

Other sustainable activities such as air-condition control activities, water conservation awareness (like regularly changing the faucets, using recycled water), no smoking campaign and designated smoking areas, transportation use of diesel and environment-friendly fuels for bank cars, armored cars etc., are also in place. To promote awareness, information on these practices is disseminated through our social media channels, the internal newsletter, and through employee e-mail blasts.

The Bank has also refurbished old personal computers previously for office use to donate to public schools in poor communities, as part of its recycling efforts.

#### SUPPORTING EARTH-FRIENDLY BUSINESSES

Society's expectations and the interests of future generations are likewise crucial to the Bank's financing decisions. Beyond the numbers, the Bank takes into consideration the environmental, social, and governance risks involved in supporting certain businesses and industries. Its sustained partnership with the International Finance Corporation (IFC), a member of the World Bank Group, for technical assistance and advisory services under IFC's Sustainable Energy Finance (SEF) Program, enables it to identify potential renewable energy and clean development projects, analyze the project risks, and package viable financial structures to promote sustainability and improve business bottom lines.

The Bank helped finance a number of energy projects that have adopted "clean coal technology" to produce power in an economical and environmentally responsible manner. These include the 300-megawatt capacity expansion of the coal-fired power plants of Semirara Mining Corporation subsidiary Southwest Luzon Power Generation Corporation in Calaca, Batangas; the construction of Global Business Power Corporation subsidiary Toledo Power Corporation's 82-megawatt coal-fired power plant in Toledo City, Cebu; the construction and operation of Aboitiz Power Corporation subsidiary Therma South, Inc.'s two 150-megawatt circulating fluidized-bed (CFB) electric power generation facility in Davao City and Davao del Sur; and the construction and operation of one of the most advanced and most fuel-efficient plants in the Visayas, a 135-megawatt CFB power plant project in Concepcion, Iloilo.

The Bank has received the following awards: "Best Power Deal – Philippines" for the ₱42.2 billion San Buenaventura Power Project and "Most Innovative Deal – Philippines" for the ₱31.97 billion Therma Visayas Project by *The Asset Triple A Awards*. In 2016, China Bank continued to pursue its environmental advocacy with clients when it acted as one of the co-lead arrangers and senior lenders of the recent US\$105 million syndicated project finance deal for Alternergy Wind One Corporation (AWOC), provider of alternate energy services and developer and operator of wind farms in Singapore and here in the Philippines.

## Going Green



An advocacy of:

**CHINABANK**  
www.chinabank.ph Since 1920



## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### Social Responsibility

Community involvement is a cornerstone of China Bank's CSR programs. We support a wide range of noteworthy projects for the underprivileged sector, provide educational assistance to promising children, undertake charitable fundraising, and encourage employee volunteerism in our efforts to give back to society.

#### FINANCIAL LITERACY

China Bank strongly endeavors to promote education through our investment in various financial literacy and financial wellness briefings to various sectors and banking publics. This includes our sustained financial advisories to and consultations for our valued clients, series of investor and wealth management fora, and savings and investment trainings to seafarers and other overseas Filipino workers (OFWs). We also continually give our share to sponsor students under the Ateneo de Manila University scholarship program, as well as for the education of deserving children of our own employees through the Dee C. Chuan and the Gilbert U. Dee Scholarship Funds.

#### FINANCIAL INCLUSION

We partnered with the DepEd in Region 3 to give assistance to public school teachers and non-academic staff. Through its thrift bank arm, China Bank Savings, the Bank explores new ways of providing financial access to more people, with the aim of bringing into the mainstream economy those who are not in the realm of banking services. It launched the Easy DepEd Loan and the Affordabundle DepEd Loan which both offer easy-to-avail and low interest loan to this market. CBS continues to open Easi Banking Branches (EBBs) in SM SaveMore outlets in Metro Manila, tapping the unbanked and underserved sectors and making it easy for them to start banking relationships with low—even zero—initial deposit accounts and small business financing. Accessible Mondays to Saturdays and designed in look and in

processes to accommodate first-time bank customers, China Bank Savings EBBs serve a wide range of clients: from market vendors and blue-collar workers—people who would otherwise be intimidated transacting in a traditional bank branch—to students and professionals. The EBBs, numbering 13, have close to 14,000 accounts. Majority of the customers of EBBs belong to the D & E socio-economic class.

#### SUPPORTING UNDERPRIVILEGED COMMUNITIES

China Bank continues to provide assistance for various programs of several charities, foundations, and associations that represent sectors and communities close to our hearts. Through its business centers and branches nationwide, the Bank actively participates in a number of local events such as cultural fairs, sports tournaments, and anniversary celebrations and conventions of different associations, organizations, and universities to uphold community values and traditions and foster camaraderie in the communities where the Bank operates.

We likewise support underprivileged communities by sourcing from them some of our supplies and giveaways. In December 2016, China Bank purchased its client and media gift items from Namana Crafts, a social enterprise based in Quezon City that collaborates with differently-skilled as well as impoverished but talented artisans from all over the country.

With our intent to offer financial access to people from different walks and stages of life, China Bank has installed a low-hung ATM outside of its main branch in Makati that can be PWD and wheelchair user-friendly; as well as placed rocking chairs inside the branch for use of elderly clients in partnership with the S.I.L.Y.A. Foundation (China Bank is the first bank to tie-up with the organization).

The Bank is also committed to help in times of great need, conducting donation drives to help the victims of

three major disasters in 2013: Typhoon Maring, Bohol Earthquake, and Typhoon Yolanda. The Bank also had a separate internal donation drive and provided a calamity assistance package to affected employees which include cash assistance, calamity loan at a reduced interest and flexible payment terms, and special leaves that are not chargeable against vacation leave credits. Demonstrating the company spirit, the Bank's employees volunteered to help in various relief efforts by way of cash and in-kind donations and helping repack and distribute relief goods.

We integrated corporate social responsibility by motivating our employees to extend personal goals beyond the workplace and share a part of themselves with the needy through community-nurturing programs. Our continuous fundraising activities include the collection and selling of recyclable materials such as plastic bottles, shredded paper, and used carton boxes, and voluntary personal contribution through salary deduction.

In November 2016, HRD conducted a rummage sale in the head office dubbed "Tindang Bigay Tulong," the proceeds of which went to the sponsorship of food of the children that the group visited at the Manila Day Care Centers of Barangay 272, 274, 276, and 285 in Binondo as part of a bigger activity called "Caring is Sharing." Held in December 2016, "Caring is Sharing" was the initiative of HRD-Recruitment and Placement Department which benefited around 300 daycare center students in Binondo.



## Consumer Protection

As enshrined in its core values, China Bank is deeply committed to protect the interests of its clients. This customer service focus continuously guides our policies as we render fair, honest, and equitable service to our clients.

We are vigilant caretakers of our clients' interests, ensuring that they are well-protected throughout their relationship with the Bank. Even before the BSP Circular 857 on Consumer Protection was issued in 2015, China Bank had already been compliant with most of its provisions. This included the creation of a dedicated consumer assistance group, which the Bank had already established through its Customer Contact Center.

Nonetheless, we continued to assess and fortify key components for financial education and awareness, fair treatment for all concerned stakeholders, customer handling, and risk management.

### SECURITY AND FRAUD PREVENTION

We have implemented stringent control systems to protect our clients from security threats and financial theft. These systems are designed to ensure that the banking transactions are secure and reliable, whether conducted through the branches or e-banking channels.

Our ATMs are regularly inspected for PIN/card data skimming devices. We have awareness campaigns that encourage our clients to take extra precautions on how to protect their money, PIN, ATM and credit cards through email, posters and social media. We also regularly provide guidelines on protecting personal information and accounts against fraud and misuse. Our branch personnel are likewise trained to give clients appropriate assistance in matters of asset protection as well as procedures for reporting fraud cases and captured/missing/stolen cards.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Our Customer Contact Center, ATM Center, and other frontliners supported by capable IT teams stand ready to respond and give resolution to clients who become victims of phishing and other similar scams.



### PROTECTION OF PRIVACY OF INFORMATION

To ensure the security of client account information and other related details, we utilize enhanced verification processes across all available channels of service. Our Online and Tellerphone facilities make use of a multilevel security verification procedure prior to processing transactions, while our Customer Contact Center conducts several layers of positive identification before assisting clients with their needs.

We also continuously issue warnings on information security threats to our clients and provide them with practical and useful guides on how to protect themselves against such threats through our website, social media accounts, email announcements, and ATM screen displays.

### DISCLOSURES AND TRANSPARENCY

In keeping with our commitment to integrity, the Bank ensures that the information about our products and services are clear, understandable, accurate, and accessible. We give all necessary and relevant information to our clients to duly inform their decisions when transacting with us. The information is communicated to our customers through the use of

different media and channels such as printed materials that are prominently displayed in our branches or directly sent to customers—TV, print, radio and other forms of advertisements; our website and social media channels such as Twitter and Facebook; and our Customer Contact Center. All consumer information required by the BSP are likewise openly displayed at our branches. Our branch personnel are professionally trained to handle inquiries about our policies— they will readily explain risks relating to our products and services, and provide financial counseling when required.

### CUSTOMER CONCERN HANDLING

Through its diverse selection of communication channels, China Bank provides its clients with accessible and efficient means to communicate their inquiries and concerns. Each concern raised is considered a welcome opportunity that will allow us to improve our services and provide a more convenient banking experience to our clients.

China Bank clients may communicate concerns through different means, namely: (1) Phone call, (2) Email, (3) Social Media sites, (4) Website Support Center, and (5) via its branches. All concerns reported through these channels are documented and handled in compliance with existing bank and BSP-prescribed guidelines. Through our Customer Contact Center, we have implemented a reliable Incident Management System which logs and monitors client concerns supported by documentation and concrete data. With the system's periodic and thorough customer service reports, the Bank gains valuable insight from which to refine and improve "overall customer experience".

In 2016, the bulk of the issues that we received and handled pertained to alternative channels and credit cards such as ATM withdrawal concerns, bills payment and fund transfers done through electronic channels,



credit card declined transactions, and non-receipt of credit card statements. Concerns regarding the enhancement of the online banking system were also received and satisfactorily handled by the Bank's front-liners. Proper coordination between the branches or business units involved and the Customer Contact Center ensured a prompt response for each issue that was raised.

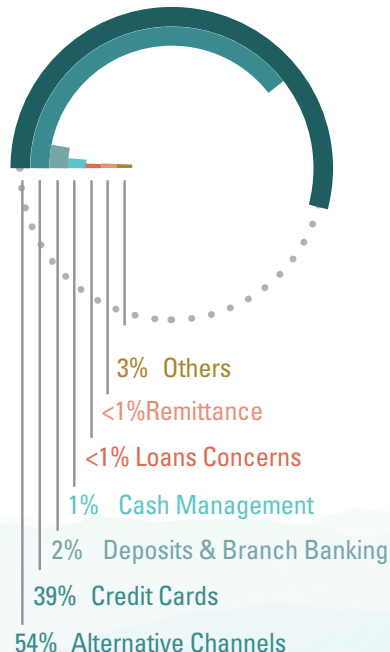
### CUSTOMER CONTACT CENTER

China Bank has a dedicated Customer Contact Center, which helps develop a strong customer service culture by taking on a lead role in implementing changes to the Bank's consumer assistance process. The group forms part of the Bank's compliance with BSP 857, which mandates the creation of a consumer assistance group. Since its establishment, an integrated customer

complaint reporting mechanism for all branches and business units was implemented, as well as improvements to the current Incident Management System which logs and monitors client concerns with prompt submission of accurate reports. These efforts are coupled with the use of all available channels of communication, ensuring the convenience of our clients.

The Customer Contact Center has greatly increased the efficiency of our various business units. It has helped the Retail Banking Business by implementing the Mystery Caller Program which provides us an overview on customer service standards of our branch personnel. It also oversees the Credit Card Division's Telemarketing Program for its card acquisition efforts and provides support for its Balance Transfer, Transaction Conversion and Card Activation programs.

## 2016 CUSTOMER INTERACTIONS



### CUSTOMER SUPPORT

7 am to 7 pm, 7 days a week  
(Press "0" to speak to a phone banker)

**88-55-888**  
Metro Manila

**Toll-free numbers:**

**1800-1888-5-888** (PLDT)  
**1800-3888-5-888** (Digitel)  
Provinces

**001-800-1-888-5888**  
Hong Kong / Singapore

**011-800-1-888-5888**  
USA



**E-MAIL**  
[online@chinabank.ph](mailto:online@chinabank.ph)

**MAIL**  
Customer Contact Center  
China Bank Building, 8745 Paseo de Roxas  
Corner Villar Street, Makati City 1226  
Philippines

**FAX**  
(02) 519-0143



**WEBSITE**  
[www.chinabank.ph](http://www.chinabank.ph)

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE



*The Corporate Governance Committee: (L-R) Alberto S. Yao, Roberto F. Kuan, Hans T. Sy, and Joaquin T. Dee*

### Corporate Governance

Good corporate governance is one of the most important cornerstones in ensuring the sustainability of our business. By upholding the highest ethical standards in conducting our business, we have earned the trust and confidence of our stakeholders and our business partners. In banking, trust is everything. By building on this trust—which has endured through our 96 years of banking business—and complementing it with leading edge technology, efficient systems and processes, and by running our business with a highly trained professional team, we are able to attract the best customers and business partners, lower our cost of funds, and ultimately, build a strong brand franchise with loyal customers. With this time-tested trust as the foundation of our business, we will continue to inspire new generations of banking professionals who adhere to the same guiding principles of trustworthiness.

China Bank's operations and management is anchored on a structure that exercises principled leadership, a high standard of excellence, and unified commitment to good corporate governance. It is led by a vigilant and high functioning Board of Directors and Management team with unquestionable integrity,

dedication, and competence, fully embracing the Bank's mission, vision, and values; they chart China Bank's path to success, guided not only by the Bank's principles, but also by the principles of good corporate governance— integrity, fairness, accountability, and transparency.

Our leaders set the tone of governance and ensure that mechanisms for disclosure, protection of the rights of shareholders, equitable treatment of shareholders, and accountability of the Board of Directors and Management are in place and diligently implemented in accordance with the highest ethical standards and strictest regulatory compliance.

Together, the Board and Management maintain a collaborative and productive work environment that drives high performance and quality orientation, consistent with our commitment to deliver strong customer and shareholder value.

China Bank was founded on a strong commitment to doing business the right way. For us, "the right way" means conducting our day-to-day activities in a manner that serves the best interest of our various stakeholders and upholding the principles of responsible corporate citizenship: integrity, fairness, accountability, and transparency. We constantly

endeavor to improve our governance practices not only because it is good for our business, but more importantly, to enable shared success—to build a stronger and sustainable banking experience for our customers, stakeholders, and the communities we serve.

Our most significant governance hallmark is an already assertive Board that is fully engaged in good governance at a level beyond compliance. They are attuned with the reforms imposed by the country's regulators to elevate corporate governance practices in the country—like the creation of a Related Party Transaction Committee wholly composed of Independent Directors, going beyond the BSP requirement to have at least two (2) independent directors. Enhancements of policies on fraud prevention, anti-bribery and related party transactions, well working whistle-blowing mechanisms, continuous training for directors on corporate governance and Anti-Money Laundering

Laws, rules and regulations, to name a few—having a more assertive Board enables us to send a clear message to the entire organization and to our business partners that good governance is a requirement in all business undertakings.

Profit with honor is indeed an admirable business philosophy. Ultimately, it ensures the long term viability and sustainability of the business.

To strengthen the implementation of good governance in the field, we continuously educate our employees about Compliance, Good Governance and its benefits, the Bank's Code of Ethics, the Policy on avoidance of conflict of interest, among others, to ensure that everyone in the institution are in the same direction towards good corporate governance and to develop a culture of good governance and to enable the employees of the Bank to embrace the principles set forth by the Board.

## Beyond Compliance

Trust is the foundation of China Bank's culture. And for nearly a century, China Bank continues to uphold fair employee and service provider practices, competitive employee compensation, balanced working environment, sense of responsibility for and the protection of privacy for our customers, and open communication among all stakeholders.

China Bank's strong commitment to champion good governance is validated by the various accolades that we have been receiving in recent past.

China Bank won the PSE Bell Award for Corporate Governance for the fifth year in a row. It was again the only bank among the top five annual awardees in the publicly-listed company category and the only awardee to have won in all Bell Awards since it was launched by the Philippine Stock Exchange in 2012.

We were also awarded with three honors at the 6th Asian Excellence Award 2016, an awards program by regional journal Corporate Governance Asia that recognizes standards of excellence for corporate governance achieved by companies across Asia. China Bank took home the awards for Best Investor Relations Company-Philippines, Asia's Best CEO (Investor Relations) for President and CEO Ricardo R. Chua, and Best Investor Relations Professional for Senior Vice President and Head of Investor Relations Alexander C. Escucha. Last year, China Bank was hailed Outstanding Company

on Corporate Governance-Philippines for the second year in a row by the same journal, for the Bank's performance on upholding the rights of shareholders, disclosure and transparency, board and management, discipline, environmental practices, among others. The 6th Asian Excellence Award—which seeks to promote and encourage environmental, social and ethical compliance as well as sound investor relation, corporate social responsibility, and the Asian values of corporate governance—was held on June 17 at the JW Marriott in Hong Kong.

Globally and locally, the common theme today is making the future safer (in terms of returns, partnering with companies that also embrace sustainability, or engaging reputable companies, for example, for our supplies, etc.) for all market participants, especially for investors and consumers. This objective led to a series of new and stricter rules and regulations on governance. On our part, this means we need more tools to manage risk and regulatory compliance without necessarily increasing our costs.

Our driving force is our stakeholders—our customers, shareholders, employees, and the communities we serve. They are the reason for our mission of becoming a leading provider of quality services and a primary catalyst in the creation of wealth, while maintaining the highest ethical standards and sense of responsibility and fairness. Governance at China Bank is aligned with our commitment of doing business the right way, in accordance with the law, the best practices, and the best interest of our stakeholders.



## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### I. THE BOARD OF DIRECTORS AND THE ORGANIZATIONAL STRUCTURE

At the core of China Bank's organizational structure is its Board of Directors, the highest governing authority at the Bank. The Board represents and is accountable to our shareholders, guides our overall philosophy and direction, and sets the pace for our current operations and future developments. Governance by the Board also includes monitoring Management's performance, establishing standards of accountability, and setting our corporate values.

The organizational structure is reviewed annually to reflect changes in business scope and strategy or in light of new regulations that may have an impact on the role and responsibilities of the Board and Senior Management.

#### **Diversity In Board Composition**

The Board seeks to ensure diversity in its composition by taking into consideration the age, educational background, collective working knowledge, experience and expertise of its members. It is composed of individuals with integrity, qualifications, skills, and experience, providing an ideal mixture of core competencies such as finance, legal, accounting, business management, marketing, and investment management for the effective Board oversight of China Bank's business activities and affairs.

The present Board size of 11 Directors and one Adviser is commensurate with the size and complexity of our operations. Of the 11, two are executive Directors and the rest are non-executive Directors, including the three Independent Directors. An Executive Director is a Director who has executive responsibility of day-to-day operations of a part or the whole of the organization. China Bank has no executive Director who serves on more than two boards of listed companies outside of the China Bank Group. We have complied with the regulatory requirements on Board composition.

#### **Independent Directors**

A strong element of independence is maintained on the Board. In fact, we conduct an annual review of the independence of our Directors. We define an Independent Director as someone holding no interests or relationships

with China Bank, the controlling shareholders, or the Management that would influence their decisions or interfere with their exercise of independent judgment, among others.

The present Board has three Independent Directors (ID) and we have fully complied with all the applicable rules on their nomination and election. As stated in our Corporate Governance Manual, the tenure of an ID should not exceed a cumulative term of nine years: reckoned from election in 2012 based on SEC rules. China Bank is one of the first listed companies to shorten the term up to nine years. While they are in the China Bank Board, they are not allowed to hold interlocking directorships in more than five listed companies.

In the annual assessment of Directors for the year ended December 31, 2016, the Board was satisfied that each of the IDs continue to be independent and free from any business or other relationship, which could interfere with the exercise of independent judgment.

#### **Election of the Board and Succession**

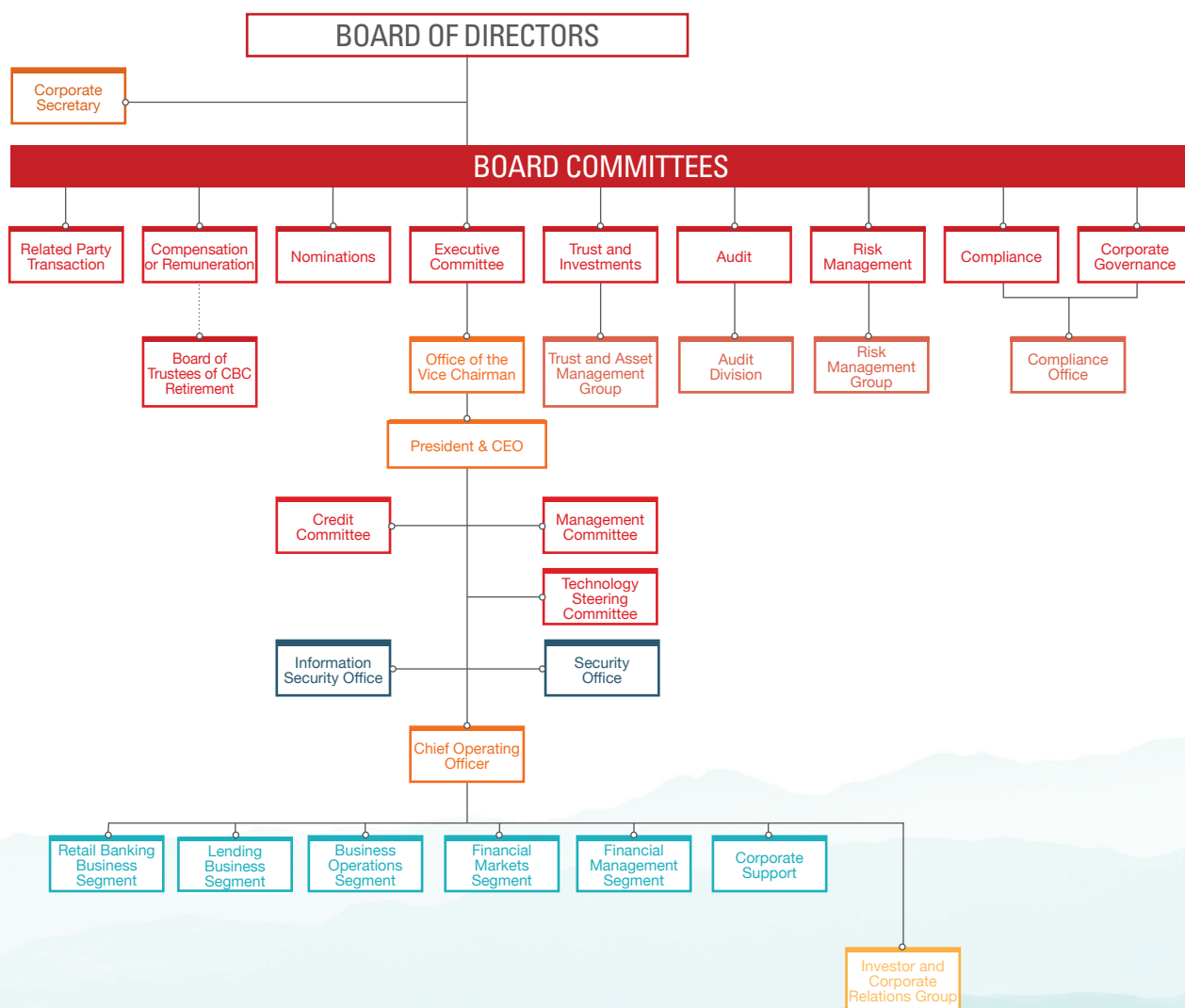
The position of a China Bank Director is one of trust; thus, the directors are selected for their integrity, credibility, leadership, experience at policy-making, and their ability to render independent judgment. We welcome diversity in our Board. The shareholders nominate candidates by submitting the nomination to any of the members of the Nomination Committee, the Corporate Governance Committee, or the Corporate Secretary on or before the prescribed date.

The Nominations Committee reviews and evaluates the qualifications of the candidates, the full Board confirms these candidates' nomination, and the shareholders elect the directors during the Annual Stockholders' Meeting. Upon their election, the members of the Board are issued a copy of their general and specific duties and responsibilities as prescribed by the BSP Manual of Regulations for Banks (MORB), which they acknowledged to have received and certified that they read and fully understood the same. Copies of the acknowledgement receipt and certification are submitted to the BSP within the prescribed period. Moreover, the directors also

individually submit a Sworn Certification that they possess all the qualifications and none of the disqualifications to serve as an ID. These certifications are submitted to BSP after their election. Additional certifications are executed by independent directors to comply with the Securities Regulation Code and BSP rules which are then submitted to the SEC. Succession, replacement or vacancy in the

Board is addressed in the Bank's By-Laws. Vacancies in the Board may be filled by appointment or election of the remaining directors. The Board may also use professional search firms or other external sources when searching for ideal candidates for the Board. The stockholders may also fill such vacancy in a regular or special meeting called for this purpose.

## Organizational Structure



## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### **Separation of the Role of the Chairman and the Chief Executive Officer (CEO)**

The position of Chairman of the Board and President and CEO are held by two different people, and their roles are clearly distinct and separate.

Chairman Hans T. Sy, being a non-executive Director, is not involved in the day-to-day operations of China Bank, but is responsible for the leadership and effective running of the Board, including maintaining a relationship of trust with Board members, promoting a sound decision-making process by encouraging critical discussion of dissenting views and ensure that the performance of the Board is evaluated at least once a year. He chairs Board meetings and makes certain that agenda is focused on strategic matters, including risks, arranges regular and/or separate sessions with the non-executive Directors to review Management's performance.

The President and CEO, who reports to the Board, is ultimately responsible for managing China Bank's day-to-day operations, as well as the development and execution of the corporate and business strategies as established by the Board of Directors.

### **Corporate Secretary**

To enable our Directors to discharge their duties efficiently and effectively, they have full and unrestricted access to Management and employees of the Bank and affiliated companies, external consultants and advisors, and the Corporate Secretary. The Board is assisted in its duties by a Corporate Secretary.

Our Corporate Secretary is Atty. Corazon I. Morando. Alongside her traditional role as the official record keeper responsible for the administrative side of board and committee meetings, Atty. Morando is also a corporate governance gatekeeper responsible for overseeing sound Board practices, as well as a Board liaison who works and deals fairly and objectively with the Board, management, stockholders and other stakeholders. With a deep understanding of China Bank's operations and the principles of good corporate governance, Atty. Morando works closely with the Board to ensure the continuous improvement of the Board, as well as to uphold Board and annual stockholders' meeting best practices, including releasing meeting notices to shareholders well within the prescribed period, providing explanations to promote better understanding of the agenda,

and summarizing the questions asked and the answers given in the minutes, among other things. She is abreast on relevant laws, rules and regulations and advises the Board and Chairman of any issue that may arise in these areas, including industry developments and operations.

She provides counsel on governance issues to advance the Board's commitment to transparency by ensuring timely and accurate corporate disclosures.



### **Board Meetings and Supply of Information**

As stated in the Bank's By-Laws, the Board meets every first Wednesday of the month to review China Bank's financial performance, approve strategies, policies, and business plans, as well as to consider business and other proposals which require the Board's approval. Special Board meetings may also be called to deliberate and assess corporate proposals or business issues that also require Board approval.

The Directors are expected to prepare for, attend, and participate in these meetings, and to act judiciously, in good faith, and in the best interest of China Bank and our stakeholders.

The Board is provided with the information and resources needed to effectively discharge its fiduciary duty. The Board is informed on an ongoing basis of the Bank's performance, major business issues, new developments, and the impact of recent developments in the economic and regulatory environment. The Directors are provided Board materials related to the agenda five business days in advance of meetings, by the Corporate Secretary to allow them to prepare for discussion of the items during the



meeting. Members of Senior Management are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals tabled to enable the Board to make an informed decision. The meetings of the Board and its committees are recorded in minutes, and all resolutions are documented.

### Board Decisions

In cases where a decision is to be arrived at by the Board, as a matter of policy, decisions should be made only upon quorum of 2/3 members of the board present, unless a different voting requirement is required by existing laws, rules and regulations. Except for significantly compelling reasons, an independent director should always be in attendance in every meeting, recognizing the significant role of an ID in the Board decisions. Members of the Senior Management shall be invited to attend Board meetings to provide the Board with necessary information to enable the Board to make an informed decision.

In 2016, the China Bank Board had 14 meetings, including the organizational meeting regularly held after the Annual Stockholders' Meeting.

### Board Training

In place is a full orientation program for newly-elected Directors which may include branch visits and comprehensive training materials and operations manuals. A continuing education process for all the Directors include briefings on relevant new laws, risk management and technology updates and changes in accounting standards. In compliance with the BSP and SEC requirements, all Directors have attended the required Corporate Governance Seminar.

On November 2, 2016, the Board, together with the members of the Management Committee, the Chief Compliance Officer, Chief Risk Officer, and the Chief Audit Executive, among others, attended an Exclusive Corporate Governance Training conducted by the Institute of Corporate Directors. This training provided the board with significant and useful insights on Risk Management, Technology, and current governance issues

|      |                                                                          |
|------|--------------------------------------------------------------------------|
| 2016 | Exclusive Corporate Governance Training for Directors and Key Officers   |
| 2015 | Exclusive Corporate Governance Training                                  |
| 2014 | Exclusive Corporate Governance Workshop<br>Anti-Money Laundering Seminar |
| 2009 | Anti-Money Laundering Seminar                                            |
| 2002 | Special Seminar on Corporate Governance for Bank Chairmen & CEOs         |

| Board       | Name            | Date of Election | No. of meetings held during the year | No. of meetings attended | %    |
|-------------|-----------------|------------------|--------------------------------------|--------------------------|------|
| Chairman    | Hans T. Sy      | May 5, 2016      | 14                                   | 12                       | 86%  |
| Member      | Gilbert U. Dee  | May 5, 2016      | 14                                   | 14                       | 100% |
| Member      | Ricardo R. Chua | May 5, 2016      | 14                                   | 14                       | 100% |
| Member      | Peter S. Dee    | May 5, 2016      | 14                                   | 13                       | 93%  |
| Member      | Joaquin T. Dee  | May 5, 2016      | 14                                   | 14                       | 100% |
| Member      | Herbert T. Sy   | May 5, 2016      | 14                                   | 14                       | 100% |
| Member      | Harley T. Sy    | May 5, 2016      | 14                                   | 13                       | 93%  |
| Member      | Jose T. Sio     | May 5, 2016      | 14                                   | 14                       | 100% |
| Independent | Dy Tiong        | May 5, 2016      | 11*                                  | 8                        | 73%  |
| Independent | Alberto S. Yao  | May 5, 2016      | 14                                   | 14                       | 100% |
| Independent | Roberto F. Kuan | May 5, 2016      | 14                                   | 14                       | 100% |

\*For Director Dy Tiong, up to September 2016 only, considering his passing on 16 September 2016

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### Board Committees

To enhance the effectiveness of the Board in discharging its fiduciary duties and to complement it in the execution of its responsibilities, the Board has established nine Board-level committees and three Management-level committees. Each committee has a charter and operates within its specific delegated authority and functions. The committee charters, which are reviewed annually and amended when necessary, are posted in our corporate website, [www.chinabank.ph](http://www.chinabank.ph).

The members of the different committees are appointed by the Board at the annual organizational meeting, taking into account the optimal mix of skills and experience of the members.

**Executive Committee (ExCom)** When the Board is not in session, it shall exercise the powers of the Board in the management of the business and affairs of China Bank between meetings of the Board of Directors, to the fullest extent permitted under Philippine law. The ExCom convened 42 times in 2016, with four joint meetings with the Risk Management Committee.

| Name of Director      | Attendance | %   |
|-----------------------|------------|-----|
| Hans T. Sy (Chairman) | 35         | 83  |
| Gilbert U. Dee        | 42         | 100 |
| Peter S. Dee          | 37         | 88  |
| Joaquin T. Dee        | 42         | 100 |
| Ricardo R. Chua       | 39         | 93  |



**Risk Management Committee (RMC)** is responsible for the oversight and development of all the Bank's risk management functions, including the evaluation

of the risk management plan and strategies to ensure its implementation and continued relevance, comprehensiveness, and effectiveness. The RMC is also responsible for the identification and evaluation of exposures and oversight the systems of limits.

The RMC convened 16 times in 2016, including four joint meetings with the Executive Committee.

| Name of Director          | Attendance | %   |
|---------------------------|------------|-----|
| Joaquin T. Dee (Chairman) | 16         | 100 |
| Hans T. Sy                | 15         | 94  |
| Gilbert U. Dee            | 16         | 100 |
| Alberto S. Yao            | 14         | 88  |



**Audit Committee** primarily oversees all matters pertaining to audit, including the evaluation of the adequacy and effectiveness of the Bank's internal control system. It likewise provides oversight on the activities of Management and the internal and external auditors. It appoints, reviews and concurs in the appointment or replacement of the Chief Audit Executive, and is responsible for ensuring that the Chief Audit Executive and internal audit function are free from interference by outside parties, and there is an annual review of the effectiveness of the internal audit function including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics. The Committee is also empowered to oversee the Bank's external audit functions, financial reporting and policies, by selecting the auditors and approving their fees, reviewing and discussing the scope and plan of annual audit, and reviewing and discussing with management and auditors the annual audited financial statements of the Bank. It also provides oversight over management's activities in managing credit, market, liquidity,

operational, legal and other risks of the Bank, including regular receipts from management of information on risk exposures and risk management activities.

| Name of Director          | Attendance | %   |
|---------------------------|------------|-----|
| Alberto S. Yao (Chairman) | 12         | 100 |
| Joaquin T. Dee            | 12         | 100 |
| Dy Tiong*                 | 9          | 100 |

\*Director Dy Tiong (†) attended 9 out of 9 meetings.

**Compliance Committee** is tasked to monitor compliance with established banking laws, rules and regulations specifically in the mitigation of business risks and ensures that Management is doing business in accordance with the said prescribed laws, rules and regulations including policies, procedures, guidelines, and best practices.

The Compliance Committee convened 10 times in 2016, jointly with the Audit and Corporate Governance Committees.

| Name of Director      | Attendance | %   |
|-----------------------|------------|-----|
| Hans T. Sy (Chairman) | 9          | 90  |
| Joaquin T. Dee        | 10         | 100 |
| Alberto S. Yao        | 10         | 100 |

**Nominations Committee** is responsible for reviewing and evaluating the qualifications of all persons nominated to the Board and other appointments that require Board approval, including promotions favorably endorsed by the Promotions Review Committee.

Based on the Bank's revised Nominations Committee Charter, it is tasked to undertake the process of identifying the quality of the directors aligned with the Bank's strategic directions. Moreover, it is composed entirely of independent directors. The Charter is available in the Bank's website, [www.chinabank.ph](http://www.chinabank.ph)

The Nominations Committee convened 13 times in 2016, jointly with the Corporate Governance Committee.

| Name of Director     | Attendance | %   |
|----------------------|------------|-----|
| Dy Tiong* (Chairman) | 8          | 73  |
| Alberto S. Yao       | 13         | 100 |
| Roberto F. Kuan      | 11         | 85  |

\*Director Dy Tiong (†) attended 8 out of 11 meetings.

**Corporate Governance Committee** is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines, and oversees the periodic evaluation of the Board and its Committees, as well as of the Executive Management.

The Corporate Governance Committee convened 23 times in 2016; 10 joint meetings with the Audit and Compliance Committees; and 13 joint meetings with the Nominations Committee.

| Name of Director           | Attendance | %   |
|----------------------------|------------|-----|
| Roberto F. Kuan (Chairman) | 20         | 87  |
| Joaquin T. Dee             | 23         | 100 |
| Hans T. Sy                 | 21         | 91  |
| Alberto S. Yao             | 23         | 100 |

**Compensation or Remuneration Committee** provides oversight over the remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Bank's culture, strategy and control environment. Three out of the five members, including the chairman, Roberto F. Kuan, are Independent Directors.

The Compensation or Remuneration Committee had three meetings in 2016.

| Name of Director           | Attendance | %   |
|----------------------------|------------|-----|
| Roberto F. Kuan (Chairman) | 2          | 67  |
| Hans T. Sy                 | 3          | 100 |
| Gilbert U. Dee             | 3          | 100 |
| Dy Tiong*                  | 3          | 100 |
| Alberto S. Yao             | 3          | 100 |

\*Director Dy Tiong (†) attended 3 out of 3 meetings.

**Trust and Investment Committee** is primarily responsible for overseeing the trust, investment management, and fiduciary activities of the Bank. It acts upon all trust business for acceptance as well as approval of all investments for trust and agency accounts, unless this function is specifically delegated by the Board to the head of the Trust Group or other senior officers of the Bank, consistent with existing regulations.



## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

The Trust and Investments Committee convened 11 times in 2016.

| Name of Director | Attendance | %   |
|------------------|------------|-----|
| Harley T. Sy     | 10         | 91  |
| Jose T. Sio      | 10         | 91  |
| Herbert T. Sy    | 8          | 73  |
| Ricardo R. Chua  | 10         | 91  |
| Patrick D. Cheng | 11         | 100 |

**Related Party Transactions (RPT) Committee** is responsible for ensuring that the RPT Policy is in place, determine the material threshold for RPT transactions, and in reviewing all material related party transactions as defined in the existing policies of the Bank, laws, rules and regulations and ensuring that they are conducted at arm's length, fair market-terms or upon terms not unfavorable to the Bank.

The Related Party Transactions Committee convened 11 times in 2016.

| Director                  | Attendance | %   |
|---------------------------|------------|-----|
| Alberto S. Yao (Chairman) | 11         | 100 |
| Dy Tiong*                 | 6          | 75  |
| Roberto F. Kuan           | 11         | 100 |

\*Director Dy Tiong (†) attended 6 out of 8 meetings.

### Other Committees

**Board of Trustees of CBC Employees' Retirement Fund** is responsible for the investment and disbursement of the assets of CBC Employees' Retirement Plan in accordance with SEC regulations and the best interests of the plan holders. The Board of Trustees is composed of Gilbert U. Dee (chairman), Peter S. Dee, Ricardo R. Chua, Maria Rosanna L. Testa, and Carlos M. Borromeo (until his resignation from the Bank effective July 15, 2016).

**Management Committee (ManCom)** formulates the Bank's business plans and budget as directed by the Board and reports to the Board on the implementation of corporate strategies designed to fulfill the Bank's corporate mission and business goals. At the operating level, it covers top management matters such as, but not limited to, environmental assessment, objectives setting, performance and budget review, asset/liability management, organizational and human resource development, product development, and major operating policies. The ManCom is chaired by Ricardo R.

Chua. The Management Committee is composed of Gilbert U. Dee, Ricardo R. Chua, William C. Whang, Romeo D. Uyan, Jr., Rosemarie C. Gan, Alberto Emilio V. Ramos, Patrick D. Cheng, Alexander C. Escucha, Ramon R. Zamora, Renato K. De Borja, Jr., Benedict L. Chan, Virgilio O. Chua, Delia Marquez, Jose L. Osmeña, Jr., Ananias S. Cornelio III, and Lilibeth R. Cariño.

**Credit Committee (CreCom)** reviews and approves all credit applications within its credit approval authority. It also reviews all credit applications exceeding its credit approval authority, and if found acceptable, endorses such to the Executive Committee or the Board of Directors. The CreCom is composed of Gilbert U. Dee (chairman), Ricardo R. Chua (co-chairman), William C. Whang, Rosemarie C. Gan, Ramon R. Zamora, Romeo D. Uyan, Jr. (effective May 17, 2016), Jose L. Osmena (effective December 1, 2016), Nancy D. Yang (up to April 2016), Melissa F. Corpus, and Ananias S. Cornelio III.

**Technology Steering Committee (TSC)** oversees and manages the IT resources of the Bank. Except for strategic initiatives and IT expenditures, all matters pertaining to IT resource management and performance measurement are fully delegated to the Committee as provided for in its Charter, subject to regular reporting to the Board of IT project benefits and status, IT risks, system performance and effectiveness of control measures implemented. The TSC is composed of Ricardo R. Chua (chairman), William C. Whang, Rosemarie C. Gan, and Alexander C. Escucha.

### Board and CEO Evaluation

The Board has an annual performance evaluation process to assess the effectiveness of the Board as a whole, the Board Committees, and the individual Directors, by way of a Self-Assessment Questionnaire. The formal self rating system focuses on the level of compliance with leading corporate governance principles and practices. As a process, each member of the Board is required to accomplish the various self-assessments and they are to return the duly accomplished form to the Corporate Governance (CG) Compliance Officer, who in turn summarizes the results for the validation of the Chief Compliance Officer. The final results are summarized and reported with specific recommendations to the Board. There is also a specific Self-Assessment Questionnaire on the performance of the President and CEO.

In 2016, the Board approved the enhancement of the self-assessment questionnaires to align with new regulations on Board duties, RPT, Credit Risk, Operational Risk, among others.

Below is the rating system used:

| RATING | DESCRIPTION                                                                                                                              |
|--------|------------------------------------------------------------------------------------------------------------------------------------------|
| 0      | Poor - Leading practice or principle is not adopted in the company's Manual of Corporate Governance                                      |
| 1      | Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made                          |
| 2-3    | Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness |
| 4      | Good - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness |
| 5      | Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made                       |

We also adopted the SEC-prescribed performance assessment for the Audit Committee released by the SEC in 2012. In accordance with SEC Memorandum Circular No. 4, Series of 2012, the results are validated by the CG Compliance Officer and form part of the record of the Bank which may be examined by the SEC from time to time. The results are summarized and reported also to the Board. Based on the results of the 2016 evaluation, there are no significant deviations and in general the Bank has complied with the provisions and requirements of the Code of Corporate Governance, including the fitness and suitability of each of the Directors in accordance with the Bank's Policy on Fit and Proper.

### Board Remuneration

In accordance with the Bank's amended By-laws, China Bank Directors are entitled to a per diem of ₱500.00 for attendance at each Board/Board Committee meeting and to 4% of the Bank's net earnings. Executive Directors are appointed under standard employment terms, which include provisions for basic salary and performance bonus, depending on their performance, banking experience, employment status, position, and rank in the Bank. Non-executive Directors, on the other hand, do not receive any performance-related compensation.

For employees, the remuneration policy is to maintain salary range rates which compare favorably with those paid by the banking industry for the same job function, to recognize the relative importance of each job position, and to reward meritorious performance. The Employees' Remuneration

Framework, designed to strike a balance between linking rewards to short-term and long-term objectives and maintaining competitiveness in the market, comprises fixed salary, bonuses, benefits, and long-term incentives.

### Vision and Mission

Our Vision and Mission, as stated on the inside front page of this annual report, reflect what China Bank wants to be—a catalyst of wealth creation for our customers and stakeholders. We commit to the principles and best practices of governance in the achievement of this goal. In 2016, the Board reviewed China Bank's Mission and Vision and the corporate strategy to ensure the alignment of our direction and strategies with our operating environment and the needs of our stakeholders.

### Corporate Governance Policy

The Board of Directors, Management, employees, and shareholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake greater effort necessary to create more and continuing awareness within the organization.

### Corporate Governance Manual

China Bank has an extensive Corporate Governance Manual that embodies our corporate governance policies, governance structure, principles, the specific and general duties and responsibilities of the Board, and the duties of the individual directors. It is updated regularly to ensure that it is aligned with the latest issuances of the BSP, and the rules and regulations of the SEC and the Philippine Stock Exchange (PSE). The Manual is available in China Bank's Intranet system and our corporate website, [www.chinabank.ph](http://www.chinabank.ph).

### Code of Ethics

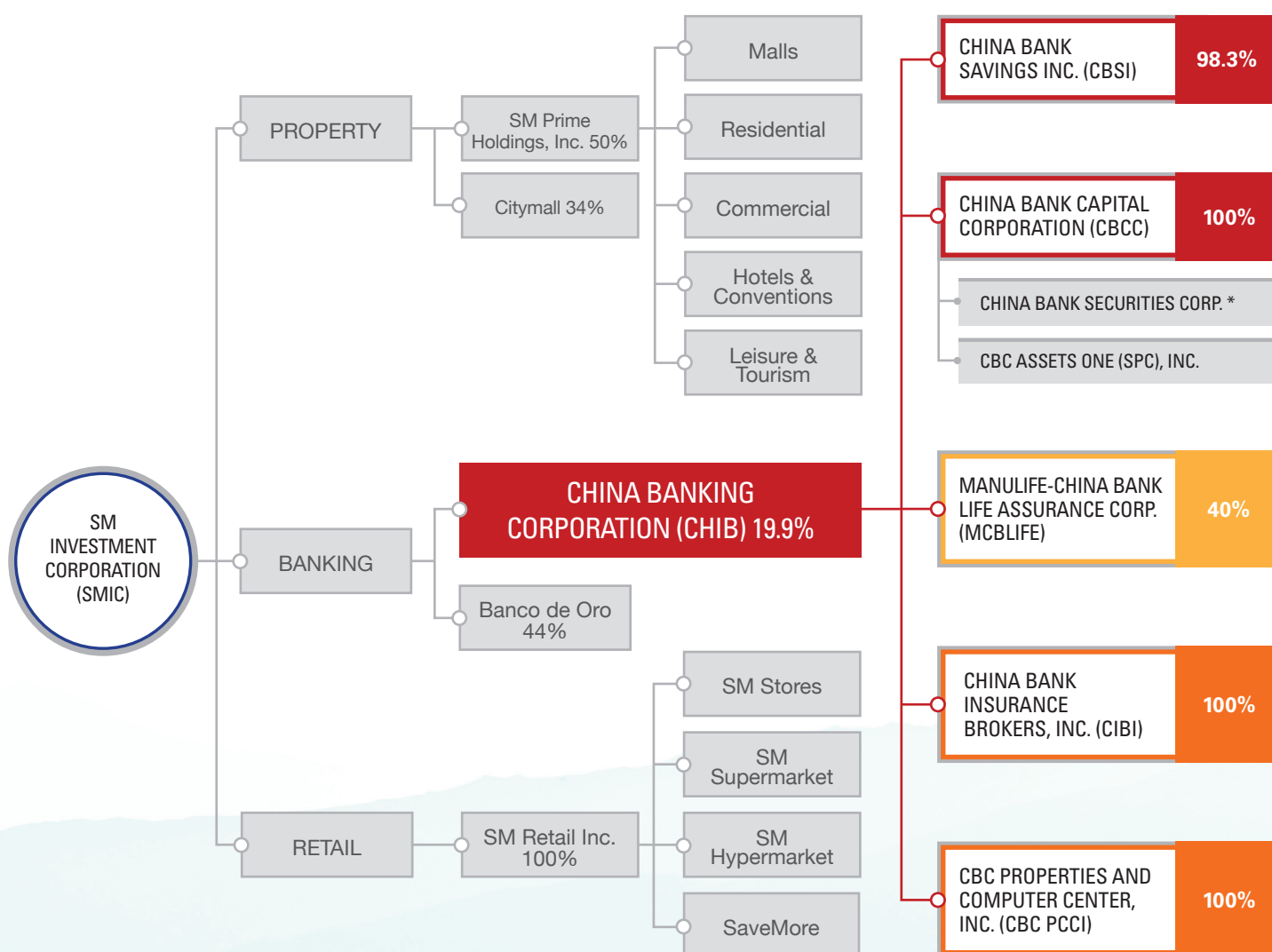
We are strongly committed to honest and ethical standards in the conduct of our business as guided by our Core Values—Integrity, High Performance Standards, Commitment to Quality, Customer Service Focus, Concern for People, Efficiency and Resourcefulness / Initiative. China Bank's business has always been anchored on honest and ethical conduct and compliance with applicable laws and regulations. These core values are also the foundation of our Code of Ethics. The Code provides clear guidelines on acceptable and unacceptable behavior and business practices and is available to all employees and posted in the Bank's website.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Our Board has imposed a policy of full compliance with the Code of Ethics. Our Human Resources Division ensures that every China Bank employee is aware of and upholds the Code. In order to promote compliance with the Code, all new employees are given a copy of the Code of Ethics booklet and undergo the New Employees' Orientation Course (NEOC) wherein the Code is comprehensively discussed.

### Compliance With The Corporate Governance Code

Our Board has imposed a policy of full compliance with the Code of Corporate Governance. Our Compliance Office, headed by the Chief Compliance Officer (CCO), Atty. Marissa B. Espino, is responsible for building a compliance culture and awareness in the Bank and ensuring that the system of implementing and monitoring compliance with the Code and the Bank's Corporate Governance Manual are effective. For the year 2016, the Bank has fully complied with all the material requirements of the Code of Corporate Governance.



\*Currently known as ATC Securities Inc. pending SEC approval of change of name.

Financial Allied Subsidiary    Non-Financial Allied Subsidiary    Financial Allied Associate



## II. INTERNAL CONTROL AND RISK MANAGEMENT

China Bank's Board of Directors is responsible for the establishment and review of the Bank's system of internal control while its day-to-day supervision falls upon the purview of the Management Committee. All of our employees are involved in our internal control processes to a certain extent and in specific capacities. The internal control system comprises a well-defined management structure with clear authorities, responsibilities, and operating procedures—this includes an enterprise risk management function under the Risk Management Committee and the Risk Management Group, a stringent compliance function with anti-money laundering and anti-insider trading policies, a comprehensive planning and budgeting process led by the Corporate Planning Division that delivers detailed annual financial forecasts and targets for Board approval, and an internal audit function under the Audit Division.

Based on the continuing review and monitoring by the Audit Committee of the efficiency of the Bank's internal system, and its evaluation of management's activities in managing various risks that could impact the operations of the Bank, the Committee affirms that the Bank's internal control and risk management systems are functioning effectively.

### Internal Audit

Internal Audit (IA) performs a significant role in China Bank's control and assurance environments. It provides the Bank's stakeholders with an independent and unbiased assessment of its operations, as well as reasonable assurance on the effectiveness of risk management, control and governance processes, and meaningful recommendations for improvement of these processes. IA serves as one of the pillars of good corporate governance which improve overall management and accountability which safeguards organizational value. The Internal Audit Division (IAD) handles these functions, and is headed by the Chief Audit Executive (CAE), Vice President Marilyn G. Yuchenkang.

The Audit Division portrays the following attributes in the conduct of effective and efficient audit services: dual reporting lines in order to maintain organizational independence—functionally to the Audit Committee and administratively to the President and CEO; authority cuts across all functions, units, processes, records, and personnel, backed up by Board

approved Internal Audit Charter; risk-based audit approach and methodology; well-developed annual plan that is linked to Bank's goals and strategies; and resourced with personnel who have collective experiences, skills and competencies in performing the assigned roles.

Year 2016 was a significant year for Audit Division wherein the IA's independence and organizational stature were enhanced. This was manifested through the access of the CAE to the meetings of the full Board and relevant Bank's committees (i.e. Technology Steering Committee, Management Committee). This serves as a venue to know the latest events concerning the operations of the Bank and major decisions implemented by the management team.

Another highlight is the approval of the Audit Division Curriculum Plan, a developmental program created to define the training needs of internal auditors. This curriculum plan is anchored to the Institute of Internal Auditor's Global Internal Audit Competency Framework, which complements the overall Continuing Professional Development Program in developing the skills and competencies of auditors. All of these initiatives are geared towards the realization of the Audit Division's vision—to be an innovator of best practices which promotes excellence, continuous growth, and improvement across the organization and the banking industry.

### External Audit

The Bank's Audit Committee is tasked with recommending the appointment, re-appointment, and removal of an external auditor to ensure its independence from the internal auditors. SGV & Co./Ernst & Young (SGV) has served as China Bank's external auditor for over 20 years, with the signing partners rotated every five years in compliance with SEC laws. Ray Francis C. Balagtas was assigned in 2016 as SGV's partner-in-charge for China Bank.

SGV fulfills a critical function in ensuring that our financial statements factually and accurately represent our accounting records and are treated and presented in accordance with Philippine Financial Reporting Standards (PFRS). In the years that SGV has been the Bank's external auditor, it has not found any significant issues, such as instances of fraud, dishonesty, or any other matters that could potentially result in material losses to the Bank and our stakeholders.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

SGV representatives are also in attendance during the Bank's annual stockholders meeting to address matters that concern their audit of the Bank.

| FISCAL YEAR | Audit and Audit-Related fees | Non-Audit fees |
|-------------|------------------------------|----------------|
| 2016        | P6,994,960.00                | P448,970       |
| 2015        | P3,831,520.00                | P493,914       |

The above audit fees are inclusive of other related services by the external auditor that are reasonably related to the performance of the audit or review of the Bank's financial statements. The matter has been discussed and approved by the Audit Committee at its regular meetings on February 15, 2017 and February 17, 2016, respectively.

Likewise, the Board, Audit Committee, and Executive Committee, discussed, approved, and authorized procuring the services of SGV & Co./Ernst & Young for non-audit work for the independent validation of votes in the annual stockholders' meeting, for the report on the application of proceeds from the Bank's 2014 stock rights offering and for the compliance certificate issued to the international bank lenders. Payment for these services and seminar fees are included under Non-Audit fees.

In previous years, China Bank had also tapped SGV to conduct an independent security assessment of the Bank's systems, independent validation of the Bank's risk measurement and pricing models, and implementation of Internal Capital Adequacy Assessment Process (ICAAP), and strengthening of risk management and audit processes through project engagements which include ICAAP for Internal Audit, ICAAP Phase 2, Risk Model Validation and ICRRS. SGV is again recommended for appointment at the scheduled annual stockholders meeting.

### Compliance System

The Bank has in place a Compliance System designed to specifically identify and mitigate business risks which may erode the franchise value of the Bank. In compliance with BSP's requirements under Circular No. 747, the Board has approved the Compliance Manual on 04 July 2012 and updated regularly to keep aligned with recent regulatory requirements.

The Bank's Compliance Office plays a crucial role in ensuring bank-wide compliance culture in all facets of the Bank that seeks to protect the Bank's reputation and the interest of the stakeholders.

As required under the Code of Corporate Governance for listed companies, the Bank's Board is assisted in its duties by a Compliance Officer. The Bank's Chief Compliance Officer (CCO) is Atty. Marissa B. Espino who is tasked to ensure and monitor that the provisions in the Corporate Governance Manual and Compliance Manual, Plans and Program are complied with.

Under the Bank's Compliance System, all units in the Bank have a Compliance Coordinator whose task is to ensure that all risks attendant to the operations and business of said unit are identified, monitored and mitigated. Compliance Office ensures the Compliance System is effective, robust and dynamically-responsive by designing and adopting a compliance program that assures the safety and soundness of the Bank. Towards this end, the Compliance Office sees to it that employees at all levels are aware of and comply with all applicable laws, rules and regulations, by cascading the compliance plan to them and in disseminating all latest issuances, advisories, notices, and other regulatory matters. The Compliance Office also acts as liaison for the Board and Management on regulatory compliance matters with regulatory agencies. At the helm of this function is the Regulatory Compliance Unit in Compliance Office.

The Corporate Governance Unit within Compliance Office is tasked to assist the CCO in carrying out the mandate on good corporate governance.

### Anti-Money Laundering

The Board and Management team of China Bank are firmly committed to ensure bankwide compliance with the Anti-Money Laundering (AML) laws, rules and regulations. To this end, the Bank has adopted a Money Laundering and Terrorist Financing Prevention Program (MLPP) approved by the Board of Directors. The MLPP provides for the requirements to combat money laundering and promotes high ethical and professional standards including the prevention of the bank being used for money laundering and terrorism financing. The MLPP is designed in accordance with the Bank's corporate structure and risk profile. The MLPP is reviewed regularly to incorporate therein recent regulatory issuances to ensure compliance.

To foster compliance, the MLPP is disseminated to all officers and staff who are obligated by law and by the program to implement the same. Regular AML trainings and seminars are being conducted to update all officers and staff of AML requirements. The Bank has also adopted an AML e-Learning platform to expand the reach of AML training nationwide expeditiously. For 2016, AML e-Learning platform has covered almost one hundred percent (100%) of its officers and staff.

The Board and Senior Management regularly undergo training on AML, among others. The recent AML training was provided by the Anti-Money Laundering Council (AMLC).

The AML Compliance Framework of China Bank is supported by an electronic system capable of monitoring risks associated with money laundering. These AML and KYC measures are constantly subjected to independent and periodic review of our internal auditors as part of their audit program. In addition, a compliance testing is required by the BSP as an additional control to ensure compliance. The results of these audits and testing are reported to the Board through the appropriate board level committees. These systems and measures are regularly evaluated and enhanced by China Bank to keep in pace with the developing standards, current trends and requirements.

China Bank affirms that it will uphold compliance with AML laws and regulations.

### **Risk Management**

We recognize that the business of banking necessarily entails risk, and that proper risk mitigation, not outright risk avoidance, is the key to long-term success. Our risk management principle centers on determining how much risk we are willing to bear for a given return, deciding if the risks represent viable opportunities, and finding intelligent approaches to managing risks. Our corporate governance structure keeps pace with the changing risks that China Bank faces and will be facing in the coming years with a dynamic risk management program that calls for the continuing reassessment of risks and controls and the timely reporting of these risks to the Board.

As mandated under existing regulations, the Board is responsible for the approval and overseeing the implementation of risk management policies. The Board has delegated this function to the Risk Management Committee (RMC) which

includes among others, the development of various risk strategies and principles, control guidelines policies and procedures, implementation of risk measurement tools, monitoring of key risk indicators, and the imposition and monitoring of risk limits. The RMC regularly reviews China Bank's risk profile and the effectiveness of risk management systems. Moreover, internal auditors test and evaluate our risk management program to determine effectiveness and communicate the results to the Board and the Audit Committee.

The Risk Management Group (RMG), headed by our Chief Risk Officer, First Vice President Ananias S. Cornelio III, is responsible for executing the risk management function and the guidelines set by the RMC, including the identification and evaluation on a continuous basis of all considerable risks to the business, and challenging business lines on all aspects of risks arising from the Bank's activities.

In 2016, RMG continued to strengthen China Bank's risk management framework to effectively assess, manage, and monitor risks across a broad range of activities. Major initiatives were taken to increase the technical capacity of the group in credit risk model development and validation. Foundation for the Bank's adoption of the Basel III framework on liquidity risk management has been prepared. On Information Technology, emphasis was given on cyber security and core system testing on disaster preparedness was completed.



*(L-R) Marissa B. Espino (Compliance), Marilyn G. Yuchenkang (Audit), Corazon I. Morando (Corporate Secretary), Maria Rosanna L. Testa, and Geoffrey D. Uy (Market Risk)*



## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### Market and Liquidity Risk

The objective of our market risk policies is to obtain the best balance of risk and return while meeting our stakeholders' requirements. Meanwhile, our liquidity risk policies center on maintaining adequate liquidity at all times to be in a position to meet all obligations as they fall due. RMG continued to implement its roadmap including enhancements and projects in support of these objectives.

Budget and capital considerations (Pillar II guidelines) are now effectively embedded into risk taking activities via the Value-at-Risk (VaR) limits. The annual VaR Limits review incorporates the impact of VaR on Capital Adequacy Ratio (CAR) as a basis for establishing limits, in addition to the annual trading budget, past utilization and the Bank's risk tolerance. Aside from using VaR as a risk metric, market risk is adequately managed through a risk management framework comprising of limits, triggers, monitoring and reporting procedures. As part of its 2016 roadmap, the Bank has implemented a market risk system last May which has enhanced and automated the measurement of VaR.

For interest rate risk, the Earnings-at-Risk (EaR) estimates using actual interest rate volatilities and non-parallel yield curve shifts have been included in the regular reporting to the RMC to supplement the Bank's EAR analysis. To further enhance its analysis of the Bank's accrual portfolio the Bank will continue to explore other metrics such as the measurement of Balance Sheet VaR.

For interest rate risk, the Earnings-at-Risk (EaR) estimates using actual interest rate volatilities and non-parallel yield curve shifts have been included in the regular reporting to the RMC to supplement the Bank's EAR analysis. To further enhance its analysis of the Bank's accrual portfolio the Bank will continue to explore other metrics such as the measurement of Balance Sheet VaR.

Aside from the Maximum Cumulative Outflow (MCO) model used for managing and monitoring liquidity risk, RMG formed a team to spearhead the Bank's adoption of Basel III International Framework for Liquidity Risk Measurement, Standards and Monitoring in 2014. The team includes representatives from Treasury and Accounting who are responsible for managing the Bank's liquidity and financial regulatory reporting. In 2016, the Bank adopted the final LCR guidelines from BSP Circular No. 905 and began reporting the results to the regulator.

The measurement of balance sheet interest rate and liquidity risk exposures are automated through the Asset and Liability Management (ALM) system that was implemented in 2013. This important information on the Bank's exposures generates insights that lead to the formulation of timely and effective interest rate strategies and funding plans. Also in 2016, the ALM system version was upgraded to include module for generating LCR. The Bank engaged the services of an external consultant in 2013 for the independent validation of these risk measurement models, and included in the engagement was the capacity building of the IAD to perform model validations.

Since 2014, the internal risk measurement models—VaR, EaR and MCO are independently validated by the Bank's IAD on an annual basis. Latest validation results concluded that the Bank's VAR, EAR and MCO models are appropriate for measurement of its market, interest rate, and liquidity risk, respectively.

On stress testing, RMG continued using an Integrated Stress Testing (IST) framework for the March 2016 Internal Capital Adequacy Assessment Process (ICAAP) submission in addition to the silo stress tests already in place such as Volatility, Uniform, and Reverse Stress Tests. The IST complements the Internal Models Approach which is the basis for ICAAP capital charge under normal environment. The IST framework allows us to evaluate China Bank's overall vulnerabilities on specific events or crisis and gauge the Bank's ability to withstand stress events.

### Credit Risk

Our policies for managing credit risk are determined at the business level with specific procedures for different risk environments and business goals. For 2016, the Bank continued to develop new credit risk rating and scoring models and enhance existing ones, following the enterprise-wide roadmap approved by the Board of Directors. After completing the quantitative and qualitative validation of the Internal Credit Risk Rating System (ICRRS) in 2014 and the recalibration of the model in 2015 with the technical support of Moody's Analytics, the Bank proceeded with the parallel testing of the recalibrated model against the existing model in 2016. It has also adopted a risk-based pricing policy using the new credit scoring model.

In addition, the Bank completed the statistical validation of its Borrower Credit Score (BCS) which is the scoring model for

retail small and medium entities and individual loan accounts using the same methodology applied to the validation of the corporate risk rating model. The validation process was conducted with the assistance of Teradata which provided the analytics platform, tools and technical guidance for both credit model performance assessment and recalibration. Likewise, the Bank adopted a new scorecard for consumer lending, specifically, housing and auto loans which will be subjected to model validation as soon as sufficient amount of data is captured.

A Sovereign Risk Rating Model was also introduced. This provided the tool for the Bank to assess the strength of the country rated with reference to its economic fundamentals, fiscal policy, institutional strength, and vulnerability to extreme events.

The Bank continued to strengthen its management of large exposures and concentration risk by considering economic interdependence as provided under Circular 855. Management Action Trigger (MAT) on sovereign exposures was introduced as well.

In 2016, the Credit Review and Control Department, an independent review team within RMG, was able to cover a total of eight lending units from Consumer Banking, Institutional Banking and Retail Banking in its credit examination accounting for 12% of the Bank's Total Loan Portfolio. The scope of examination was extended to cover specific borrowers in major industries that the Bank is exposed to. The review of the loan portfolio under the Trust and Asset Management Group of the Bank was also completed during the year. The standard credit examination covers the assessment of loan portfolio quality and adherence to existing credit policies and procedures as well as the validation of impairment process.

Lastly, enhancement in policies and procedures were made to comply with the new set of requirements provided in BSP Circular No. 855 which took effect in November 2016.

### **Operational and IT Risk**

The Bank has a framework of policies, procedures, and tools to ensure that China Bank's operational and IT risks are managed in a timely and efficient manner. RMG continues to effectively assess, monitor, control, and communicate such risks as well as take initiatives to further improve the Bank's disaster preparedness.

As part of its responsibility, RMG spearheads the bank-wide operational risk identification and self-assessment process. A mechanism that enables the Bank to determine priority risks areas, ascertain that proper checks and balances are in place, and introduce additional measures to strengthen overall operational controls. In addition, the Bank maintains a Centralized Loss Database (CLD) where all the reported incidents of losses are recorded. Information captured are processed and analysed with the results used to pinpoint general control weaknesses and operational vulnerabilities. The Bank also collects data to establish the appropriate Key Risk Indicators with the corresponding thresholds which are monitored on a periodic basis.

The Bank has a risk-based and scenario driven Business Continuity Management (BCM) Program where the primary objective is to have the capability and assure the level of preparedness needed to restore business processes in the event of a major disruption. The program includes the development of appropriate resiliency strategies, recovery procedures, facilities, contingency measures, communication, and crisis management plans across the organization. Another component of the program is the Business Impact Analysis (BIA) which is necessary to identify critical business process and system dependencies. The results of the BIA are subsequently used to further enhance the Bank's recovery strategy and appropriately align with defined Recovery Time Objectives (RTO). The Bank executed several tests and simulation exercises in 2016 to assess its level of preparedness in the event of major disasters or events adversely affecting operations. Alongside the Bank's IT Audit and Information Security Office, the disaster preparedness was thoroughly assessed, covering both infrastructure and procedural matters. Standards set under existing regulations and industry best practices were used to benchmark the Bank's ability to respond to different scenarios.

On Information Technology, the Bank has established a robust IT Risk Management Framework anchored on its business strategy, capabilities, and risk appetite. The IT Risk Management practices of the Bank is governed by the standards and operating principles provided in BSP Circular No. 808 (Guidelines on IT Risk Management). The IT risk assessment process serves as the main tool of the Bank in identifying vulnerabilities and determining the effectiveness of IT controls.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### Trust Risk

On August 17, 2012, BSP came out with Circular 766, Guidelines in Strengthening Corporate Governance and Risk Management Practices on Trust, Other Fiduciary Business, and Investment Management Activities. The circular mandates Trust entities to “develop and implement a formal, comprehensive, and effective risk management program that outlines, among other things, the risk management processes that effectively identify, measure, monitor and control risks affecting the clients and the Trust Entity.” In line with this, RMG continued to strengthen China Bank’s risk management practices on Trust by enhancing the policies, processes, and procedures for market risk, liquidity risk, credit risk, operational risk and compliance risks specific to the Trust Group. Legal, Strategic and Reputational Risks were also incorporated in the Trust Risk Management Guidelines. In 2016, changes were applied to improve the accounts review process and the trading parameters for Unit Investment Trust Funds or UITF.

### III. GOVERNANCE AND ETHICAL OPERATIONAL POLICIES

With the guidance set by the policies in China Bank’s By-Laws, Corporate Governance Manual, Compliance Manual, and Code of Ethics, the Board and Senior Management mindfully directs the governance of the Bank. In doing so, they abide by its mandate to comply with all relevant laws and operate as a responsibly profitable business, working for the best interests of our stakeholders.

### Whistleblowing

The Bank does not and will not tolerate unethical conduct, thus a Whistleblowing mechanism was established to ensure that employees, customers, shareholders, and third party service providers will have a way to report questionable activity, unethical conduct, fraud or any other malpractice by mail, phone or e-mail, under the strictest measures of confidentiality and anonymity to allay fears of reprisal or retaliation.

The Bank’s Chief Compliance Officer (CCO) will determine the substance and validity of all whistle-blower reports. Reports can also be disclosed to any officer of the bank, the Risk Management Group, Internal Audit and the HRD.

If the report is deemed well-substantiated, the CCO shall turn over the disclosure to the Audit Division and/or HRD for further investigation. Should the report be deemed baseless, within 24 hours from receipt thereof, the CCO shall inform the whistleblower of its status without prejudice to its re-submission.

Any meritorious disclosures will be given due recognition and may be eligible for a reward as determined by the HRD or the Investigation Committee. All disclosures, their statuses, and resolutions are regularly reported to the Compliance and Corporate Governance Committees.

Reports/disclosures may be sent to any officer of the Bank or to:

CHIEF COMPLIANCE OFFICER

China Banking Corporation

P. O. Box 2182, Makati Central Post Office

1226 Makati City, Philippines

Mobile number: 0947-9960573

E-mail address: [whistle\\_chib@yahoo.com](mailto:whistle_chib@yahoo.com)

A disclosure form is also available at

[www.chinabank.ph](http://www.chinabank.ph)

### Conflict of Interest

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

### Restriction In Dealings On Bank Securities

China Bank employs strict policies on securities transactions to support and uphold all applicable laws against insider trading. This prohibits directors, officers, and employees who are considered to have knowledge of material facts or changes in the affairs of China Bank which have not yet been publicly disclosed—including any information likely to affect the share price of the Bank’s stock—to directly or indirectly engage in financial transactions that make use of “insider



information". This also includes consultants and advisers and all other employees who are made aware of undisclosed material information.

Any transactions by the Directors involving the Bank's shares are required to be disclosed within three business days from the date of the transaction.

### **Anti Bribery & Corruption Policy**

China Bank is committed to honest and ethical business practices and does not tolerate any form of bribery and corruption. We take our legal responsibilities very seriously and expect our directors and employees at all levels and grades to do the same. China Bank directors and employees are to act professionally, fairly, and with integrity in all our business dealings and relationships wherever we operate; thus, they 1) must never offer, promise, or give a financial or other advantage to any person or party, including public officials, with the intention of inducing or rewarding improper performance by them of their duties or to facilitate the transaction of the Bank, and 2) must never directly or indirectly accept or agree to receive a financial or other advantage as a reward for performing any act prejudicial to the Bank, the director/employee himself, or a third party.

### **Education and Training**

China Bank's compliance culture is constantly reinforced through education and training. The Compliance Office regularly briefs Compliance Coordinators in all branches and head office units to raise their awareness and understanding of the principles and concepts of good corporate governance, with which they are required to cascade to their respective colleagues. All new hires of the Bank are given mandatory orientations on Compliance Systems, Anti-Money Laundering, Whistle-Blowing, and Corporate Governance. Lectures on compliance are also conducted during the Officers Development Program (ODP) and Integrated Supervisory Development Program (ISDP).

### **Supplier/Contractor Selection**

We practice utmost professionalism in managing the Bank's resources. We process all matters of due diligence and compliance to ensure that any service or goods procurement will pose the greatest benefit to the Bank, while posing little to

no negative impact on stakeholders. This entails a thorough evaluation on the procurement's risk to personnel, company assets, the environment, equipment, and service to customers. Consequently, we only transact with suppliers who have been assessed to have the necessary experience, capability, and financial viability, and conduct business using economic, environmental and professionally sound methods while remaining compliant to all applicable laws and regulations.

China Bank is committed to fair market practices, engaging in the services of suppliers and contractors that have passed through a legitimate evaluation process that ensures a fair competition among other service providers under consideration. The Bank follows standards of objectivity, impartiality and equal opportunity, and evaluates based on thorough criteria such as quality, price, service, and overall value to the business, ensuring that we prevent any favouritism or conflicts of interest. All prospective suppliers must also undergo and pass a preliminary accreditation process before any contract is awarded to them. They are also assessed on their actual performance as compared to promised delivery dates, quality of work / goods, and adherence to agreed specifications and purchase order prices.

### **Disclosure and Transparency**

The Bank is a staunch advocate of transparency and accountability, maintaining a high standard of disclosure to facilitate public understanding of the Bank's financial condition and the state of its corporate governance in order for them to make a well-informed decision. All material information about China Bank is adequately and promptly disclosed in accordance with SEC and PSE's disclosure policy like the publication of our quarterly financial statements in national broadsheets and presentation of a detailed annual report for our Stockholders' Meetings. Furthermore, we disclose market-sensitive information like dividend declarations, joint ventures and acquisitions, sale and disposition of significant assets, as well as financial and non-financial information that may affect the decision of the investing public via press releases on broadsheets and internal publications. We also electronically file our disclosures through the Electronic Disclosure Generation Technology (Edge) of PSE, making them available on the PSE website. Our corporate website is likewise regularly updated to include the latest news and current information about the Bank.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### Social Media Policy

China Bank's expansive brand of customer and public service spans all modern channels of communication including social media and online networking platforms. The Bank's social media presence is guided by the mandate of its Code of Ethics, and is one of the first in the industry to have policies in place to ensure that our employees' interaction with the online public is consistent with the Bank's core value of professionalism. Social Media Administrators serve as overseers of any online posts made in the Bank's name. In the same way, employees are constantly instructed and reminded to extend their professional demeanor to their personal online interactions. China Bank employees are cautioned to abide by the policies on personal posts, comments and statements relating to the Bank, that they may avoid online publication of any content or statement disparaging the Bank or its clients, or otherwise jeopardize the Bank's and its clients' interests. They are likewise informed against posting of prohibited content such as incitement to commit crime, drug paraphernalia, pornographic media, and the like. The Bank continues to exert efforts to enhance its social media policies to better accommodate the guidelines on mitigating social media risk issued by the BSP.

### Related Party Transactions

Transactions with related party are not prohibited under existing rules. However, due to the possibility of a conflict of interest, the Bank is careful in dealing with related parties. All material related party transactions are reviewed by the Related Party Transaction Committee before they are endorsed to the Board for approval. Any related party transactions should be conducted at an arm's length basis, determined to be in the best interest of the Bank, in the ordinary course of business, and on substantially the same terms as those offered with other parties.

In the evaluation of the transaction, the following, among others are considered by the RPT Committee: related party's



relationship to the bank and interest in the transaction; the material facts of the proposed related party transaction, including the proposed aggregate value of the transactions; the benefits to the Bank; the availability of other sources of comparable products or services; and an assessment of the transaction on terms and conditions that are comparable to the terms generally offered to unrelated parties under the similar circumstances and the price discovery mechanism adopted to determine fair price.

The Bank has an extensive RPT policy that is kept updated, relevant and aligned with laws, rules and regulations. Based on the existing policy of the Bank, a transaction is deemed material if it is ₱50 Million and above.

To avoid conflict of interest and based on the RPT policy of the Bank, any director who has interest in a transaction is required to disclose their interest in the transaction and should abstain from the deliberation and approval of the related party transaction.

The table on page 63 shows the Bank's significant (₱50M and above) related party transactions as of December 2016. Full disclosures for these transactions were made through reports with the appropriate regulatory agency, and such significant RPT are ratified by the stockholders at the annual meeting.

## SIGNIFICANT RELATED PARTY TRANSACTIONS AS OF DECEMBER 2016

| Name of Counterparty                                                                                              | Type of Transaction           | Amount/Contract Price |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------|
| JJACCIS Development Corp.<br>Suntree Holdings Corp.<br>(Stockholder)                                              | Line Renewal                  | P500.0 Mn             |
|                                                                                                                   | Outstanding                   | P360.5 Mn             |
| Angela T. Dee-Cruz<br>(Officer of the Bank)                                                                       | Line Renewal                  | P51.0 Mn              |
|                                                                                                                   | Outstanding                   | P8.5 Mn               |
| China Bank Savings Inc.<br>(Subsidiary)                                                                           | Special Savings Placement     | P669.3 Mn             |
|                                                                                                                   |                               | P689.0 Mn             |
|                                                                                                                   | Investment in SSA             | P727.9 Mn             |
|                                                                                                                   |                               | P150.0 Mn             |
|                                                                                                                   | Bonds                         | P850.0 Mn             |
|                                                                                                                   |                               | P450.0 Mn             |
|                                                                                                                   |                               | P100.0 Mn             |
|                                                                                                                   |                               | P100.0 Mn             |
|                                                                                                                   | Short Term Borrowing          | P110.0 Mn             |
|                                                                                                                   | Line Renewal                  | P300.0 Mn             |
| China Bank Savings Inc. – Trust<br>(Subsidiary)                                                                   | Investment in \$ CTD          | P200.0 Mn             |
|                                                                                                                   | Bonds                         | \$200.0 Mn            |
| BDO Universal Bank<br>(Affiliate)                                                                                 | Bonds/FX                      | P160.0 Mn             |
|                                                                                                                   |                               | P22.3 Bn              |
|                                                                                                                   |                               | P19.5 Bn              |
|                                                                                                                   |                               | P150.0 Mn             |
|                                                                                                                   |                               | P356.0 Mn             |
|                                                                                                                   |                               | P1.5 Bn               |
|                                                                                                                   |                               | P621.5 Mn             |
|                                                                                                                   |                               | P5.6 Bn               |
|                                                                                                                   |                               | P200.0 Mn             |
|                                                                                                                   |                               | P93.2 Mn              |
| BDO Private Bank, Inc.<br>(Affiliate)                                                                             | Bonds / FX                    | P4.2 Bn               |
|                                                                                                                   |                               | P3.4 Bn               |
|                                                                                                                   |                               | P2.7 Bn               |
|                                                                                                                   |                               | P50.0 Mn              |
| CBC Trust Group<br>(A Group in the Bank)                                                                          | Bonds                         | P994.4 Mn             |
|                                                                                                                   |                               | P100.0 Mn             |
| Manulife Chinabank Life Assurance Corp.<br>(Associate)                                                            | Bonds                         | P654.0 Mn             |
|                                                                                                                   |                               | P54.1 Bn              |
|                                                                                                                   |                               | P968.0 Mn             |
|                                                                                                                   |                               | P237.9 Mn             |
|                                                                                                                   |                               | P200.0 Mn             |
|                                                                                                                   |                               | P310.4 Mn             |
|                                                                                                                   |                               | P850.0 Mn             |
|                                                                                                                   |                               | P469.4 Mn             |
| SM Investments Corp. (Stockholder)/<br>Multi-Reality Dev't Corp./ Sybase Equity Investments Corp.<br>(Affiliates) | Line Renewal                  | P801.0 Mn             |
|                                                                                                                   | Grant of Term Loan            | P15.5 Bn              |
| Sysmart Corp.<br>(Stockholder)                                                                                    | Outstanding                   | P21.5 Bn              |
|                                                                                                                   | Line Renewal                  | P2.7 Bn               |
|                                                                                                                   | Outstanding                   | P5.0 Bn               |
| SM Prime Holdings Inc./ Costa Del Hamilo, Inc./ SM Hotels and Conventions<br>Corp.<br>(Affiliates)                | Trust Investment              | P3.1 Bn               |
|                                                                                                                   | Line Renewal                  | P100.0 Mn             |
| Summerhills Home Development Corp.<br>(Affiliate)                                                                 | Renewal of BP Line            | P3.0 Bn               |
|                                                                                                                   |                               | P100.0 Mn             |
| Henry Sy<br>(Stockholder)                                                                                         | Line Renewal                  | P500.0 Mn             |
| SM Development Corp.<br>(Affiliate)                                                                               | Line Renewal /<br>Outstanding | P300.0 Mn             |
|                                                                                                                   | Line Renewal                  | P1.0 Bn               |
| Spouses Irwin Marland & Consuelo Dee Ponce<br>(Related Interest)                                                  | Renewal of BP Line            | P50.0 Mn              |
|                                                                                                                   | Short Tem Fund Investment     | P99.9 Mn              |
| Cityland Development Corporation<br>(Related Interest)                                                            | Line Renewal                  | P47.0 Mn              |
|                                                                                                                   | Outstanding                   | P80.0 Mn              |
| Super Industrial Corp.<br>(Affiliate)                                                                             | Sale of Foreclosed Asset      | P120.6 Mn             |
| China Bank Capital Corporation<br>(Subsidiary)                                                                    |                               | P84.0 Mn              |
| Union Motors Corp.<br>(Affiliate)                                                                                 | Line Renewal                  | P50.0 Mn              |
| Multi-Reality Dev't Corp./ Sybase Equity Investments Corp.<br>(Affiliates)                                        | Money Market Fund Investment  | P50.0 Mn              |
| Elizabeth T. Sy<br>(Related Interest)                                                                             | Line Renewal                  | P150.0 Mn             |
|                                                                                                                   | Grant of Term Loan            | P8.0 Bn               |
|                                                                                                                   | Trust Placement               | P50.0 Mn              |



# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

## IV. INFORMATION FOR STOCKHOLDERS

### DATE OF FOUNDATION

China Bank was incorporated on July 20, 1920 and opened for business on August 16, 1920. The Bank is registered with the Securities and Exchange Commission under SEC registration number 443. China Bank's amended By-laws may be downloaded from our website, [www.chinabank.ph](http://www.chinabank.ph), or requested from the Office of the Corporate Secretary:

ATTY. CORAZON I. MORANDO  
Vice President and Corporate Secretary  
11/F China Bank Building  
8745 Paseo De Roxas corner Villar Street  
Makati City 1226, Philippines  
Tel. Nos.: (+632) 885-5131, 885-5132  
Fax No.: (+632) 885-5135  
Email: [ocsstocks@chinabank.ph](mailto:ocsstocks@chinabank.ph)

### RECORD AND BENEFICIAL OWNERS HOLDING 5% OR MORE OF VOTING SECURITIES AS OF FEBRUARY 28, 2017:

| Title of Class | Name, Address of Record Owner & Relationship with Issuer                                                                                                    | Name of Beneficial Owner & Relationship with Record Owner                      | Citizenship  | No. of Shares Held | Percentage |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------|--------------------|------------|
| Common         | PCD Nominee Corporation *<br>37 <sup>th</sup> Floor Tower I, The Enterprise Center,<br>6766 Ayala Ave. corner Paseo de Roxas,<br>Makati City<br>Stockholder | Various<br>stockholders/clients                                                | Non-Filipino | 513,070,793        | 25.63%     |
| Common         | SM Investments Corporation<br>10 <sup>th</sup> Floor L.V. Locsin Bldg.,<br>6752 Ayala Avenue, Makati City<br>Stockholder                                    | Sy Family<br>PCD Nominee<br>Corporation<br>Stockholders                        | Filipino     | 344,493,881        | 17.21%     |
| Common         | Sysmart Corporation<br>10 <sup>th</sup> Floor L.V. Locsin Bldg.,<br>6752 Ayala Avenue, Makati City<br>Stockholder                                           | Henry Sy, Sr. and<br>Family<br>Sycamore Pacific<br>Corporation<br>Stockholders | Filipino     | 296,604,070        | 14.82%     |
| Common         | PCD Nominee Corporation *<br>37 <sup>th</sup> Floor Tower I, The Enterprise Center,<br>6766 Ayala Ave. corner Paseo de Roxas,<br>Makati City<br>Stockholder | Various<br>stockholders/clients                                                | Filipino     | 244,606,202        | 12.22%     |

- Based on the list provided by the Philippine Depository & Trust Corporation to the Bank's transfer agent, Stock Transfer Service, Inc., as of February 28, 2017, The Hongkong and Shanghai Banking Corporation Limited (295,842,164 shares or 14.777%) holds 5% or more of the Bank's securities. The beneficial owners, such as the clients of PCD Nominee Corporation, have the power to decide how their shares are to be voted.

## AUTHORIZED AND ISSUED CAPITAL

**Authorized Capital:** ₱25.0 Billion divided into 2.5 Billion shares with a par value of ₱10.00 per share

**Issued Shares:** 2,002,027,836 common shares

## SUMMARY OF FILIPINO AND NON-FILIPINO HOLDINGS AS OF FEBRUARY 28, 2017

| Nationality        | Number of Stockholders | Number of Shares     | Percentage     |
|--------------------|------------------------|----------------------|----------------|
| Filipino           | 1,879                  | 1,482,483,430        | 74.049%        |
| Non-Filipino (PCD) | 1                      | 513,070,793          | 25.628%        |
| Chinese            | 48                     | 3,102,937            | 0.155%         |
| American           | 19                     | 2,182,715            | 0.109%         |
| Australian         | 1                      | 1,811                | 0.000%         |
| British            | 1                      | 90,390               | 0.005%         |
| Canadian           | 3                      | 582,303              | 0.029%         |
| Dutch              | 1                      | 57,590               | 0.003%         |
| Spanish            | 1                      | 99                   | 0.000%         |
| Taiwanese          | 2                      | 455,768              | 0.023%         |
| <b>TOTAL</b>       | <b>1,956</b>           | <b>2,002,027,836</b> | <b>100.00%</b> |

## MARKET INFORMATION

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

Actual Prices:

| 2016       | HIGH  | LOW   | CLOSE |
|------------|-------|-------|-------|
| Jan – Mar  | 39.50 | 33.50 | 39.15 |
| Apr – Jun  | 40.25 | 37.00 | 38.00 |
| Jul – Sept | 39.00 | 37.60 | 38.00 |
| Oct – Dec  | 38.30 | 37.60 | 38.00 |

Adjusted Prices (due to 8% stock dividend):

| 2016       | HIGH  | LOW   | CLOSE |
|------------|-------|-------|-------|
| Jan – Mar  | 36.57 | 31.02 | 36.25 |
| Apr – Jun  | 38.50 | 35.23 | 38.00 |
| Jul – Sept | 39.00 | 37.60 | 38.00 |
| Oct – Dec  | 38.30 | 37.60 | 38.00 |

Actual Prices:

| 2015       | HIGH  | LOW   | CLOSE |
|------------|-------|-------|-------|
| Jan – Mar  | 44.40 | 42.55 | 46.50 |
| Apr – Jun  | 44.86 | 41.67 | 45.30 |
| Jul – Sept | 43.80 | 40.40 | 41.00 |
| Oct – Dec  | 42.00 | 37.00 | 37.20 |

Adjusted Prices (due to 8% stock dividend):

| 2015       | HIGH  | LOW   | CLOSE |
|------------|-------|-------|-------|
| Jan – Mar  | 38.06 | 36.48 | 39.87 |
| Apr – Jun  | 38.46 | 35.72 | 38.84 |
| Jul – Sept | 37.55 | 37.41 | 37.96 |
| Oct – Dec  | 38.89 | 34.26 | 34.44 |

**Market value as of December 29, 2016 (last trading day):**  
**₱38.00**

**Price Information as of February 28, 2017**  
**(latest practicable trading date): ₱40.00**

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### TRADING IN COMPANY SHARES BY BANK DIRECTORS AND PRINCIPAL OFFICERS

as of February 28, 2017:

| Director        | Shareholdings as of January 1, 2016 | Number of Shares Disposed | Number of Shares Acquired | Shareholdings as of December 31, 2016 |
|-----------------|-------------------------------------|---------------------------|---------------------------|---------------------------------------|
| Hans T. Sy      | 2,324,601                           | -                         | 259,468                   | 2,584,069                             |
| Gilbert U. Dee  | 9,863,624                           | -                         | 789,090                   | 10,652,714                            |
| Ricardo R. Chua | 100,609                             | -                         | 8,050                     | 108,659                               |
| Peter S. Dee    | 1,206,325                           | 1,023,845                 | 96,506                    | 278,986                               |
| Joaquin T. Dee  | 35,687,755                          | -                         | 2,855,022                 | 38,542,777                            |
| Herbert T. Sy   | 352,543                             | -                         | 28,204                    | 380,747                               |
| Harley T. Sy    | 180,356                             | -                         | 14,429                    | 194,785                               |
| Alberto S. Yao  | 6,128                               | -                         | 491                       | 6,619                                 |
| Roberto F. Kuan | 23,297                              | -                         | 1,864                     | 25,161                                |
| Jose T. Sio     | 2,428                               | -                         | 195                       | 2,623                                 |

\*Mr. Tiong was an Independent Director of the Bank until his passing on September 16, 2016

| Officer                 | Shareholdings as of January 1, 2016 | Number of Shares Disposed | Number of Shares Acquired | Shareholdings as of December 31, 2016 |
|-------------------------|-------------------------------------|---------------------------|---------------------------|---------------------------------------|
| William C. Whang        | -                                   | -                         | 13,063                    | 13,063                                |
| Rosemarie C. Gan        | 89,782                              | -                         | 7,183                     | 96,965                                |
| Patrick D. Cheng        | 401,195                             | -                         | 56,296                    | 457,491                               |
| Gerard T. Dee           | 5,429                               | -                         | 435                       | 5,864                                 |
| Angela D. Cruz          | 1,132,268                           | -                         | 90,583                    | 1,222,851                             |
| Delia Marquez           | 15,959                              | -                         | 1,277                     | 17,236                                |
| Lilibeth R. Cariño      | 2,823                               | -                         | 226                       | 3,049                                 |
| Renato K. de Borja, Jr. | -                                   | -                         | 500                       | 500                                   |
| Shirley G.K.T. Tan      | 11,027                              | -                         | 883                       | 11,910                                |
| Elizabeth C. Say        | 2,372                               | -                         | 189                       | 2,561                                 |



## DIVIDEND POLICY

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

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

In declaring dividend pay-outs, China Bank uses a combination of cash or stock dividends as follows:

1. The dividend is increased in response to the Bank's achieving a higher level of sustainable earnings.
2. Dividends may be increased for a specific year to plow back to shareholders a commensurate share of unusually high earnings for a given year.

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

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

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

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

Management of and adjustments to the capital structure are accomplished through the following principal means:

1. Adjustments of dividend pay-outs to shareholders
2. Adjustments in form of dividend pay-outs (cash vs. stock)
3. The issuance or, conversely, reduction of capital securities

Capital Management broadly follows the process outlined below:

1. An assessment of regulatory capital and capital adequacy measures.
2. Determination of the optimal capital structure based on a risk-based capital planning approach that considers:
  - a. Planned levels and risk appetite for business activity with a focus on the implication of these plans on the resulting credit, market, and operational risk exposure.
  - b. An analysis of the implications of macroeconomic activity or industry developments and probability of a corresponding improvement or deterioration in the Bank's risk exposures.
  - c. Provision of a capital buffer to mitigate against an unforeseen deterioration in the bank's asset portfolio quality, or an increase in business risk, or business opportunities that arise over the course of its business activities.
  - d. Desired capital mix, leverage, and target return on equity.
  - e. Accretive or dilutive effects of incremental capital buildup programs.
  - f. Developments or opportunities in the capital markets or regulatory environment that have a direct relation to the Bank's ability to build up or reduce its capital levels.
  - g. Sustainability of internally generated capital and consequently sustainability of dividend payoffs.

## DIVIDEND HISTORY

|                | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------|------|------|------|------|------|
| Stock Dividend | 8%   | 8%   | 8%   | 10%  | 10%  |
| Cash Dividend  | 10%  | 10%  | 10%  | 12%  | 12%  |

## INVESTOR RELATIONS

Inquiries from investors, analysts, and the financial community are handled by the Investor Relations Office:

### ALEXANDER C. ESCUCHA

Senior Vice President and Head  
Investor and Corporate Relations Group  
28/F BDO Equitable Tower  
8751 Paseo De Roxas  
Makati City 1226, Philippines  
Tel. No.: (+632) 885-5609  
Email: investor-relations@chinabank.ph

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### AWARDS AND RECOGNITION



#### **BELL AWARD FOR CORPORATE GOVERNANCE 2016 (Also 2012, 2013, 2014 and 2015)**

Philippine Stock Exchange (PSE) - Top 5 listed companies

#### **BANKING & FINANCE FIRM OF THE YEAR - PHILIPPINES**

Finance Monthly M&A Awards - Finance Monthly (U.K.)

#### **BEST BANK GOVERNANCE - PHILIPPINES 2016**

CFI.co Awards 2016 - Capital Finance International (U.K.)

#### **BEST CORPORATE GOVERNANCE BANK - PHILIPPINES 2016**

Global Banking & Finance Review Awards - Global Banking & Finance Review (U.K.)

#### **ASIAN CORPORATE DIRECTOR RECOGNITION AWARD - MR. HANS T. SY (Chairman)**

12th Corporate Governance Asia Recognition Awards, The Best of Asia 2016 - Corporate Governance Asia

#### **ASIA PACIFIC ENTREPRENEURSHIP AWARD**

Financial Services Industry - **President and CEO Ricardo R. Chua**

Asia Pacific Entrepreneurship Awards (APEA) 2016 - Enterprise Asia

#### **BEST INVESTOR RELATIONS BANK - PHILIPPINES**

Global Banking & Finance Review Awards - Global Banking & Finance Review (U.K.)

#### **BEST INVESTOR RELATIONS COMPANY - PHILIPPINES (CHINA BANK)**

**ASIA'S BEST CEO (INVESTOR RELATIONS) - President and CEO Ricardo R. Chua**

**BEST INVESTOR RELATIONS PROFESSIONAL - PHILIPPINES (SVP for Investor Relations Alexander C. Escucha)**

The 6th Asian Excellence Awards 2016 - Corporate Governance Asia

#### **PRSP ANVIL AWARDS 2016 - BEST PR TOOLS, ANNUAL REPORT**

Public Relations Society of the Philippines (PRSP)





**BEST BANK FOR DEBT CAPITAL MARKETS - PHILIPPINES**

Global Banking & Finance Review Awards - Global Banking & Finance Review (U.K.)

**BEST BOND HOUSE - CHINA BANK CAPITAL CORPORATION**

2016 Triple A Country Awards - The Asset Magazine

**TOP 5 CORPORATE ISSUE MANAGER / ARRANGER - INVESTMENT HOUSE CATEGORY (CHINA BANK CAPITAL CORPORATION)**

12th PDS Awards Night - Philippine Dealing System

**P31.97 B THERMA VISAYAS PROJECT FINANCING DEAL - MOST INNOVATIVE DEAL - PHILIPPINES**

2016 Triple A Asia Infrastructure Awards - The Asset Magazine

**P42.15 B SAN BUENAVENTURA POWER PROJECT FINANCING DEAL - BEST POWER DEAL - PHILIPPINES**

2016 Triple A Asia Infrastructure Awards - The Asset Magazine

**P33.3 B SAN MIGUEL BREWERY LOCAL CURRENCY BONDS ISSUE**

2016 Triple A Regional Investment Awards - The Asset Magazine

**BEST MANAGED FUND FOR BOND FUND LONG-TERM DOLLAR CATEGORY (China Bank Dollar Fund)**

Best Managed Fund of the Year - CFA Society Philippines

**BEST CORE BANKING IMPLEMENTATION - PHILIPPINES 2016**

Global Banking & Finance Review Awards - Global Banking & Finance Review (U.K.)

**BEST COLLECTING COMMERCIAL BANK**

Best Collection Partners - Social Security System

**STP AWARD**

Straight-through Processing Award - New York Bank (BNY Mellon)

**BEST INDIVIDUAL IN TRADING, PHILIPPINES, RANK 1 – DANICA SHASHA U. TAN, TREASURY TRADER**

**BEST INDIVIDUAL IN TRADING, PHILIPPINES, RANK 2 – CRISTINA P. ARCEO, VICE PRESIDENT TREASURY**

(5-time awardee among top 3)

The Benchmark Research Awards for Research, Sales & Trading 2016 – The Asset Magazine



## BOARD OF DIRECTORS



**HENRY SY, SR.**

**HANS T. SY**





**GILBERT U. DEE**

**RICARDO R. CHUA**

**PETER S. DEE**

## BOARD OF DIRECTORS



**HERBERT T. SY**



**JOAQUIN T. DEE**



**HARLEY T. SY**





**JOSE T. SIO**

**ROBERTO F. KUAN**

**ALBERTO S. YAO**



## BOARD OF DIRECTORS



**HANS T. SY**, 61, Filipino, is the Chairman of the Board since May 5, 2011. He first served as member of the China Bank Board on May 21, 1986, until his election as Vice Chairman in 1989. Aside from China Bank, Chairman Sy currently

serves in the Boards of SM Prime Holdings, Inc. (as Director and Chairman of the Executive Committee) and SM Investments Corporation (as Adviser to the Board), both of which are listed in the Philippine Stock Exchange (PSE). He likewise occupies positions in various companies of the SM Group. He graduated from the De La Salle University with a degree in Mechanical Engineering. Over the years, Chairman Sy had attended various seminars, among which are the Anti-Money Laundering (AML) Training and Corporate Governance Training Programs conducted by the Bangko Sentral ng Pilipinas (BSP) and the Institute of Corporate Directors (ICD).



**HENRY SY, SR.**, 92, Filipino, is the Honorary Chairman and Advisor to the Board since 1997. His election as Honorary Chairman on May 18, 2006 was formalized on February 7, 2007 after clearances from the BSP

and the Securities and Exchange Commission (SEC) were obtained. He is also the Chairman of PSE-listed companies SM Investments Corporation, BDO Unibank, Inc. (Emeritus), and SM Prime Holdings, Inc. (Emeritus). Mr. Sy holds an Associate in Commercial Science degree from the Far Eastern University and was conferred a doctorate degree in Business Management Honoris Causa by the De La Salle University.



**GILBERT U. DEE**, 81, Filipino, is the Vice Chairman of the Board since May 5, 2011. He was first elected to the China Bank Board on March 6, 1969, and served as Chairman from 1989 to 2011. Aside from PSE-listed China Bank, he also

serves as the Chairman of the Boards of Union Motor Corporation and China Bank subsidiary CBC Properties and Computer Center, Inc. (CBC-PCCI), and as Director of Super Industrial Corporation, which are all non-listed companies. He was previously on the boards of Philippine Pacific Capital Corporation, Philex Mining Corporation, and CBC Finance Corporation, and President of GAB Investment Corporation. Vice Chairman Dee holds a Bachelor of Science degree in Banking from the De La Salle University, and a Masters in Business Administration (MBA) degree in Finance from the University of Southern California. His trainings include the Corporate Governance Training Program in November 2016 and AML training in August 2014.



**RICARDO R. CHUA**, 65, Filipino, is a Director of the Bank since May 8, 2008. He is also the President and Chief Executive Officer since September 1, 2014. He currently serves as member of the boards of China Bank subsidiaries China Bank Savings,

Inc. (CBSI), Chinabank Insurance Brokers, Inc. (CBC-IBI), CBC-PCCI, and China Bank Capital Corporation (CBCC); Director of Manulife China Bank Life Assurance Corp. (MCBLife), and Banker's Association of the Philippines, and Director and President of BancNet, Inc., CAVACON Corporation, Stonebrothers, Inc., Genricland Properties, Inc., and Sun & Earth Corporation, among others. Apart from China Bank, he does not hold position in any other

company listed in the PSE. Previously, President Chua was the Bank's Chief Operating Officer; he was also at the boards of CBC Venture Capital Corporation, Philippine Clearing House Corporation, and CBC Forex Corporation. A Certified Public Accountant, he graduated with a Bachelor of Science degree in Business Administration, Major in Accounting, cum laude, from the University of the East, and he holds a Masters in Business Management (MBM) degree from the Asian Institute of Management (AIM). President Chua has had extensive training in banking operations and corporate directorship, which include the Corporate Governance Training Program which he attended in November 2016, and AML Training for Directors in 2014.



**PETER S. DEE**, 75, Filipino, has been on the China Bank Board since April 14, 1977. He previously served as President and Chief Executive Officer of the Bank from 1985 to 2014. Presently, Director Dee serves as independent director in the

following PSE-listed corporations: City & Land Developers, Inc. and Cityland Development Corporation. He also holds directorships in other non-listed companies including China Bank subsidiaries CBC-PCCI and CBC-IBI, Hydee Management & Resources Corporation, Commonwealth Foods, Inc., and GDSK Development Corporation. He was formerly director in companies which include Sinclair (Phils.) Inc., Can Lacquer, Inc., and China Bank subsidiary CBC Forex Corporation. Director Dee is a graduate of the De La Salle University/University of the East with a Bachelor of Science degree in Commerce. He also completed a Special Banking course at the American Institute of Banking. He has had trainings in various aspects of banking, including the Corporate Governance: Towards the Right Direction in November 2016 and the Exclusive Corporate Governance Training for Directors in June 2015.



**JOAQUIN T. DEE**, 81, Filipino, has been on the Bank's Board since May 10, 1984. He does not hold directorship position in any PSE-listed company other than China Bank; however, he is currently Director/President of JJACCIS Development Corporation and

Enterprise Realty Corporation, and Director/Treasurer of Suntree Holdings Corporation. Previously, he was the Vice President for Sales and Administration of Wellington Flour Mills from 1964 to 1994. Director Dee holds a Bachelor of Science degree in Commerce from the Letran College. He has had extensive training in banking – he attended ICD's Corporate Governance Training Program in 2016, and BSP-AMLC's AMLA training in 2014.



**HERBERT T. SY**, 60, Filipino, was elected as Director on January 7, 1993. Aside from China Bank, he is also Director of PSE-listed SM Prime Holdings, Inc.; he currently serves in other companies not listed at the PSE – as Chairman in the Boards of Supervalve, Inc.,

Super Shopping Market, Inc., and Sanford Marketing Corp., and as member of the Board of the National University. He has been a director and/or officer for more than five (5) years in companies engaged in food retailing, investment, real estate development and mall operations. Director Sy is a holder of a Bachelor of Science degree in Management from the De La Salle University. He attended various banking-related trainings, including the Corporate Governance Training Program in November 2016 and AMLA training in August 2014.

## BOARD OF DIRECTORS



**HARLEY T. SY**, 57, Filipino, has been a Director of China Bank since May 24, 2001. He is likewise the President of SM Investments Corporation, the holding company of the SM group and one of the largest publicly listed companies in the

Philippines. He also serves as Adviser to the Board of Directors of BDO Private Bank. Mr. Sy holds a Bachelor of Science degree in Commerce, Major in Finance from De La Salle University. He has had extensive training on banking skills, including the Program on Enterprise Risk Management in November 2008, AMLA Training in August 2014 as well as Corporate Governance Training in November 2016. Mr. Sy is a strong advocate of corporate governance as he is actively involved in various initiatives aimed at further strengthening the corporate governance culture of the SM group.



**ALBERTO S. YAO**, 70, Filipino, is an Independent Director of the Bank. He was first elected to the China Bank Board on July 7, 2004. He currently serves in companies not listed in the PSE – as President & CEO of Richwell Trading Corporation, Richwell

Philippines, Inc., Europlay Distributor Co., Inc., and Internationale Globale Marques, Inc.; President of Richphil House Incorporated, and Megarich Property Ventures Corp.; and as Independent Director of Bank Subsidiaries CBSI and CBCC. He was Vice President for Merchandising

of Zenco Sales, Inc. from 1968 to 1975, and Director of Planters Development Bank from 2014 to 2015. Director Yao holds a Bachelor of Science degree in Business Administration minor in Accounting from the Mapua Institute of Technology. For his trainings, he recently attended ICD's Corporate Governance Training Program in 2016, and BSP-AMLC's seminar on AMLA in 2014.



**ROBERTO F. KUAN**, 68, Filipino, is an Independent Director of the Bank. He was first elected to the China Bank Board on May 5, 2005. Aside from China Bank, he is also an Independent Director of Far Eastern University, Incorporated,

a company listed in the PSE. Director Kuan also holds various directorship/trusteeship positions in companies not listed in the PSE – among others, he is presently member of the Boards of Trustees of St. Luke's Medical Center, SLMC Global City, Inc., St. Luke's College of Medicine – William H. Quasha Memorial, and Brent International School, Inc.; independent director of Seaoil Phils., Inc. and Towers Watson Insurance Brokers Philippine Inc., and of Bank subsidiaries CBSI and CBCC. He is the founder and former President of Chowking Food Corporation, and former Chairman/President of Lingnam Enterprises, Inc. Director Kuan is a graduate of the University of the Philippines with a Bachelor of Science degree in Business Administration, obtained his MBM from the AIM, and was conferred a Doctorate degree in Humanities Honoris Causa by the Lyceum Northwestern University. He also attended



the Top Management Program conducted by the AIM in Bali, Indonesia. Among the banking-related trainings he completed/attended were on Corporate Governance in 2016, and on AMLA in 2015.



**JOSE T. SIO**, 77, Filipino, was first elected as Bank Director on November 7, 2007. He is also presently affiliated with the following companies listed in the PSE: (1) SM Investments Corporation, as Director, Executive Vice

President and CFO, Corporate Information Officer, and member of the Executive Committee; (2) Atlas Consolidated Mining and Development Corporation, as Director and Member of the Executive Committee; (3) Belle Corporation, as Director; (4) Concrete Aggregates Corporation, as Director; (5) Premium Leisure Corporation as Adviser to the Board; (6) SM Prime Holdings, Inc. as Adviser of Audit Committee / Risk Oversight Committee; and (7) BDO Unibank, Inc., as Adviser to the Board. Mr. Sio also serves as Director in several companies not listed in the PSE, including OCLP Holdings, Inc., Manila North Tollways Corporation, and CityMall Commercial Centers Inc. He is the President of SM Foundation, Inc. and GlobalFund Holdings, Inc. Director Sio was formerly a Senior Partner at SGV. He was voted as CFO of the Year in 2009 by the Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong-based business publications such as Alpha

Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset. Director Sio is a Certified Public Accountant and holds a Bachelor of Science degree in Commerce, major in Accounting, from the University of San Agustin. He obtained his Master's degree in Business Administration from the New York University, U.S.A. He has completed various trainings here and abroad, including debt and equity financing during the Euromoney Conference in China in 2005, corporate governance seminars/workshops latest of which was conducted by SyCip Gorres Velayo & Co. (SGV) in 2016, and anti-money laundering seminar conducted by the BSP-AMLC in 2014.



*From left to right: Ananias S. Cornelio III, Jose L. Osmeña, Jr., Lilibeth R. Cariño, Virgilio O. Chua, Renato K. De Borja, Jr., Benedict L. Chan, William C. Whang, Gilbert U. Dee, Ricardo R. Chua, Romeo D. Uyan Jr., Rosemarie C. Gan, Patrick D. Cheng, Alexander C. Escucha, Delia Marquez, Alberto Emilio V. Ramos, and Ramon R. Zamora*

## MANAGEMENT COMMITTEE

**GILBERT U. DEE**, Director and Vice Chairman of the Board

**RICARDO R. CHUA**, Director, President and CEO; Management Committee Chairman

**WILLIAM C. WHANG**, 58, Filipino, Executive Vice President, is the Bank's Chief Operating Officer effective February 1, 2017. He is also the Head of Lending Business Segment, and concurrent Head of Institutional Banking Group. He currently serves in the Bank subsidiaries, as Director/Treasurer of China Bank Insurance Brokers, Inc. (CBC-IBI) and CBC Properties and Computer Center, Inc. (CBC-PCCI), and Director of China Bank Capital Corporation (CBCC) and China Bank Savings, Inc. (CBSI). He is also Director of BancNet, Inc. He has more than 30 years of banking experience, formerly holding senior management positions in Metrobank, Republic National Bank of New York, International Exchange Bank, Security Bank, Sterling Bank of Asia, and other financial institutions. He holds a Bachelor of Science degree in Commerce, Major in Business Management, from the De La Salle University. Mr. Whang had attended numerous seminars and conferences on corporate governance, branch based marketing, quality service management, sales management, and corporate strategy.

**ROMEO D. UYAN, JR.**, 54, Filipino, Executive Vice President, is Treasurer and Head of Financial Markets Segment as well as concurrent President of CBCC. Mr. Uyan was previously an investment banker with over two decades of experience in trading, financing, and structuring in the Asia Pacific region with various foreign investment houses. Most recently, he was Managing Director and Co-Head of Special Situations



and Leveraged Capital Markets at UBS AG-Singapore Branch. Prior to this, he was Managing Director and Head of Asia Credit Products in Barclays Capital, where he was member of the Asia Pacific Executive Committee as well as Global Emerging Markets Committee. Mr. Uyan holds a Masters degree in Business Administration and graduated with distinction from the Johnson Graduate School of Management-Cornell University, New York. He earned his Bachelor's degree from the Ateneo de Manila University, where he majored in Management Engineering and graduated cum laude.

**ROSEMARIE C. GAN**, 59, Filipino, Executive Vice President, is the Segment Head of the Bank's Retail Banking Business. She also serves as Director in the Bank subsidiary CBSI. Ms. Gan has been with the Bank for over 38 years, and had extensive exposure and training in marketing, financial analysis, credit portfolio management, strategic planning and corporate governance. She graduated magna cum laude from the University of Santo Tomas with a Bachelor of Science degree in Business Administration, Major in Management, and was a recipient of the distinguished Rector's Award. She attended the Asian Institute of Management's (AIM) Advanced Bank Management Program in 2013. She also participated in the BAI Retail Delivery Conference

conducted by the Bank Administration Institute in 2012, and Corporate Governance workshops/seminars conducted by the Institute of Corporate Directors (ICD) from 2014 to 2016.

**ALBERTO EMILIO V. RAMOS**, 57, Filipino, Executive Vice President of the Bank, is currently functioning as Director and President of Bank subsidiary CBSI after his secondment in 2011. He also sits in the boards of Manulife China Bank Life Assurance Corporation (MCBLife) and CBCC, and is Trustee/First Vice President of the Chamber of Thrift Banks. Prior to joining the Bank in 2006 as Head of Private Banking Group, Mr. Ramos was President of Philam Asset Management, Inc., and also held key positions in local and international banks, including the Bank of the Philippine Islands and Citytrust Banking Corporation. He graduated from the De La Salle University with a Bachelor of Arts degree in Political Science and Bachelor of Science in Commerce, Major in Marketing Management. He also holds a Masters in Business Management (MBM) degree from the AIM and has a Treasury Professional Certificate from the Bankers Association of the Philippines. He attended numerous training programs on SME Banking, corporate governance, treasury products, asset-liability management, credit and financial analysis, and strategic marketing planning.



## MANAGEMENT COMMITTEE

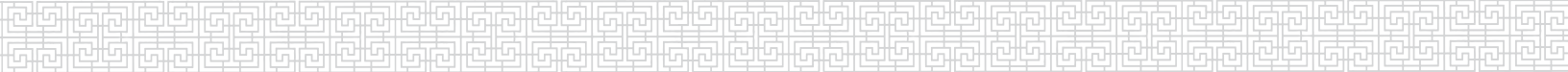
**PATRICK D. CHENG**, 54, Filipino, Senior Vice President, is the Trust Officer of China Bank. He is also a Director of Manila Overseas Commercial Inc. and SR Holdings Corporation. Prior to joining the Bank, Mr. Cheng held various senior management positions at the Philippine Bank of Communications, HSBC Savings Bank (Philippines), HSBC (Philippine Branch), Citicenter Condominium Corp., and Citibank N.A. (Philippine Branch). He was previously the President and Chief Executive Officer of HSBC Savings Bank (Philippines) from 2008 to 2013 and was also a two-term President of the Chamber of Thrift Banks from 2011 to 2012. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy, magna cum laude. He also holds an MS Management degree, with Distinction, from the Hult International Business School in Cambridge, Massachusetts, and finished the Trust Operations and Investment Management course, with Distinction, from the Trust Institute of the Philippines. He is a Certified Public Accountant, having placed 7th in the National Exams. In 2010, he was a Distinguished Alumnus Awardee of the Virata School of Business (VSB) of the University of the Philippines – Diliman. He had extensive training on corporate governance, anti-money laundering, asset liability management, operational risk, and information security.

**ALEXANDER C. ESCUCHA**, 60, Filipino, Senior Vice President, is the Head of the Bank's Investor and Corporate Relations Group. He is also a Director of Bank subsidiary CBSI, Chairman of the UP Visayas Foundation, Inc., and an international resource person at The Asian Banker. Mr. Escucha served as President of the Philippine Economic Society (PES) and concurrent Chairman of the Federation of ASEAN Economic Associations (FAEA), and President of the Corporate Planning Society of the Philippines, and Bank Marketing Association of the Philippines. Prior to joining China Bank, he was Vice President at International Corporate Bank. He obtained his Bachelor of Arts degree in Economics, cum laude, from the University of the Philippines. Over the years, he had attended various seminars here and abroad, the latest of which were as delegate and session chair at The Asian Banker Summit in 2015 and 2016, participant in the corporate governance orientation conducted by the ICD in 2016, and delegate in various conferences on economics, technology, governance, and analytics.

**RAMON R. ZAMORA**, 68, Filipino, is Senior Vice President and Head of the Bank's centralized Operations Group, Remittance Business Operations, and Correspondent Banking. He is also a Director of Bank Subsidiaries CBCPCCI, CBC Forex, and CBSI. Mr. Zamora had extensive training on financial products, credit risk management, IFRS, electronic banking, and corporate governance, among others. He was formerly a Vice President at Citibank N.A. He holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

**RENATO K. DE BORJA, JR.**, 45, Filipino, First Vice President, is the Head of the Bank's Consumer Banking Business. He has more than 24 years of banking experience, formerly holding positions as Director of East West Rural Bank and Green Bank (a Rural Bank), Chief Finance Officer (CFO) of East West Banking Corporation, CFO of Citigroup Business Process Solutions and ROHQ, CFO of Metrobank Card Corporation, and various Finance and Accounting roles in Standard Chartered Bank and Far East Bank & Trust Co. He graduated with a Bachelor of Science degree in Commerce, Major in Accounting, from the University of Santo Tomas. He is a Certified Public Accountant (CPA), BAP Certified Treasury Professional for money markets and foreign exchange, and a graduate of Global Executive MBA from the IE Business School. Mr. De Borja attended numerous trainings and seminars on corporate governance, risk management, and other relevant banking subjects.

**BENEDICT L. CHAN**, 40, Filipino, First Vice President, is the Trading and Sales Head of the Bank's Treasury Group. He has 20 years of experience on trading and portfolio management, having formerly held related positions at Trinitus Asset Management, BNP Paribas Singapore, BNP Paribas London, ING Bank Singapore, ING Bank Hongkong, and ING Bank Manila. Mr. Chan holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He is also a recipient of a Financial Markets Regulatory and Practice Certificate from the Singapore's Institute of Banking and Finance in 2013, and has successfully passed the Hongkong Securities Paper Exam 1 conducted by the HK FEC (Hongkong) in 2016.



**VIRGILIO O. CHUA**, 50, Filipino, First Vice President, is currently seconded to Bank subsidiary CBCC functioning as its Managing Director, Treasurer and Head of Origination and Client Coverage. He is also Board Director and Vice President, Debt Capital Markets Committee, of the Investment House Association of the Philippines since 2014, and currently serves as a board member of Philippine Dealing & Exchange Corporation, Philippine Depository & Trust Corporation, and the Philippine Securities Settlement Corporation. He has more than 25 years of experience in the fields of investment banking, corporate banking, and credit risk management, and held senior executive positions at Citibank N.A., First Metro Investment Corp., and ING Bank, N.V. Mr. Chua holds a Management Engineering degree from the Ateneo de Manila University and has had extensive training on capital markets and investment banking, project finance, mergers and acquisitions, account management, financial markets, corporate risk assessment, anti-money laundering and corporate governance.

**DELIA MARQUEZ**, 55, Filipino, First Vice President II, is the Head of the Bank's Controllershship Group and concurrent Head of Business Process Management Division. Prior to joining the Bank, she worked as Auditor at SGV & Co. and Transunion Corporation. A Certified Public Accountant, Ms. Marquez obtained her Bachelor of Science degree in Commerce, Major in Accounting, cum laude, from the University of Santo Tomas. To enhance her competence, she had attended tax summits and various seminars on corporate governance, Internal Capital Adequacy Assessment Process (ICAAP), risk model validation, Internal Credit Risk Rating System (ICRRS), and Basel, among others.

**JOSE L. OSMEÑA, JR.**, 57, Filipino, First Vice President, is the Deputy Group Head of Retail Banking Business. He has been with the Bank for 25 years. Prior to joining China Bank, he worked at Insular Bank of Asia and America and Producers Bank. Mr. Osmeña obtained his Bachelor of Science degree in Commerce, Major in Accounting, and Masters of Science in Business Administration, both from the University of San Carlos. He also attended the AIM's Advance Bank Management Program. His various trainings covered export financing, loan documentation, and money market, among others.

**ANANIAS S. CORNELIO III**, 41, Filipino, First Vice President, is the Bank's Chief Risk Officer. He has 20 years of banking experience, serving in risk, treasury or audit groups of Development Bank of the Philippines, Rizal Commercial Banking Corp., First Metro Investment Corp., and Solidbank Corporation prior to joining China Bank. He is a holder of a Bachelor of Science degree in Commerce, with academic distinction, from the San Beda College, and a Masters in Public Administration, academic scholar, from the National University of Singapore. He has also completed the Bank Management Course from the AIM, and JAVA Programming & DBMS from the NIIT Computer School. Mr. Cornelio has had extensive trainings on corporate governance, macro prudential supervision and regulatory change, risk management, Basel Standards, fixed income, credit derivatives and structured products, interest rate and currency derivatives, ISDA documentation, and economic forecasting, among others. He has been a panelist/speaker in major events in the region which include The Asian Banker Summit, ASEAN Risk Forum, Risk Minds Asia, and ADB Regional Forum on Financial Asset and Liability, and a resource person/lecturer for the Bankers Institute of the Philippines (BAIPHIL), and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

**LILIBETH R. CARIÑO**, 60, Filipino, First Vice President, is the Bank's Consumer Banking Group Head. She graduated from the University of the Philippines with a degree in Bachelor of Science in Statistics, and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business. She also attended the Asian Development Bank's seminar on institutional strengthening of financial institution, and Allen Management Program's Professional Management seminar/workshop. Ms. Cariño has been with the Bank for over 35 years, and had extensive exposure and training in corporate planning, treasury, credit, project finance, branch based marketing, consumer banking, and real estate, among others.

# MANAGEMENT DIRECTORY— CHINA BANK

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## President & Chief Executive Officer

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Alberto Emilio V. Ramos  
Romeo D. Uyan Jr.  
William C. Whang

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Patrick D. Cheng

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Benedict L. Chan  
Virgilio O. Chua  
Ananias S. Cornelio III  
Angela D. Cruz  
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*Branch Banking Group, Sales and Marketing National Director*

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*Consumer Lending Group Head*

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Neliza Ma. R. Oñate  
*SME Lending Group Head/OIC*

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*Corporate Secretary*

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*Human Resources Division Group*

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*Planning and Accounting Services Head*

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*Internal Auditor*

Ma. Joyce G. Zarate  
*Marketing and Communications Division Head*

#### Assistant Vice President

Hanz Irvin S. Yoro\*  
*IT Security Officer*

\* With interlocking position in China Bank

### CHINA BANK CAPITAL CORPORATION

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Romeo D. Uyan, Jr.

#### Managing Director & Chief Operating Officer, Execution Head

Ryan Martin L. Tapia

#### Managing Director & Treasurer, Coverage and Origination Head

Virgilio O. Chua

#### Directors:

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Grace T. Chua  
Michael L. Chong  
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Divine Grace F. Dagoy  
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#### President and Chief Executive Officer

Robert D. Wylid

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#### President

Julieta P. Guanlao

#### Vice President for Bancassurance

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Peter M. Mutuc

#### Research Director

Garie G. Ouano

#### Business Operations Director

Mary Antonette E. Quiring



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# MANAGEMENT'S DISCUSSION ON RESULT OF OPERATIONS AND FINANCIAL CONDITION

## RESULTS OF OPERATIONS

China Bank recorded a 15.32% improvement in net income to ₱6.46 billion for 2016, which translated to a 10.42% return on equity and 1.16% return on assets.

Total operating income consisting of net interest income and fee-based income increased by 11.33% or ₱2.22 billion to ₱21.79 billion with the growth in core businesses across all market segments. Total operating expenses (including provision for impairment and credit losses) increased by 7.92% or ₱1.04 billion as the Bank continued to pursue its expansion strategy.

Net interest income improved by 10.67% to ₱16.69 billion from last year's ₱15.09 billion, driven by the 12.51% rise in interest revenues from loans. However, consolidated net interest margin was at 3.20% from the full-year impact of rising funding costs.

Total fee-based income increased by 13.54% to ₱5.09 billion from ₱4.49 billion last year boosted by trading gains, loan-related service charges, trust fees and income from acquired assets. Trading and securities gain almost doubled to ₱918.09 million from ₱466.83 million because of increased dealership business and gain on sale of available-for-sale securities. Trust fees grew by ₱53.96 million to ₱330.20 million from the volume expansion of managed assets. Gain on sale of investment properties improved by 17.98% to ₱443.32 million on the back of larger sales of foreclosed properties. However, this was offset by ₱102.50 million or 37.28% annual decline in gain on asset foreclosure and dacion transactions resulting from negative mark-to-market revaluation on foreclosed assets. Service charges, fees and commissions registered a 15.76% improvement to ₱2.12 billion because of significant contributions from the remittance business and higher loan-related charges. Miscellaneous income declined by 9.14% to ₱878.45 million, mainly from lower dividend income. Share of total fee-based income to total revenues was at 18.88%.

The growth rate of operating expenses (excluding provision for impairment and credit losses) to ₱13.35 billion was controlled at 9.49% or ₱1.16 billion, improving the consolidated cost-to-income ratio to 61.27% from 62.30% last year. The material components of operating expenses include compensation & fringe benefits which accounted for 37.32% of total operating expenses, taxes & licenses at 14.98%, occupancy costs at 13.71%, and insurance at 8.71%. Provision for impairment and credit losses was recorded at ₱850.55 million, ₱116.03 million or 12.00% lower from the significant reduction in past due loans.

The Bank's sustained profitability contributed to its capital strength and enabled it to consistently pay dividends to stockholders. For 2016, China Bank paid cash dividends of ₱1.0 per share or a total of ₱1.85 billion, which represents a total payout of 33.06% of prior years' net income. The Bank also declared a 8% stock dividend or a total of ₱1.48 billion.

## FINANCIAL CONDITION

The Bank's total assets expanded by 20.19% to ₱633.20 billion from ₱526.83 billion mainly from the robust growth in investment securities and loans supported by funding growth.

The Bank's loan portfolio (net, inclusive of UDSCL) grew by 24.88% to ₱386.83 billion from ₱309.76 billion mainly from higher demand across all customer segments (corporate, commercial and consumer). Consumer loans grew by 26.50% for 2016. The Bank's non-performing loans ratio improved to 1.86%, while loan loss coverage ratio was computed at 91.00%.

Total investment securities which consist of Financial Assets at Fair Value through Profit or Loss, Available-for-Sale and Held-to-Maturity Financial Assets climbed to ₱98.98 billion from ₱71.21 billion, representing 15.63% of total assets, an improvement from 13.52% a year ago. Total liquidity ratio reached 34.39%.

On the liabilities side, total deposits increased by 23.29% to ₱541.58 billion from ₱439.27 billion mainly from the growth in customer acquisition efforts and branch expansion. Total low-cost deposits (demand and savings) were ₱48.86 billion or 21.47% higher at ₱276.42 billion and comprised 51.04% of total deposits. The Bank also issued the first tranche (₱9.59 billion) of its Long-Term Negotiable Certificates of Deposits (LTNCDs) in November, marking its return to the Peso debt market after the successful maiden release of five-year, ₱5 billion LTNCDs in 2008. The LTNCDs are included under the time deposit liabilities account.

Total capital funds grew to ₱63.39 billion, 7.12% higher than last year's ₱59.17 billion primarily from higher retained profits. The Bank's Common Equity Tier 1 (CET 1) and total CAR were computed at 11.30% and 12.21%, respectively.

## DISCLOSURE ON CAPITAL STRUCTURE AND CAPITAL ADEQUACY

### Capital Fundamentals

We believe that China Bank can only achieve sustainable growth by maintaining strong capital fundamentals. Major business initiatives are undertaken with the appropriate capital planning which also takes into consideration constraints and changes in the regulatory environment. This is necessary to ensure that the Bank's commercial objectives are equally aligned with its ability to maintain a capital position at par with the industry. The Board and Senior Management recognize that a balance should be achieved with respect to China Bank's earnings outlook vis-à-vis capital fundamentals that can take advantage of growth opportunities while maintaining sufficient capacity to absorb shocks.

Risk-based capital components, including deductions, on a parent and consolidated basis:

| Qualifying Capital (Basel III)<br>In PhP Million      | Consolidated | Parent Company |
|-------------------------------------------------------|--------------|----------------|
|                                                       | 2016         |                |
| Common Equity Tier 1 Capital                          |              |                |
| Paid-up common stock                                  | 20,020.28    | 20,020.28      |
| Additional paid-in capital                            | 6,987.56     | 6,987.56       |
| Retained Earnings                                     | 32,341.53    | 31,617.74      |
| Other Comprehensive Income                            | (1,279.51)   | (1,216.81)     |
| Minority Interest                                     | 100.32       | -              |
| Less: Unsecured DOSRI                                 | (440.48)     | (419.43)       |
| Less: Deferred Tax Assets                             | (2,165.10)   | (2,165.10)     |
| Less: Goodwill                                        | (563.47)     | (222.84)       |
| Less: Other Intangible Assets                         | (3,065.71)   | (442.12)       |
| Less: Defined Benefit Pension Fund Assets/Liabilities | (682.43)     | (682.43)       |
| Less: Investment in Subsidiaries                      | (370.55)     | (9,189.25)     |
| Less: Significant Minority Investment                 | (26.92)      | (26.92)        |
| Less: Other Equity Investment                         | (23.10)      | (20.91)        |
| Total CET 1 Capital                                   | 50,832.42    | 44,239.76      |
| Additional Tier 1 Capital                             | -            | -              |
| Total Tier 1 Capital                                  | 50,832.42    | 44,239.76      |
| Tier 2 Capital                                        |              |                |
| General Loan Loss Provision                           | 4,076.47     | 3,513.93       |
| Total Tier 2 Capital                                  | 4,076.47     | 3,513.93       |
| Total Qualifying Capital                              | 54,908.89    | 47,753.69      |

| Qualifying Capital (Basel III)<br>In PhP Million      | Consolidated | Parent Company |
|-------------------------------------------------------|--------------|----------------|
|                                                       | 2015         |                |
| Common Equity Tier 1 Capital                          |              |                |
| Paid-up common stock                                  | 18,537.29    | 18,537.29      |
| Additional paid-in capital                            | 6,987.56     | 6,987.56       |
| Retained Earnings                                     | 29,370.35    | 29,399.17      |
| Other Comprehensive Income                            | (857.79)     | (787.78)       |
| Minority Interest                                     | 34.01        | -              |
| Less: Unsecured DOSRI                                 | (422.94)     | (420.69)       |
| Less: Deferred Tax Assets                             | (2,128.35)   | (2,128.35)     |
| Less: Goodwill                                        | (567.25)     | (222.84)       |
| Less: Other Intangible Assets                         | (2,439.68)   | (442.12)       |
| Less: Defined Benefit Pension Fund Assets/Liabilities | (771.49)     | (771.49)       |
| Less: Investment in Subsidiaries                      | (291.24)     | (7,084.02)     |
| Less: Significant Minority Investment                 | (44.91)      | (44.91)        |
| Less: Other Equity Investment                         | (12.20)      | (10.01)        |

Forward

## DISCLOSURE ON CAPITAL STRUCTURE AND CAPITAL ADEQUACY

| Qualifying Capital (Basel III)<br>In PhP Million | Consolidated | Parent Company |
|--------------------------------------------------|--------------|----------------|
|                                                  | 2015         |                |
| Total CET 1 Capital                              | 47,393.36    | 43,011.81      |
| Additional Tier 1 Capital                        | -            | -              |
| Total Tier 1 Capital                             | 47,393.36    | 43,011.81      |
| Tier 2 Capital                                   |              |                |
| General Loan Loss Provision                      | 3,486.40     | 2,954.86       |
| Total Tier 2 Capital                             | 3,486.40     | 2,954.86       |
| Total Qualifying Capital                         | 50,879.76    | 45,966.67      |

Risk-based capital ratios:

| Basel III                       | Consolidated      | Parent Company    |
|---------------------------------|-------------------|-------------------|
|                                 | 2016              |                   |
|                                 | In PhP Million    |                   |
| CET 1 capital                   | 58,170.18         | 57,408.77         |
| Less regulatory adjustments     | 7,337.76          | 13,169.02         |
| Total CET 1 capital             | 50,832.42         | 44,239.76         |
| Additional Tier 1 capital       | -                 | -                 |
| Total Tier 1 capital            | 50,832.42         | 44,239.76         |
| Tier 2 capital                  | 4,076.47          | 3,513.93          |
| <b>Total qualifying capital</b> | <b>54,908.89</b>  | <b>47,753.69</b>  |
| <b>Risk-weighted assets</b>     | <b>449,683.04</b> | <b>382,679.13</b> |
| CET 1 capital ratio             | 11.30%            | 11.56%            |
| Tier 1 capital ratio            | 11.30%            | 11.56%            |
| Total capital ratio             | 12.21%            | 12.48%            |

| Basel III                       | Consolidated      | Parent Company    |
|---------------------------------|-------------------|-------------------|
|                                 | 2015              |                   |
|                                 | In PhP Million    |                   |
| CET 1 capital                   | 54,071.41         | 54,136.24         |
| Less regulatory adjustments     | 6,678.05          | 11,124.43         |
| Total CET 1 capital             | 47,393.36         | 43,011.81         |
| Additional Tier 1 capital       | -                 | -                 |
| Total Tier 1 capital            | 47,393.36         | 43,011.81         |
| Tier 2 capital                  | 3,486.40          | 2,954.86          |
| <b>Total qualifying capital</b> | <b>50,879.76</b>  | <b>45,966.67</b>  |
| <b>Risk-weighted assets</b>     | <b>376,825.22</b> | <b>319,859.48</b> |
| CET 1 capital ratio             | 12.58%            | 13.45%            |
| Tier 1 capital ratio            | 12.58%            | 13.45%            |
| Total capital ratio             | 13.50%            | 14.37%            |

The regulatory Basel III qualifying capital of the Group consists of Common Equity Tier 1 capital (going concern capital), which comprises paid-up common stock, additional paid-in capital, surplus including current year profit, other comprehensive income and minority interest less required deductions such as unsecured credit accommodations to DOSRI, deferred income tax, other intangible assets, goodwill, defined benefit pension fund assets/liabilities, and investment in subsidiaries. The other component of regulatory capital is Tier 2 capital (gone-concern capital), which includes general loan loss provision. A capital conservation buffer of 2.5% comprised of CET 1 capital is likewise imposed in the Basel III capital ratios.



Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements is presented below:

| In PhP Million                                     | Parent             |                   |                              |                    |                   |                              |
|----------------------------------------------------|--------------------|-------------------|------------------------------|--------------------|-------------------|------------------------------|
|                                                    | 2016               |                   |                              | 2015               |                   |                              |
|                                                    | Qualifying Capital | Reconciling Items | Audited Financial Statements | Qualifying Capital | Reconciling Items | Audited Financial Statements |
| Common stock                                       | 20,020             | -                 | 20,020                       | 18,537             | -                 | 18,537                       |
| Additional paid-in capital                         | 6,988              | -                 | 6,988                        | 6,988              | -                 | 6,988                        |
| Retained earnings                                  | 32,342             | (5,409)           | 37,751                       | 29,370             | (5,259)           | 34,629                       |
| Net unrealized gains or losses on AFS securities   | (1,313)            | 286               | (1,599)                      | (1,033)            | 93                | (1,126)                      |
| Cumulative foreign currency translation and others | 33                 | (198)             | 231                          | 175                | 27                | 149                          |
| Non-controlling interest                           | 100                | 106               | (5)                          | 34                 | 40                | (6)                          |
| Deductions                                         | (7,338)            | (7,338)           | -                            | (6,678)            | (6,678)           | -                            |
| Tier 1 (CET1) capital/Total equity                 | 50,832             | (12,554)          | 63,386                       | 47,393             | (11,778)          | 59,171                       |
| Tier 2 capital                                     | 4,076              | 4,076             | -                            | 3,486              | 3,486             | -                            |
| Total qualifying capital/Total equity              | 54,909             | (8,477)           | 63,386                       | 50,880             | (8,291)           | 59,171                       |

| In PhP Million                                     | Parent             |                   |                              |                    |                   |                              |
|----------------------------------------------------|--------------------|-------------------|------------------------------|--------------------|-------------------|------------------------------|
|                                                    | 2016               |                   |                              | 2015               |                   |                              |
|                                                    | Qualifying Capital | Reconciling Items | Audited Financial Statements | Qualifying Capital | Reconciling Items | Audited Financial Statements |
| Common stock                                       | 20,020             | -                 | 20,020                       | 18,537             | -                 | 18,537                       |
| Additional paid-in capital                         | 6,988              | -                 | 6,988                        | 6,988              | -                 | 6,988                        |
| Retained earnings                                  | 31,618             | (6,133)           | 37,751                       | 29,370             | (5,230)           | 34,629                       |
| Net unrealized gains or losses on AFS securities   | (1,313)            | 286               | (1,599)                      | (1,033)            | 93                | (1,126)                      |
| Cumulative foreign currency translation and others | 96                 | (135)             | 231                          | 245                | 96                | 149                          |
| Deductions                                         | (13,169)           | (13,169)          | -                            | (11,124)           | (11,124)          | -                            |
| Tier 1 (CET1) capital/Total equity                 | 44,240             | (19,152)          | 63,391                       | 43,012             | (16,165)          | 59,176                       |
| Tier 2 capital                                     | 3,514              | 3,514             | -                            | 2,955              | 2,955             | -                            |
| Total qualifying capital/Total equity              | 47,754             | (15,638)          | 63,391                       | 45,967             | (13,210)          | 59,176                       |

The capital requirements for Credit, Market and Operational Risk are listed below, on a parent and consolidated basis:

| Capital Requirement<br>in PhP Million | Consolidated |           | Parent    |           |
|---------------------------------------|--------------|-----------|-----------|-----------|
|                                       | 2016         | 2015      | 2016      | 2015      |
| Credit Risk                           | 41,438.12    | 34,814.92 | 35,265.13 | 29,488.30 |
| Market Risk                           | 457.53       | 276.95    | 433.90    | 227.36    |
| Operational Risk                      | 3,072.65     | 2,590.65  | 2,568.88  | 2,270.29  |
| Total Capital Requirements            | 44,968.30    | 37,682.52 | 38,267.91 | 31,985.95 |

## DISCLOSURE ON CAPITAL STRUCTURE AND CAPITAL ADEQUACY

### Credit Risk

On-balance sheet exposures, net of specific provisions and not covered by Credit Risk Mitigants (CRM) (in PhP million):

December 2016

| On-Balance Sheet Assets                                  | Consolidated                          |                              | Parent                                |                              |
|----------------------------------------------------------|---------------------------------------|------------------------------|---------------------------------------|------------------------------|
|                                                          | Exposures, net of Specific Provisions | Exposures not Covered by CRM | Exposures, net of Specific Provisions | Exposures not Covered by CRM |
| Cash on Hand                                             | 11,817.72                             | 11,817.72                    | 10,502.02                             | 10,502.02                    |
| Checks and Other Cash Items                              | 172.22                                | 172.22                       | 152.44                                | 152.44                       |
| Due from BSP                                             | 91,791.03                             | 91,791.03                    | 85,133.66                             | 85,133.66                    |
| Due from Other Banks                                     | 10,013.41                             | 10,013.41                    | 8,370.13                              | 8,370.13                     |
| Financial Assets at FVPL                                 | 2,472.60                              | 2,462.89                     | 2,472.60                              | 2,462.89                     |
| Available-for-Sale Financial Assets                      | 33,937.65                             | 32,966.67                    | 31,374.20                             | 30,403.22                    |
| Held-to-Maturity Financial Assets                        | 58,131.81                             | 58,131.81                    | 54,755.05                             | 54,755.05                    |
| Unquoted Debt Securities Classified as Loans             | 4,106.19                              | 4,106.19                     | 4,000.98                              | 4,000.98                     |
| Loans and Receivables                                    | 387,185.32                            | 362,850.92                   | 330,301.95                            | 311,073.96                   |
| Loans and Receivables arising from Repurchase Agreements | 3,452.13                              | 3,452.13                     | 2,959.06                              | 2,959.06                     |
| Sales Contract Receivables                               | 909.20                                | 909.20                       | 228.43                                | 228.43                       |
| Real and Other Properties Acquired                       | 4,298.03                              | 4,298.03                     | 605.71                                | 605.71                       |
| Other Assets                                             | 10,518.86                             | 10,518.86                    | 6,890.90                              | 6,890.90                     |
| <b>Total On-Balance Sheet Assets</b>                     | <b>618,806.17</b>                     | <b>593,491.08</b>            | <b>537,747.14</b>                     | <b>517,538.46</b>            |

December 2015

| On-Balance Sheet Assets                                  | Consolidated                          |                              | Parent                                |                              |
|----------------------------------------------------------|---------------------------------------|------------------------------|---------------------------------------|------------------------------|
|                                                          | Exposures, net of Specific Provisions | Exposures not Covered by CRM | Exposures, net of Specific Provisions | Exposures not Covered by CRM |
| Cash on Hand                                             | 11,315.70                             | 11,315.70                    | 9,997.94                              | 9,997.94                     |
| Checks and Other Cash Items                              | 128.93                                | 128.93                       | 125.72                                | 125.72                       |
| Due from BSP                                             | 86,107.22                             | 86,107.22                    | 76,791.60                             | 76,791.60                    |
| Due from Other Banks                                     | 20,727.94                             | 20,727.94                    | 18,721.97                             | 18,721.97                    |
| Financial Assets at FVPL                                 | 2,309.16                              | 2,299.97                     | 2,309.16                              | 2,299.97                     |
| Available-for-Sale Financial Assets                      | 49,212.27                             | 48,293.27                    | 47,349.01                             | 46,430.01                    |
| Held-to-Maturity Financial Assets                        | 16,449.17                             | 16,449.17                    | 14,228.65                             | 14,228.65                    |
| Unquoted Debt Securities Classified as Loans             | 1,291.55                              | 1,291.55                     | 1,021.55                              | 1,021.55                     |
| Loans and Receivables                                    | 312,709.73                            | 296,968.77                   | 262,396.76                            | 251,552.50                   |
| Loans and Receivables arising from Repurchase Agreements | 0.00                                  | 0.00                         | 0.00                                  | 0.00                         |
| Sales Contract Receivables                               | 977.75                                | 977.75                       | 251.54                                | 251.54                       |
| Real and Other Properties Acquired                       | 3,415.27                              | 3,415.27                     | 721.69                                | 721.69                       |
| Other Assets                                             | 11,525.08                             | 11,525.08                    | 8,665.47                              | 8,665.47                     |
| <b>Total On-Balance Sheet Assets</b>                     | <b>516,169.78</b>                     | <b>499,500.62</b>            | <b>442,581.07</b>                     | <b>430,808.62</b>            |

Credit equivalent amount for off-balance sheet items, broken down by type of exposures (in PhP million):

| Off-balance Sheet Assets                                                                                | 2016               |                   |                    |                   | 2015               |                   |                    |                   |
|---------------------------------------------------------------------------------------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
|                                                                                                         | Consolidated       |                   | Parent             |                   | Consolidated       |                   | Parent             |                   |
|                                                                                                         | Notional Principal | Credit Equivalent | Notional Principal | Credit Equivalent | Notional Principal | Credit Equivalent | Notional Principal | Credit Equivalent |
| Direct Credit Substitutes                                                                               | 0.00               | 0.00              | 0.00               | 0.00              | 0.00               | 0.00              | 0.00               | 0.00              |
| Transaction-related contingencies                                                                       | 17,129.58          | 8,564.79          | 16,795.09          | 8,397.55          | 18,642.19          | 9,321.10          | 18,312.08          | 9,156.04          |
| Trade-related contingencies arising from movement of goods                                              | 5,211.89           | 1,042.38          | 5,174.63           | 1,034.93          | 8,780.79           | 1,756.16          | 4,168.27           | 833.65            |
| Other commitments (which can be unconditionally cancelled at any time by the bank without prior notice) | 149,582.52         | 0.00              | 144,594.20         | 0.00              | 134,164.24         | 0.00              | 130,113.85         | 0.00              |
| <b>Total Notional Principal and Credit Equivalent Amount</b>                                            | <b>171,923.98</b>  | <b>9,607.17</b>   | <b>166,563.93</b>  | <b>9,432.47</b>   | <b>161,587.23</b>  | <b>11,077.26</b>  | <b>152,594.21</b>  | <b>9,989.70</b>   |

Credit equivalent amount for counterparty credit risk in the trading book, broken down by type of exposures (in PhP million):

#### December 2016

| Standardized Approach                                        | Consolidated       |                   | Parent             |                   |
|--------------------------------------------------------------|--------------------|-------------------|--------------------|-------------------|
|                                                              | Notional Principal | Credit Equivalent | Notional Principal | Credit Equivalent |
| Interest Rate Contracts                                      | 10,823.40          | 72.93             | 10,823.40          | 72.93             |
| Exchange Rate Contracts                                      | 16,830.93          | 343.13            | 16,830.93          | 343.13            |
| Equity Contracts                                             | 0.00               | 0.00              | 0.00               | 0.00              |
| Credit Derivatives                                           | 0.00               | 0.00              | 0.00               | 0.00              |
| <b>Total Notional Principal and Credit Equivalent Amount</b> | <b>27,654.33</b>   | <b>416.07</b>     | <b>27,654.33</b>   | <b>416.07</b>     |

#### December 2015

| Standardized Approach                                        | Consolidated       |                   | Parent             |                   |
|--------------------------------------------------------------|--------------------|-------------------|--------------------|-------------------|
|                                                              | Notional Principal | Credit Equivalent | Notional Principal | Credit Equivalent |
| Interest Rate Contracts                                      | 6,950.00           | 31.62             | 6,950.00           | 31.62             |
| Exchange Rate Contracts                                      | 29,022.60          | 551.18            | 29,022.60          | 551.18            |
| Equity Contracts                                             | 0.00               | 0.00              | 0.00               | 0.00              |
| Credit Derivatives                                           | 0.00               | 0.00              | 0.00               | 0.00              |
| <b>Total Notional Principal and Credit Equivalent Amount</b> | <b>35,972.60</b>   | <b>582.80</b>     | <b>35,972.60</b>   | <b>582.80</b>     |

Net Exposures after CRM for counterparty credit risk in the banking book, broken down by type of exposures (in PhP million):

#### December 2016

| Standardized Approach                                               | Consolidated                |                         | Parent                      |                         |
|---------------------------------------------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
|                                                                     | Fair Value/ Carrying Amount | Net Exposures after CRM | Fair Value/ Carrying Amount | Net Exposures after CRM |
| Derivative Transactions                                             | 0.00                        | 0.00                    | 0.00                        | 0.00                    |
| Repo-Style Transactions                                             | 9,520.22                    | 1,447.43                | 9,520.22                    | 1,447.43                |
| <b>Total Fair Value/Carrying Amount and Net Exposures after CRM</b> | <b>9,520.22</b>             | <b>1,447.43</b>         | <b>9,520.22</b>             | <b>1,447.43</b>         |



## DISCLOSURE ON CAPITAL STRUCTURE AND CAPITAL ADEQUACY

December 2015

| Standardized Approach                                               | Consolidated                |                         | Parent                      |                         |
|---------------------------------------------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
|                                                                     | Fair Value/ Carrying Amount | Net Exposures after CRM | Fair Value/ Carrying Amount | Net Exposures after CRM |
| Derivative Transactions                                             | 0.00                        | 0.00                    | 0.00                        | 0.00                    |
| Repo-Style Transactions                                             | 13,020.27                   | 1,967.19                | 13,020.27                   | 1,967.19                |
| <b>Total Fair Value/Carrying Amount and Net Exposures after CRM</b> | <b>13,020.27</b>            | <b>1,967.19</b>         | <b>13,020.27</b>            | <b>1,967.19</b>         |

The following credit risk mitigants are used in the December 2016 CAR Report:

- ROP warrants
- ROP guarantees
- HGC guarantee
- Holdout vs. Peso deposit / Deposit substitute
- Holdout vs. FCDU deposit of resident
- Holdout vs. FCDU deposit of non-resident
- Assignment / Pledge of Government Securities

Total credit exposure after risk mitigation, broken down by type of exposures, risk buckets, as well as those that are deducted from capital (in PhP million):

| Weight Band    | 2016              |                   |                 |                   |                   |                   |                 |                   |
|----------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|-------------------|
|                | Consolidated      |                   |                 |                   | Parent Company    |                   |                 |                   |
|                | On-balance sheet  | Off-balance sheet | Counterparty    | Total             | On-balance sheet  | Off-balance sheet | Counterparty    | Total             |
| Below 100%     | 252,534.01        | 21.86             | 1,805.97        | 254,361.84        | 224,540.77        | 21.86             | 1,805.97        | 226,368.61        |
| 100% and Above | 340,957.07        | 9,585.31          | 57.53           | 350,599.91        | 292,997.69        | 9,410.61          | 57.53           | 302,465.83        |
| <b>Total</b>   | <b>593,491.08</b> | <b>9,607.17</b>   | <b>1,863.50</b> | <b>604,961.75</b> | <b>517,538.46</b> | <b>9,432.47</b>   | <b>1,863.50</b> | <b>528,834.43</b> |

| Weight Band    | 2015              |                   |                 |                   |                   |                   |                 |                   |
|----------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|-------------------|
|                | Consolidated      |                   |                 |                   | Parent Company    |                   |                 |                   |
|                | On-balance sheet  | Off-balance sheet | Counterparty    | Total             | On-balance sheet  | Off-balance sheet | Counterparty    | Total             |
| Below 100%     | 220,502.35        | 966.22            | 2,369.43        | 223,838.01        | 193,175.37        | 43.72             | 2,369.43        | 195,588.52        |
| 100% and Above | 278,998.27        | 10,111.03         | 180.55          | 289,289.86        | 237,633.25        | 9,945.98          | 180.55          | 247,759.78        |
| <b>Total</b>   | <b>499,500.62</b> | <b>11,077.26</b>  | <b>2,549.99</b> | <b>513,127.87</b> | <b>430,808.62</b> | <b>9,989.70</b>   | <b>2,549.99</b> | <b>443,348.31</b> |

Total credit risk-weighted assets, broken down by type of exposures (in PhP million):

| Weight Band    | 2016              |                   |               |                   |                   |                   |               |                   |
|----------------|-------------------|-------------------|---------------|-------------------|-------------------|-------------------|---------------|-------------------|
|                | Consolidated      |                   |               |                   | Parent Company    |                   |               |                   |
|                | On-balance sheet  | Off-balance sheet | Counterparty  | Total             | On-balance sheet  | Off-balance sheet | Counterparty  | Total             |
| Below 100%     | 58,436.20         | 4.37              | 542.12        | 58,982.70         | 48,001.61         | 4.37              | 542.12        | 48,548.10         |
| 100% and Above | 345,656.04        | 9,585.31          | 57.53         | 355,298.88        | 294,570.61        | 9,410.61          | 57.53         | 304,038.75        |
| Covered by CRM | 99.63             | 0.00              | 0.00          | 99.63             | 64.40             | 0.00              | 0.00          | 64.40             |
| Excess GLLP    |                   |                   |               | 0.00              |                   |                   |               | 0.00              |
| <b>Total</b>   | <b>404,191.88</b> | <b>9,589.68</b>   | <b>599.65</b> | <b>414,381.20</b> | <b>342,636.62</b> | <b>9,414.98</b>   | <b>599.65</b> | <b>352,651.25</b> |

| Weight Band    | 2015              |                   |                 |                   |                   |                   |                 |                   |
|----------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|-------------------|
|                | Consolidated      |                   |                 |                   | Parent Company    |                   |                 |                   |
|                | On-balance sheet  | Off-balance sheet | Counterparty    | Total             | On-balance sheet  | Off-balance sheet | Counterparty    | Total             |
| Below 100%     | 54,350.83         | 8.74              | 900.65          | 55,260.22         | 45,237.43         | 8.74              | 900.65          | 46,146.81         |
| 100% and Above | 283,011.77        | 10,111.03         | 180.55          | 293,303.36        | 239,142.00        | 9,945.98          | 180.55          | 249,268.53        |
| Covered by CRM | 76.21             | 0.00              | 0.00            | 76.21             | 71.18             | 0.00              | 0.00            | 71.18             |
| Excess GLLP    |                   |                   |                 | (490.54)          |                   |                   |                 | (603.52)          |
| <b>Total</b>   | <b>337,438.81</b> | <b>10,119.78</b>  | <b>1,081.20</b> | <b>348,149.25</b> | <b>284,450.60</b> | <b>9,954.72</b>   | <b>1,081.20</b> | <b>294,883.00</b> |

The credit ratings given by the following rating agencies were used to determine the credit risk weight of On-balance sheet, Off-balance sheet, and Counterparty exposures:

*For all rated credit exposures regardless of currency*

Standard & Poor (S&P)

Moody's

Fitch

*For PHP-denominated debts of rated domestic entities*

PhilRatings

#### Market Risk-Weighted Assets

The Standardized Approach is used in China Bank's market risk-weighted assets. The total market risk-weighted asset of the Bank as of December 2016 is ₱4.34 billion and ₱4.58 billion for parent company and consolidated basis, respectively. This is composed of Interest Rate exposures amounting to ₱2.10 billion and Foreign Exposures amounting to ₱2.24 billion for the parent bank, while it is composed of Interest Rate exposures amounting to ₱2.32 billion and Foreign Exposures amounting to ₱2.25 billion on a consolidated basis.

| Interest Rate Exposures (in PhP Mn)         | Consolidated    | Parent Company  | Consolidated    | Parent Company  |
|---------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                             | 2016            |                 | 2015            |                 |
| Specific Risk                               | 63.53           | 60.92           | 42.80           | 36.50           |
| General Market Risk                         |                 |                 |                 |                 |
| PHP                                         | 41.59           | 34.99           | 49.18           | 37.78           |
| USD                                         | 80.66           | 72.35           | 56.51           | 38.15           |
| Total Capital Charge                        | 185.78          | 168.26          | 148.49          | 112.43          |
| Adjusted Capital Charge                     | 232.23          | 210.33          | 185.61          | 140.53          |
| <b>Subtotal Market Risk-Weighted Assets</b> | <b>2,322.27</b> | <b>2,103.25</b> | <b>1,856.11</b> | <b>1,405.33</b> |

## DISCLOSURE ON CAPITAL STRUCTURE AND CAPITAL ADEQUACY

|                                             | Consolidated    | Parent Company  | Consolidated | Parent Company |
|---------------------------------------------|-----------------|-----------------|--------------|----------------|
|                                             | 2016            |                 | 2015         |                |
| <b>Foreign Exchange Exposures</b>           |                 |                 |              |                |
| Total Capital Charge                        | 180.24          | 178.86          | 73.07        | 69.46          |
| Adjusted Capital Charge                     | 225.30          | 223.58          | 91.34        | 86.83          |
| <b>Subtotal Market Risk-Weighted Assets</b> | <b>2,253.05</b> | <b>2,235.80</b> | 913.40       | 868.27         |
| <b>Total Market Risk-Weighted Assets</b>    | <b>4,575.31</b> | <b>4,339.05</b> | 2,769.51     | 2,273.60       |

### Operational risk

Operational risks arise from inadequate or failed internal processes, people and systems or from external events. The Bank employs several tools to identify, assess, monitor and control the operational risk inherent to the Bank.

Tools such as the Risks and Controls Self-Assessment (RCSA), the analysis of historical loss reports, the monitoring of Key Risk Indicators (KRI) and the Business Impact Analysis further allow risk management to identify high risk areas, loss drivers, and trends which can be acted upon by management to prevent material failures in our processes, people, systems, and resiliency measures against external events. These results are periodically reported to management and cover all aspects of the business from core operating capabilities of the units, all products and services, outstanding legal cases, and even its sales and marketing practices. In addition, the Bank has a product review and approval process. It seeks to outline a standard approach involved in implementing the product management mandate for all product categories in the Bank and will ultimately reflect the Bank's operating and risk management philosophy in the context of its over-all business goals and strategies.

The operational risk exposure of the Bank is profiled using a number of methodologies which also include a scenario analysis exercise as part of the Internal Capital Adequacy Assessment Process (ICAAP) to validate if the computed capital requirement using the Basic Indicator Approach (BIA) is enough to cover estimated losses arising from adverse operating conditions and major incidents. The Bank allocated the amount of ₱3.07 billion in capital as of December 2016 for operational risk which is more than adequate to cover the resulting exposure based on the scenario analysis exercise.

### Internal measurement of interest rate risk in the banking book

The Bank's Interest Rate Risk (IRR) originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. Internally, the Earnings-at-Risk (EaR) method is used to determine the effects of adverse interest rate change on the Bank's interest earnings. The Bank's earnings from loans are assumed affected by interest rate movements on the repricing period in the case of floating rates while earnings remain constant until maturity on loans set with fixed rates. Demand and savings deposits, on the other hand, are generally not interest rate sensitive. Provided in the table below are the approximate reduction in annualized interest income of a 100bps adverse change across the PhP and USD yield curves.

| Earnings-at-Risk in PhP Million | Consolidated |       | Parent |       |
|---------------------------------|--------------|-------|--------|-------|
|                                 | 2016         | 2015  | 2016   | 2015  |
| PHP IRR Exposures               | (237)        | (577) | (387)  | (664) |
| USD IRR Exposures               | (183)        | (55)  | (169)  | (47)  |



## REPORT OF THE **AUDIT COMMITTEE**

The Audit Committee is responsible for assisting the Board of Directors in overseeing all matters pertaining to audit, primarily in monitoring and reviewing the Bank's internal control framework, financial reporting, and internal and external audit. The Committee operates under a charter identifying its purpose, objective, authority and membership, setting the voting and quorum requirements as well as meetings and access, enumerating the duties and responsibilities, and providing for self-assessment and charter review. The full terms of reference are available on the Bank's corporate governance website, [www.chinabank.ph](http://www.chinabank.ph).

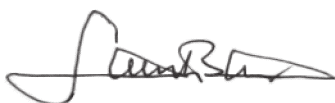
Independent director Alberto S. Yao chairs the Audit Committee, assisted by non-executive director Joaquin T. Dee as member. Another independent director – Mr. Dy Tiong – served as member of the Audit Committee until his passing on September 16, 2016.

In accordance with the charter, relevant laws and regulations, and international standards, we confirm that the Audit Committee met 12 times in 2016 and conducted various activities set out below:

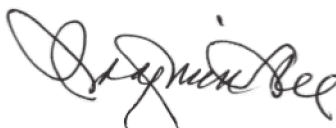
- Reviewed the effectiveness of internal audit function and the Chief Audit Executive, including their accomplishments versus plans and budget.
- Confirmed the adherence by the internal auditors to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA-ISPPA), such as Standard 1100 on independence and objectivity, and Standard 2130 and Practice Advisory 2130-1 on control and assessment of the adequacy of control processes; and amended the internal auditors' Audit Manual in order to improve the value of audit in terms of the prioritization of units and processes to be audited, and to conform with IIA-ISPPA's Standard 2010-1 on linking the audit plan to risk and exposures.
- Considered the regular and special internal audit reports on and replies of various branches and units of the Bank; reviewed IT-related and other audit projects of the Bank; discussed the summary of common observations and changes in audit ratings of reviewed units; took note of updates on operations and behavioral cases; tackled whistleblowing disclosures; and monitored on a quarterly basis the status of outstanding audit issues including the remedial actions being taken.
- Reviewed the qualifications, performance, competence and independence of the external auditor, recommended to the Board the re-engagement/re-appointment of Sycip Gorres Velayo & Co. (SGV & Co.) / Ernst & Young as the Bank's external auditor, and approved their fees.
- Discussed the external auditor's annual audit plan, reviewed the results of audit of the consolidated financial statements of the Bank and subsidiaries, and endorsed the approval of the audited financial statements and their inclusion in the Annual Report for the year ended December 31, 2016, after determining that they present fairly, in all material respects, the financial position of the Group and of the parent bank.
- Discussed with the internal and external auditors the new issuances by the Financial Reporting Standards Council, Bureau of Internal Revenue, Securities and Exchange Commission (SEC), and/or Bangko Sentral ng Pilipinas (BSP), and their significance to the operations of the Bank.
- In the exercise of its full discretion, invited officers of the Bank, external auditors, and other guests to attend meetings of the Committee, without the presence of management, to enable the Committee to effectively discharge its functions by obtaining feedback, independently evaluating the issues, and arriving at resolutions and recommendations.

Based on the foregoing, it is the Audit Committee's view that the internal control and financial reporting systems of the Bank are in place, adequate, effective and efficient.

Makati City, March 15, 2017.



**ALBERTO S. YAO**  
Chairman



**JOAQUIN T. DEE**  
Member

(vacant)  
Member

## CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports required by accounting and auditing standards for China Banking Corporation for the period ended December 31, 2016.

In discharging this responsibility, I hereby declare that I am an officer under Controllershship Group of China Banking Corporation.

Furthermore, in the compilation services for preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of Sycip Gorres Velayo & Co., who is the external auditor who rendered the audit opinion for the said Financial Statement and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.



**Edgar S. Neri Jr.**

CPA Certificate No. 122893

Valid until September 14, 2019

*CPA Accreditation filed on December 9, 2016 and is pending at the PRC*

March 1, 2017

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Series of 2017



**ALVIN A. QUINTANILLA**  
Notary Public for Makati City  
App. No. 11357 until December 2017  
Notary Public  
Until December 31, 2017  
8th Floor, De Roxas Building,  
PTR No. 5913637, 01.04.2017; Makati City  
Place  
IBP No. 1055829; 01.04.2017; Cavite  
Roll of Attorney's No. 40925

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

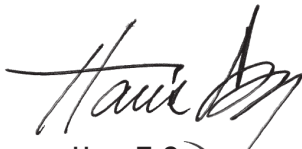
The management of China Banking Corporation (the Bank) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

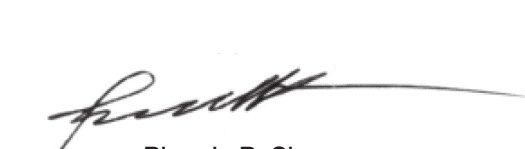
In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

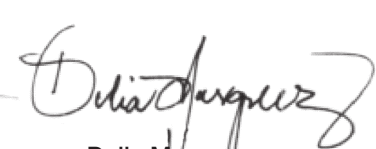
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

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

  
**Ricardo R. Chua**  
President & CEO

  
**Delia Marquez**  
First Vice President-Controller

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

Signed this 1<sup>st</sup> day of March 2017, affiants exhibiting to me their Social Security System Nos. as follows:

| Name            | SSS Nos.     |
|-----------------|--------------|
| Hans T. Sy      | 03-43011743  |
| Ricardo R. Chua | 03-24163898  |
| Delia Marquez   | 03-7205726-0 |

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Series of: 2017

  
**ALVIN A. QUINTANILLA**  
Notary Public for Makati City  
App. No. 357, until December 2017  
Notary Public  
Until December 31, 2017  
8th Floor, de Roxas, Makati City  
PTR No. 5013637, 01.04.2017; Makati City  
Place  
IBP No. 1055829; 01.04.2017; Cavite  
Roll of Attorney's No. 40925

# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
China Banking Corporation  
8745 Paseo de Roxas cor. Villar St.  
Makati City



## Report on the Consolidated and Parent Company Financial Statements

### Opinion

We have audited the consolidated financial statements of China Banking Corporation and its subsidiaries (the Group) and the parent company financial statements of China Banking Corporation, which comprise the consolidated and parent company balance sheets as of December 31, 2016 and 2015, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as of December 31, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

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

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

#### *Adequacy of allowance for credit losses on loans and receivables*

Loans and receivables comprise 61.09% and 58.86% of the total assets of the Group and the Parent Company as of December 31, 2016, respectively. Reflecting these assets and the related allowance for credit losses at their appropriate amounts is a key area of judgment for the management. The Group determines the allowance for credit losses on an individual basis for individually significant loans and receivables. In contrast, allowance for credit losses on loans and receivables that are not individually significant or are not specifically impaired are collectively determined. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various factors such as the financial condition of the borrower, the borrower's payment behavior and expectation of amounts and timing of collections or liquidation of collateral. The use of assumptions could produce significantly different estimates of allowance for credit losses. The disclosures in relation to allowance for credit and impairment losses are included in Notes 3, 5 and 15 of the financial statements.

#### *Audit Response*

We obtained an understanding of the Group's credit monitoring and impairment process and tested the relevant key controls for these processes, including the underlying data and systems. For allowance for credit losses calculated on an individual basis, we obtained sample loan accounts and tested the assumptions underlying the impairment identification following the Group's internal risk rating and accounts' age. We also tested the allowance quantification by comparing forecasts of future cash flows with the accounts' historical collection, including any collections after yearend, repayment agreements and availability of collateral. For impaired accounts expecting recovery through foreclosure of collateral, we checked mortgage documents and tested for any other outstanding encumbrances, and agreed values of collaterals used to the appraisal reports and historical sales. We also checked the discount rates used if they are based on the loans' original effective interest rate (EIR) for fixed-rate loans, and the current EIR adjusted for the original credit risk premium for floating-rate loans, and re-performed impairment calculation.



For allowance for credit losses calculated on a collective basis, we tested the underlying impairment model and related inputs (e.g., historical loss rates). We performed said testing by checking credit risk groupings and agreeing model inputs to subsidiary ledgers, reports on aging and historical recoveries on fully impaired accounts.

#### *Recoverability of Goodwill*

Under PFRS, the Group and the Parent Company are required to annually test the amount of goodwill for impairment. Goodwill recognized in the consolidated and parent company financial statements amounting to ₱222.84 million is attributed to the Parent Company's Retail Banking Business (RBB) segment, while goodwill of ₱616.91 million in the consolidated financial statements is attributed to the subsidiary bank, China Bank Savings, Inc. (CBSI). The annual impairment test, which is performed by determining the recoverable amounts of the cash generating units (CGUs) based on value-in-use (VIU) calculation, is significant to our audit because the management's assessment process requires significant judgment and is based on assumptions. The assumptions used in the calculation are sensitive to estimates of future cash flows from the relevant CGUs, growth rates used to project future cash flows beyond the budget period and the discount rates. The disclosures in relation to goodwill are included in Notes 3 and 13 of the financial statements.

#### *Audit Response*

We obtained an understanding of the Group's impairment process and related controls. We evaluated the financial forecast used by the management for the VIU calculation by comparing key assumptions used in the financial forecast. This includes comparing the loan and deposit growth rates against the historical performance of the CGUs, banking industry outlook, and other relevant external data. We also involved our internal specialist in assessing the methodology and other key assumptions used by the Group in the VIU calculation – particularly those relating to growth rates used to project future cash flows beyond the forecast period and testing the parameters used to derive discount rates. We also checked the Group's disclosures with regard to assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

#### *Realizability of deferred tax assets*

As disclosed in Notes 3 and 26 of the financial statements, as of December 31, 2016, the Parent Company has recognized deferred tax assets on all temporary differences, while the Group has recognized and unrecognized deferred tax assets. The realizability of deferred tax assets recognized depends on the Group's ability to continuously generate sufficient future taxable income. The realizability of deferred tax assets' analysis was significant to our audit because the assessment process is based on assumptions that are affected by expected future market or economic conditions, and the expected performance of the Group and the Parent Company.

#### *Audit Response*

We obtained an understanding of the Group's deferred income tax calculation process, including the applicable tax regulations. We reviewed the management's assessment on the availability of future taxable income considering the Group's financial forecast and tax strategies. We also discussed the business plans supporting such forecast with the management. We evaluated the forecast by comparing key assumptions, such as loans and deposit growth rates, with the Group's historical performance and the market outlook for the banking industry. We also reviewed the availability of taxable income and the reversal of temporary differences' timing to which the deferred tax assets are attributed to.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

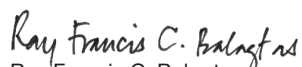
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of China Banking Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

  
Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

SEC Accreditation No. 1510-A (Group A),

October 1, 2015, valid until September 30, 2018

Tax Identification No. 216-950-288

BIR Accreditation No. 08-001998-107-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5908666, January 3, 2017, Makati City

## BALANCE SHEETS

(Amounts in Thousands)

|                                                                               | Consolidated |              | Parent Company |                        |                   |
|-------------------------------------------------------------------------------|--------------|--------------|----------------|------------------------|-------------------|
|                                                                               | December 31  |              |                |                        |                   |
|                                                                               | 2016         | 2015         | 2016           | 2015                   | January 1<br>2015 |
|                                                                               |              |              |                | (As restated – Note 2) |                   |
| <b>ASSETS</b>                                                                 |              |              |                |                        |                   |
| Cash and Other Cash Items                                                     | P12,010,543  | P11,377,101  | P10,580,748    | P10,052,891            | P9,295,130        |
| Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)                         | 91,964,495   | 86,318,501   | 85,307,128     | 77,003,616             | 60,543,867        |
| Due from Other Banks (Note 7)                                                 | 11,332,236   | 21,243,492   | 9,689,165      | 19,200,544             | 15,836,701        |
| Interbank Loans Receivables and Securities Purchased under Resale Agreements  | 3,451,543    | –            | 2,958,465      | –                      | 223,600           |
| Financial Assets at Fair Value through Profit or Loss (Note 8)                | 7,703,899    | 6,244,593    | 7,232,882      | 5,465,417              | 8,012,435         |
| Available-for-Sale Financial Assets (Note 8)                                  | 33,873,723   | 48,829,233   | 31,153,750     | 46,834,199             | 37,075,238        |
| Held-to-Maturity Financial Assets (Note 8)                                    | 57,404,800   | 16,136,147   | 54,069,021     | 13,945,645             | 11,353,788        |
| Loans and Receivables (Notes 9 and 28)                                        | 386,827,300  | 309,761,777  | 329,069,859    | 259,645,008            | 245,257,221       |
| Accrued Interest Receivable (Note 15)                                         | 3,014,529    | 2,621,737    | 2,666,353      | 2,201,247              | 1,910,677         |
| Investment in Subsidiaries (Notes 2 and 10)                                   | –            | –            | 12,169,037     | 9,141,177              | 5,397,402         |
| Investment in Associates (Notes and 10)                                       | 276,559      | 371,399      | 276,559        | 371,399                | 532,689           |
| Bank Premises, Furniture, Fixtures and Equipment (Note 11)                    | 6,496,268    | 6,354,119    | 5,143,981      | 4,997,202              | 4,748,199         |
| Investment Properties (Note 12)                                               | 5,349,739    | 5,398,139    | 1,760,876      | 1,899,862              | 1,901,363         |
| Deferred Tax Assets (Note 26)                                                 | 1,666,267    | 1,381,280    | 1,508,150      | 1,369,147              | 842,367           |
| Intangible Assets (Notes 10 and 13)                                           | 4,089,715    | 3,972,308    | 805,582        | 762,808                | 455,000           |
| Goodwill (Notes 10 and 13)                                                    | 839,748      | 839,748      | 222,841        | 222,841                | 222,841           |
| Other Assets (Note 14)                                                        | 6,896,647    | 5,977,389    | 4,504,100      | 3,949,430              | 3,639,729         |
|                                                                               | P633,198,011 | P526,826,963 | P559,118,497   | P457,062,433           | P407,248,247      |
| <b>LIABILITIES AND EQUITY</b>                                                 |              |              |                |                        |                   |
| <b>Liabilities</b>                                                            |              |              |                |                        |                   |
| <b>Deposit Liabilities (Notes 16 and 28)</b>                                  |              |              |                |                        |                   |
| Demand                                                                        | P135,263,113 | P113,511,283 | P122,265,663   | P103,024,840           | P88,942,591       |
| Savings                                                                       | 141,155,766  | 114,046,323  | 132,772,300    | 104,135,171            | 86,798,098        |
| Time                                                                          | 265,164,139  | 211,708,080  | 215,924,029    | 166,443,405            | 165,343,946       |
|                                                                               | 541,583,018  | 439,265,686  | 470,961,992    | 373,603,416            | 341,084,635       |
| Bills Payable (Note 17)                                                       | 16,954,998   | 19,085,180   | 16,954,998     | 18,422,650             | 5,177,601         |
| Manager's Checks                                                              | 2,029,778    | 1,456,498    | 1,445,585      | 741,479                | 822,179           |
| Income Tax Payable                                                            | 437,303      | 375,780      | 354,212        | 345,312                | 1,397             |
| Accrued Interest and Other Expenses (Note 18)                                 | 1,868,190    | 1,584,274    | 1,561,351      | 1,260,995              | 1,312,475         |
| Derivative Liabilities (Note 24)                                              | 243,198      | 66,373       | 243,198        | 66,373                 | 101,610           |
| Deferred Tax Liabilities (Note 26)                                            | 1,161,414    | 1,116,147    | –              | –                      | –                 |
| Other Liabilities (Note 19)                                                   | 5,533,908    | 4,706,121    | 4,205,745      | 3,445,764              | 2,182,919         |
|                                                                               | 569,811,807  | 467,656,059  | 495,727,081    | 397,885,989            | 350,682,816       |
| <b>Equity</b>                                                                 |              |              |                |                        |                   |
| <b>Equity Attributable to Equity Holders of the Parent Company</b>            |              |              |                |                        |                   |
| Capital stock (Note 22)                                                       | 20,020,278   | 18,537,285   | 20,020,278     | 18,537,285             | 17,164,143        |
| Capital paid in excess of par value (Note 22)                                 | 6,987,564    | 6,987,564    | 6,987,564      | 6,987,564              | 6,987,564         |
| Surplus reserves (Notes 22 and 27)                                            | 861,630      | 828,406      | 861,630        | 828,406                | 800,006           |
| Surplus (Notes 22 and 27)                                                     | 36,889,099   | 33,800,748   | 36,889,099     | 33,800,748             | 31,312,038        |
| Net unrealized gains (losses) on available-for-sale financial assets (Note 8) | (1,598,600)  | (1,126,080)  | (1,598,600)    | (1,126,080)            | 122,920           |
| Remeasurement gain on defined benefit asset (Note 23)                         | 253,945      | 183,155      | 253,945        | 183,155                | 199,152           |
| Cumulative translation adjustment                                             | (22,500)     | (34,634)     | (22,500)       | (34,634)               | (20,392)          |
|                                                                               | 63,391,416   | 59,176,444   | 63,391,416     | 59,176,444             | 56,565,431        |
| Non-controlling Interest                                                      | (5,212)      | (5,540)      | –              | –                      | –                 |
|                                                                               | 63,386,204   | 59,170,904   | 63,391,416     | 59,176,444             | 56,565,431        |
|                                                                               | P633,198,011 | P526,826,963 | P559,118,497   | P457,062,433           | P407,248,247      |

See accompanying Notes to Financial Statements.

# STATEMENTS OF INCOME

(Amounts in Thousands)

|                                                               | Consolidated            |             |             | Parent Company                 |             |
|---------------------------------------------------------------|-------------------------|-------------|-------------|--------------------------------|-------------|
|                                                               | Years ended December 31 |             |             | January 1                      |             |
|                                                               | 2016                    | 2015        | 2014        | 2015<br>(As restated – Note 2) | 2015        |
| <b>INTEREST INCOME</b>                                        |                         |             |             |                                |             |
| Loans and receivables (Notes 9 and 28)                        | <b>P17,889,252</b>      | P15,900,727 | P14,674,211 | P12,324,959                    | P11,295,416 |
| Trading and investments (Note 8)                              | <b>3,282,963</b>        | 3,100,802   | 3,021,786   | 2,946,914                      | 2,872,124   |
| Due from Bangko Sentral ng Pilipinas and other banks (Note 7) | <b>719,414</b>          | 315,805     | 701,142     | 182,662                        | 465,089     |
|                                                               | <b>21,891,629</b>       | 19,317,334  | 18,397,139  | 15,454,535                     | 14,632,629  |
| <b>INTEREST EXPENSE</b>                                       |                         |             |             |                                |             |
| Deposit liabilities (Notes 16 and 28)                         | <b>4,831,555</b>        | 4,008,288   | 4,016,718   | 2,881,166                      | 2,904,698   |
| Bills payable and other borrowings (Note 17)                  | <b>365,879</b>          | 223,862     | 291,674     | 184,280                        | 141,825     |
|                                                               | <b>5,197,434</b>        | 4,232,150   | 4,308,392   | 3,065,446                      | 3,046,523   |
| <b>NET INTEREST INCOME</b>                                    | <b>16,694,195</b>       | 15,085,184  | 14,088,747  | 12,389,089                     | 11,586,106  |
| Service charges, fees and commissions (Note 20)               | <b>2,123,469</b>        | 1,834,318   | 1,561,807   | 1,456,140                      | 1,220,649   |
| Trading and securities gain - net (Notes 8 and 20)            | <b>918,089</b>          | 466,834     | 535,263     | 459,996                        | 458,896     |
| Gain on sale of investment properties                         | <b>443,315</b>          | 375,754     | 355,065     | 353,249                        | 363,192     |
| Foreign exchange gain - net (Note 24)                         | <b>318,135</b>          | 330,056     | 329,944     | 306,541                        | 335,848     |
| Trust fee income (Note 27)                                    | <b>330,197</b>          | 276,240     | 251,489     | 272,251                        | 249,371     |
| Gain on asset foreclosure and dacion transactions (Note 12)   | <b>172,480</b>          | 274,978     | 138,557     | 150,177                        | 82,306      |
| Share in net income (losses) of subsidiaries (Note 10)        | <b>–</b>                | –           | –           | (201,901)                      | (369,126)   |
| Share in net losses of an associate (Note 10)                 | <b>(89,384)</b>         | (37,893)    | (912)       | (37,893)                       | (912)       |
| Miscellaneous (Notes 20 and 28)                               | <b>878,445</b>          | 966,855     | 1,588,064   | 891,953                        | 1,391,226   |
| <b>TOTAL OPERATING INCOME</b>                                 | <b>21,788,941</b>       | 19,572,326  | 18,848,024  | 16,039,602                     | 15,317,556  |
| Compensation and fringe benefits (Notes 23 and 28)            | <b>4,982,934</b>        | 4,674,469   | 4,170,574   | 3,532,596                      | 3,030,719   |
| Occupancy cost (Notes 25 and 28)                              | <b>1,830,675</b>        | 1,723,277   | 1,669,408   | 1,207,677                      | 1,206,551   |
| Taxes and licenses                                            | <b>2,000,404</b>        | 1,587,118   | 1,737,435   | 1,252,878                      | 1,406,652   |
| Insurance                                                     | <b>1,163,507</b>        | 990,788     | 898,228     | 827,026                        | 751,526     |
| Depreciation and amortization (Notes 11, 12 and 13)           | <b>1,124,786</b>        | 979,412     | 921,764     | 676,286                        | 630,577     |
| Provision for impairment and credit losses (Note 15)          | <b>850,546</b>          | 966,574     | 440,901     | 487,485                        | 100,920     |
| Transportation and traveling                                  | <b>298,666</b>          | 311,587     | 371,653     | 222,276                        | 285,042     |
| Professional fees, marketing and other related services       | <b>268,394</b>          | 245,760     | 229,015     | 187,773                        | 165,534     |
| Entertainment, amusement and recreation                       | <b>242,710</b>          | 276,809     | 323,537     | 156,289                        | 207,048     |
| Stationery, supplies and postage                              | <b>241,786</b>          | 241,151     | 195,209     | 150,956                        | 149,155     |
| Repairs and maintenance                                       | <b>123,025</b>          | 160,902     | 188,589     | 102,882                        | 131,855     |
| Miscellaneous (Notes 20 and 28)                               | <b>1,073,986</b>        | 1,001,934   | 1,021,799   | 800,742                        | 725,313     |
| <b>TOTAL OPERATING EXPENSES</b>                               | <b>14,201,419</b>       | 13,159,781  | 12,168,112  | 9,604,866                      | 8,790,892   |
| <b>INCOME BEFORE INCOME TAX</b>                               | <b>7,587,522</b>        | 6,412,545   | 6,679,912   | 6,434,736                      | 6,526,664   |
| <b>PROVISION FOR INCOME TAX</b> (Note 26)                     | <b>1,126,552</b>        | 809,969     | 1,564,927   | 828,070                        | 1,408,832   |
| <b>NET INCOME</b>                                             | <b>P6,460,970</b>       | P5,602,576  | P5,114,985  | P5,606,666                     | P5,117,832  |
| Attributable to:                                              |                         |             |             |                                |             |
| Equity holders of the Parent Company (Note 31)                | <b>P6,458,296</b>       | P5,606,666  | P5,117,832  |                                |             |
| Non-controlling interest                                      | <b>2,674</b>            | (4,090)     | (2,847)     |                                |             |
|                                                               | <b>P6,460,970</b>       | P5,602,576  | P5,114,985  |                                |             |
| <b>Basic/Diluted Earnings Per Share</b> (Note 31)             | <b>P3.23</b>            | P2.80*      | P2.55*      |                                |             |

\* Restated to show the effects of stock dividends distributed in 2016 (Note 22).

See accompanying Notes to Financial Statements.



# STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

|                                                                                                          | Consolidated            |                    |                   | Parent Company         |                    |                   |
|----------------------------------------------------------------------------------------------------------|-------------------------|--------------------|-------------------|------------------------|--------------------|-------------------|
|                                                                                                          | Years ended December 31 |                    |                   |                        | January 1          |                   |
|                                                                                                          | 2016                    | 2015               | 2014              | 2016                   | 2015               | 2015              |
|                                                                                                          |                         |                    |                   | (As restated – Note 2) |                    |                   |
| <b>NET INCOME</b>                                                                                        | <b>P6,460,970</b>       | <b>P5,602,576</b>  | <b>P5,114,985</b> | <b>P6,458,296</b>      | <b>P5,606,666</b>  | <b>P5,117,832</b> |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                                                                 |                         |                    |                   |                        |                    |                   |
| <i>Items that recycle to profit or loss in subsequent periods:</i>                                       |                         |                    |                   |                        |                    |                   |
| Changes in fair value of available-for-sale financial assets:                                            |                         |                    |                   |                        |                    |                   |
| Fair value gain (loss) for the year, net of tax                                                          | 449,110                 | (487,124)          | 752,517           | 512,561                | (464,471)          | 730,007           |
| Gains taken to profit or loss (Note 20)                                                                  | (918,673)               | (638,723)          | (544,094)         | (856,031)              | (629,642)          | (541,653)         |
| Share in changes in net unrealized gain on available-for-sale financial assets of an associate (Note 10) | (5,457)                 | (123,397)          | (5,970)           | (5,457)                | (123,397)          | (5,970)           |
| Share in changes in other comprehensive income of subsidiaries (Note 10)                                 | –                       | –                  | –                 | (87,594)               | (56,844)           | (71,892)          |
| Cumulative translation adjustment                                                                        | 12,455                  | (14,242)           | (86,686)          | (3,636)                | (14,914)           | (87,715)          |
| <i>Items that do not recycle to profit or loss in subsequent periods:</i>                                |                         |                    |                   |                        |                    |                   |
| Remeasurement gain (loss) on defined benefit asset, net of tax (Note 23)                                 | 71,075                  | (16,734)           | (405,854)         | 50,560                 | 10,030             | (312,902)         |
| <b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>                                                 | <b>(391,490)</b>        | <b>(1,280,220)</b> | <b>(290,087)</b>  | <b>(389,596)</b>       | <b>(1,279,238)</b> | <b>(290,125)</b>  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                           | <b>P6,069,480</b>       | <b>P4,322,356</b>  | <b>P4,824,898</b> | <b>P6,068,700</b>      | <b>P4,327,428</b>  | <b>P4,827,707</b> |
| Total comprehensive income attributable to:                                                              |                         |                    |                   |                        |                    |                   |
| Equity holders of the Parent Company                                                                     | P6,068,700              | P4,327,428         | P4,827,707        |                        |                    |                   |
| Non-controlling interest                                                                                 | 780                     | (5,072)            | (2,809)           |                        |                    |                   |
|                                                                                                          | <b>P6,069,480</b>       | <b>P4,322,356</b>  | <b>P4,824,898</b> |                        |                    |                   |

See accompanying Notes to Financial Statements.

## STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

|                                                    | Capital Stock<br>(Note 22) | Capital Paid in<br>Excess of<br>Par Value<br>(Note 22) | Surplus<br>Reserves<br>(Notes 22 and 27) | Surplus<br>(Notes 22 and 27) |
|----------------------------------------------------|----------------------------|--------------------------------------------------------|------------------------------------------|------------------------------|
| <b>Balance at January 1, 2016</b>                  | <b>P18,537,285</b>         | <b>P6,987,564</b>                                      | <b>P828,406</b>                          | <b>P33,800,748</b>           |
| Total comprehensive income (loss) for the year     | -                          | -                                                      | -                                        | 6,458,296                    |
| Additional acquisition of non-controlling interest | -                          | -                                                      | -                                        | -                            |
| Transfer from surplus to surplus reserves          | -                          | -                                                      | 33,224                                   | (33,224)                     |
| Stock dividends - 8.00%                            | 1,482,993                  | -                                                      | -                                        | (1,482,993)                  |
| Cash dividends - P1.00 per share                   | -                          | -                                                      | -                                        | (1,853,728)                  |
| <b>Balance at December 31, 2016</b>                | <b>P20,020,278</b>         | <b>P6,987,564</b>                                      | <b>P861,630</b>                          | <b>P36,889,099</b>           |
| Balance at January 1, 2015                         | P17,164,143                | P6,987,564                                             | P800,006                                 | P31,312,038                  |
| Total comprehensive income (loss) for the year     | -                          | -                                                      | -                                        | 5,606,666                    |
| Additional acquisition of non-controlling interest | -                          | -                                                      | -                                        | -                            |
| Transfer from surplus to surplus reserves          | -                          | -                                                      | 28,400                                   | (28,400)                     |
| Stock dividends - 8.00%                            | 1,373,142                  | -                                                      | -                                        | (1,373,142)                  |
| Cash dividends - P1.00 per share                   | -                          | -                                                      | -                                        | (1,716,414)                  |
| Balance at December 31, 2015                       | P18,537,285                | P6,987,564                                             | P828,406                                 | P33,800,748                  |
| Balance at January 1, 2014                         | P14,276,616                | P671,505                                               | P775,069                                 | P29,079,843                  |
| Total comprehensive income (loss) for the year     | -                          | -                                                      | -                                        | 5,117,832                    |
| Transfer from surplus to surplus reserves          | -                          | -                                                      | 24,937                                   | (24,937)                     |
| Issuance of common shares (P49.50 per share)       | 1,616,099                  | 6,383,590                                              | -                                        | -                            |
| Transaction costs on the issuance of common shares | -                          | (67,531)                                               | -                                        | -                            |
| Stock dividends - 8.00%                            | 1,271,428                  | -                                                      | -                                        | (1,271,428)                  |
| Cash dividends - P1.00 per share                   | -                          | -                                                      | -                                        | (1,589,272)                  |
| Balance at December 31, 2014                       | P17,164,143                | P6,987,564                                             | P800,006                                 | P31,312,038                  |

See accompanying Notes to Financial Statements.

|                                                                  | Capital Stock<br>(Note 22) | Capital Paid in<br>Excess of<br>Par Value<br>(Note 22) | Surplus<br>Reserves<br>(Notes 22 and 27) |
|------------------------------------------------------------------|----------------------------|--------------------------------------------------------|------------------------------------------|
| <b>Balance at January 1, 2016, as previously reported</b>        | <b>P18,537,285</b>         | <b>P6,987,564</b>                                      | <b>P827,231</b>                          |
| Effect of retroactive application of PAS 27 (Amendment) (Note 2) | -                          | -                                                      | 1,175                                    |
| Balance at January 1, 2016, as restated                          | 18,537,285                 | 6,987,564                                              | 828,406                                  |
| Total comprehensive income (loss) for the year                   | -                          | -                                                      | -                                        |
| Transfer from surplus to surplus reserves                        | -                          | -                                                      | 33,224                                   |
| Stock dividends - 8.00%                                          | 1,482,993                  | -                                                      | -                                        |
| Cash dividends - P1.00 per share                                 | -                          | -                                                      | -                                        |
| <b>Balance at December 31, 2016</b>                              | <b>P20,020,278</b>         | <b>P6,987,564</b>                                      | <b>P861,630</b>                          |
| Balance at January 1, 2015, as previously reported               | P17,164,143                | P6,987,564                                             | P800,006                                 |
| Effect of retroactive application of PAS 27 (Amendment) (Note 2) | -                          | -                                                      | -                                        |
| Balance at January 1, 2015, as restated                          | 17,164,143                 | 6,987,564                                              | 800,006                                  |
| Total comprehensive income (loss) for the year                   | -                          | -                                                      | -                                        |
| Transfer from surplus to surplus reserves                        | -                          | -                                                      | 28,400                                   |
| Stock dividends - 8.00%                                          | 1,373,142                  | -                                                      | -                                        |
| Cash dividends - P1.00 per share                                 | -                          | -                                                      | -                                        |
| Balance at December 31, 2015                                     | P18,537,285                | P6,987,564                                             | P828,406                                 |
| Balance at January 1, 2014                                       | P14,276,616                | P671,505                                               | P775,069                                 |
| Effect of retroactive application of PAS 27 (Amendment) (Note 2) | -                          | -                                                      | -                                        |
| Balance at January 1, 2014, as restated                          | 14,276,616                 | 671,505                                                | 775,069                                  |
| Total comprehensive income (loss) for the year                   | -                          | -                                                      | -                                        |
| Transfer from surplus to surplus reserves                        | -                          | -                                                      | 24,937                                   |
| Issuance of common shares (P49.50 per share)                     | 1,616,099                  | 6,383,590                                              | -                                        |
| Transaction costs on the issuance of common shares               | -                          | (67,531)                                               | -                                        |
| Stock dividends - 8.00%                                          | 1,271,428                  | -                                                      | -                                        |
| Cash dividends - P1.00 per share                                 | -                          | -                                                      | -                                        |
| Balance at December 31, 2014                                     | P17,164,143                | P6,987,564                                             | P800,006                                 |

See accompanying Notes to Financial Statements.

| Consolidated                                                                              |                                                                                |                                         |             |                                          |              |
|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------|-------------|------------------------------------------|--------------|
| Equity Attributable to Equity Holders of the Parent Company                               |                                                                                |                                         |             |                                          |              |
| Net Unrealized<br>Gains(Losses)<br>on Available-for-<br>Sale Financial<br>Assets (Note 8) | Remeasurement<br>Gain on Defined<br>Benefit Asset or<br>Liability<br>(Note 23) | Cumulative<br>Translation<br>Adjustment | Total       | Non-controlling<br>Interest<br>(Note 10) | Total Equity |
| (P1,126,080)                                                                              | P183,155                                                                       | (P34,634)                               | P59,176,444 | (P5,540)                                 | P59,170,904  |
| (472,520)                                                                                 | 70,790                                                                         | 12,134                                  | 6,068,700   | 780                                      | 6,069,480    |
| -                                                                                         | -                                                                              | -                                       | -           | (452)                                    | (452)        |
| -                                                                                         | -                                                                              | -                                       | -           | -                                        | -            |
| -                                                                                         | -                                                                              | -                                       | -           | -                                        | -            |
| -                                                                                         | -                                                                              | -                                       | (1,853,728) | -                                        | (1,853,728)  |
| (P1,598,600)                                                                              | P253,945                                                                       | (P22,500)                               | P63,391,416 | (P5,212)                                 | P63,386,204  |
| P122,920                                                                                  | P199,151                                                                       | (P20,392)                               | P56,565,430 | P2,053                                   | P56,567,483  |
| (1,249,000)                                                                               | (15,996)                                                                       | (14,242)                                | 4,327,428   | (5,072)                                  | 4,322,356    |
| -                                                                                         | -                                                                              | -                                       | -           | (2,521)                                  | (2,521)      |
| -                                                                                         | -                                                                              | -                                       | -           | -                                        | -            |
| -                                                                                         | -                                                                              | -                                       | -           | -                                        | -            |
| -                                                                                         | -                                                                              | -                                       | (1,716,414) | -                                        | (1,716,414)  |
| (P1,126,080)                                                                              | P183,155                                                                       | (P34,634)                               | P59,176,444 | (P5,540)                                 | P59,170,904  |
| (P79,258)                                                                                 | P604,715                                                                       | P66,347                                 | P45,394,837 | P4,862                                   | P45,399,699  |
| 202,178                                                                                   | (405,564)                                                                      | (86,739)                                | 4,827,707   | (2,809)                                  | 4,824,898    |
| -                                                                                         | -                                                                              | -                                       | -           | -                                        | -            |
| -                                                                                         | -                                                                              | -                                       | 7,999,689   | -                                        | 7,999,689    |
| -                                                                                         | -                                                                              | -                                       | (67,531)    | -                                        | (67,531)     |
| -                                                                                         | -                                                                              | -                                       | -           | -                                        | -            |
| -                                                                                         | -                                                                              | -                                       | (1,589,272) | -                                        | (1,589,272)  |
| P122,920                                                                                  | P199,151                                                                       | (P20,392)                               | P56,565,430 | P2,053                                   | P56,567,483  |

| Parent Company               |                                                                                           |                                                                             |                                         |              |  |
|------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------|--------------|--|
| Surplus<br>(Notes 22 and 27) | Net Unrealized<br>Gains(Losses) on<br>Available-for-<br>Sale Financial<br>Assets (Note 8) | Remeasurement<br>Gain on Defined<br>Benefit Asset or<br>Liability (Note 23) | Cumulative<br>Translation<br>Adjustment | Total Equity |  |
| P34,219,656                  | (P979,614)                                                                                | P293,771                                                                    | (P36,281)                               | P59,849,612  |  |
| (418,908)                    | (146,466)                                                                                 | (110,616)                                                                   | 1,647                                   | (673,168)    |  |
| 33,800,748                   | (1,126,080)                                                                               | 183,155                                                                     | (34,634)                                | 59,176,444   |  |
| 6,458,296                    | (472,520)                                                                                 | 70,790                                                                      | 12,134                                  | 6,068,700    |  |
| (33,224)                     | -                                                                                         | -                                                                           | -                                       | -            |  |
| (1,482,993)                  | -                                                                                         | -                                                                           | -                                       | -            |  |
| (1,853,728)                  | -                                                                                         | -                                                                           | -                                       | (1,853,728)  |  |
| P36,889,099                  | (P1,598,600)                                                                              | P253,945                                                                    | (P22,500)                               | P63,391,416  |  |
| P31,489,977                  | P114,499                                                                                  | P283,741                                                                    | (P21,367)                               | P56,818,563  |  |
| (177,939)                    | 8,421                                                                                     | (84,589)                                                                    | 975                                     | (253,132)    |  |
| 31,312,038                   | 122,920                                                                                   | 199,152                                                                     | (20,392)                                | 56,565,431   |  |
| 5,606,666                    | (1,249,000)                                                                               | (15,997)                                                                    | (14,242)                                | 4,327,427    |  |
| (28,400)                     | -                                                                                         | -                                                                           | -                                       | -            |  |
| (1,373,142)                  | -                                                                                         | -                                                                           | -                                       | -            |  |
| (1,716,414)                  | -                                                                                         | -                                                                           | -                                       | (1,716,414)  |  |
| P33,800,748                  | (P1,126,080)                                                                              | P183,155                                                                    | (P34,634)                               | P59,176,444  |  |
| P29,261,042                  | (P73,855)                                                                                 | P596,643                                                                    | P66,348                                 | P45,573,368  |  |
| (181,199)                    | (5,403)                                                                                   | 8,072                                                                       | -                                       | (178,530)    |  |
| 29,079,843                   | (79,258)                                                                                  | 604,715                                                                     | 66,348                                  | 45,394,838   |  |
| 5,117,832                    | 202,178                                                                                   | (405,563)                                                                   | (86,740)                                | 4,827,707    |  |
| (24,937)                     | -                                                                                         | -                                                                           | -                                       | -            |  |
| -                            | -                                                                                         | -                                                                           | -                                       | 7,999,689    |  |
| -                            | -                                                                                         | -                                                                           | -                                       | (67,531)     |  |
| (1,271,428)                  | -                                                                                         | -                                                                           | -                                       | -            |  |
| (1,589,272)                  | -                                                                                         | -                                                                           | -                                       | (1,589,272)  |  |
| P31,312,038                  | P122,920                                                                                  | P199,152                                                                    | (P20,392)                               | P56,565,431  |  |

# STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

|                                                                              | Consolidated            |              |              | Parent Company         |              |              |
|------------------------------------------------------------------------------|-------------------------|--------------|--------------|------------------------|--------------|--------------|
|                                                                              | Years ended December 31 |              |              | January 1              |              |              |
|                                                                              | 2016                    | 2015         | 2014         | 2016                   | 2015         | 2015         |
|                                                                              |                         |              |              | (As restated – Note 2) |              |              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |                         |              |              |                        |              |              |
| Income before income tax                                                     | <b>P7,587,522</b>       | P6,412,545   | P6,679,912   | <b>P7,541,435</b>      | P6,434,736   | P6,526,664   |
| Adjustments for:                                                             |                         |              |              |                        |              |              |
| Depreciation and amortization (Notes 11, 12 and 13)                          | <b>1,124,786</b>        | 979,412      | 921,764      | <b>775,210</b>         | 676,286      | 630,577      |
| Provision for impairment and credit losses (Notes 12 and 14)                 | <b>84,758</b>           | 46,592       | 988,201      | <b>25,065</b>          | 358          | (766)        |
| Trading and securities gain on available-for-sale financial assets (Note 20) | <b>(918,673)</b>        | (638,723)    | (544,094)    | <b>(856,031)</b>       | (629,642)    | (541,653)    |
| Gain on sale of investment properties                                        | <b>(443,315)</b>        | (375,754)    | (355,065)    | <b>(338,088)</b>       | (353,249)    | (363,192)    |
| Gain on asset foreclosure and dacion transactions (Note 12)                  | <b>(172,480)</b>        | (274,978)    | (138,557)    | <b>(140,747)</b>       | (150,177)    | (82,306)     |
| Gain on acquisition of additional shares of an associate (Note 10)           | –                       | –            | (373,297)    | –                      | –            | (373,297)    |
| Share in net losses of an associate (Notes 2 and 10)                         | <b>89,384</b>           | 37,893       | 912          | <b>89,384</b>          | 37,893       | 912          |
| Share in net losses (income) of subsidiaries (Notes 2 and 10)                | –                       | –            | –            | <b>(464,999)</b>       | 201,900      | 369,126      |
| Gain on sale of investments in associates (Note 10)                          | –                       | –            | (64,557)     | –                      | –            | –            |
| Amortization of transaction costs                                            | –                       | –            | (61,855)     | –                      | –            | –            |
| Changes in operating assets and liabilities:                                 |                         |              |              |                        |              |              |
| Decrease (increase) in the amounts of:                                       |                         |              |              |                        |              |              |
| Financial assets at FVPL                                                     | <b>(1,282,482)</b>      | 2,160,869    | 5,742,304    | <b>(1,590,640)</b>     | 2,511,781    | 2,355,789    |
| Loans and receivables                                                        | <b>(78,070,247)</b>     | (20,521,459) | (37,932,588) | <b>(70,046,054)</b>    | (14,585,919) | (35,019,984) |
| Other assets                                                                 | <b>(1,225,573)</b>      | (444,632)    | (2,397,839)  | <b>(882,576)</b>       | (1,230,263)  | (639,817)    |
| Increase (decrease) in the amounts of:                                       |                         |              |              |                        |              |              |
| Deposit liabilities                                                          | <b>102,317,332</b>      | 39,964,142   | 463,406      | <b>97,358,575</b>      | 32,518,781   | 1,252,781    |
| Manager's checks                                                             | <b>573,280</b>          | 235,103      | 189,248      | <b>704,106</b>         | (80,700)     | 117,691      |
| Accrued interest and other expenses                                          | <b>283,916</b>          | (46,474)     | (304,814)    | <b>300,356</b>         | (51,480)     | (133,146)    |
| Other liabilities                                                            | <b>827,790</b>          | 1,070,312    | (199,381)    | <b>759,981</b>         | 1,262,845    | (778,487)    |
| Net cash generated from (used in) operations                                 | <b>30,776,000</b>       | 28,604,848   | (27,386,300) | <b>33,234,977</b>      | 26,563,150   | (26,679,108) |
| Income taxes paid                                                            | <b>(973,575)</b>        | (507,801)    | (565,202)    | <b>(863,477)</b>       | (414,842)    | (487,635)    |
| Net cash provided by (used in) operating activities                          | <b>29,802,425</b>       | 28,097,047   | (27,951,502) | <b>32,371,500</b>      | 26,148,308   | (27,166,743) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |                         |              |              |                        |              |              |
| Additions to bank premises, furniture, fixtures and equipment (Note 11)      | <b>(1,258,911)</b>      | (1,493,982)  | (1,063,905)  | <b>(1,065,308)</b>     | (1,400,741)  | (895,274)    |
| Acquisition through business combination - net of cash acquired (Note 10)    | –                       | –            | 4,051,917    | –                      | –            | –            |
| Additions to equity investments (Note 10)                                    | –                       | –            | –            | <b>(2,700,452)</b>     | (4,002,521)  | (4,089,200)  |
| Liquidation of a subsidiary (Note 10)                                        | –                       | –            | –            | <b>50,000</b>          | –            | –            |
| Purchases of:                                                                |                         |              |              |                        |              |              |
| Held-to-maturity financial assets                                            | <b>(41,647,865)</b>     | (4,490,149)  | (696,783)    | <b>(41,007,909)</b>    | (3,081,425)  | –            |
| Available-for-sale financial assets                                          | <b>(89,249,294)</b>     | (54,192,915) | (22,893,153) | <b>(87,747,373)</b>    | (53,870,729) | (22,211,530) |
| Proceeds from sale/maturity of:                                              |                         |              |              |                        |              |              |
| Held-to-maturity financial assets                                            | <b>374,569</b>          | 463,346      | 804,157      | <b>884,532</b>         | 489,568      | 768,801      |
| Available-for-sale financial assets                                          | <b>104,653,914</b>      | 43,031,164   | 29,570,640   | <b>103,940,382</b>     | 43,647,299   | 29,062,490   |
| Investment properties                                                        | <b>977,963</b>          | 1,137,792    | 1,449,958    | <b>675,003</b>         | 327,682      | 954,913      |
| Bank premises, furniture, fixtures and equipment                             | <b>151,286</b>          | 567,758      | 304,304      | <b>199,460</b>         | 571,677      | 325,410      |
| Investments in associates (Note 10)                                          | –                       | –            | 283,599      | –                      | –            | –            |
| Net cash provided by (used in) investing activities                          | <b>(25,998,338)</b>     | (14,976,986) | 11,810,734   | <b>(26,771,665)</b>    | (17,319,190) | 3,915,610    |

(Forward)



|                                                             | Consolidated            |                    |                      | Parent Company    |                        |                      |
|-------------------------------------------------------------|-------------------------|--------------------|----------------------|-------------------|------------------------|----------------------|
|                                                             | Years ended December 31 |                    |                      |                   | 2015                   | January 1            |
|                                                             | 2016                    | 2015               | 2014                 | 2016              | (As restated – Note 2) | 2015                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                         |                    |                      |                   |                        |                      |
| Proceeds from bills payable                                 | 18,588,791              | 19,151,089         | 4,629,728            | 18,588,791        | 18,488,559             | 4,335,248            |
| Settlement of bills payable                                 | (20,718,973)            | (6,386,489)        | (8,480,028)          | (20,056,443)      | (5,243,510)            | (7,456,841)          |
| Settlement of subordinated debt (Note 17)                   | –                       | (1,188,762)        | (525,000)            | –                 | –                      | –                    |
| Payments of cash dividends (Note 22)                        | (1,853,728)             | (1,716,414)        | (1,589,272)          | (1,853,728)       | (1,716,414)            | (1,589,272)          |
| Acquisitions of non-controlling interest (Note 10)          | (452)                   | (2,521)            | –                    | –                 | –                      | –                    |
| Proceeds from issuance of common shares (Note 22)           | –                       | –                  | 7,932,158            | –                 | –                      | 7,932,158            |
| Net cash provided by (used in) financing activities         | (3,984,362)             | 9,856,903          | 1,967,586            | (3,321,380)       | 11,528,635             | 3,221,293            |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>(P180,277)</b>       | <b>P22,976,964</b> | <b>(P14,173,182)</b> | <b>P2,278,455</b> | <b>P20,357,753</b>     | <b>(P20,029,840)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       |                         |                    |                      |                   |                        |                      |
| Cash and other cash items                                   | 11,377,101              | 10,734,059         | 7,281,641            | 10,052,891        | 9,295,130              | 7,035,251            |
| Due from Bangko Sentral ng Pilipinas (Note 7)               | 86,318,501              | 67,451,648         | 78,968,133           | 77,003,616        | 60,543,867             | 75,678,312           |
| Due from other banks (Note 7)                               | 21,243,492              | 17,552,823         | 23,885,538           | 19,200,544        | 15,836,701             | 23,215,575           |
| Interbank loans receivables                                 | –                       | 223,600            | –                    | –                 | 223,600                | –                    |
|                                                             | 118,939,094             | 95,962,130         | 110,135,312          | 106,257,051       | 85,899,298             | 105,929,138          |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             |                         |                    |                      |                   |                        |                      |
| Cash and other cash items                                   | 12,010,543              | 11,377,101         | 10,734,059           | 10,580,748        | 10,052,891             | 9,295,130            |
| Due from Bangko Sentral ng Pilipinas (Note 7)               | 91,964,495              | 86,318,501         | 67,451,648           | 85,307,128        | 77,003,616             | 60,543,867           |
| Due from other banks (Note 7)                               | 11,332,236              | 21,243,492         | 17,552,823           | 9,689,165         | 19,200,544             | 15,836,701           |
| Interbank loans receivables                                 | 3,451,543               | –                  | 223,600              | 2,958,465         | –                      | 223,600              |
|                                                             | P118,758,817            | P118,939,094       | P95,962,130          | P108,535,506      | P106,257,051           | P85,899,298          |

#### OPERATING CASH FLOWS FROM INTEREST

|                   | Consolidated      |            |            | Parent Company |                        |            |
|-------------------|-------------------|------------|------------|----------------|------------------------|------------|
|                   | As of December 31 |            |            |                | 2015                   | January 1  |
|                   | 2016              | 2015       | 2014       | 2016           | (As restated – Note 2) | 2014       |
| Interest paid     | P5,028,667        | P4,240,401 | P4,304,420 | P3,812,560     | P3,020,972             | P3,159,848 |
| Interest received | 21,498,837        | 18,932,577 | 18,059,567 | 17,273,294     | 15,163,965             | 14,523,547 |

See accompanying Notes to Financial Statements.

# NOTES TO FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

China Banking Corporation (the Parent Company) is a publicly listed commercial bank incorporated in the Philippines. The Parent Company acquired its universal banking license in 1991. It provides expanded commercial banking products and services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury products, trust products, foreign exchange, corporate finance and other investment banking services through a network of 391 and 352 local branches as of December 31, 2016 and 2015, respectively.

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

The Parent Company has the following subsidiaries:

| Subsidiary                                          | Effective Percentages of Ownership |         | Country of Incorporation | Principal Activities        |
|-----------------------------------------------------|------------------------------------|---------|--------------------------|-----------------------------|
|                                                     | 2016                               | 2015    |                          |                             |
| Chinabank Insurance Brokers, Inc. (CIBI)            | 100.00%                            | 100.00% | Philippines              | Insurance brokerage         |
| CBC Properties and Computer Center, Inc. (CBC-PCCI) | 100.00%                            | 100.00% | Philippines              | Computer services           |
| CBC Forex Corporation*                              | —                                  | 100.00% | Philippines              | Foreign exchange            |
| China Bank Savings, Inc. (CBSI)                     | 98.29%                             | 98.07%  | Philippines              | Retail and consumer banking |
| China Bank Capital Corporation (CBCC)               | 100.00%                            | 100.00% | Philippines              | Investment house            |
| CBC Assets One, Inc.**                              | 100.00%                            | —       | Philippines              | Special purpose corporation |

\* Liquidated on December 19, 2016

\*\*Established in 2016, 100% owned through CBCC

On May 19, 2016, the BOD of CBCC approved the acquisition of ATC Securities, Inc. (ASI). On June 29, 2016, CBCC and the stockholders of ASI signed the Share Purchase Agreement (SPA) covering the purchase of CBCC of the 100.00% shares of ASI. The stock brokerage house shall be known as China Bank Securities Corporation. On the same date, 10% of the purchase price has been paid. On February 22, 2017, the Philippine Stock Exchange approved the transfer of shares of ASI to CBCC pursuant to Article III, Section 4 of the Rules Governing Trading Rights and Trading Participants. With the regulatory approval, the Group obtained control of ASI effective February 22, 2017.

The Parent Company has no ultimate parent company. SM Investments Corporation, its significant investor, has effective ownership in the Parent Company of 17.21% and 19.90% as of December 31, 2016 and 2015, respectively.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as "the Group").

The accompanying financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets. The financial statements are presented in Philippine peso, and all values are rounded to the nearest thousand peso except when otherwise indicated.

The financial statements of the Parent Company reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements of these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company's subsidiaries is the Philippine peso.

#### Statement of Compliance

The financial statements of the Group and the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Presentation of Financial Statements

The balance sheets of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Group and the Parent Company assess that they have currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group, the Parent Company and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and the Parent Company.

#### Basis of Consolidation and Investments in Subsidiaries

The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company.

The Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the related OCI recorded in equity and recycle the same to profit or loss or surplus
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes the remaining difference in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be recognized if the Group had directly disposed of the related assets or liabilities

#### Non-Controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

# NOTES TO FINANCIAL STATEMENTS

## Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2016. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

- *New and Amended Standards*
  - Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception
  - Amendments to PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations
  - Amendments to PAS 1, *Presentation of Financial Statements* - Disclosure Initiative
- PFRS 14, *Regulatory Deferral Accounts*
  - Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
  - Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Clarification of Acceptable Method of Depreciation and Amortization
- *Annual Improvements to PFRSs (2012 – 2014 Cycle)*
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* – Changes in Methods of Disposal
  - PFRS 7, *Financial Instruments: Disclosures* – Servicing Contracts
  - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits* – Regional Market Issue Regarding Discount Rate
  - PAS 34, *Interim Financial Reporting* – Disclosure of Information ‘Elsewhere in the Interim Financial Report’

On January 1, 2016, the Group adopted the amendments to PAS 27, *Separate Financial Statements* – Equity Method in Separate Financial Statements (Amendments). The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Parent Company elected to use the equity method in its separate financial statements in line with BSP Circular 915, issued in July 5, 2016, which provides guidance for banks on financial reporting requirements. The effects of the adoption of the amended PAS 27 are detailed below:

|                                                          | Parent Company         |                         |             |
|----------------------------------------------------------|------------------------|-------------------------|-------------|
|                                                          | As previously reported | Restatement adjustments | As restated |
| <u>Balance sheets</u>                                    |                        |                         |             |
| <b>December 31, 2015</b>                                 |                        |                         |             |
| <u>Asset</u>                                             |                        |                         |             |
| Investment in subsidiaries                               | ₱10,019,471            | (₱878,294)              | ₱9,141,177  |
| Investment in associate                                  | 166,273                | 205,126                 | 371,399     |
| <u>Equity</u>                                            |                        |                         |             |
| Surplus                                                  | 34,219,656             | (418,908)               | 33,800,748  |
| Surplus reserves                                         | 827,231                | 1,175                   | 828,406     |
| Net unrealized losses on AFS financial assets            | (979,614)              | (146,466)               | (1,126,080) |
| Remeasurement gain on defined benefit asset              | 293,771                | (110,616)               | 183,155     |
| Cumulative translation adjustment                        | (36,281)               | 1,647                   | (34,634)    |
| <b>January 1, 2015</b>                                   |                        |                         |             |
| <u>Asset</u>                                             |                        |                         |             |
| Investment in subsidiaries                               | ₱6,016,950             | (₱619,548)              | ₱5,397,402  |
| Investment in associate                                  | 166,273                | 366,416                 | 532,689     |
| <u>Equity</u>                                            |                        |                         |             |
| Surplus                                                  | 31,489,977             | (177,939)               | 31,312,038  |
| Surplus reserves                                         | 800,006                | –                       | 800,006     |
| Net unrealized gains (losses) on AFS                     | 114,499                | 8,421                   | 122,920     |
| Net unrealized losses on defined benefit financial asset | 283,741                | (84,589)                | 199,152     |
| Cumulative translation adjustment                        | (21,367)               | 975                     | (20,392)    |



|                                                                                                | Parent Company         |                         |             |
|------------------------------------------------------------------------------------------------|------------------------|-------------------------|-------------|
|                                                                                                | As previously reported | Restatement adjustments | As restated |
| <u>Statements of income</u>                                                                    |                        |                         |             |
| <b>For the year ended December 31, 2015</b>                                                    |                        |                         |             |
| Share in net losses of subsidiaries                                                            | P–                     | (P201,900)              | (P201,900)  |
| Share in net losses of an associate                                                            | –                      | (37,893)                | (37,893)    |
| <b>For the year ended December 31, 2014</b>                                                    |                        |                         |             |
| Share in net losses of subsidiaries                                                            | –                      | (369,126)               | (369,126)   |
| Share in net losses of an associate                                                            | –                      | (912)                   | (912)       |
| <u>Statements of comprehensive income</u>                                                      |                        |                         |             |
| <b>For the year ended December 31, 2015</b>                                                    |                        |                         |             |
| Share in net losses of subsidiaries                                                            | P–                     | (P201,900)              | (P201,900)  |
| Share in net losses of an associate                                                            | –                      | (37,893)                | (37,893)    |
| Share in changes in other comprehensive income of subsidiaries                                 | –                      | (126,068)               | (126,068)   |
| Share in changes in net unrealized gain on available-for-sale financial assets of an associate | –                      | (129,367)               | (129,367)   |
| <b>For the year ended December 31, 2014</b>                                                    |                        |                         |             |
| Share in net losses of subsidiaries                                                            | –                      | (369,126)               | (369,126)   |
| Share in net losses of an associate                                                            | –                      | (912)                   | (912)       |
| Share in changes in other comprehensive income of subsidiaries                                 | –                      | (69,223)                | (69,223)    |
| Share in changes in net unrealized gain on available-for-sale financial assets of an associate | –                      | (5,970)                 | (5,970)     |

## Significant Accounting Policies

### Foreign Currency Translation

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

### Transactions and balances

The books of accounts of the RBU are maintained in Philippine peso, the RBU's functional currency, while those of the FCDU are maintained in United States (US) dollars (USD), the FCDU's functional currency. For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year, and foreign currency-denominated income and expenses, at the exchange rates on transaction dates. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### FCDU

As at the reporting date, the assets and liabilities of the FCDU are translated into the Parent Company's presentation currency (the Philippine Peso) at the PDS closing rate prevailing at the reporting date, and its income and expenses are translated at the PDSWAR for the year. Exchange differences arising on translation are taken directly to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon actual remittance or transfer of the FCDU income to RBU, the related exchange difference arising from translation lodged under 'Cumulative translation adjustment' is recognized in the statement of income of the RBU books.

### Fair Value Measurement

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

### Cash and Cash Equivalents

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

### Financial Instruments - Initial Recognition and Subsequent Measurement

#### *Date of recognition*

Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at FVPL, and in equity for assets classified as AFS financial assets. Derivatives are recognized on a trade date basis. Deposits, amounts due to banks and customers loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

#### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

#### *'Day 1' difference*

Where the transaction price in a non-active market is different with the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

#### *Financial assets and financial liabilities at FVPL*

Financial assets and financial liabilities at FVPL include financial assets and liabilities held for trading purposes, financial assets and financial liabilities designated upon initial recognition as at FVPL, and derivative instruments.

#### *Financial instruments held for trading*

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

#### *Financial instruments designated at FVPL*

Financial assets and financial liabilities are designated as at FVPL by management on initial recognition when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Trading and securities gain - net' in the statement of income. Interest earned or incurred is reported in the statement of income under 'Interest income' or 'Interest expense', respectively, while dividend income is reported in the statement of income under 'Miscellaneous income' when the right to receive payment has been established.

#### *Derivatives recorded at FVPL*

The Parent Company is a party to derivative instruments, particularly, forward exchange contracts, interest rate swaps (IRS) and warrants. These contracts are entered into as a service to customers and as a means of reducing and managing the Parent Company's foreign exchange risk, and interest rate risk as well as for trading purposes, but are not designated as hedges. Such derivative financial instruments are stated at fair value through profit or loss.

Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income under 'Foreign exchange gain (loss) - net' for forward exchange contracts and 'Trading and securities gain-net' for IRS and warrants.

Embedded derivatives that are bifurcated from the host financial and non-financial contracts are also accounted for at FVPL.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at fair value through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that would otherwise be required.

#### *Held-to-maturity financial assets*

HTM financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group would sell other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in income when the HTM financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment and credit losses'. The effects of translation of foreign currency-denominated HTM financial assets are recognized in the statement of income.

#### *Loans and receivable*

This accounting policy relates to the balance sheet captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivables', 'Loans and receivables', and 'Accrued interest receivable'. It also applies to accounts receivable and other financial instruments shown under 'Other assets'. These are financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as FVPL;
- those that the Group, upon initial recognition, designates as AFS; and
- those for which the Group may not cover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, these are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included under 'Interest income' in the statement of income. The losses arising from impairment are recognized under 'Provision for impairment and credit losses' in the statement of income.

## NOTES TO FINANCIAL STATEMENTS

### *Available-for-sale financial assets*

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of translation of foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported as 'Net unrealized gains (losses) on AFS financial assets' under OCI.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain - net' in the statement of income. Interest earned on holding AFS debt securities are reported as 'Interest income' using the EIR. Dividends earned on holding AFS equity instruments are recognized in the statement of income as 'Miscellaneous income' when the right to the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for impairment and credit losses' in the statement of income.

### *Other financial liabilities*

These are issued financial instruments or their components which are not designated as at FVPL and where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities not qualified and not designated as at FVPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy relates to the balance sheet captions 'Deposit liabilities', 'Bills payable', 'Manager's checks', and financial liabilities presented under 'Accrued interest and other expenses' and 'Other liabilities'.

### Reclassification of Financial Assets

The Group may reclassify, in rare circumstances, non-derivative financial assets out of the HFT investments category and into the AFS financial assets, Loans and Receivables or HTM financial assets categories. The Group may also reclassify, in certain circumstances, financial instruments out of the AFS financial assets to loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

The Group may reclassify a non-derivative trading asset out of HFT investments and into the Loans and Receivable category if it meets the definition of loans and receivables, the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity and only in rare circumstances. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in OCI is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired then the amount recorded in OCI is recycled to the statement of income. Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the FVPL category after initial recognition. An analysis of reclassified financial assets is disclosed in Note 8.

### Derecognition of Financial Assets and Liabilities

#### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

#### *Impairment of Financial Assets*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'Miscellaneous income'.

#### *Financial assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### *Available-for-sale financial assets*

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

## NOTES TO FINANCIAL STATEMENTS

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If, in subsequent years, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

### *Restructured loans*

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment and credit losses' in the statement of income.

### Investment in Associates

Associates pertain to all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20.00% and 50.00% of the voting rights. In the consolidated and parent company financial statements, investments in associates are accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associates. Goodwill, if any, relating to an associate is included in the carrying value of the investment and is not amortized. The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits or losses resulting from transactions between the Group and an associate are eliminated to the extent of the interest in the associate.

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

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

### Investment in Subsidiaries

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

### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are charged to profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, either in profit or loss or as a charge to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment identified for segment reporting purposes.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

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

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

#### Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any impairment in value while depreciable properties such as buildings, leasehold improvements, and furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the bank premises, furniture, fixtures and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance costs.

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

Depreciation and amortization is calculated using the straight-line method over the estimated useful life (EUL) of the depreciable assets as follows:

|                                   | EUL                                           |
|-----------------------------------|-----------------------------------------------|
| Buildings                         | 50 years                                      |
| Furniture, fixtures and equipment | 3 to 5 years                                  |
| Leasehold improvements            | Shorter of 6 years or the related lease terms |

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of bank premises, furniture, fixtures and equipment and leasehold improvements.

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

#### Investment Properties

Investment properties include real properties acquired in settlement of loans and receivables which are measured initially at cost, including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The difference between the fair value of the investment property upon foreclosure and the carrying value of the loan is recognized under 'Gain on asset foreclosure and dacion transactions' in the statement of income. Subsequent to initial recognition, depreciable investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value except for land which is stated at cost less impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

## NOTES TO FINANCIAL STATEMENTS

Depreciation is calculated on a straight-line basis using the remaining EUL of the building and improvement components of investment properties which ranged from 10 to 33 years from the time of acquisition of the investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the derecognition of an investment property are recognized as 'Gain on sale of investment properties' in the statement of income in the year of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

### Intangible Assets

Intangible assets include software cost and branch licenses resulting from the Parent Company's acquisition of CBSI, Unity Bank and PDB (Notes 10 and 13).

#### *Software costs*

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

#### *Branch licenses*

The branch licenses are initially measured at fair value as of the date of acquisition and are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

Such intangible assets are not amortized, instead they are tested for impairment annually either individually or at the CGU level. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the intangible asset relates. Recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in earnings when the asset is derecognized.

### Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (e.g., investment in associates, investment properties, bank premises, furniture, fixtures and equipment, goodwill and intangible assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is charged to operations in the year in which it arises.

For nonfinancial assets, excluding goodwill and branch licenses, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed, except for goodwill, only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; or
- (b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term; or
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

#### *Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term and included in 'Occupancy cost' in the statement of income.

#### *Group as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Capital Stock

Capital stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Capital paid in excess of par value' in the balance sheet. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Interest income*

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVPL and AFS financial assets, interest income is recorded at EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, as applicable, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

#### *Fee and commission income*

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

- a. *Fee income earned from services that are provided over a certain period of time*  
Fees earned for the provision of services over a period of time that are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, commission income, credit related fees, asset management fees, portfolio and other management fees, and advisory fees. Loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. If the commitment expires without the Group making the loan, the commitment fees are recognized as other income on expiry.
- b. *Fee income from providing transactions services*  
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, corporate finance fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

#### *Service charges and penalties*

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

#### *Dividend income*

Dividend income is recognized when the Group's right to receive payment is established.

## NOTES TO FINANCIAL STATEMENTS

### *Trading and securities gain*

This represents results arising from trading activities including all gains and losses from changes in fair value of financial assets held for trading and designated at FVPL. It also includes gains and losses realized from sale of AFS financial assets.

### *Other income*

Income from sale of service is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and when the collectability of the sales price is reasonably assured.

### Expense Recognition

Expense is recognized when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

### *Interest expense*

Interest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

### *Other expenses*

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

### Retirement Benefits

#### *Defined benefit plan*

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

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

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

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

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

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

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

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

### *Employee leave entitlement*

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

### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

### Income Taxes

#### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

#### *Deferred tax*

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

### Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock splits, stock dividends declared and stock rights exercised during the year, if any.

The Parent Company has no outstanding dilutive potential common shares.

### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company and its subsidiaries. Dividends declared during the year that are approved after the reporting date are dealt with as an event after the reporting date.

### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30. The Group's revenue producing assets are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

## NOTES TO FINANCIAL STATEMENTS

### Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

### Events after the Reporting Period

Any post year-end events that provide additional information about the Group's position at the reporting date (adjusting event) are reflected in the Group's financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

### **Standards Issued but Not Yet Effective**

#### *Effective beginning on or after January 1, 2017*

Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

#### *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 financial statements of the Group and the Parent Company.

#### *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

#### *Effective beginning on or after January 1, 2018*

Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The above amendments have no impact on the Group's financial statements.

#### *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

These amendments are not expected to have any impact on the Group.



#### *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities and application of hedge accounting. The adoption will also have an effect on the amount of its credit losses.

The Group is currently assessing the impact of adopting this standard.

#### *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of adopting this standard.

#### *Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The Group is currently assessing the impact of adopting this standard.

#### *Amendments to PAS 40, Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Group is currently assessing the impact of adopting this standard.

#### *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

#### *Effective beginning on or after January 1, 2019*

##### *PFRS 16, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

## NOTES TO FINANCIAL STATEMENTS

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting this standard.

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### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities at reporting date. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Judgments

##### *a. Fair value of financial instruments*

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions conducted on an arm's length basis.

Where the fair values of financial assets and financial liabilities recorded on the balance sheet or disclosed in the notes cannot be derived from active markets, they are determined using a variety of valuation techniques acceptable to the market as alternative valuation approaches that include the use of mathematical models. All financial models are certified before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, the financial models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments (Note 5).

##### *b. HTM financial assets*

The classification to HTM financial assets requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire portfolio as part of AFS financial assets. The investments would therefore be measured at fair value and not at amortized cost.

Details of AFS financial assets reclassified in HTM are disclosed in Note 8.

##### *c. Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

#### Estimates

##### *a. Credit losses on loans and receivables*

The Group reviews its loans and receivables at each reporting date to assess whether an allowance for credit losses should be recorded in the balance sheet and any changes thereto in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment assessment on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. The resulting collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired.

The carrying values of loans and receivables and the related allowance for credit losses of the Group and the Parent Company are disclosed in Notes 9 and 15.

##### *b. Impairment of HTM and AFS debt investments*

The Group determines that AFS debt investments are impaired based on the same criteria as loans and receivables.

As of December 31, 2016 and 2015, HTM and AFS debt investments were unimpaired. The carrying values of HTM and AFS debt investments are disclosed in Note 8.

c. *Impairment on investments in subsidiaries and associates and other nonfinancial assets*

The Parent Company assesses impairment on its investments in subsidiaries and associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries and associate include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary operates.

The Group also assesses impairment on its nonfinancial assets (e.g., investment properties and bank premises, furniture, fixtures and equipment) and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the Group's investments in subsidiaries and associate and other nonfinancial assets are disclosed in Notes 10, 11 and 12, respectively.

d. *Impairment of goodwill and branch licenses*

The Group conducts an annual review for any impairment in the value of goodwill and branch licenses. Goodwill and branch licenses are written down for impairment where the recoverable value is insufficient to support the carrying value. The recoverable amount of goodwill and branch licenses is the higher between fair value less costs of disposal (FVLCD) and its value-in-use (VIU). FVLCD of branch licenses is based on the special licensing fee of BSP on branches operating on identified restricted areas. For VIU, the Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the CGUs. Average growth rate is derived from the average increase in annual income of the CGUs during the last 5 years. The recoverable amount of the CGU is determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

The carrying values of the Group's goodwill and branch licenses are disclosed in Note 13.

e. *Net plan assets and retirement expense*

The determination of the Group's net plan assets and annual retirement expense is dependent on the selection of certain assumptions used in calculating such amounts. These assumptions include, among others, discount rates and salary rates.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. Refer to Note 23 for the details on the assumptions used in the calculation.

The present value of the retirement obligation and fair value of plan assets are disclosed in Note 23.

f. *Recognition of deferred income taxes*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management discretion is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies.

The Group believes it will be able to generate sufficient taxable income in the future to utilize its recorded deferred tax assets. Taxable income is sourced mainly from interest income from lending activities and earnings from service charge, fees, commissions and trust activities.

The recognized and unrecognized deferred tax assets are disclosed in Note 26.

## NOTES TO FINANCIAL STATEMENTS

### 4. FINANCIAL INSTRUMENT CATEGORIES

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

|                             | Consolidated        |              | Parent Company      |              |
|-----------------------------|---------------------|--------------|---------------------|--------------|
|                             | 2016                | 2015         | 2016                | 2015         |
| <b>Financial assets</b>     |                     |              |                     |              |
| Cash and other cash items   | <b>₱12,010,543</b>  | ₱11,377,101  | <b>₱10,580,748</b>  | ₱10,052,891  |
| Financial assets at FVPL    | <b>7,703,899</b>    | 6,244,593    | <b>7,232,882</b>    | 5,465,417    |
| AFS financial assets        | <b>33,873,723</b>   | 48,829,233   | <b>31,153,750</b>   | 46,834,199   |
| HTM financial assets        | <b>57,404,800</b>   | 16,136,147   | <b>54,069,021</b>   | 13,945,645   |
| Loans and receivables:      |                     |              |                     |              |
| Due from BSP                | <b>91,964,495</b>   | 86,318,501   | <b>85,307,128</b>   | 77,003,616   |
| Due from other banks        | <b>11,332,236</b>   | 21,243,492   | <b>9,689,165</b>    | 19,200,544   |
| Interbank loans receivables | <b>3,451,543</b>    | –            | <b>2,958,465</b>    | –            |
| Loans and receivables       | <b>386,827,300</b>  | 309,761,777  | <b>329,069,859</b>  | 259,645,008  |
| Accrued interest receivable | <b>3,014,529</b>    | 2,621,737    | <b>2,666,353</b>    | 2,201,247    |
| Other assets                | <b>4,933,768</b>    | 4,235,672    | <b>2,990,134</b>    | 2,693,764    |
|                             | <b>501,523,871</b>  | 424,181,179  | <b>432,681,104</b>  | 360,744,179  |
| Total financial assets      | <b>₱612,516,836</b> | ₱506,768,253 | <b>₱535,717,505</b> | ₱437,042,331 |

\*Other assets include accounts receivables, sales contract receivable, returned checks and other cash items and miscellaneous financial assets (Note 14).

|                                      | Consolidated        |              | Parent Company      |              |
|--------------------------------------|---------------------|--------------|---------------------|--------------|
|                                      | 2016                | 2015         | 2016                | 2015         |
| <b>Financial liabilities</b>         |                     |              |                     |              |
| Other financial liabilities:         |                     |              |                     |              |
| Deposit liabilities                  | <b>₱541,583,018</b> | ₱439,265,686 | <b>₱470,961,991</b> | ₱373,603,416 |
| Bills payable                        | <b>16,954,998</b>   | 19,085,180   | <b>16,954,998</b>   | 18,422,650   |
| Manager's checks                     | <b>2,029,778</b>    | 1,456,498    | <b>1,445,585</b>    | 741,479      |
| Accrued interest and other expenses* | <b>870,204</b>      | 670,265      | <b>577,550</b>      | 355,436      |
| Other liabilities**                  | <b>5,238,408</b>    | 4,404,342    | <b>4,089,817</b>    | 3,337,858    |
|                                      | <b>566,676,406</b>  | 464,881,971  | <b>494,029,941</b>  | 396,460,839  |
| Financial liabilities at FVPL:       |                     |              |                     |              |
| Derivative liabilities               | <b>243,198</b>      | 66,373       | <b>243,198</b>      | 66,373       |
| Total financial liabilities          | <b>₱566,919,604</b> | ₱464,948,344 | <b>₱494,273,139</b> | ₱396,527,212 |

\*Accrued interest and other expenses exclude accrued payable for employee benefits, accrued lease payable and accrued taxes and other licenses (Note 18).

\*\*Other liabilities exclude withholding taxes payable and retirement liabilities (Note 19).

### 5. FAIR VALUE MEASUREMENT

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

As of December 31, 2016 and 2015, 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:



|                                      | Consolidated   |             |                |             |
|--------------------------------------|----------------|-------------|----------------|-------------|
|                                      | 2016           |             | 2015           |             |
|                                      | Carrying Value | Fair Value  | Carrying Value | Fair Value  |
| <b>Financial Assets</b>              |                |             |                |             |
| HTM financial assets (Note 8)        |                |             |                |             |
| Government bonds                     | ₪42,638,409    | ₪40,492,328 | ₪13,162,777    | ₪14,273,659 |
| Private bonds                        | 14,766,391     | 14,581,086  | 2,973,370      | 3,324,907   |
| Loans and receivables (Note 9)       |                |             |                |             |
| Corporate and commercial loans       | 315,140,091    | 294,494,449 | 250,661,528    | 255,872,291 |
| Consumer loans                       | 58,528,805     | 53,251,627  | 46,421,426     | 53,331,599  |
| Trade-related loans                  | 12,767,908     | 12,945,460  | 12,360,222     | 13,564,618  |
| Others                               | 390,496        | 309,048     | 318,601        | 293,602     |
| Sales contracts receivable (Note 14) | 893,084        | 876,406     | 967,329        | 974,123     |
| <b>Financial Liabilities</b>         |                |             |                |             |
| Deposit liabilities                  | 541,583,018    | 534,102,368 | 439,265,686    | 429,639,806 |
| Bills payable                        | 16,954,998     | 16,409,581  | 19,085,180     | 18,993,875  |
| <b>Parent Company</b>                |                |             |                |             |
|                                      | 2016           |             | 2015           |             |
|                                      | Carrying Value | Fair Value  | Carrying Value | Fair Value  |
|                                      |                |             |                |             |
| <b>Financial Assets</b>              |                |             |                |             |
| HTM financial assets (Note 8)        |                |             |                |             |
| Government bonds                     | ₪39,952,630    | ₪37,832,994 | ₪11,422,275    | ₪12,532,769 |
| Private bonds                        | 14,116,391     | 13,939,793  | 2,523,370      | 2,877,180   |
| Loans and receivables (Note 9)       |                |             |                |             |
| Corporate and commercial loans       | 283,740,901    | 264,258,587 | 220,451,670    | 223,257,420 |
| Consumer loans                       | 34,149,927     | 29,357,086  | 28,364,417     | 30,991,571  |
| Trade-related loans                  | 11,110,851     | 11,289,013  | 10,757,421     | 11,559,856  |
| Others                               | 68,180         | 79,805      | 71,500         | 74,319      |
| Sales contracts receivable (Note 14) | 224,149        | 267,688     | 257,473        | 264,268     |
| <b>Financial Liabilities</b>         |                |             |                |             |
| Deposit liabilities                  | 470,961,992    | 462,544,056 | 373,603,416    | 363,221,514 |
| Bills payable                        | 16,954,998     | 16,409,581  | 18,422,650     | 18,330,913  |

The methods and assumptions used by the Group and Parent Company in estimating the fair values of the financial instruments follow:

*Cash and other cash items, due from BSP and other banks, interbank loans receivables and accrued interest receivable* - The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

*Debt securities* - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

*Equity securities* - For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

*Loans and receivables and sales contracts receivable (SCR) included in other assets* - Fair values of loans and receivables and SCR are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental lending rates for similar types of loans and receivables.

*Accounts receivable, returned checks and other cash items (RCOCI) and other financial assets included in other assets* - Quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities.

## NOTES TO FINANCIAL STATEMENTS

*Derivative instruments (included under FVPL)* - Fair values are estimated based on quoted market prices provided by independent parties or accepted valuation models (either based on discounted cash flow techniques or option pricing models, as applicable).

*Deposit liabilities (time, demand and savings deposits)* - Fair values of time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

*Bills payable* - Fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued.

*Manager's checks and accrued interest and other expenses* - Carrying amounts approximate fair values due to the short-term nature of the accounts.

*Other liabilities* - Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

*Level 1:* quoted prices in active markets for identical assets or liabilities;

*Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

*Level 3:* inputs that are not based on observable market data or unobservable inputs.

As of December 31, 2016 and 2015, the fair value hierarchy of the Group's and the Parent Company's assets and liabilities are presented below:

|                                                                           | Consolidated       |                   |             |                    |
|---------------------------------------------------------------------------|--------------------|-------------------|-------------|--------------------|
|                                                                           | 2016               |                   |             |                    |
|                                                                           | Level 1            | Level 2           | Level 3     | Total              |
| <b>Recurring fair value measurements<sup>(a)</sup></b>                    |                    |                   |             |                    |
| Financial assets at FVPL                                                  |                    |                   |             |                    |
| Held-for-trading                                                          |                    |                   |             |                    |
| Government bonds                                                          | P2,322,038         | P82,011           | P-          | P2,404,049         |
| Treasury notes                                                            | 307,455            | 724,220           | -           | 1,031,675          |
| Treasury bills                                                            | -                  | 994,203           | -           | 994,203            |
| Private bonds                                                             | 594,798            | -                 | -           | 594,798            |
| Financial assets designated at FVPL                                       | 2,462,886          | -                 | -           | 2,462,886          |
| Derivative assets                                                         | -                  | 216,288           | -           | 216,288            |
| AFS financial assets                                                      |                    |                   |             |                    |
| Government bonds                                                          | 21,822,016         | -                 | -           | 21,822,016         |
| Quoted private bonds                                                      | 4,735,050          | 6,682,562         | -           | 11,417,612         |
| Quoted equity shares                                                      | 80,947             | -                 | -           | 80,947             |
|                                                                           | <b>P32,325,190</b> | <b>P8,699,284</b> | <b>P-</b>   | <b>P41,540,049</b> |
| Financial liabilities at FVPL                                             |                    |                   |             |                    |
| Derivative liabilities                                                    | -                  | 243,198           | -           | 243,198            |
|                                                                           | <b>P-</b>          | <b>P243,198</b>   | <b>P-</b>   | <b>P243,198</b>    |
| <b>Fair values of assets carried at amortized cost/cost<sup>(a)</sup></b> |                    |                   |             |                    |
| HTM financial assets                                                      |                    |                   |             |                    |
| Government bonds                                                          | P40,492,328        | P-                | P-          | P40,492,328        |
| Private bonds                                                             | 14,581,086         | -                 | -           | 14,581,086         |
| Loans and receivables                                                     |                    |                   |             |                    |
| Corporate and commercial loans                                            | -                  | -                 | 294,494,449 | 294,494,449        |
| Consumer loans                                                            | -                  | -                 | 53,251,627  | 53,251,627         |
| Trade-related loans                                                       | -                  | -                 | 12,945,460  | 12,945,460         |
| Others                                                                    | -                  | -                 | 309,048     | 309,048            |

|                                                                           | Consolidated |         |              |              |
|---------------------------------------------------------------------------|--------------|---------|--------------|--------------|
|                                                                           | 2016         |         |              |              |
|                                                                           | Level 1      | Level 2 | Level 3      | Total        |
| Sales contracts receivable                                                | P–           | P–      | P876,406     | P876,406     |
| Investment properties <sup>(b)</sup>                                      |              |         |              |              |
| Land                                                                      | –            | –       | 6,763,387    | 6,763,387    |
| Buildings and improvements                                                | –            | –       | 2,221,151    | 2,221,151    |
|                                                                           | P55,073,414  | P–      | P370,861,528 | P425,934,942 |
| <b>Fair values of liabilities carried at amortized cost<sup>(a)</sup></b> |              |         |              |              |
| Deposit liabilities                                                       | P–           | P–      | P534,102,368 | P534,102,368 |
| Bills payable                                                             | –            | –       | 16,409,581   | 16,409,581   |
|                                                                           | P–           | P–      | P550,511,949 | P550,511,949 |

(a) valued as of December 31, 2016

(b) valued at various dates in 2016 and 2015

|                                                        | Consolidated |            |         |            |
|--------------------------------------------------------|--------------|------------|---------|------------|
|                                                        | 2015         |            |         |            |
|                                                        | Level 1      | Level 2    | Level 3 | Total      |
| <b>Recurring fair value measurements<sup>(a)</sup></b> |              |            |         |            |
| Financial assets at FVPL                               |              |            |         |            |
| Held-for-trading                                       |              |            |         |            |
| Government bonds                                       | P1,241,674   | P144,850   | P–      | P1,386,524 |
| Treasury notes                                         | 385,269      | 720,983    | –       | 1,106,252  |
| Treasury bills papers                                  | 388          | 594,963    | –       | 595,351    |
| Private bonds                                          | 556,570      | –          | –       | 556,570    |
| Financial assets designated at FVPL                    | 2,299,970    | –          | –       | 2,299,970  |
| Derivative assets                                      | –            | 299,926    | –       | 299,926    |
| AFS financial assets                                   |              |            |         |            |
| Government bonds                                       | 29,258,609   | 10,934,809 | –       | 40,193,418 |
| Quoted private bonds                                   | 8,213,921    | –          | –       | 8,213,921  |
| Quoted equity shares                                   | 111,470      | –          | –       | 111,470    |
|                                                        | 42,067,871   | 12,695,531 | –       | 54,763,402 |
| Financial liabilities at FVPL                          |              |            |         |            |
| Derivative liabilities                                 | –            | 66,373     | –       | 66,373     |
|                                                        | P–           | P66,373    | P–      | P66,373    |

**Fair values of assets carried at amortized cost/cost<sup>(a)</sup>**

|                                      |             |    |              |              |
|--------------------------------------|-------------|----|--------------|--------------|
| HTM financial assets                 |             |    |              |              |
| Government bonds                     | P14,273,659 | P– | P–           | P14,273,659  |
| Private bonds                        | 3,324,907   | –  | –            | 3,324,907    |
| Loans and receivables                |             |    |              |              |
| Corporate and commercial loans       | –           | –  | 255,872,291  | 255,872,291  |
| Consumer loans                       | –           | –  | 53,331,599   | 53,331,599   |
| Trade-related loans                  | –           | –  | 13,564,618   | 13,564,618   |
| Others                               | –           | –  | 293,602      | 293,602      |
| Sales contracts receivable           | –           | –  | 974,123      | 974,123      |
| Investment properties <sup>(b)</sup> | –           | –  | –            | –            |
| Land                                 | –           | –  | 7,117,231    | 7,117,231    |
| Buildings and improvements           | –           | –  | 2,401,016    | 2,401,016    |
|                                      | P17,598,566 | P– | P333,554,480 | P351,153,046 |

## NOTES TO FINANCIAL STATEMENTS

|                                                                           | Consolidated |         |              |              |
|---------------------------------------------------------------------------|--------------|---------|--------------|--------------|
|                                                                           | 2015         |         |              |              |
|                                                                           | Level 1      | Level 2 | Level 3      | Total        |
| <b>Fair values of liabilities carried at amortized cost<sup>(a)</sup></b> |              |         |              |              |
| Deposit liabilities                                                       | P–           | P–      | P429,639,806 | P429,639,806 |
| Bills payable                                                             | –            | –       | 18,993,875   | 18,993,875   |
|                                                                           | P–           | P–      | P448,633,681 | P448,633,681 |

(a) valued as of December 31, 2015

(b) valued at various dates in 2015 and 2014

|                                                        | Parent Company |           |         |            |
|--------------------------------------------------------|----------------|-----------|---------|------------|
|                                                        | 2016           |           |         |            |
|                                                        | Level 1        | Level 2   | Level 3 | Total      |
| <b>Recurring fair value measurements<sup>(a)</sup></b> |                |           |         |            |
| Financial assets at FVPL                               |                |           |         |            |
| Held-for-trading                                       |                |           |         |            |
| Government bonds                                       | P2,158,476     | P82,012   | P–      | P2,240,488 |
| Treasury notes                                         | –              | 724,219   | –       | 724,219    |
| Treasury bills                                         | –              | 994,203   | –       | 994,203    |
| Private bonds                                          | 594,798        | –         | –       | 594,798    |
| Financial assets designated at FVPL                    | 2,462,886      | –         | –       | 2,462,886  |
| Derivative assets                                      | –              | 216,288   | –       | 216,288    |
| AFS financial assets                                   |                |           |         |            |
| Government bonds                                       | 20,561,662     | –         | –       | 20,561,662 |
| Quoted private bonds                                   | 3,809,166      | 6,682,562 | –       | 10,157,258 |
| Quoted equity shares                                   | 80,947         | –         | –       | 80,947     |
|                                                        | 29,667,935     | 8,699,284 | –       | 38,032,749 |
| Financial liabilities at FVPL                          |                |           |         |            |
| Derivative liabilities                                 | –              | 243,198   | –       | 243,198    |
|                                                        | P–             | P243,198  | P–      | P243,198   |

|                                                                           |              |    |               |               |
|---------------------------------------------------------------------------|--------------|----|---------------|---------------|
| <b>Fair values of assets carried at amortized cost/cost<sup>(a)</sup></b> |              |    |               |               |
| HTM financial assets                                                      |              |    |               |               |
| Government bonds                                                          | P37,832,994  | P– | P–            | P 37,832,994  |
| Private bonds                                                             | 13,939,793   | –  | –             | 13,939,793    |
| Loans and receivables                                                     |              |    |               |               |
| Corporate and commercial loans                                            | –            | –  | 264,258,587   | 264,258,587   |
| Consumer loans                                                            | –            | –  | 29,357,086    | 29,357,086    |
| Trade-related loans                                                       | –            | –  | 11,289,013    | 11,289,013    |
| Others                                                                    | –            | –  | 79,805        | 79,805        |
| Sales contracts receivable                                                | –            | –  | 267,688       | 267,688       |
| Investment properties <sup>(b)</sup>                                      |              |    |               |               |
| Land                                                                      | –            | –  | 4,526,165     | 4,526,165     |
| Buildings and improvements                                                | –            | –  | 1,074,228     | 1,074,228     |
|                                                                           | P 51,772,787 | P– | P 310,852,572 | P 362,625,359 |
| <b>Fair values of liabilities carried at amortized cost</b>               |              |    |               |               |
| Deposit liabilities                                                       | P–           | P– | P 462,544,056 | P 462,544,056 |
| Bills payable                                                             | –            | –  | 16,409,581    | 16,409,581    |
|                                                                           | P–           | P– | P 478,953,637 | P 478,953,637 |

(a) valued as of December 31, 2016

(b) valued at various dates in 2016 and 2015



|                                                                           | Parent Company |            |              |              |
|---------------------------------------------------------------------------|----------------|------------|--------------|--------------|
|                                                                           | 2015           |            |              |              |
|                                                                           | Level 1        | Level 2    | Level 3      | Total        |
| <b>Recurring fair value measurements<sup>(a)</sup></b>                    |                |            |              |              |
| Financial assets at FVPL                                                  |                |            |              |              |
| Held-for-trading                                                          |                |            |              |              |
| Government bonds                                                          | ₱847,767       | ₱144,850   | ₱–           | ₱992,617     |
| Treasury notes                                                            | –              | 720,983    | –            | 720,983      |
| Treasury bills                                                            | 388            | 594,963    | –            | 595,351      |
| Private bonds                                                             | 556,570        | –          | –            | 556,570      |
| Financial assets designated at FVPL                                       | 2,299,970      | –          | –            | 2,299,970    |
| Derivative assets                                                         | –              | 299,926    | –            | 299,926      |
| AFS financial assets                                                      |                |            |              |              |
| Government bonds                                                          | 27,728,240     | 10,934,809 | –            | 38,663,049   |
| Quoted private bonds                                                      | 7,766,369      | –          | –            | 7,766,369    |
| Quoted equity shares                                                      | 111,470        | –          | –            | 111,470      |
|                                                                           | 39,310,774     | 12,695,531 | –            | 52,006,305   |
| Financial liabilities at FVPL                                             |                |            |              |              |
| Derivative liabilities                                                    | –              | 66,373     | –            | 66,373       |
|                                                                           | ₱–             | ₱66,373    | ₱–           | ₱66,373      |
| <b>Fair values of assets carried at amortized cost/cost<sup>(a)</sup></b> |                |            |              |              |
| HTM financial assets                                                      |                |            |              |              |
| Government bonds                                                          | ₱12,532,769    | ₱–         | ₱–           | ₱12,532,769  |
| Private bonds                                                             | 2,877,180      | –          | –            | 2,877,180    |
| Loans and receivables                                                     |                |            |              |              |
| Corporate and commercial loans                                            | –              | –          | 223,257,420  | 223,257,420  |
| Consumer loans                                                            | –              | –          | 30,991,571   | 30,991,571   |
| Trade-related loans                                                       | –              | –          | 11,559,856   | 11,559,856   |
| Others                                                                    | –              | –          | 74,319       | 74,319       |
| Sales contracts receivable                                                | –              | –          | 264,268      | 264,268      |
| Investment properties <sup>(b)</sup>                                      |                |            |              |              |
| Land                                                                      | –              | –          | 4,427,761    | 4,427,761    |
| Buildings and improvements                                                | –              | –          | 1,217,191    | 1,217,191    |
|                                                                           | ₱15,409,949    | ₱–         | ₱271,792,386 | ₱287,202,335 |
| <b>Fair values of liabilities carried at amortized cost</b>               |                |            |              |              |
| Deposit liabilities                                                       | ₱–             | ₱–         | ₱363,211,514 | ₱363,211,514 |
| Bills payable                                                             | –              | –          | 18,330,913   | 18,330,913   |
|                                                                           | ₱–             | ₱–         | ₱381,542,427 | ₱381,542,427 |

(a) valued as of December 31, 2015

(b) valued at various dates in 2015 and 2014

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2016 and 2015.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

The fair values of the Group's and Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

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

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

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

### Valuation Techniques

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

### Significant Unobservable Inputs

|                       |                                                                                                                                                                                                                                                                                                 |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reproduction Cost New | The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.                                                                                                                                                                       |
| Size                  | Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.                                                                                             |
| Shape                 | Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.              |
| Location              | Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.                                         |
| Time Element          | "An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data. |
| Discount              | Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.                                                                             |
| Corner influence      | Bounded by two (2) roads.                                                                                                                                                                                                                                                                       |

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Group through a rigorous, comprehensive and continuous process of identification, measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits and thresholds, process controls and monitoring, and independent controls. As reflected in its corporate actions and organizational improvements, the Group has placed due importance on expanding and strengthening its risk management process and considers it as a vital component to the Group's continuing profitability and financial stability. Central to the Group's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business viability and good financial position in the market.

The key financial risks that the Group faces are: credit risk, market risk (i.e. interest rate risk, foreign currency risk and equity price risk) and liquidity risk. The Group's risk management objective is primarily focused on controlling and mitigating these risks. The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries, particularly CBS, have their own risk management processes but are structured similar to that of the Parent Company. To a large extent, the respective risk management programs and objectives are the same across the Group. The gravity of the risks, the magnitude of the financial instruments involved, and regulatory requirements are primary considerations to the scope and extent of the risk management processes put in place for the subsidiaries.

#### ***Risk Management Structure***

The BOD of the Parent Company is ultimately responsible for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BODs. The BOD of the Parent Company created a separate board-level independent committee with explicit authority and responsibility for managing and monitoring risks.

The BOD has delegated to the Risk Management Committee (RMC) the implementation of the risk management process which includes, among others, the development of various risk strategies and principles, control guidelines policies and procedures, implementation of risk measurement tools, monitoring of key risk indicators, and the imposition and monitoring of risk limits and thresholds. The RMC is composed of four members of the BOD.

The Risk Management Group (RMG) is the direct support of the RMC in the day-to-day risk management and the implementation of the risk management strategies approved by the RMC. The implementation cuts across all departments of the Parent Company and involves all of the Parent Company's financial instruments, whether "on-books" or "off-books." The RMG is likewise responsible for monitoring the implementation of specific risk control procedures and enforcing compliance thereto. The RMG is also directly involved in the day-to-day risk measurement and monitoring to make sure that the Parent Company, in its transactions and dealings, engages only in acceptable and manageable financial risks. The RMG also ensures that risk measurements are accurately and completely captured on a timely basis in the management reporting system of the Parent Company. The RMG regularly reports the results of the risk measurements to the RMC. The RMG is headed by the Chief Risk Officer (CRO).

Apart from RMG, each business unit has created and put in place various process controls which ensure that all the external and internal transactions and dealings of the unit are in compliance with the unit's risk management objectives.

The Internal Audit Division also plays a crucial role in risk management primarily because it is independent of the business units and reports exclusively to the Audit Committee which, in turn, is comprised of independent directors. The Internal Audit Division focuses on ensuring that adequate controls are in place and on monitoring compliance to controls. The regular audit covers all processes and controls, including those under the risk management framework handled by the RMG. The audit of these processes and controls is undertaken at least annually. The audit results and exceptions, including recommendations for their resolution or improvement, are discussed initially with the business units concerned before these are presented to the Audit Committee.

#### ***Risk Management Reporting***

The CRO and other members of the RMG report to the RMC and are a resource to the Management Committee (ManCom) on a monthly and a weekly basis, respectively. The CRO reports on key risk indicators and specific risk management issues that would need resolution from top management. This is undertaken after the risk issues and key risk indicators have been discussed with the business units concerned.

The key risk indicators were formulated on the basis of the financial risks faced by the Parent Company. The key risk indicators contain information from all business units that provide measurements on the level of the risks taken by the Parent Company in its products, transactions and financial structure. Among others, the report on key risk indicators includes information on the Parent Company's aggregate credit exposure, credit metric forecasts, hold limit exceptions, Value-at-Risk (VaR) analysis, utilization of market and credit limits and thresholds, liquidity risk limits and ratios, overall loan loss provisioning and risk profile changes. Loan loss provisioning and credit limit utilization are, however, discussed in more detail in the Credit Committee. On a monthly basis, detailed reporting of single-name and sectoral concentration is included in the discussion with the RMC. On the other hand, the Chief Internal Auditor reports to the Audit Committee on a monthly basis on the results of branch or business unit audits and for the resolution of pending but important internal audit issues.

In 2016, the Asset and Liability Management (ALM) system of the Parent Company, measures and reports liquidity risk and interest rate risk was upgraded in 2016 and will include new modules for calculating Basel III's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) in 2017. Similarly, the Market Risk Management System, enhances risk measurement and automates reporting of market risk metrics, has been implemented in 2016.

#### ***Risk Mitigation***

The Parent Company uses derivatives to manage exposures in its financial instruments resulting from changes in interest rates and foreign currencies exposures. However, the nature and extent of use of these financial instruments to mitigate risks are limited to those allowed by the BSP for the Parent Company and its subsidiaries.

To further mitigate risks throughout its different business units, the Parent Company formulates risk management policies and continues to improve its existing policies. These policies further serve as the framework and set of guidelines in the creation or revisions of operating policies and manuals for each business unit. In the process design and implementation, preventive controls are preferred over detection controls. Clear delineation of responsibilities and separation of incompatible duties among officers and staff, as well as, among business units are reiterated in these policies. To the extent possible, reporting and accounting responsibilities are segregated from units directly involved in operations

## NOTES TO FINANCIAL STATEMENTS

and front line activities (i.e., players must not be scorers). This is to improve the credibility and accuracy of management information. Any inconsistencies in the operating policies and manuals with the risk framework created by the RMG are taken up and resolved in the RMC and ManCom.

Based on the approved Operational Risk Assessment Program, RMG spearheaded the bankwide (all Head Office units and branches) risk identification and self-assessment process. This would enable determination of priority risk areas, assessment of mitigating controls in place, and institutionalization of additional measures to ensure a controlled operating environment. RMG was also mandated to maintain and update the Parent Company's Centralized Loss Database wherein all reported incidents of losses shall be encoded to enable assessment of weaknesses in the processes and come up with viable improvements to avoid recurrence.

Monitoring and controlling risks are primarily performed based on various limits and thresholds established by the top management covering the Group's transactions and dealings. These limits and thresholds reflect the Group's business strategies and market environment, as well as the levels of risks that the Group is willing to tolerate, with additional emphasis on selected industries. In addition, the Parent Company monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Liquidity and interest rate risk exposures are measured and monitored through reports from the ALM system. The system also has a Funds Transfer Pricing module used by the Treasury Group and Corporate Planning Group.

For the measurement of market risk exposures, the Bank uses Historical Simulation VaR approach for all treasury traded instruments, including fixed income bonds, foreign exchange swaps and forwards, interest rate swaps and equity securities. Market risk exposures are measured and monitored through reports from the Market Risk Management System which has been implemented in 2016 to enhance risk measurement and automate daily reporting.

BSP issued Circular No. 639 dated January 15, 2009 which mandated the use of the Internal Capital Adequacy Assessment Process (ICAAP) by all universal and commercial banks to determine their minimum required capital relative to their business risk exposures. In this regard, the Board approved the engagement of the services of a consultant to assist in the bank-wide implementation and embedding of the ICAAP, as provided for under Pillar 2 of Basel II and BSP Circular No. 639.

On April 6, 2016, the BOD affirmed that the priority risks set in the 2009 Risk Self-assessment Survey and voting conducted among selected members of the BOD and Senior Management remain the same on the basis that there is no significant change in either the business model of the Bank or its ownership structure. In addition, the BOD also approved the CET1 ratio limit and the revised Management Action Trigger (MAT) on capital ratios, as well as the metrics for determining significant change in the balance sheet. There were no changes made in the approved trigger events for the review of Priority Risks and Capital Ratios threshold.

The Parent Company submitted its annually updated ICAAP document, in compliance with BSP requirements on March 31, 2016. The document disclosed that the Parent Company has an appropriate level of internal capital relative to the Group's risk profile.

For the ICAAP document submitted on March 31, 2016, the Parent Company retained the Pillar 1 Plus approach using the Pillar 1 capital as the baseline. The process of allocating capital for all types of risks above the Pillar 1 capital levels was enhanced to 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 Parent Company to quantify its overall vulnerability to market shocks and operational losses in a collective manner driven by events rather than in silo. The capital assessment in the document discloses that the Group and the Parent Company has appropriate and sufficient level of internal capital.

### **Credit Risk**

#### ***Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items***

Credit risk is the risk of financial loss on account of a counterparty to a financial product failing to honor its obligation. The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (i.e., investment securities issued by either sovereign or corporate entities) or enters into either market-traded or over-the-counter derivatives, through implied or actual contractual agreements (i.e., on or off-balance sheet exposures). The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction).

The Group established risk limits and thresholds for purposes of monitoring and managing credit risk from individual counterparties and/or groups of counterparties, as well as industry divisions. It also conducts periodical assessment of the creditworthiness of its counterparties. In addition, the Group obtains collateral where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

In compliance with BSP requirements, the Group established an internal Credit Risk Rating System (CRRS) for the purpose of measuring credit risk for corporate borrowers in a consistent manner, as accurately as possible, and thereafter uses the risk information for business and financial decision making. The CRRS covers corporate borrowers with total assets, total facilities, or total credit exposures amounting to ₱15.00 million and above.



Further, the CRRS was designed within the technical requirements defined under BSP Circular No. 439. It has two components, namely: a) Borrower Risk Rating which provides an assessment of the creditworthiness of the borrower, without considering the proposed facility and security arrangements, and b) Loan Exposure Rating which provides an assessment of the proposed facilities as mitigated or enhanced by security arrangements. The CRRS rating scale consists of ten grades, six of which fall under unclassified accounts, with the remaining four falling under classified accounts in accordance with regulatory provisioning guidelines.

On March 5, 2014, the Parent Company approved the engagement of a third-party consultant, Moody's Analytics, for the quantitative and qualitative validation of the internal CRRS. The validation engagement was completed in December 2014 followed by the model recalibration, closing the project in December 2015.

Aside from the internal CRRS, the Parent Company launched in 2011 the Borrower Credit Score (BCS), a credit scoring system designed for retail small and medium entities and individual loan accounts. In 2016, RMG completed the statistical validation of the BCS using the same methodology applied to the validation of the corporate risk rating model. The validation process was conducted with the assistance of Teradata which provided the analytics platform, tools and technical guidance for both credit model performance assessment and recalibration.

Furthermore, RMG also developed a Sovereign Risk Rating Model, which provided the tool for the Bank to assess the strength of the country rated in reference to its economic fundamentals, fiscal policy, institutional strength, and vulnerability to extreme events. The Model was approved by the Board on September 7, 2016.

The Group has not yet applied the above models for its loan loss provisioning.

#### **Excessive Risk Concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines focusing on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The distribution of the Group's and Parent Company's assets and liabilities, and credit commitment items (Note 29) by geographic region as of December 31, 2016 and 2015 (in millions) follows:

|                   | <b>Consolidated</b> |                    |                   |               |                    |                   |
|-------------------|---------------------|--------------------|-------------------|---------------|--------------------|-------------------|
|                   | <b>2016</b>         |                    |                   | <b>2015</b>   |                    |                   |
|                   | <b>Assets</b>       | <b>Liabilities</b> | <b>Commitment</b> | <b>Assets</b> | <b>Liabilities</b> | <b>Commitment</b> |
| Geographic Region |                     |                    |                   |               |                    |                   |
| Philippines       | <b>P557,597</b>     | <b>P549,944</b>    | <b>P161,187</b>   | P476,778      | P450,788           | P154,944          |
| Asia              | <b>8,065</b>        | <b>13,200</b>      | <b>3,629</b>      | 5,896         | 14,038             | 2,956             |
| Europe            | <b>3,608</b>        | <b>1,050</b>       | <b>808</b>        | 598           | 16                 | 498               |
| United States     | <b>33,336</b>       | <b>1,240</b>       | <b>6,287</b>      | 21,390        | 87                 | 3,174             |
| Others            | <b>9,911</b>        | <b>1,486</b>       | <b>14</b>         | 2,106         | 19                 | 19                |
|                   | <b>P612,517</b>     | <b>P566,920</b>    | <b>P171,925</b>   | P506,768      | P464,948           | P161,591          |

|                   | <b>Parent Company</b> |                    |                   |               |                    |                   |
|-------------------|-----------------------|--------------------|-------------------|---------------|--------------------|-------------------|
|                   | <b>2016</b>           |                    |                   | <b>2015</b>   |                    |                   |
|                   | <b>Assets</b>         | <b>Liabilities</b> | <b>Commitment</b> | <b>Assets</b> | <b>Liabilities</b> | <b>Commitment</b> |
| Geographic Region |                       |                    |                   |               |                    |                   |
| Philippines       | <b>P480,892</b>       | <b>P477,297</b>    | <b>P155,828</b>   | P407,221      | P382,367           | P145,950          |
| Asia              | <b>8,065</b>          | <b>13,200</b>      | <b>3,629</b>      | 5,896         | 14,038             | 2,956             |
| Europe            | <b>3,608</b>          | <b>1,050</b>       | <b>808</b>        | 598           | 16                 | 498               |
| United States     | <b>33,242</b>         | <b>1,240</b>       | <b>6,287</b>      | 21,221        | 87                 | 3,174             |
| Others            | <b>9,911</b>          | <b>1,486</b>       | <b>14</b>         | 2,106         | 19                 | 20                |
|                   | <b>P535,718</b>       | <b>P494,273</b>    | <b>P166,566</b>   | P437,042      | P396,527           | P152,598          |

Information on credit concentration as to industry of loans and receivables is presented in Note 9 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Group and the Parent Company's financial instruments, excluding those where the carrying values as reflected in the balance sheets and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements:

| Consolidated                                                           |                        |              |                                                      |
|------------------------------------------------------------------------|------------------------|--------------|------------------------------------------------------|
| 2016                                                                   |                        |              |                                                      |
|                                                                        | Gross maximum exposure | Net exposure | Financial effect of collateral or credit enhancement |
| Credit risk exposure relating to on-balance sheet items are as follows |                        |              |                                                      |
| Loans and receivables                                                  | P386,827,300           | P209,916,716 | P176,779,137                                         |
| Sales contracts receivable                                             | 893,084                | –            | 893,084                                              |
|                                                                        | P387,720,384           | P209,916,716 | P177,672,221                                         |
| Consolidated                                                           |                        |              |                                                      |
| 2015                                                                   |                        |              |                                                      |
|                                                                        | Gross maximum exposure | Net exposure | Financial effect of collateral or credit enhancement |
| Credit risk exposure relating to on-balance sheet items are as follows |                        |              |                                                      |
| Loans and receivables                                                  | P309,761,777           | P177,020,802 | P132,740,975                                         |
| Sales contracts receivable                                             | 967,329                | –            | 967,329                                              |
|                                                                        | P310,729,106           | P177,020,802 | P133,708,304                                         |
| Parent Company                                                         |                        |              |                                                      |
| 2016                                                                   |                        |              |                                                      |
|                                                                        | Gross maximum exposure | Net exposure | Financial effect of collateral or credit enhancement |
| Credit risk exposure relating to on-balance sheet items are as follows |                        |              |                                                      |
| Loans and receivables                                                  | P329,069,859           | P189,224,249 | P139,845,609                                         |
| Sales contracts receivable                                             | 224,149                | –            | 224,149                                              |
|                                                                        | P329,294,008           | P189,224,249 | P140,069,758                                         |
| Parent Company                                                         |                        |              |                                                      |
| 2015                                                                   |                        |              |                                                      |
|                                                                        | Gross maximum exposure | Net exposure | Financial effect of collateral or credit enhancement |
| Credit risk exposure relating to on-balance sheet items are as follows |                        |              |                                                      |
| Loans and receivables                                                  | P259,645,008           | P161,244,693 | P98,400,315                                          |
| Sales contracts receivable                                             | 257,473                | –            | 257,473                                              |
|                                                                        | P259,902,481           | P161,244,693 | P98,657,788                                          |

For the Group, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱250.62 billion and ₱1.60 billion, respectively, as of December 31, 2016 and ₱149.00 billion and ₱2.70 billion, respectively, as of December 31, 2015.

For the Parent Company, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱202.74 billion and ₱1.36 billion, respectively, as of December 31, 2016 and ₱123.76 billion and ₱1.24 billion, respectively, as of December 31, 2015.

Credit risk, in respect of derivative financial products, is limited to those with positive fair values, which are included under financial assets at FVPL (Note 8). As a result, the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the balance sheet plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 29 to the financial statements.

#### ***Collateral and other credit enhancements***

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented with regard to the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities
- For consumer lending - real estate and chattel over vehicle
- For corporate lending and commercial lending- real estate, chattel over properties, assignment of deposits, shares of stocks, bonds, and guarantees

Management requests additional collateral in accordance with the underlying agreement and takes into consideration the market value of collateral during its review of the adequacy of allowance for credit losses.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In most cases, the Parent Company does not occupy repossessed properties for business use.

Collaterals foreclosed in 2016 and 2015 and are still held by the Group as of December 31, 2016 and 2015 amounted to ₱835.30 million and ₱848.48 million, respectively. These collaterals comprised of real estate properties and stock securities.

#### ***Credit quality per class of financial assets***

The credit quality of financial assets is managed by the Group using an internal credit rating system for the purpose of measuring credit risk in a consistent manner as accurately as possible. The model on risk ratings is assessed regularly because the Group uses this information as a tool for business and financial decision making. Aside from the periodic review by the Bank's Internal Audit Group, the Bank likewise engaged the services of third-party consultants in 2014, 2015, and 2016 for purposes of conducting an independent validation of the credit risk rating model.

It is the Parent Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The attributable risk ratings are assessed and monitored regularly. The standard credit rating equivalent grades are relevant only for certain exposures in each risk rating class.

The following table shows the description of the internal CRRS grade:

| CRRS Grade | Description          |
|------------|----------------------|
| 1          | Excellent            |
| 2          | Strong               |
| 3          | Good                 |
| 4          | Satisfactory         |
| 5          | Acceptable           |
| 6          | Watchlist            |
| 7          | Especially Mentioned |
| 8          | Substandard          |
| 9          | Doubtful             |
| 10         | Loss                 |

## NOTES TO FINANCIAL STATEMENTS

The credit grades are defined as follows:

**Excellent** - This category applies to a borrower with a very low probability of going into default in the coming year. The borrower has a high degree of stability, substance, and diversity. It has access to raise substantial amounts of funds through the public markets at any time. The borrower has a very strong debt service capacity and a conservative use of balance sheet leverage. The track record in profit terms is very good. The borrower is of highest quality under virtually all economic conditions.

**Strong** - This category applies to a borrower with a low probability of going into default in the coming year. The borrower normally has a comfortable degree of stability, substance, and diversity. Under normal market conditions, the borrower in this category has good access to public markets to raise funds. The borrower has a strong market and financial position with a history of successful performance. The overall debt service capacity as measured by cash flow to total debt service is deemed very strong; the critical balance sheet ratios (vis-à-vis industry) are conservative.

**Good** - This category covers the smaller corporations with limited access to public capital markets or access to alternative financial markets. This access is however limited to favorable economic and/or market conditions. Typical for this type of borrower is the combination of comfortable asset protection and acceptable balance sheet structure (vis-à-vis industry). The debt service capacity, as measured based on cash flows, is strong.

**Satisfactory** - This category represents the borrower where clear risk elements exist and the probability of default is somewhat greater. This probability is reflected in volatility of earnings and overall performance. The borrower in this category normally has limited access to public financial markets. The borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. Typical for this kind of borrower is the combination of reasonably sound asset and cash flow protection. The debt service capacity as measured by cash flow is deemed adequate. The borrower has reported profits for the past fiscal year and is expected to report a profit in the current year.

**Acceptable** - The risk elements for the Parent Company are sufficiently pronounced, although the borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.

**Watchlist** - This category represents the borrower for which unfavorable industry or company-specific risk factors represent a concern. Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. The borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility. It includes the borrower where the credit exposure is not a risk of loss at the moment, but the performance of the borrower has weakened, and unless present trends are reversed, could lead to losses.

**Especially Mentioned** - This category applies to the borrower that is characterized by a reasonable probability of default, manifested by some or all the following: (a) evidence of weakness in the borrower's financial condition or creditworthiness; (b) unacceptable risk is generated by potential or emerging weaknesses as far as asset protection and/or cash flow is concerned; (c) the borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized; (d) the borrower is expected to have financial difficulties and exposure may be at risk. Closer account management attention is warranted. Concerted efforts should be made to improve lender's position (e.g., demanding additional collateral or reduction of account exposure). These potential weaknesses, if left uncorrected or unmitigated, would affect the repayment of the loan and, thus, increase credit risk to the Parent Company.

**Substandard** - This category represents the borrower where one or more of the following factors apply: (a) the collection of principal or interest becomes questionable regardless of scheduled payment date, by reason of adverse developments on account of a financial, managerial, economic, or political nature, or by important weaknesses in cover; (b) the probability of default is assessed at up to 50%. Substandard loans are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Parent Company because of unfavorable record or unsatisfactory characteristics. There exists in such loans the possibility of future loss to the Parent Company unless given closer supervision.

**Doubtful** - This category includes the borrower with "non-performing loan" status or with any portion of interest and/or principal payment is in arrears for more than ninety (90) days. The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful. Doubtful loans are loans or portions thereof which have the weaknesses inherent in those classified as "Substandard", with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

**Loss** - This category represents the borrower whose prospect for re-establishment of creditworthiness and debt service is remote. It also applies where the Parent Company will take or has taken title to the assets of the borrower and is preparing a foreclosure and/or liquidation of the borrower's business. These are loans or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.



The ratings of the borrowers covered by the BCS were mapped to the abovementioned CRRS grades in accordance with the approved guidelines by the BOD.

The Group's loans and receivables from customers were classified according to credit quality as follows:

| Credit Quality Rating         | Criteria                                                                                                                                                                                    |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Neither Past Due Nor Impaired |                                                                                                                                                                                             |
| High                          | Loans with risk rating of 1 and 2                                                                                                                                                           |
| Standard                      | Loans with risk rating of 3 to 5                                                                                                                                                            |
| Sub-Standard                  | Generally, loans with risk rating of 6 to 8                                                                                                                                                 |
| Past Due and Impaired         |                                                                                                                                                                                             |
| Past Due but not Impaired     | Those that were classified as Past Due per BSP guidelines or those that are still in current status but have objective evidence of impairment; Generally, loans with risk rating of 9 to 10 |
| Impaired                      |                                                                                                                                                                                             |

The table below shows the Group's and the Parent Company's loans and receivables, excluding other receivables (gross of allowance for impairment and credit losses and unearned discounts) as of December 31, 2016 and 2015 (in millions) classified according to credit quality:

| Consolidated                     |            |                |                   |         |                           |                       |          |
|----------------------------------|------------|----------------|-------------------|---------|---------------------------|-----------------------|----------|
| 2016                             |            |                |                   |         |                           |                       |          |
| Neither Past Due nor Impaired    |            |                |                   |         |                           |                       |          |
|                                  | High Grade | Standard Grade | Substandard Grade | Unrated | Past Due But Not Impaired | Past Due and Impaired | Total    |
| Corporate and commercial lending | P51,949    | P194,211       | P63,431           | P2,941  | P1,051                    | P6,150                | P319,733 |
| Consumer lending                 | 22,997     | 5,989          | 3,308             | 24,388  | 3,155                     | 579                   | 60,416   |
| Trade-related lending            | 2,122      | 9,861          | 961               | 20      | 6                         | 76                    | 13,046   |
| Others                           | 317        | 1              | –                 | 212     | 5                         | 8                     | 543      |
| Total                            | P77,385    | P210,062       | P67,700           | P27,561 | P4,217                    | P6,813                | P393,738 |

| Consolidated                     |            |                |                   |         |                           |                       |          |
|----------------------------------|------------|----------------|-------------------|---------|---------------------------|-----------------------|----------|
| 2015                             |            |                |                   |         |                           |                       |          |
| Neither Past Due nor Impaired    |            |                |                   |         |                           |                       |          |
|                                  | High Grade | Standard Grade | Substandard Grade | Unrated | Past Due But Not Impaired | Past Due and Impaired | Total    |
| Corporate and commercial lending | P48,206    | P136,561       | P46,151           | P17,107 | P2,022                    | P5,904                | P255,951 |
| Consumer lending                 | 15,306     | 7,294          | 1,595             | 20,600  | 2,243                     | 975                   | 48,013   |
| Trade-related lending            | 1,694      | 10,047         | 418               | 20      | 258                       | 313                   | 12,750   |
| Others                           | 46         | –              | –                 | 261     | 6                         | 8                     | 321      |
| Total                            | P65,252    | P153,902       | P48,164           | P37,988 | P4,529                    | P7,200                | P317,035 |

| Parent Company                   |            |                |                   |         |                           |                       |          |
|----------------------------------|------------|----------------|-------------------|---------|---------------------------|-----------------------|----------|
| 2016                             |            |                |                   |         |                           |                       |          |
| Neither Past Due nor Impaired    |            |                |                   |         |                           |                       |          |
|                                  | High Grade | Standard Grade | Substandard Grade | Unrated | Past Due But Not Impaired | Past Due and Impaired | Total    |
| Corporate and commercial lending | P23,263    | P194,185       | P63,039           | P2,942  | P761                      | P3,932                | P288,122 |
| Consumer lending                 | 10         | 5,968          | 3,308             | 24,388  | 1,157                     | 578                   | 35,409   |
| Trade-related lending            | 453        | 9,861          | 961               | 20      | 6                         | 76                    | 11,377   |
| Others                           | –          | 1              | –                 | 68      | –                         | –                     | 69       |
| Total                            | P23,726    | P210,015       | P67,308           | P27,418 | P1,924                    | P4,586                | P334,977 |

## NOTES TO FINANCIAL STATEMENTS

|                                  | Parent Company                |                |                   |         |                           |                       | Total    |
|----------------------------------|-------------------------------|----------------|-------------------|---------|---------------------------|-----------------------|----------|
|                                  | 2015                          |                |                   |         |                           |                       |          |
|                                  | Neither Past Due nor Impaired |                |                   |         | Past Due But Not Impaired | Past Due and Impaired |          |
|                                  | High Grade                    | Standard Grade | Substandard Grade | Unrated |                           |                       |          |
| Corporate and commercial lending | P23,311                       | P134,385       | P45,862           | P16,927 | P1,752                    | P3,268                | P225,505 |
| Consumer lending                 | 22                            | 6,283          | 1,192             | 20,112  | 1,269                     | 363                   | 29,241   |
| Trade-related lending            | 91                            | 10,047         | 418               | 21      | 258                       | 313                   | 11,148   |
| Others                           | –                             | –              | –                 | 69      | 2                         | –                     | 71       |
| Total                            | P23,424                       | P150,715       | P47,472           | P37,129 | P3,281                    | P3,944                | P265,965 |

Depository accounts with the BSP and counterparty banks, Trading and Investment Securities

For these financial assets, outstanding exposure is rated primarily based on external risk rating (i.e. Standard and Poor's (S&P), otherwise, rating is based on risk grades by a local rating agency or included under "Unrated", when the counterparty has no available risk grade.

The external risk rating of the Group's depository accounts with the BSP and counterparty banks, trading and investment securities, is grouped as follows:

| Credit Quality Rating | External Credit Risk Rating        | Credit Rating Agency |
|-----------------------|------------------------------------|----------------------|
| High grade            | AAA, AA+, AA, AA-                  | S&P                  |
|                       | Aaa, Aa1, Aa2, Aa3                 | Moody's              |
|                       | AAA, AA+, AA, AA-                  | Fitch                |
| Standard grade        | A+, A, A-, BBB+, BBB, BBB-         | S&P                  |
|                       | A1, A2, A3, Baa1, Baa2, Baa3       | Moody's              |
|                       | A+, A, A-, BBB+, BBB, BBB-         | Fitch                |
| Substandard grade     | BB+, BB, BB-, B/B+, CCC, R, SD & D | S&P                  |
|                       | Ba1, Ba2, Ba3, B1, B2, R, SD & D   | Moody's              |
|                       | BB+, BB, BB-, B/B+, CCC, R, SD & D | Fitch                |

Following is the credit rating scale applicable for foreign banks, and government securities (aligned with S&P ratings):

AAA - An obligor has extremely strong capacity to meet its financial commitments.

AA - An obligor has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors at a minimal degree.

A - An obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB and below:

BBB - An obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB - An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

B - An obligor is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

CCC - An obligor is currently vulnerable and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments.

CC - An obligor is currently vulnerable. The rating is used when a default has not yet occurred, but expects default to be a virtual certainty, regardless of the anticipated time to default.

R - An obligor is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

SD and D - An obligor is in default on one or more of its financial obligations including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in non-payment according to terms.

The table below shows the credit quality of deposits and investments as of December 31, 2016 and 2015 (in millions), based on external risk ratings (gross of allowance for credit losses).

| Consolidated             |            |                |                   |          |
|--------------------------|------------|----------------|-------------------|----------|
| 2016                     |            |                |                   |          |
|                          | High Grade | Standard Grade | Substandard Grade | Total    |
| Due from BSP             | P-         | P91,964        | P-                | P91,964  |
| Due from other banks     | 1,527      | 6,569          | 875               | 8,971    |
| SPURA                    | -          | 3,452          | -                 | 3,452    |
| Financial assets at FVPL | 36         | 4,622          | 237               | 4,895    |
| AFS financial assets     | 10,119     | 13,970         | 1,593             | 25,682   |
| HTM financial assets     | 318        | 48,513         | 3,056             | 51,887   |
|                          | P12,000    | P169,090       | P5,761            | P186,851 |

| Consolidated             |            |                |                   |          |
|--------------------------|------------|----------------|-------------------|----------|
| 2015                     |            |                |                   |          |
|                          | High Grade | Standard Grade | Substandard Grade | Total    |
| Due from BSP             | P-         | P86,319        | P-                | P86,319  |
| Due from other banks     | 2,587      | 15,038         | 1,262             | 18,887   |
| Financial assets at FVPL | 102        | 3,169          | 306               | 3,577    |
| AFS financial assets     | 1,252      | 35,934         | 4,318             | 41,504   |
| HTM financial assets     | -          | 13,507         | 483               | 13,990   |
|                          | P3,941     | P153,967       | P6,369            | P164,277 |

| Parent Company           |            |                |                   |          |
|--------------------------|------------|----------------|-------------------|----------|
| 2016                     |            |                |                   |          |
|                          | High Grade | Standard Grade | Substandard Grade | Total    |
| Due from BSP             | P-         | P85,307        | P-                | P85,307  |
| Due from other banks     | 1,527      | 6,394          | 1,624             | 9,545    |
| SPURA                    | -          | 2,958          | -                 | 2,958    |
| Financial assets at FVPL | 36         | 4,151          | 237               | 4,424    |
| AFS financial assets     | 10,117     | 11,614         | 1,592             | 23,323   |
| HTM financial assets     | 319        | 45,177         | 3,056             | 48,552   |
|                          | P11,999    | P155,601       | P6,509            | P174,109 |

| Parent Company           |            |                |                   |          |
|--------------------------|------------|----------------|-------------------|----------|
| 2015                     |            |                |                   |          |
|                          | High Grade | Standard Grade | Substandard Grade | Total    |
| Due from BSP             | P-         | P77,004        | P-                | P77,004  |
| Due from other banks     | 2,489      | 15,038         | 1,553             | 19,080   |
| Financial assets at FVPL | 102        | 2,466          | 306               | 2,874    |
| AFS financial assets     | 1,249      | 35,798         | 4,318             | 41,365   |
| HTM financial assets     | -          | 11,422         | 483               | 11,905   |
|                          | P3,840     | P141,728       | P6,660            | P152,228 |

## NOTES TO FINANCIAL STATEMENTS

### Due from other banks and government securities

The external risk rating of the Group's depository accounts with counterparty banks, trading and investment securities, is grouped as follows (aligned with the Philippine Ratings System):

| Credit Quality Rating | External Credit Risk Rating                                                                                    |
|-----------------------|----------------------------------------------------------------------------------------------------------------|
| High grade            | PRSA+AA, PRSAa+, PRSAa, PRSAa-                                                                                 |
| Standard grade        | PRSA+, PRSA, PRSA-, PRSBaa+, PRSBaa, PRSBaa-                                                                   |
| Substandard grade     | PRSBa+, PRSBa, PRSBa-, PRSB+, PRSB, PRSB-, PRSCaa+, PRSCaa, PRSCaa-, PRSCa+, PRSCa, PRSCa-, PRSC+, PRSC, PRSC- |

PRSA+ - The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

PRSAa - The obligor's capacity to meet its financial commitment on the obligation is very strong.

PRSA - With favorable investment attributes and are considered as upper-medium grade obligations. Although obligations rated 'PRSA' are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitment on the obligation is still strong.

PRSBaa - An obligation rated 'PRSBaa' exhibits adequate protection parameters. However, adverse economic conditions and changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. PRSBaa-rated issues may possess certain speculative characteristics.

PRSBa - An obligation rated 'PRSBa' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties relating to business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

PRSB - An obligation rated 'PRSB' is more vulnerable to nonpayment than obligations rated 'PRSBa', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse economic conditions will likely impair the obligor's capacity to meet its financial commitment on the obligation. The issue is characterized by high credit risk.

PRSCaa - An obligation rated 'PRSCaa' is presently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The issue is considered to be of poor standing and is subject to very high credit risk.

PRSCa - An obligation rated "PRSCa" is presently highly vulnerable to nonpayment. Likely already in or very near default with some prospect for partial recovery of principal or interest.

PRSC - An obligation is already in default with very little prospect for any recovery of principal or interest.

The table below shows the credit quality of deposits and investments, by class, as of December 31, 2016 and 2015 (in millions), based on risk grades of a local rating agency (gross of allowance for credit losses).

|                          | Consolidated |                |                   |        |
|--------------------------|--------------|----------------|-------------------|--------|
|                          | 2016         |                |                   |        |
|                          | High Grade   | Standard Grade | Substandard Grade | Total  |
| Due from other banks     | P145         | P-             | P-                | P145   |
| Financial assets at FVPL | 487          | -              | -                 | 487    |
| AFS financial assets     | 1,470        | -              | -                 | 1,470  |
| HTM financial assets     | 534          | -              | -                 | 534    |
| Total                    | P2,636       | P-             | P-                | P2,636 |

|                          | Consolidated |                |                   |        |
|--------------------------|--------------|----------------|-------------------|--------|
|                          | 2015         |                |                   |        |
|                          | High Grade   | Standard Grade | Substandard Grade | Total  |
| Due from other banks     | P836         | P-             | P-                | P836   |
| Financial assets at FVPL | 187          | -              | -                 | 187    |
| AFS financial assets     | 2,160        | 17             | -                 | 2,177  |
| HTM financial assets     | 106          | -              | -                 | 106    |
| Total                    | P3,289       | P17            | P-                | P3,306 |



| Parent Company           |            |                |                   |        |
|--------------------------|------------|----------------|-------------------|--------|
| 2016                     |            |                |                   |        |
|                          | High Grade | Standard Grade | Substandard Grade | Total  |
| Due from other banks     | P144       | P-             | P-                | P144   |
| Financial assets at FVPL | 487        | -              | -                 | 487    |
| AFS financial assets     | 1,435      | -              | -                 | 1,435  |
| HTM financial assets     | 534        | -              | -                 | 534    |
| Total                    | P2,600     | P-             | P-                | P2,600 |

| Parent Company           |            |                |                   |       |
|--------------------------|------------|----------------|-------------------|-------|
| 2015                     |            |                |                   |       |
|                          | High Grade | Standard Grade | Substandard Grade | Total |
| Due from other banks     | P119       | P-             | P-                | P119  |
| Financial assets at FVPL | 111        | -              | -                 | 111   |
| AFS financial assets     | 320        | -              | -                 | 320   |
| Total                    | P550       | P-             | P-                | P550  |

The table below shows the breakdown of unrated deposits and investments (gross of allowance for credit losses) as of December 31, 2016 and 2015 (in millions):

|                          | Consolidated |         | Parent Company |         |
|--------------------------|--------------|---------|----------------|---------|
|                          | 2016         | 2015    | 2016           | 2015    |
| Due from other banks     | P2,216       | P1,520  | P-             | P2      |
| Financial assets at FVPL | 2,322        | 2,481   | 2,322          | 2,480   |
| AFS financial assets     | 6,760        | 5,187   | 6,402          | 5,156   |
| HTM financial assets     | 4,983        | 2,040   | 4,983          | 2,041   |
| Other assets*            | 5,652        | 4,977   | 3,605          | 3,320   |
| Total                    | P21,933      | P16,205 | P17,312        | P12,999 |

\*Other assets include accounts receivables, sales contract receivable, returned checks and other cash items and miscellaneous financial assets (Note 14).

The table below shows the aging analysis of gross past due but not impaired loans and receivables that the Group and Parent Company held as of December 31, 2016 and 2015 (in millions). Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

| December 31, 2016                | Consolidated      |               |               |                   | Total  |
|----------------------------------|-------------------|---------------|---------------|-------------------|--------|
|                                  | Less than 30 days | 31 to 60 days | 61 to 90 days | More than 91 days |        |
| Loans and receivables            |                   |               |               |                   |        |
| Corporate and commercial lending | P567              | P70           | P86           | P 328             | P1051  |
| Consumer lending                 | 296               | 113           | 317           | 2,429             | 3,155  |
| Trade-related lending            | -                 | -             | -             | 6                 | 6      |
| Others                           | -                 | -             | -             | 5                 | 5      |
| Total                            | P863              | P183          | P403          | P2,768            | P4,217 |

| December 31, 2015                | Consolidated      |               |               |                   | Total  |
|----------------------------------|-------------------|---------------|---------------|-------------------|--------|
|                                  | Less than 30 days | 31 to 60 days | 61 to 90 days | More than 91 days |        |
| Loans and receivables            |                   |               |               |                   |        |
| Corporate and commercial lending | P532              | P122          | P162          | P1,206            | P2,022 |
| Consumer lending                 | 350               | 67            | 107           | 1,719             | 2,243  |
| Trade-related lending            | 157               | -             | 5             | 96                | 258    |
| Others                           | 1                 | 1             | 1             | 3                 | 6      |
| Total                            | P1,040            | P190          | P275          | P3,024            | P4,529 |

## NOTES TO FINANCIAL STATEMENTS

| December 31, 2016                | Parent Company    |               |               |                   | Total         |
|----------------------------------|-------------------|---------------|---------------|-------------------|---------------|
|                                  | Less than 30 days | 31 to 60 days | 61 to 90 days | More than 91 days |               |
| Loans and receivables            |                   |               |               |                   |               |
| Corporate and commercial lending | P530              | P69           | P71           | P 91              | P761          |
| Consumer lending                 | 213               | 56            | 204           | 684               | 1,157         |
| Trade-related lending            | –                 | –             | –             | 6                 | 6             |
| <b>Total</b>                     | <b>P743</b>       | <b>P125</b>   | <b>P275</b>   | <b>P781</b>       | <b>P1,924</b> |

| December 31, 2015                | Parent Company    |               |               |                   | Total         |
|----------------------------------|-------------------|---------------|---------------|-------------------|---------------|
|                                  | Less than 30 days | 31 to 60 days | 61 to 90 days | More than 91 days |               |
| Loans and receivables            |                   |               |               |                   |               |
| Corporate and commercial lending | P492              | P101          | P112          | P1,047            | P1,752        |
| Consumer lending                 | 303               | 38            | 35            | 893               | 1,269         |
| Trade-related lending            | 157               | –             | 5             | 96                | 258           |
| Others                           | 1                 | –             | –             | 1                 | 2             |
| <b>Total</b>                     | <b>P953</b>       | <b>P139</b>   | <b>P152</b>   | <b>P2,037</b>     | <b>P3,281</b> |

The following table presents the carrying amount of financial assets of the Group and Parent Company as of December 31, 2016 and 2015 that would have been considered past due or impaired if not renegotiated:

|                                            | Consolidated    |                 | Parent Company  |                 |
|--------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                            | 2016            | 2015            | 2016            | 2015            |
| Loans and advances to customers            |                 |                 |                 |                 |
| Corporate and commercial lending           | P773,888        | P937,398        | P358,760        | P436,322        |
| Consumer lending                           | 14,669          | 12,020          | 9,777           | 7,478           |
| <b>Total renegotiated financial assets</b> | <b>P788,557</b> | <b>P949,418</b> | <b>P368,537</b> | <b>P443,800</b> |

### Impairment assessment

The main considerations for the loan impairment assessment include whether any payment of principal or interest is overdue by more than 90 days, or there are known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

### Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

### Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is no objective evidence of individual impairment yet. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment yet per an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

### Market Risk

Market risk is the risk of loss that may result from changes in the value of a financial product. The Parent Company's market risk originates from its holdings of domestic and foreign-denominated debt securities, foreign exchange instruments, equities, foreign exchange derivatives and interest rate derivatives.

The RMG of the Parent Company is responsible for assisting the RMC with its responsibility for identifying, measuring, managing and controlling market risk. Market risk management measures the Parent Company market risk exposures through the use of VaR. VaR is a statistical measure that estimates the maximum potential loss from a portfolio over a holding period, within a given confidence level.

#### ***VaR assumptions***

The Parent Company calculates the Bankwide VaR in certain trading activities. The Parent Company uses the Historical Simulation Full Valuation approach to measure VaR for all treasury traded instruments, using a 99% confidence level and a 1-day holding period.

The use of a 99% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days. The validity of the VaR model is verified through back testing, which examines how frequently actual and hypothetical daily losses exceeds daily VaR. The Parent Company measures and monitors the VaR and profit and loss on a daily basis.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established for all trading positions and exposures are reviewed daily against the limits by management. Further, stress testing is performed for monitoring extreme events.

#### **Limitations of the VaR Methodology**

The VaR models are designed to measure market risk in a normal market environment using equally weighted historical data. The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow the same distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the assumptions. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Group would withstand an extreme market event.

A summary of the VaR position of the trading portfolio of the Parent Company is as follows:

|               | Interest Rate <sup>1</sup> | Foreign<br>Exchange <sup>2</sup> | Equity <sup>3</sup> | Interest Rate <sup>4</sup> | Interest Rate <sup>5</sup> |
|---------------|----------------------------|----------------------------------|---------------------|----------------------------|----------------------------|
|               | (In Millions)              |                                  |                     |                            |                            |
| <b>2016</b>   |                            |                                  |                     |                            |                            |
| 31 December   | <b>P44.79</b>              | <b>P24.31</b>                    | <b>P11.70</b>       | <b>P6.17</b>               | <b>P8.95</b>               |
| Average daily | <b>52.60</b>               | <b>7.79</b>                      | <b>18.43</b>        | <b>3.72</b>                | <b>1.82</b>                |
| Highest       | <b>109.59</b>              | <b>29.59</b>                     | <b>53.39</b>        | <b>10.12</b>               | <b>9.17</b>                |
| Lowest        | <b>16.00</b>               | <b>1.30</b>                      | <b>0.01</b>         | <b>0.77</b>                | <b>0.55</b>                |
| <b>2015</b>   |                            |                                  |                     |                            |                            |
| 31 December   | P29.09                     | P8.15                            | N/A                 | P3.58                      | P1.14                      |
| Average daily | 64.98                      | 10.52                            | 38.98               | 5.31                       | 2.18                       |
| Highest       | 112.23                     | 21.83                            | 47.82               | 9.98                       | 4.69                       |
| Lowest        | 29.09                      | 3.94                             | 1.32                | 2.49                       | 1.05                       |

<sup>1</sup> Interest rate VaR for debt securities (Interest rate VaR for foreign currency denominated debt securities are translated to PHP using daily closing rate)

<sup>2</sup> FX VaR is the bankwide foreign exchange risk

<sup>3</sup> No outstanding equity shares as of year-end

<sup>4</sup> Interest rate VaR for FX swaps and FX forwards

<sup>5</sup> Interest rate VaR for IRS

#### ***Interest Rate Risk***

The Group's interest rate risk originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. The Parent Company follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors its assets and liabilities.

## NOTES TO FINANCIAL STATEMENTS

As of December 31, 2016 and 2015, 51.89% and 58.48% of the Group's total loan portfolio, respectively, comprised of floating rate loans which are repriced periodically by reference to the transfer pool rate which reflects the Group's internal cost of funds. In keeping with banking industry practice, the Group aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers.

Interest is paid on demand accounts, which constituted 25.96% and 27.61% of total deposits of the Parent Company as of December 31, 2016 and 2015, respectively.

Interest is paid on savings accounts and time deposits accounts, which constitute 28.19% and 45.85%, respectively, of total deposits of the Parent Company as of December 31, 2016, and 27.77% and 44.62%, respectively, as of December 31, 2015.

Savings account interest rates are set by reference to prevailing market rates, while interest rates on time deposits and special savings accounts are usually priced by reference to prevailing rates of short-term government bonds and other money market instruments, or, in the case of foreign currency deposits, inter-bank deposit rates and other benchmark deposit rates in international money markets with similar maturities.

The Group is likewise exposed to fair value interest rate risk due to its holdings of fixed rate government bonds as part of its AFS and FVPL portfolios. Market values of these investments are sensitive to fluctuations in interest rates.

The following table provides for the average effective interest rates of the Group and of the Parent Company as of December 31, 2016 and 2015:

|                        | <b>Consolidated</b> |             | <b>Parent Company</b> |             |
|------------------------|---------------------|-------------|-----------------------|-------------|
|                        | <b>2016</b>         | <b>2015</b> | <b>2016</b>           | <b>2015</b> |
| <b>Peso</b>            |                     |             |                       |             |
| <b>Assets</b>          |                     |             |                       |             |
| Due from BSP           | <b>0.39%</b>        | 0.29%       | <b>0.30%</b>          | 0.26%       |
| Due from banks         | <b>0.24%</b>        | 0.80%       | <b>0.22%</b>          | 0.25%       |
| Investment securities* | <b>4.00%</b>        | 4.22%       | <b>3.95%</b>          | 4.26%       |
| Loans and receivables  | <b>5.65%</b>        | 5.85%       | <b>5.34%</b>          | 5.46%       |
| <b>Liabilities</b>     |                     |             |                       |             |
| Deposit liabilities    | <b>1.01%</b>        | 0.92%       | <b>0.85%</b>          | 0.73%       |
| Bills payable          | <b>7.86%</b>        | 4.12%       | <b>7.86%</b>          | 5.13%       |
| <b>USD</b>             |                     |             |                       |             |
| <b>Assets</b>          |                     |             |                       |             |
| Due from banks         | <b>0.11%</b>        | 0.12%       | <b>0.08%</b>          | 0.04%       |
| Investment securities* | <b>4.36%</b>        | 4.66%       | <b>4.90%</b>          | 4.71%       |
| Loans and receivables  | <b>3.56%</b>        | 3.03%       | <b>3.48%</b>          | 2.98%       |
| <b>Liabilities</b>     |                     |             |                       |             |
| Deposit liabilities    | <b>1.23%</b>        | 1.32%       | <b>1.24%</b>          | 1.30%       |
| Bills payable          | <b>1.94%</b>        | 1.57%       | <b>1.91%</b>          | 1.53%       |

\* Consisting of financial assets at FVPL, AFS financial assets and HTM financial assets.

The asset-liability gap analysis method is used by the Group to measure the sensitivity of its assets and liabilities to interest rate fluctuations. This analysis measures the Group's susceptibility to changes in interest rates. The repricing gap is calculated by first distributing the assets and liabilities contained in the Group's balance sheet into tenor buckets according to the time remaining to the next repricing date (or the time remaining to maturity if there is no repricing), and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and the total of repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, restraining the growth of its net income or resulting in a decline in net interest income.



The following table sets forth the repricing gap position of the Group and Parent Company as of December 31, 2016 and 2015 (in millions):

|                                    | Consolidated      |                    |                   |                |
|------------------------------------|-------------------|--------------------|-------------------|----------------|
|                                    | 2016              |                    |                   |                |
|                                    | Up to 3<br>Months | >3 to 12<br>Months | >12<br>Months     | Total          |
| <b>Financial Assets</b>            |                   |                    |                   |                |
| Due from BSP                       | P91,964           | P–                 | P–                | P91,964        |
| Due from other banks               | 11,332            | –                  | –                 | 11,332         |
| Investment securities              | 11,216            | 77                 | 87,689            | 98,982         |
| Loans and receivables              | 195,911           | 38,156             | 152,760           | 386,827        |
| <b>Total financial assets</b>      | <b>310,423</b>    | <b>38,233</b>      | <b>240,449</b>    | <b>589,105</b> |
| <b>Financial Liabilities</b>       |                   |                    |                   |                |
| Deposit liabilities                | 236,806           | 15,099             | 289,678           | 541,583        |
| Bills payable                      | 13,685            | 2,718              | 552               | 16,955         |
| <b>Total financial liabilities</b> | <b>250,491</b>    | <b>17,817</b>      | <b>290,230</b>    | <b>558,538</b> |
| <b>Repricing gap</b>               | <b>P59,932</b>    | <b>P20,416</b>     | <b>(P49,781)</b>  | <b>P30,567</b> |
|                                    |                   |                    |                   |                |
|                                    | Consolidated      |                    |                   |                |
|                                    | 2015              |                    |                   |                |
|                                    | Up to 3<br>Months | >3 to 12<br>Months | >12<br>Months     | Total          |
| <b>Financial Assets</b>            |                   |                    |                   |                |
| Due from BSP                       | P86,319           | P–                 | P–                | P86,319        |
| Due from other banks               | 21,243            | –                  | –                 | 21,243         |
| Investment securities              | 2,165             | 384                | 68,661            | 71,210         |
| Loans and receivables              | 180,611           | 45,507             | 83,644            | 309,762        |
| <b>Total financial assets</b>      | <b>290,338</b>    | <b>45,891</b>      | <b>152,305</b>    | <b>488,534</b> |
| <b>Financial Liabilities</b>       |                   |                    |                   |                |
| Deposit liabilities                | 178,913           | 14,027             | 246,326           | 439,266        |
| Bills payable                      | 7,383             | 2,042              | 9,660             | 19,085         |
| <b>Total financial liabilities</b> | <b>186,296</b>    | <b>16,069</b>      | <b>255,986</b>    | <b>458,351</b> |
| <b>Repricing gap</b>               | <b>P104,042</b>   | <b>P29,822</b>     | <b>(P103,681)</b> | <b>P30,183</b> |
|                                    |                   |                    |                   |                |
|                                    | Parent Company    |                    |                   |                |
|                                    | 2016              |                    |                   |                |
|                                    | Up to 3<br>Months | >3 to 12<br>Months | >12<br>Months     | Total          |
| <b>Financial Assets</b>            |                   |                    |                   |                |
| Due from BSP                       | P85,307           | P–                 | P–                | P85,307        |
| Due from other banks               | 9,689             | –                  | –                 | 9,689          |
| Investment securities              | 9,678             | –                  | 82,778            | 92,456         |
| Loans and receivables              | 179,102           | 26,169             | 123,799           | 329,070        |
| <b>Total financial assets</b>      | <b>283,776</b>    | <b>26,169</b>      | <b>206,577</b>    | <b>516,522</b> |
| <b>Financial Liabilities</b>       |                   |                    |                   |                |
| Deposit liabilities                | 199,467           | 12,083             | 259,412           | 470,962        |
| Bills payable                      | 13,685            | 2,718              | 552               | 16,955         |
| <b>Total financial liabilities</b> | <b>213,152</b>    | <b>14,801</b>      | <b>259,964</b>    | <b>487,917</b> |
| <b>Repricing gap</b>               | <b>P70,624</b>    | <b>P11,368</b>     | <b>(P53,387)</b>  | <b>P28,605</b> |

## NOTES TO FINANCIAL STATEMENTS

|                                    | Parent Company  |                 |                   |                |
|------------------------------------|-----------------|-----------------|-------------------|----------------|
|                                    | 2015            |                 |                   |                |
|                                    | Up to 3 Months  | >3 to 12 Months | >12 Months        | Total          |
| <b>Financial Assets</b>            |                 |                 |                   |                |
| Due from BSP                       | P77,004         | P–              | P–                | P77,004        |
| Due from other banks               | 19,201          | –               | –                 | 19,201         |
| Investment securities              | 1,440           | 330             | 64,475            | 66,245         |
| Loans and receivables              | 165,200         | 32,346          | 62,099            | 259,645        |
| <b>Total financial assets</b>      | <b>262,845</b>  | <b>32,676</b>   | <b>126,574</b>    | <b>422,095</b> |
| <b>Financial Liabilities</b>       |                 |                 |                   |                |
| Deposit liabilities                | 147,010         | 8,728           | 217,865           | 373,603        |
| Bills payable                      | 7,377           | 2,039           | 9,007             | 18,423         |
| <b>Total financial liabilities</b> | <b>154,387</b>  | <b>10,767</b>   | <b>226,872</b>    | <b>392,026</b> |
| <b>Repricing gap</b>               | <b>P108,458</b> | <b>P21,909</b>  | <b>(P100,298)</b> | <b>P30,069</b> |

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses to parallel changes in the interest rate curve in a given 12-month period.

The following table sets forth the estimated change in the Group's and Parent Company's annualized net interest income due to a parallel change in the interest rate curve as of December 31, 2016 and 2015:

|                                                                                                  | Consolidated                               |           |           |            |
|--------------------------------------------------------------------------------------------------|--------------------------------------------|-----------|-----------|------------|
|                                                                                                  | 2016                                       |           |           |            |
|                                                                                                  | Change in interest rates (in basis points) |           |           |            |
|                                                                                                  | 100bp rise                                 | 50bp rise | 50bp fall | 100bp fall |
| Change in annualized net interest income                                                         | P752                                       | P376      | (P376)    | (P752)     |
| As a percentage of the Group's net interest income for the year ended December 31, 2016          | 4.48%                                      | 2.24%     | (2.24%)   | (4.48%)    |
|                                                                                                  | Consolidated                               |           |           |            |
|                                                                                                  | 2015                                       |           |           |            |
|                                                                                                  | Change in interest rates (in basis points) |           |           |            |
|                                                                                                  | 100bp rise                                 | 50bp rise | 50bp fall | 100bp fall |
| Change in annualized net interest income                                                         | P1,264                                     | P632      | (P632)    | (P1,264)   |
| As a percentage of the Group's net interest income for the year ended December 31, 2015          | 8.38%                                      | 4.19%     | (4.19%)   | (8.38%)    |
|                                                                                                  | Parent Company                             |           |           |            |
|                                                                                                  | 2016                                       |           |           |            |
|                                                                                                  | Change in interest rates (in basis points) |           |           |            |
|                                                                                                  | 100bp rise                                 | 50bp rise | 50bp fall | 100bp fall |
| Change in annualized net interest income                                                         | P791                                       | P396      | (P396)    | (P791)     |
| As a percentage of the Parent Company's net interest income for the year ended December 31, 2016 | 5.70%                                      | 2.85%     | (2.85%)   | (5.70%)    |
|                                                                                                  | Parent Company                             |           |           |            |
|                                                                                                  | 2015                                       |           |           |            |
|                                                                                                  | Change in interest rates (in basis points) |           |           |            |
|                                                                                                  | 100bp rise                                 | 50bp rise | 50bp fall | 100bp fall |
| Change in annualized net interest income                                                         | P1,249                                     | P624      | (P624)    | (P1,249)   |
| As a percentage of the Parent Company's net interest income for the year ended December 31, 2015 | 10.08%                                     | 5.04%     | (5.04%)   | (10.08%)   |

The following table sets forth the estimated change in the Group's and Parent Company's income before tax and equity due to a reasonably possible change in the market prices of quoted bonds classified under financial assets at FVPL and AFS financial assets, brought about by movement in the interest rate curve as of December 31, 2016 and 2015 (in millions):

| <b>Consolidated</b>                               |                  |                  |                  |                  |
|---------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>2016</b>                                       |                  |                  |                  |                  |
| <b>Change in interest rates (in basis points)</b> |                  |                  |                  |                  |
|                                                   | <b>25bp rise</b> | <b>10bp rise</b> | <b>10bp fall</b> | <b>25bp fall</b> |
| <b>Change in income before tax</b>                | <b>(P47)</b>     | <b>(P19)</b>     | <b>P19</b>       | <b>P47</b>       |
| <b>Change in equity</b>                           | <b>(377)</b>     | <b>(151)</b>     | <b>151</b>       | <b>377</b>       |
| <b>Consolidated</b>                               |                  |                  |                  |                  |
| <b>2015</b>                                       |                  |                  |                  |                  |
| <b>Change in interest rates (in basis points)</b> |                  |                  |                  |                  |
|                                                   | <b>25bp rise</b> | <b>10bp rise</b> | <b>10bp fall</b> | <b>25bp fall</b> |
| Change in income before tax                       | (P71)            | (P29)            | P29              | P72              |
| Change in equity                                  | (828)            | (334)            | 336              | 848              |
| <b>Parent Company</b>                             |                  |                  |                  |                  |
| <b>2016</b>                                       |                  |                  |                  |                  |
| <b>Change in interest rates (in basis points)</b> |                  |                  |                  |                  |
|                                                   | <b>25bp rise</b> | <b>10bp rise</b> | <b>10bp fall</b> | <b>25bp fall</b> |
| Change in income before tax                       | (P40)            | (P16)            | P16              | P40              |
| Change in equity                                  | (339)            | (136)            | 136              | 339              |
| <b>Parent Company</b>                             |                  |                  |                  |                  |
| <b>2015</b>                                       |                  |                  |                  |                  |
| <b>Change in interest rates (in basis points)</b> |                  |                  |                  |                  |
|                                                   | <b>25bp rise</b> | <b>10bp rise</b> | <b>10bp fall</b> | <b>25bp fall</b> |
| Change in income before tax                       | (P59)            | (P24)            | P24              | P60              |
| Change in equity                                  | (782)            | (315)            | 317              | 800              |

#### *Foreign Currency Risk*

The Group's foreign exchange risk originates from its holdings of foreign currency-denominated assets (foreign exchange assets) and foreign currency-denominated liabilities (foreign exchange liabilities).

Foreign exchange liabilities generally consist of foreign currency-denominated deposits in the Group's FCDU account made in the Philippines or generated from remittances to the Philippines by persons overseas who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Group.

Foreign currency liabilities are generally used to fund the Group's foreign exchange assets which generally consist of foreign currency-denominated loans and investments in the FCDU. Banks are required by the BSP to match the foreign currency-denominated assets with liabilities held in the FCDU that are denominated in the same foreign currency. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency-denominated liabilities held in the FCDU.

The Group's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Group believes in ensuring its foreign currency is at all times within limits prescribed for financial institutions who are engaged in the same types of businesses in which the Group and its subsidiaries are engaged.

## NOTES TO FINANCIAL STATEMENTS

The table below summarizes the Group's and Parent Company's exposure to foreign exchange risk. Included in the table are the Group's and Parent Company's assets and liabilities at carrying amounts (stated in US Dollars), categorized by currency:

|                                     | Consolidated |                  |           |             |           |                  |           |             |
|-------------------------------------|--------------|------------------|-----------|-------------|-----------|------------------|-----------|-------------|
|                                     | 2016         |                  |           |             | 2015      |                  |           |             |
|                                     | USD          | Other Currencies | Total     | PHP         | USD       | Other Currencies | Total     | PHP         |
| <b>Assets</b>                       |              |                  |           |             |           |                  |           |             |
| Cash and other cash items           | \$15,366     | \$2,781          | \$18,147  | ₱896,335    | \$11,464  | \$2,854          | \$14,318  | ₱674,996    |
| Due from other banks                | 141,279      | 8,623            | 150,352   | 7,422,444   | 332,199   | 20,698           | 352,897   | 16,615,197  |
| Financial assets at FVPL            | 95,587       | 7                | 95,594    | 4,752,967   | 81,763    | 1,417            | 83,180    | 3,915,125   |
| AFS financial assets                | 460,901      | –                | 460,901   | 22,859,924  | 492,412   | –                | 492,412   | 23,172,924  |
| HTM financial assets                | 702,957      | 8,560            | 711,517   | 35,252,391  | 315,835   | 2,932            | 318,767   | 14,966,432  |
| Loans and receivables               | 658,657      | 913              | 659,570   | 32,771,104  | 720,262   | 986              | 721,248   | 33,942,299  |
| Accrued interest receivable         | 18,691       | 55               | 18,746    | 929,765     | 18,280    | 217              | 18,497    | 870,570     |
| Other assets                        | 38,175       | 7                | 38,182    | 1,898,142   | 37,145    | 22               | 37,167    | 1,749,078   |
|                                     | 2,132,064    | 20,941           | 2,153,011 | 106,783,072 | 2,009,360 | 29,126           | 2,038,486 | 95,906,621  |
| <b>Liabilities</b>                  |              |                  |           |             |           |                  |           |             |
| Deposit liabilities                 | 1,631,011    | 18,875           | 1,649,886 | 81,835,829  | 1,405,689 | 18,222           | 1,423,911 | 67,017,476  |
| Bills payables                      | 341,865      | –                | 341,865   | 16,997,522  | 392,872   | –                | 392,872   | 18,488,559  |
| Accrued interest and other expenses | 2,897        | 2                | 2,899     | 143,929     | 2,788     | 7                | 2,795     | 131,546     |
| Other liabilities                   | 60,462       | 840              | 61,302    | 2,981,638   | 53,478    | 830              | 54,308    | 2,556,035   |
|                                     | 2,036,235    | 19,717           | 2,055,952 | 101,958,918 | 1,854,827 | 19,059           | 1,873,886 | 88,193,616  |
| Currency spot                       | (3,027)      | 51               | (2,976)   | (148,562)   | 8,000     | –                | 8,000     | 376,480     |
| Currency forwards                   | (59,371)     | 10,790           | (48,581)  | (2,414,102) | (153,326) | (4,345)          | (157,671) | (7,422,016) |
| Net Exposure                        | \$32,980     | \$12,070         | \$45,050  | ₱2,261,490  | \$9,207   | \$5,722          | \$14,929  | ₱667,469    |

|                                     | Parent Company |                  |           |             |           |                  |           |             |
|-------------------------------------|----------------|------------------|-----------|-------------|-----------|------------------|-----------|-------------|
|                                     | 2016           |                  |           |             | 2015      |                  |           |             |
|                                     | USD            | Other Currencies | Total     | PHP         | USD       | Other Currencies | Total     | PHP         |
| <b>Assets</b>                       |                |                  |           |             |           |                  |           |             |
| Cash and other cash items           | \$13,224       | \$2,781          | \$16,005  | ₱795,534    | \$10,287  | \$2,854          | \$13,141  | ₱619,609    |
| Due from other banks                | 121,834        | 8,623            | 130,457   | 6,486,192   | 314,210   | 20,698           | 334,908   | 15,768,625  |
| Financial assets at FVPL            | 95,587         | 7                | 95,594    | 4,752,967   | 73,393    | 1,417            | 74,810    | 3,521,218   |
| AFS financial assets                | 439,821        | –                | 439,821   | 21,867,906  | 477,612   | –                | 477,612   | 22,476,428  |
| HTM financial assets                | 670,955        | 8,560            | 679,515   | 33,746,382  | 294,301   | 2,932            | 297,233   | 13,953,016  |
| Loans and receivables               | 650,077        | 913              | 650,990   | 32,367,332  | 710,627   | 986              | 711,613   | 33,488,871  |
| Accrued interest receivable         | 17,827         | 55               | 17,882    | 889,109     | 17,543    | 217              | 17,760    | 835,871     |
| Other assets                        | 38,098         | 7                | 38,105    | 1,894,483   | 34,213    | 22               | 34,235    | 1,611,107   |
|                                     | 2,047,423      | 20,946           | 2,068,370 | 102,799,905 | 1,932,186 | 29,126           | 1,961,312 | 92,274,745  |
| <b>Liabilities</b>                  |                |                  |           |             |           |                  |           |             |
| Deposit liabilities                 | 1,557,612      | 18,875           | 1,576,487 | 78,381,671  | 1,343,583 | 18,222           | 1,361,805 | 64,094,780  |
| Bills payables                      | 341,865        | –                | 341,865   | 16,997,522  | 392,872   | –                | 392,872   | 18,488,559  |
| Accrued interest and other expenses | 2,825          | 2                | 2,827     | 140,518     | 2,682     | 7                | 2,689     | 126,557     |
| Other liabilities                   | 54,153         | 840              | 54,993    | 2,684,710   | 46,024    | 830              | 46,854    | 2,205,239   |
|                                     | 1,956,455      | 19,717           | 1,976,172 | 98,204,421  | 1,785,161 | 19,059           | 1,804,220 | 84,915,135  |
| Currency spot                       | (3,027)        | 51               | (2,976)   | (148,562)   | 8,000     | –                | 8,000     | 376,480     |
| Currency forwards                   | (59,371)       | 10,790           | (48,581)  | (2,414,102) | (153,326) | (4,345)          | (157,671) | (7,422,016) |
| Net Exposure                        | \$28,570       | \$12,070         | \$40,640  | ₱2,032,020  | \$1,699   | \$5,722          | \$7,421   | ₱314,074    |



The following table sets forth, for the period indicated, the impact of the range of reasonably possible changes in the US\$ exchange rate and other currencies per Philippine peso on the pre-tax income and equity (in millions).

| Consolidated   |                                 |                              |                       |
|----------------|---------------------------------|------------------------------|-----------------------|
|                | Change in Foreign Exchange Rate | Sensitivity of Pretax Income | Sensitivity of Equity |
| 2016           |                                 |                              |                       |
| USD            | 2%                              | P54                          | P164                  |
| Other          | 1%                              | –                            | –                     |
| USD            | (2%)                            | (54)                         | (164)                 |
| Other          | (1%)                            | –                            | –                     |
| 2015           |                                 |                              |                       |
| USD            | 2%                              | 83                           | 547                   |
| Other          | 1%                              | 1                            | 1                     |
| USD            | (2%)                            | (83)                         | (547)                 |
| Other          | (1%)                            | (1)                          | (1)                   |
| Parent Company |                                 |                              |                       |
|                | Change in Foreign Exchange Rate | Sensitivity of Pretax Income | Sensitivity of Equity |
| 2016           |                                 |                              |                       |
| USD            | 2%                              | P51                          | P143                  |
| Other          | 1%                              | –                            | –                     |
| USD            | (2%)                            | (51)                         | (143)                 |
| Other          | (1%)                            | –                            | –                     |
| 2015           |                                 |                              |                       |
| USD            | 2%                              | 75                           | 525                   |
| Other          | 1%                              | 1                            | 1                     |
| USD            | (2%)                            | (75)                         | (525)                 |
| Other          | (1%)                            | (1)                          | (1)                   |

The impact in pre-tax income and equity is due to the effect of foreign currency behaviour to Philippine peso.

#### Equity Price Risk

Equity price risk is the risk that the fair values of equities change as a result of movements in both the level of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on the Group and Parent Company's equity as a result of a change in the fair value of equity instruments held as AFS due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (in millions):

| Consolidated |                        |                  |
|--------------|------------------------|------------------|
|              | Change in equity index | Effect on Equity |
| 2016         | +10%                   | P19.8            |
|              | -10%                   | 12.1             |
| 2015         | +10%                   | 10.6             |
|              | -10%                   | (41.0)           |

## NOTES TO FINANCIAL STATEMENTS

|      | Parent Company         |                  |
|------|------------------------|------------------|
|      | Change in equity index | Effect on Equity |
| 2016 | +10%                   | P19.8            |
|      | -10%                   | 12.1             |
| 2015 | +10%                   | 10.6             |
|      | -10%                   | (41.0)           |

### Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Parent Company's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed of deposits reserves and high quality securities, the securing of money market lines, and the maintenance of repurchase facilities to address any unexpected liquidity situations.

The table below shows the maturity profile of the Parent Company's assets and liabilities, based on contractual undiscounted cash flows (in millions):

|                                         | December 31, 2016 |                  |               |                |                 |                |
|-----------------------------------------|-------------------|------------------|---------------|----------------|-----------------|----------------|
|                                         | On demand         | Less than 1 year | 1 to 2 years  | 2 to 3 years   | 3 to 5 years    | Total          |
| <b>Financial Assets</b>                 |                   |                  |               |                |                 |                |
| Cash and other cash items               | P10,581           | P-               | P-            | P-             | P-              | P10,581        |
| Due from BSP                            | 85,307            | -                | -             | -              | -               | 85,307         |
| Due from other banks                    | 9,689             | -                | -             | -              | -               | 9,689          |
| Interbank loans receivable and SPURA    | -                 | 2,958            | -             | -              | -               | 2,958          |
| Financial assets at FVPL                | -                 | 583              | 326           | 1,484          | 5,400           | 7,793          |
| AFS financial assets                    | -                 | 12,192           | 1,676         | 3,705          | 19,709          | 37,282         |
| Loans and receivables                   | -                 | 141,925          | 17,948        | 21,115         | 195,228         | 376,216        |
|                                         | 105,577           | 157,658          | 19,950        | 26,304         | 220,337         | 529,826        |
| <b>Financial Liabilities</b>            |                   |                  |               |                |                 |                |
| Deposit liabilities                     |                   |                  |               |                |                 |                |
| Demand                                  | 122,266           | -                | -             | -              | -               | 122,266        |
| Savings                                 | 132,772           | -                | -             | -              | -               | 132,772        |
| Time                                    | -                 | 211,755          | 3,440         | 724            | 962             | 216,881        |
| Bills payable                           | -                 | 9,236            | 7,813         | -              | -               | 17,049         |
| Manager's checks                        | -                 | 1,446            | -             | -              | -               | 1,446          |
| Accrued interest and other expenses     | -                 | 578              | -             | -              | -               | 758            |
| Derivative liabilities                  | -                 | 243              | -             | -              | -               | 243            |
| Other liabilities:                      | -                 | -                | -             | -              | -               | -              |
| Accounts payable                        | -                 | 1,731            | -             | -              | -               | 1,731          |
| Acceptances payable                     | -                 | 1,172            | -             | -              | -               | 1,172          |
| Due to PDIC                             | -                 | 428              | -             | -              | -               | 428            |
| Margin deposits                         | -                 | 2                | -             | -              | -               | 2              |
| Other credits - dormant                 | -                 | 304              | -             | -              | -               | 304            |
| Due to the Treasurer of the Philippines | -                 | 24               | -             | -              | -               | 24             |
| Miscellaneous                           | -                 | 429              | -             | -              | -               | 289            |
| Total liabilities                       | 255,038           | 227,348          | 11,253        | 724            | 962             | 495,325        |
| <b>Net Position</b>                     | <b>(P149,461)</b> | <b>(P69,690)</b> | <b>P8,697</b> | <b>P25,580</b> | <b>P219,375</b> | <b>P34,501</b> |

| December 31, 2015                       |                   |                     |                |                |                 |                |
|-----------------------------------------|-------------------|---------------------|----------------|----------------|-----------------|----------------|
|                                         | On demand         | Less than<br>1 year | 1 to 2 years   | 2 to 3 years   | 3 to 5 years    | Total          |
| <b>Financial Assets</b>                 |                   |                     |                |                |                 |                |
| Cash and other cash items               | P10,053           | P–                  | P–             | P–             | P–              | P10,053        |
| Due from BSP                            | 77,004            | –                   | –              | –              | –               | 77,004         |
| Due from other banks                    | 19,201            | –                   | –              | –              | –               | 19,201         |
| Financial assets at FVPL                | –                 | 284                 | 179            | 237            | 5,035           | 5,735          |
| AFS financial assets                    | –                 | 3,386               | 3,042          | 3,032          | 53,207          | 62,667         |
| Loans and receivables                   | –                 | 143,283             | 27,523         | 26,998         | 104,990         | 302,794        |
|                                         | 106,258           | 146,953             | 30,744         | 30,267         | 163,232         | 477,454        |
| <b>Financial Liabilities</b>            |                   |                     |                |                |                 |                |
| Deposit liabilities                     |                   |                     |                |                |                 |                |
| Demand                                  | 103,025           | –                   | –              | –              | –               | 103,025        |
| Savings                                 | 104,137           | –                   | –              | –              | –               | 104,137        |
| Time                                    | –                 | 154,580             | 1,187          | 3,212          | 8,522           | 167,501        |
| Bills payable                           | –                 | 11,291              | –              | 7,369          | –               | 18,660         |
| Manager's checks                        | –                 | 741                 | –              | –              | –               | 741            |
| Accrued interest and other expenses     | –                 | 355                 | –              | –              | –               | 355            |
| Derivative liabilities                  | –                 | 66                  | –              | –              | –               | 66             |
| Other liabilities:                      |                   |                     |                |                |                 |                |
| Accounts payable                        | –                 | 1,262               | –              | –              | –               | 1,262          |
| Acceptances payable                     | –                 | 997                 | –              | –              | –               | 997            |
| Due to PDIC                             | –                 | 346                 | –              | –              | –               | 346            |
| Margin deposits                         | –                 | 3                   | –              | –              | –               | 3              |
| Other credits - dormant                 | –                 | 214                 | –              | –              | –               | 214            |
| Due to the Treasurer of the Philippines | –                 | 96                  | –              | –              | –               | 96             |
| Miscellaneous                           | –                 | 419                 | –              | –              | –               | 419            |
| Total liabilities                       | 207,162           | 170,370             | 1,187          | 10,581         | 8,522           | 397,822        |
| <b>Net Position</b>                     | <b>(P100,904)</b> | <b>(P23,417)</b>    | <b>P29,557</b> | <b>P19,686</b> | <b>P154,710</b> | <b>P79,632</b> |

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the MCO report, as well as an analysis of available liquid assets. Instead of relying solely on contractual maturities profile, the Parent Company uses Behavioral MCO to capture a going concern view. Furthermore, internal liquidity ratios and monitoring of large funds providers have been set to determine sufficiency of liquid assets over deposit liabilities. In 2016, the Bank started submitting quarterly Liquidity Coverage Ratio as prescribed by the BSP for a 2 year observation period. Liquidity is managed by the Parent and subsidiaries on a daily basis, while scenario stress tests are conducted periodically.

## 7. DUE FROM BSP AND OTHER BANKS

### Due from BSP

This account consists of:

|                         | Consolidated |             | Parent Company |             |
|-------------------------|--------------|-------------|----------------|-------------|
|                         | 2016         | 2015        | 2016           | 2015        |
| Demand deposit account  | P84,480,394  | P68,886,859 | P78,773,027    | P61,433,089 |
| Special deposit account | 7,450,000    | 17,291,115  | 6,500,000      | 15,430,000  |
| Others                  | 34,101       | 140,527     | 34,101         | 140,527     |
|                         | P91,964,495  | P86,318,501 | P85,307,128    | P77,003,616 |

## NOTES TO FINANCIAL STATEMENTS

### Due from Other Banks

This account consists of:

|               | Consolidated       |             | Parent Company    |             |
|---------------|--------------------|-------------|-------------------|-------------|
|               | 2016               | 2015        | 2016              | 2015        |
| Local banks   | <b>P6,296,727</b>  | P12,237,681 | <b>P4,747,467</b> | P10,859,956 |
| Foreign banks | <b>5,035,509</b>   | 9,005,811   | <b>4,941,698</b>  | 8,340,588   |
|               | <b>P11,332,236</b> | P21,243,492 | <b>P9,689,165</b> | P19,200,544 |

### Interest Income on Due from BSP and Other Banks

This account consists of:

|                      | Consolidated    |          |          | Parent Company  |          |          |
|----------------------|-----------------|----------|----------|-----------------|----------|----------|
|                      | 2016            | 2015     | 2014     | 2016            | 2015     | 2014     |
| Due from BSP         | <b>P497,571</b> | P220,406 | P554,802 | <b>P440,260</b> | P159,792 | P432,703 |
| Due from other banks | <b>221,843</b>  | 95,399   | 146,340  | <b>115,528</b>  | 22,870   | 32,386   |
|                      | <b>P719,414</b> | P315,805 | P701,142 | <b>P555,788</b> | P182,662 | P465,089 |

## 8. TRADING AND INVESTMENT SECURITIES

### Financial Assets at FVPL

This account consists of:

|                                     | Consolidated      |            | Parent Company    |            |
|-------------------------------------|-------------------|------------|-------------------|------------|
|                                     | 2016              | 2015       | 2016              | 2015       |
| Held for trading                    |                   |            |                   |            |
| Government bonds (Note 27)          | <b>P2,404,049</b> | P1,386,524 | <b>P2,240,488</b> | P992,617   |
| Treasury notes                      | <b>1,031,675</b>  | 1,106,252  | <b>724,219</b>    | 720,983    |
| Treasury bills                      | <b>994,203</b>    | 595,351    | <b>994,203</b>    | 595,351    |
| Private bonds                       | <b>594,798</b>    | 556,570    | <b>594,798</b>    | 556,570    |
|                                     | <b>5,024,725</b>  | 3,644,697  | <b>4,553,708</b>  | 2,865,521  |
| Financial assets designated at FVPL | <b>2,462,886</b>  | 2,299,970  | <b>2,462,886</b>  | 2,299,970  |
| Derivative assets (Note 24)         | <b>216,288</b>    | 299,926    | <b>216,288</b>    | 299,926    |
| Total                               | <b>P7,703,899</b> | P6,244,593 | <b>P7,232,882</b> | P5,465,417 |

Financial assets designated at FVPL of the Parent Company consist of investments in shares of stocks which contain multiple embedded derivatives which are deemed not clearly and closely related to its equity host. In this regard, PAS 39 provides that if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid contract at FVPL unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited. On this basis, management has determined that the investments shall be designated as at FVPL.

Dividends earned by the Parent Company from its investment in shares designated at FVPL amounted to P182.13 million, P247.10 million and P301.58 million in 2016, 2015 and 2014, respectively (Note 20).

As of December 31, 2016 and 2015, HFT securities include fair value loss of P63.97 million and P14.47 million, respectively, for the Group, and fair value loss of P51.06 million and P16.89 million, respectively, for the Parent Company. Both realized and unrealized gains and losses on HFT and financial assets designated at FVPL are included under 'Trading and securities gain - net' (Note 20).



Effective interest rates for Philippine peso-denominated financial assets at FVPL for both the Group and the Parent Company range from 2.08% to 6.88% in 2016, and from 1.63% to 13.75% in 2015 and 2014. Effective interest rates for foreign currency-denominated financial assets at FVPL for the Group range from 0.99% to 7.24% in 2016, and from 1.37% to 10.63% in 2015 and 2014.

Effective interest rates for foreign currency-denominated financial assets at FVPL for the Parent Company range from 0.99% to 6.80% in 2016, from 2.50% to 10.63% in 2015, and from 2.75% to 10.63% in 2014.

#### AFS Financial Assets

This account consists of:

|                                           | Consolidated       |             | Parent Company     |             |
|-------------------------------------------|--------------------|-------------|--------------------|-------------|
|                                           | 2016               | 2015        | 2016               | 2015        |
| Quoted                                    |                    |             |                    |             |
| Government bonds (Notes 17 and 27)        | <b>P22,337,592</b> | P40,193,418 | <b>P20,561,662</b> | P38,663,049 |
| Private bonds                             | <b>11,417,612</b>  | 8,213,921   | <b>10,491,728</b>  | 7,766,369   |
| Equities                                  | <b>80,947</b>      | 111,470     | <b>80,947</b>      | 111,470     |
|                                           | <b>33,836,150</b>  | 48,518,809  | <b>31,134,337</b>  | 46,540,888  |
| Unquoted                                  |                    |             |                    |             |
| Private bonds and commercial papers - net | –                  | 290,256     | –                  | 273,898     |
| Equities - net *                          | <b>37,572</b>      | 20,168      | <b>19,413</b>      | 19,413      |
|                                           | <b>37,572</b>      | 310,424     | <b>19,413</b>      | 293,311     |
| Total                                     | <b>P33,873,722</b> | P48,829,233 | <b>P31,153,750</b> | P46,834,199 |

\* Includes fully impaired equity investments with acquisition cost of P38.74 million for the Group and P6.32 million for the Parent Company as of December 31, 2016 and 2015.

#### Unquoted equity securities

This account comprises of shares of stocks of various unlisted private corporations.

#### Net unrealized gains (losses)

AFS financial assets include fair value losses of P1.47 billion and P1.32 billion for the Group and Parent Company, respectively, as of December 31, 2016, and fair value losses of P1.13 billion for the Group and Parent Company, as of December 31, 2015. The fair value gains or losses are recognized under OCI. Impairment loss on AFS financial assets of the Group, which was charged to operations, amounted to P0.06 million in 2015. No impairment loss was recognized in 2016 and 2014.

Effective interest rates for peso-denominated AFS financial assets for the Group range from 1.34% to 7.00% in 2016, from 2.14% to 7.25% in 2015 and from 1.63% to 8.92% 2014. Effective interest rates for peso-denominated AFS financial assets for the Parent Company range from 2.08% to 7.00% in 2016, from 2.14% to 7.25% in 2015 and from 1.63% to 8.92% 2014.

Effective interest rates for foreign currency-denominated AFS financial assets for both the Group and Parent Company range from 0.37% to 7.45% in 2016, from 1.50% to 7.45% in 2015, and from 1.50% to 5.71% in 2014.

#### HTM Financial Assets

This account consists of:

|                            | Consolidated       |             | Parent Company     |             |
|----------------------------|--------------------|-------------|--------------------|-------------|
|                            | 2016               | 2015        | 2016               | 2015        |
| Government bonds (Note 17) | <b>P38,610,521</b> | P12,891,098 | <b>P36,243,699</b> | P11,306,923 |
| Private bonds              | <b>12,180,159</b>  | 2,806,247   | <b>11,530,159</b>  | 2,356,247   |
|                            | <b>50,790,680</b>  | 15,697,345  | <b>47,773,858</b>  | 13,663,170  |
| Unamortized premium - net  | <b>6,614,120</b>   | 438,802     | <b>6,295,163</b>   | 282,475     |
|                            | <b>P57,404,800</b> | P16,136,147 | <b>P54,069,021</b> | P13,945,645 |

Effective interest rates for peso-denominated HTM financial assets for the Group range from 2.05% to 6.63% in 2016, from 1.35% to 9.13% in 2015 and from 2.15% to 9.13% in 2014. Effective interest rates for foreign currency-denominated HTM financial assets range from 0.21% to 8.93% in 2016, from 2.26% to 10.72% in 2015, and from 3.11% to 11.55% in 2014.

## NOTES TO FINANCIAL STATEMENTS

Effective interest rates for peso-denominated HTM financial assets of the Parent Company range from 2.82% to 5.25% in 2016 and from 4.13% to 9.13% in 2015 and 2014. Effective interest rates for foreign currency-denominated HTM financial assets range from 0.21% to 8.93% in 2016, from 2.26% to 10.72% in 2015, and from 4.61% to 11.55% in 2014.

### Reclassification of Financial Assets

#### *2016 Reclassification*

The Group transferred certain securities from AFS financial assets to HTM financial assets on various dates ranging from November 11 to 21, 2016 (reclassification date). The decision to effect this transfer was reached by balancing the need to reduce the market risk sensitivity of the balance sheet without reducing the portfolio of liquid assets.

Details of reclassified financial assets follows:

| Consolidated                                 |                    |                                            |                    |                    |                                                    |               |
|----------------------------------------------|--------------------|--------------------------------------------|--------------------|--------------------|----------------------------------------------------|---------------|
|                                              | Face Value         | Carrying Value at<br>Reclassification Date | Carrying Value     | Fair Value         | Unamortized Net Unrealized Loss Deferred in Equity | Amortization  |
| <b>(in original currency)</b>                |                    |                                            |                    |                    |                                                    |               |
| Philippine peso denominated government bonds | <b>P10,106,378</b> | <b>P11,874,068</b>                         | <b>P11,032,214</b> | <b>P10,855,315</b> | <b>(P591,635)</b>                                  | <b>P5,052</b> |
| US dollar denominated government bonds       | <b>USD103,371</b>  | <b>136,735</b>                             | <b>128,776</b>     | <b>127,305</b>     | <b>(6,731)</b>                                     | <b>56</b>     |
| Parent                                       |                    |                                            |                    |                    |                                                    |               |
|                                              | Face Value         | Carrying Value at<br>Reclassification Date | Carrying Value     | Fair Value         | Unamortized Net Unrealized Loss Deferred in Equity | Amortization  |
| <b>(in original currency)</b>                |                    |                                            |                    |                    |                                                    |               |
| Philippine peso denominated government bonds | <b>P9,856,378</b>  | <b>P11,588,081</b>                         | <b>P10,758,190</b> | <b>P10,586,090</b> | <b>(P579,859)</b>                                  | <b>P4,964</b> |
| US dollar denominated government bonds       | <b>USD96,871</b>   | <b>127,088</b>                             | <b>120,063</b>     | <b>118,776</b>     | <b>(5,812)</b>                                     | <b>52</b>     |

Had these securities not been transferred to HTM, additional fair value loss that would have been charged against the statement of comprehensive income amounted to P768.82 million and P752.26 million in 2016 on Philippine peso denominated government bonds for the Group and the Parent Company, respectively. Additional fair value loss of USD8.21 million (P408.20 million) and USD7.11 million (P353.51 million) would have been charged against to the statement of comprehensive income in 2016 on US dollar denominated government bonds for the Group and Parent Company, respectively.

The effective interest rates on the reclassified assets at reclassification dates range from 3.28% to 5.06% and 4.06% to 5.06% for Philippine peso denominated government bonds for the Group and Parent Company, respectively. The effective interest rates on the transferred assets range from 1.77% to 4.16% for US dollar denominated bonds at the time of their reclassification for both the Group and Parent Company. The Group and Parent Company expect to recover 100% of the principal and the interest due on these transferred assets. These securities are also unimpaired as of December 31, 2016.

Fair value changes taken to OCI in 2016 for these reclassified securities amounted to P584.82 million and USD4.99 million for Philippine peso denominated and US dollar denominated government bonds, respectively.

#### *2008 Reclassification*

In 2008, as approved by its BOD, the Parent Company identified assets for which it had a clear change of intent to hold the investments to maturity rather than to exit or trade these investments in the foreseeable future and reclassified those investments from AFS financial assets to HTM financial assets effective October 2, 2008.

As of October 2, 2008, the total carrying value of AFS financial assets reclassified to HTM financial assets amounted to P9.04 billion, with unrealized losses of P47.44 million deferred under 'Net unrealized gains (losses) on AFS financial assets'. HTM financial assets reclassified from AFS financial assets with total face amount of P1.57 billion and P244.24 million matured in 2016 and 2015, respectively.

As of December 31, 2016 and 2015, HTM financial assets reclassified from AFS financial assets have the following balances:

|                   | Face Value        | Original Cost     | Carrying Value    | Fair Value        | Unamortized Net Unrealized Deferred in Equity | Amortization     |
|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------------------------|------------------|
| <b>2016</b>       |                   |                   |                   |                   |                                               |                  |
| Government bonds* | <b>₱1,284,516</b> | <b>₱1,553,572</b> | <b>₱1,311,014</b> | <b>₱1,367,155</b> | <b>(₱8,127)</b>                               | <b>₱6,496</b>    |
| Private bonds**   |                   |                   |                   |                   |                                               |                  |
|                   | <b>₱1,284,516</b> | <b>₱1,553,572</b> | <b>₱1,311,014</b> | <b>₱1,367,155</b> | <b>(₱8,127)</b>                               | <b>₱6,496</b>    |
| <b>2015</b>       |                   |                   |                   |                   |                                               |                  |
| Government bonds* | <b>₱2,325,370</b> | <b>₱2,637,212</b> | <b>₱2,390,697</b> | <b>₱2,771,976</b> | <b>(₱1,088)</b>                               | <b>(₱35,901)</b> |
| Private bonds**   | <b>378,362</b>    | <b>378,344</b>    | <b>375,305</b>    | <b>393,996</b>    | <b>(3,055)</b>                                | <b>19,628</b>    |
|                   | <b>₱2,703,732</b> | <b>₱3,015,556</b> | <b>₱2,766,002</b> | <b>₱3,165,972</b> | <b>(₱4,143)</b>                               | <b>(₱16,273)</b> |

\* Consist of US dollar-denominated bonds with face value of \$25.84 million and \$46.44 million as of December 31, 2016 and 2015, respectively, and euro-denominated bonds with face value of €2.71 million as of December 31, 2015.

\*\* Consist of US dollar-denominated bonds with face value of \$35.0 million and \$8.04 million as of December 31, 2016 and 2015, respectively.

Had these securities not been reclassified to HTM financial assets, additional fair value gain that would have been credited to the statement of comprehensive income amounted to ₱47.93 million, ₱395.74 million, and ₱324.67 million in 2016, 2015 and 2014, respectively. Effective interest rates on the reclassified securities range from 6.16% to 8.93%. The Parent Company expects to recover 100.00% of the principal and interest due on the reclassified investments. No impairment loss was recognized on these securities in 2016, 2015 and 2014.

#### Interest Income on Trading and Investment Securities

This account consists of:

|                          | Consolidated      |                   |                   | Parent Company    |                   |                   |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                          | 2016              | 2015              | 2014              | 2016              | 2015              | 2014              |
| Financial assets at FVPL | <b>₱204,882</b>   | <b>₱262,027</b>   | <b>₱277,144</b>   | <b>₱179,406</b>   | <b>₱232,464</b>   | <b>₱239,537</b>   |
| AFS financial assets     | <b>1,538,173</b>  | <b>1,840,978</b>  | <b>1,776,157</b>  | <b>1,439,037</b>  | <b>1,785,184</b>  | <b>1,683,205</b>  |
| HTM financial assets     | <b>1,539,908</b>  | <b>997,797</b>    | <b>968,485</b>    | <b>1,441,882</b>  | <b>929,266</b>    | <b>949,382</b>    |
|                          | <b>₱3,282,963</b> | <b>₱3,100,802</b> | <b>₱3,021,786</b> | <b>₱3,060,325</b> | <b>₱2,946,914</b> | <b>₱2,872,124</b> |

## 9. LOANS AND RECEIVABLES

This account consists of:

|                                                      | Consolidated        |                     | Parent Company      |                     |
|------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                      | 2016                | 2015                | 2016                | 2015                |
| Loans and discounts                                  |                     |                     |                     |                     |
| Corporate and commercial lending                     | <b>₱319,733,478</b> | <b>₱255,950,751</b> | <b>₱288,122,032</b> | <b>₱225,505,499</b> |
| Consumer lending                                     | <b>60,416,106</b>   | <b>48,012,782</b>   | <b>35,409,327</b>   | <b>29,240,653</b>   |
| Trade-related lending                                | <b>13,045,531</b>   | <b>12,750,550</b>   | <b>11,376,697</b>   | <b>11,147,748</b>   |
| Others*                                              | <b>543,021</b>      | <b>320,699</b>      | <b>68,870</b>       | <b>71,514</b>       |
|                                                      | <b>393,738,136</b>  | <b>317,034,782</b>  | <b>334,976,926</b>  | <b>265,965,414</b>  |
| Unearned discounts                                   | <b>(255,841)</b>    | <b>(278,335)</b>    | <b>(198,042)</b>    | <b>(168,620)</b>    |
|                                                      | <b>393,482,295</b>  | <b>316,756,447</b>  | <b>334,778,884</b>  | <b>265,796,794</b>  |
| Allowance for impairment and credit losses (Note 15) | <b>(6,654,995)</b>  | <b>(6,994,670)</b>  | <b>(5,709,025)</b>  | <b>(6,151,786)</b>  |
|                                                      | <b>₱386,827,300</b> | <b>₱309,761,777</b> | <b>₱329,069,859</b> | <b>₱259,645,008</b> |

\*Others include employee loans and foreign bills purchased.

## NOTES TO FINANCIAL STATEMENTS

The Group's and Parent Company's loans and discounts under corporate and commercial lending include unquoted debt securities with carrying amount of ₱4.08 billion and ₱3.98 billion as of December 31, 2016, respectively, and ₱1.37 billion and ₱1.00 billion as of December 31, 2015, respectively.

Outstanding loans of the Group and the Parent Company amounting to ₱760.38 billion and ₱0.21 million, respectively, in 2015, are funded by relending facilities with local government agencies (Note 17).

### BSP Reporting

Information on the amounts of secured and unsecured loans and receivables (gross of unearned discounts and allowance for impairment and credit losses) of the Group and Parent Company are as follows:

|                                              | Consolidated |        |              |        | Parent Company |        |              |        |
|----------------------------------------------|--------------|--------|--------------|--------|----------------|--------|--------------|--------|
|                                              | 2016         |        | 2015         |        | 2016           |        | 2015         |        |
|                                              | Amounts      | %      | Amounts      | %      | Amounts        | %      | Amounts      | %      |
| Loans secured by                             |              |        |              |        |                |        |              |        |
| Real estate                                  | ₱55,840,410  | 14.18  | ₱64,153,568  | 20.23  | ₱33,443,459    | 9.98   | ₱41,243,643  | 15.51  |
| Chattel mortgage                             | 29,496,094   | 7.49   | 26,271,491   | 8.29   | 19,713,062     | 5.88   | 19,272,656   | 7.25   |
| Deposit hold out                             | 3,806,062    | 0.97   | 3,710,591    | 1.17   | 2,251,423      | 0.67   | 1,764,664    | 0.66   |
| Shares of stock of other banks               | 2,710,000    | 0.69   | 4,948,073    | 1.56   | 2,710,000      | 0.81   | 4,948,073    | 1.86   |
| Guarantee by the Republic of the Philippines | 8,487,000    | 2.16   | 9,153,000    | 2.89   | 8,487,000      | 2.53   | 9,153,000    | 3.44   |
| Others                                       | 76,814,028   | 19.49  | 24,504,252   | 7.73   | 73,171,797     | 21.86  | 22,018,279   | 8.28   |
|                                              | 177,153,594  | 44.98  | 132,740,975  | 41.87  | 139,776,741    | 41.73  | 98,400,315   | 37.00  |
| Unsecured loans                              | 216,584,543  | 55.02  | 184,293,807  | 58.13  | 195,200,185    | 58.27  | 167,565,099  | 63.00  |
|                                              | ₱393,738,136 | 100.00 | ₱317,034,782 | 100.00 | ₱334,976,926   | 100.00 | ₱265,965,414 | 100.00 |

Information on the concentration of credit as to industry of the Group and Parent Company follows:

|                                                   | Consolidated |        |              |        |
|---------------------------------------------------|--------------|--------|--------------|--------|
|                                                   | 2016         |        | 2015         |        |
|                                                   | Amounts      | %      | Amounts      | %      |
| Real estate, renting and business services        | ₱97,201,490  | 24.69  | ₱73,904,956  | 23.31  |
| Wholesale and retail trade                        | 57,498,702   | 14.60  | 45,524,686   | 14.36  |
| Financial intermediaries                          | 40,750,252   | 10.35  | 22,164,997   | 6.99   |
| Electricity, gas and water                        | 40,385,429   | 10.26  | 26,924,936   | 8.49   |
| Transportation, storage and communication         | 33,885,852   | 8.61   | 23,046,395   | 7.27   |
| Manufacturing                                     | 27,602,087   | 7.01   | 37,854,608   | 11.94  |
| Construction                                      | 10,167,766   | 2.58   | 9,973,878    | 3.15   |
| Accommodation and food service activities         | 8,227,872    | 2.09   | 5,953,404    | 1.88   |
| Public administration and defense                 | 7,544,000    | 1.92   | 8,200,000    | 2.59   |
| Arts, entertainment and recreation                | 7,511,725    | 1.91   | 7,603,811    | 2.40   |
| Agriculture                                       | 5,782,267    | 1.47   | 6,100,963    | 1.92   |
| Professional, scientific and technical activities | 5,760,184    | 1.46   | 7,563,543    | 2.39   |
| Education                                         | 3,819,309    | 0.97   | 4,312,472    | 1.36   |
| Mining and quarrying                              | 1,419,481    | 0.36   | 1,479,981    | 0.47   |
| Others*                                           | 46,181,720   | 11.73  | 36,426,152   | 11.48  |
|                                                   | ₱393,738,136 | 100.00 | ₱317,034,782 | 100.00 |

\*Others consist of administrative and support service, health, household and other activities.



|                                                   | Parent Company      |               |              |        |
|---------------------------------------------------|---------------------|---------------|--------------|--------|
|                                                   | 2016                |               | 2015         |        |
|                                                   | Amounts             | %             | Amounts      | %      |
| Real estate, renting and business services        | <b>₱76,873,563</b>  | <b>22.95</b>  | ₱57,640,859  | 21.67  |
| Wholesale and retail trade                        | <b>49,143,056</b>   | <b>14.67</b>  | 38,336,067   | 14.41  |
| Electricity, gas and water                        | <b>40,103,651</b>   | <b>11.97</b>  | 26,653,354   | 10.02  |
| Financial intermediaries                          | <b>37,826,049</b>   | <b>11.29</b>  | 19,014,800   | 7.15   |
| Transportation, storage and communication         | <b>31,858,356</b>   | <b>9.51</b>   | 21,288,949   | 8.00   |
| Manufacturing                                     | <b>23,465,857</b>   | <b>7.01</b>   | 33,704,510   | 12.67  |
| Construction                                      | <b>8,829,298</b>    | <b>2.64</b>   | 8,490,130    | 3.19   |
| Public administration and defense                 | <b>7,544,000</b>    | <b>2.25</b>   | 8,200,000    | 3.08   |
| Arts, entertainment and recreation                | <b>7,470,098</b>    | <b>2.23</b>   | 7,570,591    | 2.85   |
| Accommodation and food service activities         | <b>6,511,668</b>    | <b>1.94</b>   | 4,310,755    | 1.62   |
| Professional, scientific and technical activities | <b>5,318,354</b>    | <b>1.59</b>   | 7,397,503    | 2.78   |
| Agriculture                                       | <b>3,762,789</b>    | <b>1.12</b>   | 4,076,266    | 1.53   |
| Education                                         | <b>2,807,735</b>    | <b>0.84</b>   | 3,424,162    | 1.29   |
| Mining and quarrying                              | <b>1,257,731</b>    | <b>0.38</b>   | 1,479,981    | 0.56   |
| Others*                                           | <b>32,204,721</b>   | <b>9.61</b>   | 24,377,487   | 9.18   |
|                                                   | <b>₱334,976,926</b> | <b>100.00</b> | ₱265,965,414 | 100.00 |

\*Others consist of administrative and support service, health, household and other activities.

The BSP considers that loan concentration exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. As of December 31, 2016 and 2015, the Parent Company does not have credit concentration in any particular industry.

As of December 31, 2016 and 2015, secured and unsecured non-performing loans (NPLs) of the Group and the Parent Company follow:

|           | Consolidated      |            | Parent Company    |            |
|-----------|-------------------|------------|-------------------|------------|
|           | 2016              | 2015       | 2016              | 2015       |
| Secured   | <b>₱3,038,413</b> | ₱4,125,042 | <b>₱1,086,882</b> | ₱1,741,816 |
| Unsecured | <b>4,274,659</b>  | 3,884,797  | <b>2,642,103</b>  | 3,256,796  |
|           | <b>₱7,313,072</b> | ₱8,009,839 | <b>₱3,728,985</b> | ₱4,998,612 |

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches twenty percent (20.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs. Gross and net NPLs of the Parent Company as reported to BSP amounted to ₱3.73 billion and ₱1.42 billion, respectively, in 2016 and ₱5.00 billion and ₱1.82 billion, respectively, in 2015. Gross and net NPL ratios of the Parent Company are 1.12% and 0.43%, respectively, in 2016 and 1.89% and 0.69%, respectively, in 2015.

## NOTES TO FINANCIAL STATEMENTS

### Interest Income on Loans and Receivables

This account consists of:

|                            | Consolidated       |             |             | Parent Company     |             |             |
|----------------------------|--------------------|-------------|-------------|--------------------|-------------|-------------|
|                            | 2016               | 2015        | 2014        | 2016               | 2015        | 2014        |
| Receivables from customers | <b>P17,812,793</b> | P15,813,206 | P14,515,093 | <b>P14,055,123</b> | P12,257,457 | P11,158,515 |
| Unquoted debt securities   | <b>76,459</b>      | 87,521      | 159,118     | <b>67,164</b>      | 67,502      | 136,901     |
|                            | <b>P17,889,252</b> | P15,900,727 | P14,674,211 | <b>P14,122,287</b> | P12,324,959 | P11,295,416 |

As of December 31, 2016 and 2015, 52.53% and 58.86%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2016 and 2015, 53.29% and 62.10%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.00% to 11.00% in 2016, from 1.82% to 8.00% in 2015, and from 0.98% to 10.50% in 2014 for foreign currency-denominated receivables and from 1.00% to 30.00% in 2016 and 2015, and from 1.25% to 29.00% in 2014 for peso-denominated receivables.

## 10. EQUITY INVESTMENTS

This account consists of investments in:

|                                                                                                       | Parent Company     |             |            |
|-------------------------------------------------------------------------------------------------------|--------------------|-------------|------------|
|                                                                                                       | December 31        | December 31 | January 1  |
|                                                                                                       | 2016               | 2015        | 2015       |
| Investment cost                                                                                       |                    |             |            |
| Subsidiaries                                                                                          |                    |             |            |
| CBSI                                                                                                  | <b>P12,165,984</b> | P9,665,532  | P2,986,311 |
| PDB (merged with CBSI in 2015)                                                                        | —                  | —           | 2,976,700  |
| CBCC                                                                                                  | <b>500,000</b>     | 300,000     | —          |
| CBC Forex Corporation                                                                                 | —                  | 50,000      | 50,000     |
| CBC-PCCI                                                                                              | <b>2,439</b>       | 2,439       | 2,439      |
| CIBI                                                                                                  | <b>1,500</b>       | 1,500       | 1,500      |
|                                                                                                       | <b>12,669,923</b>  | 10,019,471  | 6,016,950  |
| Associate                                                                                             |                    |             |            |
| Manulife China Bank Life Assurance Corporation (MCB Life)                                             | <b>166,273</b>     | 166,273     | 166,273    |
|                                                                                                       | <b>12,836,196</b>  | 10,185,744  | 6,183,223  |
| Accumulated equity in net income (loss)                                                               |                    |             |            |
| Balance at beginning of the year                                                                      | <b>(417,732)</b>   | (177,939)   | 192,098    |
| Share in net income (loss)                                                                            |                    |             |            |
| Subsidiaries                                                                                          | <b>464,999</b>     | (201,900)   | (369,125)  |
| Associate                                                                                             | <b>(89,384)</b>    | (37,893)    | (912)      |
|                                                                                                       | <b>375,615</b>     | (239,793)   | (370,037)  |
| Balance at end of the year                                                                            | <b>(42,117)</b>    | (417,732)   | (177,939)  |
| Equity in net unrealized loss on measurement of retirement plan and translation adjustment and others |                    |             |            |
| Subsidiaries                                                                                          | <b>(213,661)</b>   | (126,068)   | (69,223)   |
| Associate                                                                                             | <b>(134,823)</b>   | (129,367)   | (5,970)    |
|                                                                                                       | <b>(348,484)</b>   | (255,435)   | (75,193)   |
| Carrying value                                                                                        |                    |             |            |
| Subsidiaries                                                                                          | <b>12,169,037</b>  | 9,141,177   | 5,397,402  |
| Associate                                                                                             | <b>276,559</b>     | 371,399     | 532,689    |
|                                                                                                       | <b>P12,445,596</b> | P9,512,576  | P5,930,091 |

|                                                                                                       | Parent Company       |                      |                 |
|-------------------------------------------------------------------------------------------------------|----------------------|----------------------|-----------------|
|                                                                                                       | December 31,<br>2016 | December 31,<br>2015 | January 1, 2015 |
| Investment cost                                                                                       |                      |                      |                 |
| Subsidiaries                                                                                          |                      |                      |                 |
| CBSI                                                                                                  | <b>₱12,165,984</b>   | ₱9,665,532           | ₱2,986,311      |
| PDB (merged with CBSI in 2015)                                                                        |                      |                      | 2,976,700       |
| CBCC                                                                                                  | <b>500,000</b>       | 300,000              | –               |
| CBC Forex Corporation                                                                                 | –                    | 50,000               | 50,000          |
| CBC-PCCI                                                                                              | <b>2,439</b>         | 2,439                | 2,439           |
| CIBI                                                                                                  | <b>1,500</b>         | 1,500                | 1,500           |
|                                                                                                       | <b>12,669,923</b>    | 10,019,471           | 6,016,950       |
| Associate                                                                                             |                      |                      |                 |
| Manulife China Bank Life Assurance Corporation (MCB Life)                                             | <b>166,273</b>       | 166,273              | 166,273         |
|                                                                                                       | <b>12,836,196</b>    | 10,185,744           | 6,183,223       |
| Accumulated equity in net income (loss)                                                               |                      |                      |                 |
| Balance at beginning of the year                                                                      | <b>(417,732)</b>     | (177,939)            | 192,098         |
| Share in net income (loss)                                                                            |                      |                      |                 |
| Subsidiaries                                                                                          | <b>464,999</b>       | (201,900)            | (369,125)       |
| Associate                                                                                             | <b>(89,384)</b>      | (37,893)             | (912)           |
|                                                                                                       | <b>375,615</b>       | (239,793)            | (370,037)       |
| Balance at end of the year                                                                            | <b>(42,117)</b>      | (417,732)            | (177,939)       |
| Equity in net unrealized loss on measurement of retirement plan and translation adjustment and others |                      |                      |                 |
| Subsidiaries                                                                                          | <b>(213,661)</b>     | (126,068)            | (69,223)        |
| Associate                                                                                             | <b>(134,823)</b>     | (129,367)            | (5,970)         |
|                                                                                                       | <b>(348,484)</b>     | (255,435)            | (75,193)        |
| Carrying value                                                                                        |                      |                      |                 |
| Subsidiaries                                                                                          | <b>12,169,037</b>    | 9,141,177            | 5,397,402       |
| Associate                                                                                             | <b>276,559</b>       | 371,399              | 532,689         |
|                                                                                                       | <b>₱12,445,596</b>   | ₱9,512,576           | ₱5,930,091      |

#### CBSI

Cost of investment includes the original amount incurred by the Parent Company from its acquisition of CBSI in 2007 amounting to ₱1.07 billion, additional acquisition of non-controlling interest in 2015 of ₱2.52 million, capital infusion of ₱1.5 billion, ₱1.0 billion, and ₱2.0 billion on December 31, 2016, September 29, 2016, and December 16, 2015, respectively, and ₱4.68 billion worth of CBSI common shares received in connection with the merger of CBSI and PDB on December 31, 2015.

The capital infusions to CBSI were approved by the Parent Company's Executive Committee on December 1, 2016, September 21, 2016, and December 16, 2016. The December 16, 2015 infusion was made to comply with the BSP's mandate for the final approval of the merger between CBSI and PDB.

#### Merger of CBSI with PDB

The BOD of both CBSI and PDB, in their meeting held on June 26, 2014, approved the proposed merger of PDB with CBSI, with the latter as the surviving bank. The terms of the Plan of Merger of CBSI with PDB were approved by CBSI and PDB's stockholders owning at least 2/3 of each corporation's outstanding common stocks in separate meetings held on August 14, 2014. The Plan of Merger permits the issuance of 1.23 PDB common shares for every CBSI common share.

On November 6, 2015, the BSP issued the Certificate of Authority on the Articles of Merger and the Plan of Merger, as amended, of CBSI and PDB.

## NOTES TO FINANCIAL STATEMENTS

On December 17, 2015, CBSI obtained SEC's approval of its merger with PDB, whereby the entire assets and liabilities of PDB shall be transferred to and absorbed by CBSI.

### Acquisition of PDB

In 2014, the Parent Company made tender offers to non-controlling stockholders of PDB. As of December 31, 2014, the Parent Company owns 99.85% and 100.00% of PDB's outstanding common and preferred stocks, respectively.

As of December 31, 2014, the Parent Company's cost of investment in PDB consists of:

|                                                |                   |
|------------------------------------------------|-------------------|
| Acquisition of majority of PDB's capital stock | P1,421,346        |
| Additional capital infusion                    | 1,300,000         |
| Tender offers                                  | 255,354           |
|                                                | <u>P2,976,700</u> |

On March 31, 2015, the Parent Company made additional capital infusion to PDB amounting to P1.70 billion. Of the total cost of investment, the consideration transferred for the acquisition of PDB follows:

|                                                |                   |
|------------------------------------------------|-------------------|
| Acquisition of majority of PDB's capital stock | P1,421,346        |
| Tender offers                                  | 255,354           |
|                                                | <u>P1,676,700</u> |

In 2015, the MB of the BSP granted to the Group investment and merger incentives in the form of waiver of special licensing fees for 67 additional branch licenses in restricted areas. This is in addition to the initial investment and merger incentives of 30 new branches in restricted areas and 35 branches to be transferred from unrestricted to restricted areas granted to the Parent Company by the MB in 2014. These branch licenses were granted under the Strengthening Program for Rural Bank (SPRB) Plus Framework.

The branch licenses have the following fair values:

|                                     |                   |
|-------------------------------------|-------------------|
|                                     | As restated       |
| 114 Commercial Bank branch licenses | P2,280,000        |
| 18 Thrift Bank branch licenses      | 270,000           |
|                                     | 2,550,000         |
| Deferred tax liability              | 765,000           |
|                                     | <u>P1,785,000</u> |

On April 6, 2016, the Parent Company's BOD has approved the allocation of the 67 additional branch licenses in restricted areas as follows: 49 to the Parent Company and 18 to CBSI. Pursuant to memorandum dated March 18, 2016, the 67 branch licenses were awarded as incentives by the Monetary Board as a result of the Parent Company's acquisition of PDB. Goodwill from acquisition of PDB is computed as follows:

|                                                                  |            |                 |
|------------------------------------------------------------------|------------|-----------------|
|                                                                  |            | As restated     |
| Consideration transferred                                        |            | P1,676,700      |
| Less: Fair value of identifiable assets and liabilities acquired |            |                 |
| Net liabilities of PDB                                           | (P725,207) |                 |
| Branch licenses, net of deferred tax liability (Note 13)         | 1,785,000  | 1,059,793       |
|                                                                  |            | <u>P616,907</u> |

In 2014, acquisition-related costs amounting to P6.39 million are included under various operating expenses in the statements of income.

Since the acquisition date, the amounts of revenue and net losses of PDB included in the consolidated statements of income for the year ended December 31, 2014 amounted to P2.78 billion and P265.49 million, respectively.

Had the acquisition of PDB occurred at the beginning of 2014, the Group's revenue and net income for the year ended December 31, 2014 would have increased by P215.24 million and decreased by P158.32 million, respectively.



Cash flow on acquisition follows:

|                                              |                   |
|----------------------------------------------|-------------------|
| Cash and cash equivalents acquired from PDB* | ₱5,728,617        |
| Less: Cash paid                              | 1,676,700         |
| <b>Net cash inflow</b>                       | <b>₱4,051,917</b> |

\* Includes cash and other cash items, due from BSP and other banks.

#### CBCC

On April 1, 2015, the BOD approved the investment of the Parent Company in an investment house subsidiary, China Bank Capital Corporation (CBCC), up to the amount of ₱500.00 million, subject to the requirements of relevant regulatory agencies.

On April 30, 2015, the BSP approved the request of the Parent Company to invest up to 100% or up to ₱500.00 million common shares in CBCC, subject to certain conditions.

On November 27, 2015, the SEC approved the Articles of Incorporation and By-Laws of CBCC. It also granted CBCC the license to operate as an investment house.

In 2016 and 2015, actual capital infusion to CBCC amounted to ₱200.00 million and ₱300.00 million, respectively.

#### CBC Assets One, Inc.

CBC Assets One, Inc. was incorporated on June 15, 2016 as a wholly-owned special purpose company of CBCC for asset-backed securitization. It has not yet commenced commercial operations.

#### CBC Forex Corporation

On May 5, 2009, the BOD approved to dissolve the operations of CBC Forex by shortening its corporate life until December 31, 2009. On December 28, 2015, the Parent Company obtained the approval from the SEC of its Certificate of Filing of Amended Articles of Incorporation (Amending the Article IV by shortening the term of its existence, thereby dissolving the Corporation) dated November 6, 2015. On December 19, 2016, the Parent Company's investment with CBC Forex Corporation amounting ₱50.0 million was liquidated.

#### Investment in Associates

Investment in associates in the consolidated and Parent Company's financial statements pertain to investment in MCB Life and CBC-PCCI's investment in Urban Shelters (accounted for by CBC-PCCI in its financial statements as an investment in an associate) which is carried at nil amount as of December 31, 2016 and 2015.

The following table shows the summarized financial information of MCB Life:

|                                         | 2016               | 2015        |
|-----------------------------------------|--------------------|-------------|
| Total assets                            | <b>₱26,419,046</b> | ₱21,439,732 |
| Total liabilities                       | <b>25,727,647</b>  | 20,498,841  |
| Equity                                  | <b>691,398</b>     | 940,891     |
|                                         | 2016               | 2015        |
| Revenues                                | <b>₱7,663,417</b>  | ₱5,370,875  |
| Benefits, claims and operating expenses | <b>7,860,618</b>   | 5,459,395   |
| Loss before income tax                  | <b>(197,201)</b>   | (88,520)    |
| Net loss                                | <b>(223,460)</b>   | (94,733)    |

In 2014, the Group agreed to sell, transfer, and convey its investments in PDB Properties, Inc. and PDB Insurance Agency, Inc. to a former significant investor. The sale was duly approved by PDB's BOD and duly reported to the BSP. The Group recognized gain on the sale transaction amounting to ₱64.56 million included under 'Miscellaneous income' (Note 20).

#### MCB Life

On August 2, 2006, the BOD approved the joint project proposal of the Parent Company with Manufacturers Life Insurance Company (Manulife). Under the proposal, the Parent Company will invest in a life insurance company owned by Manulife, and such company will be offering innovative insurance and financial products for health, wealth and education through the Parent Company's branches nationwide. The life insurance company was incorporated as The Pramerica Life Insurance Company Inc. in 1998 but the name was changed to Manulife China Bank Life Assurance Corporation on March 23, 2007. The Parent Company acquired 5.00% interest in MCB Life on August 8, 2007. This investment is accounted for as an investment in an associate by virtue of the Bancassurance Alliance Agreement which provides the Parent Company to be represented in MCB Life's BOD and, thus, exercise significant influence over the latter.

## NOTES TO FINANCIAL STATEMENTS

The BSP requires the Parent Company to maintain a minimum of 5.00% ownership over MCB Life in order for MCB Life to be allowed to continue distributing its insurance products through the Parent Company's branches.

On September 12, 2014, the BSP approved the request of the Parent Company to raise its capital investment in MCB Life from 5.00% to 40.00% of its authorized capital through purchase of 1.75 million common shares.

Commission income earned by the Parent Company from its bancassurance agreement amounting to ₱383.48 million, ₱337.41 million and ₱277.14 million in 2016, 2015 and 2014, respectively, is included under 'Miscellaneous income' in the statements of income (Note 20).

### 11. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The composition of and movements in this account follow:

|                                                  | Consolidated      |                                         |                 |                           |                              | 2016<br>Total     |
|--------------------------------------------------|-------------------|-----------------------------------------|-----------------|---------------------------|------------------------------|-------------------|
|                                                  | Land<br>(Note 22) | Furniture,<br>Fixtures and<br>Equipment | Buildings       | Leasehold<br>Improvements | Construction-<br>in-Progress |                   |
| <b>Cost</b>                                      |                   |                                         |                 |                           |                              |                   |
| Balance at beginning of year                     | ₱3,347,222        | ₱6,601,919                              | ₱1,832,834      | ₱1,338,260                | ₱90,873                      | ₱13,211,108       |
| Additions                                        | –                 | 809,311                                 | 99,911          | 215,122                   | 11,307                       | 1,135,651         |
| Disposals/transfers*                             | (1,818)           | (247,493)                               | (39,220)        | (70,967)                  | (15,775)                     | (375,273)         |
| Balance at end of year                           | 3,345,404         | 7,163,737                               | 1,893,525       | 1,482,415                 | 86,405                       | 13,971,486        |
| <b>Accumulated Depreciation and Amortization</b> |                   |                                         |                 |                           |                              |                   |
| Balance at beginning of year                     | –                 | 5,097,654                               | 895,859         | 861,406                   | –                            | 6,854,919         |
| Depreciation and amortization                    | –                 | 624,690                                 | 114,196         | 103,330                   | –                            | 842,216           |
| Disposals/transfers*                             | –                 | (159,842)                               | 3,241           | (67,687)                  | –                            | (224,288)         |
| Balance at end of year                           | –                 | 5,562,502                               | 1,013,296       | 897,049                   | –                            | 7,472,847         |
| <b>Allowance for Impairment Losses</b> (Note 15) | –                 | –                                       |                 |                           |                              |                   |
| Balance at beginning of year                     | –                 | –                                       | 2,070           | –                         | –                            | 2,070             |
| Reclassification                                 | –                 | –                                       | 301             | –                         | –                            | 301               |
| Balance at end of year                           | –                 | –                                       | 2,371           | –                         | –                            | 2,371             |
| <b>Net Book Value at End of Year</b>             | <b>₱3,345,404</b> | <b>₱1,601,235</b>                       | <b>₱877,858</b> | <b>₱585,366</b>           | <b>₱86,405</b>               | <b>₱6,496,268</b> |

\*Includes transfers from investment properties amounting to ₱4.69 million.

|                                                  | Consolidated      |                                         |                 |                           |                              | 2015<br>Total     |
|--------------------------------------------------|-------------------|-----------------------------------------|-----------------|---------------------------|------------------------------|-------------------|
|                                                  | Land<br>(Note 22) | Furniture,<br>Fixtures and<br>Equipment | Buildings       | Leasehold<br>Improvements | Construction-<br>in-Progress |                   |
| <b>Cost</b>                                      |                   |                                         |                 |                           |                              |                   |
| Balance at beginning of year                     | ₱2,882,702        | ₱5,993,877                              | ₱1,919,398      | ₱1,165,793                | ₱45,997                      | ₱12,007,767       |
| Additions                                        | 494,304           | 738,969                                 | 20,614          | 90,212                    | 149,883                      | 1,493,982         |
| Disposals/transfers*                             | (29,784)          | (130,927)                               | (107,178)       | 82,255                    | (105,007)                    | (290,641)         |
| Balance at end of year                           | 3,347,222         | 6,601,919                               | 1,832,834       | 1,338,260                 | 90,873                       | 13,211,108        |
| <b>Accumulated Depreciation and Amortization</b> |                   |                                         |                 |                           |                              |                   |
| Balance at beginning of year                     | –                 | 4,255,780                               | 835,065         | 663,527                   | –                            | 5,754,372         |
| Depreciation and amortization                    | –                 | 619,062                                 | 75,345          | 128,350                   | –                            | 822,757           |
| Disposals/transfers*                             | –                 | 222,812                                 | (14,551)        | 69,529                    | –                            | 277,790           |
| Balance at end of year                           | –                 | 5,097,654                               | 895,859         | 861,406                   | –                            | 6,854,919         |
| <b>Allowance for Impairment Losses</b> (Note 15) |                   |                                         |                 |                           |                              |                   |
| Balance at beginning of year                     | –                 | 360                                     | 2,383           | –                         | –                            | 2,743             |
| Reclassification                                 | –                 | (360)                                   | (313)           | –                         | –                            | (673)             |
| Balance at end of year                           | –                 | –                                       | 2,070           | –                         | –                            | 2,070             |
| <b>Net Book Value at End of Year</b>             | <b>₱3,347,222</b> | <b>₱1,504,265</b>                       | <b>₱934,905</b> | <b>₱476,854</b>           | <b>₱90,873</b>               | <b>₱6,354,119</b> |

\*Includes transfers from investment properties amounting to ₱2.20 million.

|                                                      | Parent Company     |                                         |                 |                           |                              |                   |
|------------------------------------------------------|--------------------|-----------------------------------------|-----------------|---------------------------|------------------------------|-------------------|
|                                                      | Land<br>(Note 22)  | Furniture,<br>Fixtures and<br>Equipment | Buildings       | Leasehold<br>Improvements | Construction-<br>in-Progress | 2016<br>Total     |
| <b>Cost</b>                                          |                    |                                         |                 |                           |                              |                   |
| Balance at beginning of year                         | P2,786,350         | P5,612,477                              | P1,027,236      | P999,819                  | P88,054                      | P10,513,936       |
| Additions                                            | –                  | 675,734                                 | 89,359          | 169,256                   | 7,701                        | 942,050           |
| Disposals/transfers*                                 | (40)               | (206,202)                               | (38,987)        | (75,581)                  | (15,616)                     | (336,426)         |
| Balance at end of year                               | 2,786,310          | 6,082,009                               | 1,077,608       | 1,093,494                 | 80,139                       | 11,119,560        |
| <b>Accumulated Depreciation<br/>and Amortization</b> |                    |                                         |                 |                           |                              |                   |
| Balance at beginning of year                         | –                  | 4,386,057                               | 462,552         | 668,125                   | –                            | 5,516,734         |
| Depreciation and amortization                        | –                  | 482,832                                 | 27,819          | 85,160                    | –                            | 595,811           |
| Disposals/transfers*                                 | –                  | (93,512)                                | 27,120          | (70,574)                  | –                            | (136,966)         |
| Balance at end of year                               | –                  | 4,775,377                               | 517,491         | 682,711                   | –                            | 5,975,579         |
| <b>Net Book Value at End of Year</b>                 | <b>P 2,786,310</b> | <b>P1,306,632</b>                       | <b>P560,117</b> | <b>P410,783</b>           | <b>P80,141</b>               | <b>P5,143,981</b> |

\*Includes transfers from investment properties amounting to P4.69 million.

|                                                      | Parent Company    |                                         |                 |                           |                              |                   |
|------------------------------------------------------|-------------------|-----------------------------------------|-----------------|---------------------------|------------------------------|-------------------|
|                                                      | Land<br>(Note 22) | Furniture,<br>Fixtures and<br>Equipment | Buildings       | Leasehold<br>Improvements | Construction-<br>in-Progress | 2015<br>Total     |
| <b>Cost</b>                                          |                   |                                         |                 |                           |                              |                   |
| Balance at beginning of year                         | P2,321,830        | P5,386,709                              | P1,111,114      | P909,764                  | P45,294                      | P9,774,711        |
| Additions                                            | 494,304           | 653,246                                 | 17,443          | 89,898                    | 145,850                      | 1,400,741         |
| Disposals/transfers*                                 | (29,784)          | (427,478)                               | (101,321)       | 157                       | (103,090)                    | (661,516)         |
| Balance at end of year                               | 2,786,350         | 5,612,477                               | 1,027,236       | 999,819                   | 88,054                       | 10,513,936        |
| <b>Accumulated Depreciation<br/>and Amortization</b> |                   |                                         |                 |                           |                              |                   |
| Balance at beginning of year                         | –                 | 3,987,316                               | 446,545         | 592,651                   | –                            | 5,026,512         |
| Depreciation and amortization                        | –                 | 479,408                                 | 30,090          | 70,563                    | –                            | 580,061           |
| Disposals/transfers*                                 | –                 | (80,667)                                | (14,083)        | 4,911                     | –                            | (89,839)          |
| Balance at end of year                               | –                 | 4,386,057                               | 462,552         | 668,125                   | –                            | 5,516,734         |
| <b>Net Book Value at End of Year</b>                 | <b>P2,786,350</b> | <b>P1,226,420</b>                       | <b>P564,684</b> | <b>P331,694</b>           | <b>P88,054</b>               | <b>P4,997,202</b> |

\*Includes transfers from investment properties amounting to P2.20 million.

The Group adopted the deemed cost model as of January 1, 2004 and considered the carrying value of the land determined under its previous accounting method (revaluation method) as the deemed cost of the asset as of January 1, 2005. Accordingly, revaluation increment amounting to P1.28 billion was closed to surplus (Note 22) in 2011.

As of December 31, 2016 and 2015, the gross carrying amount of fully depreciated furniture, fixtures and equipment still in use amounted to P2.89 billion and P2.36 billion, respectively, for the Group and P2.31 billion and P1.99 billion, respectively, for the Parent Company.

Gain on sale of furniture, fixtures and equipment amounting to P2.97 million, P0.89 million and P1.52 million in 2016, 2015 and 2014, respectively, for the Group and P2.17 million, P0.50 million and P1.49 million in 2016, 2015 and 2014, respectively, for the Parent Company are included in the statements of income under 'Miscellaneous income' account (Note 20).

In 2014, depreciation and amortization amounting to P803.71 million and P547.31million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

## NOTES TO FINANCIAL STATEMENTS

### 12. INVESTMENT PROPERTIES

The composition of and movements in this account follow:

|                                                  |                   | Consolidated               |                   |
|--------------------------------------------------|-------------------|----------------------------|-------------------|
|                                                  | Land              | Buildings and Improvements | 2016 Total        |
| <b>Cost</b>                                      |                   |                            |                   |
| Balance at beginning of year                     | ¥4,810,128        | ¥2,588,845                 | ¥7,398,973        |
| Additions                                        | 363,175           | 421,240                    | 784,415           |
| Disposals/write-off/transfers*                   | (443,227)         | (221,688)                  | (664,915)         |
| Balance at end of year                           | 4,730,076         | 2,788,397                  | 7,518,473         |
| <b>Accumulated Depreciation and Amortization</b> |                   |                            |                   |
| Balance at beginning of year                     | –                 | 713,023                    | 713,023           |
| Depreciation and amortization                    | –                 | 173,007                    | 173,007           |
| Disposals/write-off/transfers*                   | –                 | (130,267)                  | (130,267)         |
| Balance at end of year                           | –                 | 755,763                    | 755,763           |
| <b>Allowance for Impairment Losses</b> (Note 15) |                   |                            |                   |
| Balance at beginning of year                     | 1,023,837         | 263,974                    | 1,287,811         |
| Provisions during the year                       | –                 | (797)                      | (797)             |
| Disposals/write-off/reclassification*            | 4,176             | 121,781                    | 125,957           |
| Balance at end of year                           | 1,028,013         | 384,958                    | 1,412,971         |
| <b>Net Book Value at End of Year</b>             | <b>¥3,702,063</b> | <b>¥1,647,676</b>          | <b>¥5,349,739</b> |

\*Includes transfers to bank premises amounting to ¥4.69 million.

|                                                  |                   | Consolidated               |                   |
|--------------------------------------------------|-------------------|----------------------------|-------------------|
|                                                  | Land              | Buildings and Improvements | 2015 Total        |
| <b>Cost</b>                                      |                   |                            |                   |
| Balance at beginning of year                     | ¥5,077,262        | ¥2,367,671                 | ¥7,444,933        |
| Additions due to business combination (Note 10)  | –                 | –                          | –                 |
| Additions                                        | 588,667           | 371,665                    | 960,332           |
| Disposals/write-off/transfers*                   | (855,801)         | (150,491)                  | (1,006,292)       |
| Balance at end of year                           | 4,810,128         | 2,588,845                  | 7,398,973         |
| <b>Accumulated Depreciation and Amortization</b> |                   |                            |                   |
| Balance at beginning of year                     | –                 | 652,099                    | 652,099           |
| Depreciation and amortization                    | –                 | 142,277                    | 142,277           |
| Disposals/write-off/transfers*                   | –                 | (81,353)                   | (81,353)          |
| Balance at end of year                           | –                 | 713,023                    | 713,023           |
| <b>Allowance for Impairment Losses</b> (Note 15) |                   |                            |                   |
| Balance at beginning of year                     | 1,092,234         | 251,070                    | 1,343,304         |
| Provisions during the year                       | –                 | 6,633                      | 6,633             |
| Disposals/write-off/reclassification*            | (68,397)          | 6,271                      | (62,126)          |
| Balance at end of year                           | 1,023,837         | 263,974                    | 1,287,811         |
| <b>Net Book Value at End of Year</b>             | <b>¥3,786,291</b> | <b>¥1,611,848</b>          | <b>¥5,398,139</b> |

\*Includes transfers to bank premises amounting to ¥2.20 million.



|                                                  | Parent Company    |                            |                   |
|--------------------------------------------------|-------------------|----------------------------|-------------------|
|                                                  | Land              | Buildings and Improvements | 2016 Total        |
| <b>Cost</b>                                      |                   |                            |                   |
| Balance at beginning of year                     | ₱2,176,474        | ₱1,520,017                 | ₱3,696,491        |
| Additions                                        | 164,833           | 132,011                    | 296,844           |
| Disposals/write-off/transfers*                   | (322,242)         | (140,679)                  | (462,921)         |
| Balance at end of year                           | 2,019,065         | 1,511,349                  | 3,530,414         |
| <b>Accumulated Depreciation and Amortization</b> |                   |                            |                   |
| Balance at beginning of year                     | –                 | 590,211                    | 590,211           |
| Depreciation and amortization                    | –                 | 98,915                     | 98,915            |
| Disposals/write-off/transfers*                   | –                 | (126,006)                  | (126,006)         |
| Balance at end of year                           | –                 | 563,120                    | 563,120           |
| <b>Allowance for Impairment Losses</b> (Note 15) |                   |                            |                   |
| Balance at beginning of year                     | 1,004,729         | 201,689                    | 1,206,418         |
| Reclassification                                 | –                 | –                          | –                 |
| Balance at end of year                           | 1,004,729         | 201,689                    | 1,206,418         |
| <b>Net Book Value at End of Year</b>             | <b>₱1,014,336</b> | <b>₱746,540</b>            | <b>₱1,760,876</b> |

\*Includes transfers to bank premises amounting to ₱4.69 million.

|                                                  | Parent Company    |                            |                   |
|--------------------------------------------------|-------------------|----------------------------|-------------------|
|                                                  | Land              | Buildings and Improvements | 2015 Total        |
| <b>Cost</b>                                      |                   |                            |                   |
| Balance at beginning of year                     | ₱2,321,888        | ₱1,382,401                 | ₱3,704,289        |
| Additions                                        | 134,311           | 123,540                    | 257,851           |
| Disposals/write-off/transfers*                   | (279,725)         | 14,076                     | (265,649)         |
| Balance at end of year                           | 2,176,474         | 1,520,017                  | 3,696,491         |
| <b>Accumulated Depreciation and Amortization</b> |                   |                            |                   |
| Balance at beginning of year                     | –                 | 588,689                    | 588,689           |
| Depreciation and amortization                    | –                 | 81,847                     | 81,847            |
| Disposals/write-off/transfers*                   | –                 | (80,325)                   | (80,325)          |
| Balance at end of year                           | –                 | 590,211                    | 590,211           |
| <b>Allowance for Impairment Losses</b> (Note 15) |                   |                            |                   |
| Balance at beginning of year                     | 1,011,848         | 202,389                    | 1,214,237         |
| Reclassification                                 | (7,119)           | (700)                      | (7,819)           |
| Balance at end of year                           | 1,004,729         | 201,689                    | 1,206,418         |
| <b>Net Book Value at End of Year</b>             | <b>₱1,171,745</b> | <b>₱728,117</b>            | <b>₱1,899,862</b> |

\*Includes transfers to bank premises amounting to ₱2.20 million.

The Group's investment properties consist entirely of real estate properties acquired in settlement of loans and receivables. The difference between the fair value of the investment property upon foreclosure and the carrying value of the loan is recognized under 'Gain on asset foreclosure and dacion transactions' in the statements of income.

In 2014, depreciation and amortization amounting to ₱118.05 million and ₱83.26 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

## NOTES TO FINANCIAL STATEMENTS

Details of rental income earned and direct operating expenses incurred on investment properties follow:

|                                                                               | Consolidated   |         |         |
|-------------------------------------------------------------------------------|----------------|---------|---------|
|                                                                               | 2016           | 2015    | 2014    |
| Rent income on investment properties                                          | <b>P20,190</b> | P31,100 | P29,167 |
| Direct operating expenses on investment properties generating rent income     | <b>4,767</b>   | 2,392   | 21,801  |
| Direct operating expenses on investment properties not generating rent income | <b>67,619</b>  | 52,429  | 61,121  |
|                                                                               | Parent Company |         |         |
|                                                                               | 2016           | 2015    | 2014    |
| Rent income on investment properties                                          | <b>P39,734</b> | P7,020  | P5,903  |
| Direct operating expenses on investment properties generating rent income     | <b>886</b>     | 1,069   | 4,174   |
| Direct operating expenses on investment properties not generating rent income | <b>44,089</b>  | 35,270  | 43,010  |

Rent income earned from leasing out investment properties is included under 'Miscellaneous income' in the statements of income (Note 20).

On August 26, 2011, the Parent Company was registered as an Economic Zone Information Technology (IT) Facilities Enterprise with the Philippine Economic Zone Authority (PEZA) to operate and maintain a proposed 17-storey building located inside the CBP-IT Park in Barangays Mabolo, Luz, Hipodromo, Carreta, and Kamputhaw, Cebu City, for lease to PEZA-registered IT enterprises, and to be known as Chinabank Corporate Center. This registration is under PEZA Registration Certificate No. 11-03-F.

Under this registration, the Parent Company is entitled to five percent (5.00%) final tax on gross income earned from locator IT enterprises and related operations in accordance with existing PEZA rules. The Parent Company shall also be exempted from the payment of all national and local taxes in relation to this registered activity.

### 13. GOODWILL AND INTANGIBLE ASSETS

#### Goodwill

Goodwill represents the excess of the acquisition costs over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

The Group attributed the goodwill arising from its acquisition of CBSI and PDB to factors such as increase in geographical presence and customer base due to the branches acquired. None of the goodwill recognized is expected to be deductible for income tax purposes. CBSI as surviving entity from the merger with PDB, is the identified CGU for this goodwill. The Parent Company's Retail Banking Business (RBB) has been identified as the CGU for impairment testing of the goodwill from its acquisition of CBSI.

As of December 31, 2016 and 2015, amount of goodwill per CGU follows:

|                               | Consolidated    | Parent Company  |
|-------------------------------|-----------------|-----------------|
| Retail Banking Business (RBB) | P222,841        | P222,841        |
| CBSI                          | 616,907         | —               |
| <b>Total</b>                  | <b>P839,748</b> | <b>P222,841</b> |

The recoverable amount of the CGUs have been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period, which do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The significant assumptions used in computing for the recoverable values of the CGUs follow:

|                            | RBB    | CBSI   |
|----------------------------|--------|--------|
| Growth rates               |        |        |
| Loans                      | 9.30%  | 18.50% |
| Deposits                   | 12.20% | 18.00% |
| Discount rate              | 8.70%  | 8.70%  |
| Terminal value growth rate | 1.00%  | 1.00%  |

The calculation of the value-in-use of the CGU is most sensitive to the following assumptions:

- Discount rates
- Steady growth rate used to extrapolate cash flows beyond the budget period

With regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount as of December 31, 2016 and 2015.

#### Branch Licenses

Branch licenses of the Group arose from the acquisitions of CBSI, Unity Bank, and PDB. As of December 31, 2016 and 2015, details of branch licenses in the Group's and Parent Company's financial statements follow:

|                                               | Consolidated      | Parent Company  |
|-----------------------------------------------|-------------------|-----------------|
| Branch license from CBSI acquisition          | ₱477,600          | ₱455,000        |
| Branch license from Unity Bank acquisition    | 347,400           | –               |
| Branch license from PDB acquisition (Note 10) | 2,839,500         | –               |
| <b>Total</b>                                  | <b>₱3,664,500</b> | <b>₱455,000</b> |

The individual branches have been identified as the CGU for impairment testing of the branch licenses. The recoverable amounts of the CGUs for impairment testing of the branch licenses have been determined based on the fair value less cost to sell calculations.

#### Capitalized software costs

As of December 31, 2016 and 2015, the capitalized software costs of the Group amounted to ₱549.16 million and ₱322.19 million, respectively. Related accumulated amortization amounted to ₱123.94 million and ₱14.38 million as of December 31, 2016 and 2015, respectively. Additions for the year 2016 and 2015 amounted to ₱226.97 million and ₱322.19 million, respectively. Amortization expense for the year 2016 and 2015 amounted to ₱109.56 million and ₱14.38 million, respectively.

As of December 31, 2016 and 2015, the capitalized software costs of the Parent Company amounted to ₱445.45 million and ₱322.19 million, respectively. Related accumulated amortization amounted to ₱94.86 million and ₱14.38 million as of December 31, 2016 and 2015, respectively. Additions for the year 2016 and 2015 amounted to ₱123.26 million and ₱322.19 million, respectively. Amortization expense for the year 2016 and 2015 amounted to ₱80.48 million and ₱14.38 million, respectively.

## 14. OTHER ASSETS

This account consists of:

|                                                      | Consolidated      |                   | Parent Company    |                   |
|------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                      | 2016              | 2015              | 2016              | 2015              |
| <b>Financial assets</b>                              |                   |                   |                   |                   |
| Accounts receivable                                  | ₱4,153,356        | ₱3,197,971        | ₱3,120,990        | ₱2,706,935        |
| SCR                                                  | 953,734           | 1,022,116         | 254,485           | 283,282           |
| RCOCI                                                | 107,193           | 122,019           | 92,651            | 122,019           |
| Others                                               | 437,919           | 635,155           | 136,374           | 207,631           |
|                                                      | <b>5,652,202</b>  | <b>4,977,261</b>  | <b>3,604,500</b>  | <b>3,319,867</b>  |
| <b>Nonfinancial assets</b>                           |                   |                   |                   |                   |
| Net plan assets (Note 23)                            | 754,754           | 785,818           | 754,754           | 785,818           |
| Prepaid expenses                                     | 155,016           | 264,745           | 146,036           | 130,925           |
| Creditable withholding taxes                         | 266,599           | 188,574           | 211,159           | 49,983            |
| Security deposit                                     | 194,043           | 142,345           | 175,224           | 115,025           |
| Documentary stamps                                   | 244,272           | 129,067           | 164,057           | 127,195           |
| Sundry debits                                        | 84,824            | 51,113            | 62,736            | 46,720            |
| Miscellaneous                                        | 263,371           | 180,055           | –                 | –                 |
|                                                      | <b>1,962,879</b>  | <b>1,741,717</b>  | <b>1,513,966</b>  | <b>1,255,666</b>  |
|                                                      | <b>7,615,081</b>  | <b>6,718,978</b>  | <b>5,118,466</b>  | <b>4,575,533</b>  |
| Allowance for impairment and credit losses (Note 15) | (718,434)         | (741,589)         | (614,366)         | (626,103)         |
|                                                      | <b>₱6,896,647</b> | <b>₱5,977,389</b> | <b>₱4,504,100</b> | <b>₱3,949,430</b> |

## NOTES TO FINANCIAL STATEMENTS

### *Accounts receivable*

As of December 31, 2016 and 2015, about 41.92% and 54.45%, respectively, of the Group's accounts receivable represents final withholding taxes (FWT) imposed by the Bureau of Internal Revenue (BIR) and withheld by the Bureau of Treasury (BTr) from the proceeds collected by the Group upon maturity of the Poverty Eradication and Alleviation Certificates (PEACE) bonds on October 18, 2011.

On October 17, 2011, the Parent Company together with seven other banks filed a joint petition against the BIR's decision to impose 20.00% FWT on PEACE bonds. The Supreme Court (SC) issued a temporary restraining order in favor of these banks on the same day and ordered these banks to place in escrow an amount equivalent to the disputed withholding tax until final decision is rendered. However, the BTr withheld the 20.00% FWT from the proceeds of the PEACE bonds and held it in an escrow account with the Land Bank of the Philippines.

On January 13, 2015, the SC ordered the BTr to release to the investor banks the amount corresponding to the 20% final withholding tax. On March 13, 2015, the BIR filed a motion for reconsideration and clarification. Pursuant to a resolution dated April 21, 2015 by the SC, the banks filed a consolidated comment on the motions filed by the respondents.

In an en banc ruling received on October 5, 2016, the SC upheld its October 2011 decision ordering the BTr to return the ₱4.97 billion to the petitioners and for the BTr to pay legal interest for failure to comply with the SC's earlier ruling in favor of the holders of the said bonds. In late October 2016, the Government filed a motion for partial reconsideration with regard to the October 2016 ruling.

In an en banc ruling received on January 17, 2017, the SC denied the motion for partial reconsideration. No further pleadings or motions shall be entertained by the SC.

Accounts receivable also includes non-interest bearing advances to officers and employees, with terms ranging from 1 to 30 days and receivables of the Parent Company from automated teller machine (ATM) transactions of clients of other banks that transacted through any of the Parent Company's ATM terminals.

### *Miscellaneous*

Miscellaneous consists mainly of unissued stationery and supplies, inter-office float items, and deposits for various services.

The following tables present the reconciliation of the movement of the allowance for impairment and credit losses on other assets:

|                                                   | Consolidated           |         |               | 2016<br>Total |
|---------------------------------------------------|------------------------|---------|---------------|---------------|
|                                                   | Accounts<br>Receivable | SCR     | Miscellaneous |               |
| Balance at beginning of year                      | ₱521,705               | ₱54,787 | ₱165,097      | ₱741,589      |
| Provisions (recoveries) during the year (Note 15) | 49,453                 | 75      | 36,027        | 85,555        |
| Transfers/others (Note 9)                         | (134,407)              | 5,788   | 19,909        | (108,710)     |
| Balance at end of year                            | ₱436,751               | ₱60,650 | ₱221,033      | ₱718,434      |

|                                      | Consolidated           |         |               | 2015<br>Total |
|--------------------------------------|------------------------|---------|---------------|---------------|
|                                      | Accounts<br>Receivable | SCR     | Miscellaneous |               |
| Balance at beginning of year         | ₱513,416               | ₱34,224 | ₱158,542      | ₱706,182      |
| Provisions during the year (Note 15) | 16,384                 | 19,703  | 3,813         | 39,900        |
| Transfers/others (Note 9)            | (8,095)                | 860     | 2,742         | (4,493)       |
| Balance at end of year               | ₱521,705               | ₱54,787 | ₱165,097      | ₱741,589      |

|                                                   | Parent Company         |         |               | 2016<br>Total |
|---------------------------------------------------|------------------------|---------|---------------|---------------|
|                                                   | Accounts<br>Receivable | SCR     | Miscellaneous |               |
| Balance at beginning of year                      | ₱444,444               | ₱25,809 | ₱155,850      | ₱626,103      |
| Provisions (recoveries) during the year (Note 15) | 24,986                 | –       | 79            | 25,065        |
| Transfers/others (Note 9)                         | (72,838)               | 4,527   | 31,509        | (36,802)      |
| Balance at end of year                            | ₱396,592               | ₱30,336 | ₱187,438      | ₱614,366      |

|                                                   | Parent Company         |         |               | 2015<br>Total |
|---------------------------------------------------|------------------------|---------|---------------|---------------|
|                                                   | Accounts<br>Receivable | SCR     | Miscellaneous |               |
| Balance at beginning of year                      | ₱459,950               | ₱25,809 | ₱155,899      | ₱641,658      |
| Provisions (recoveries) during the year (Note 15) | (434)                  | –       | 76            | (358)         |
| Transfers/others (Note 9)                         | (15,072)               | –       | (125)         | (15,197)      |
| Balance at end of year                            | ₱444,444               | ₱25,809 | ₱155,850      | ₱626,103      |



## 15. ALLOWANCE FOR IMPAIRMENT AND CREDIT LOSSES

Changes in the allowance for impairment and credit losses are as follows:

|                                                            | Consolidated      |            | Parent Company    |            |
|------------------------------------------------------------|-------------------|------------|-------------------|------------|
|                                                            | 2016              | 2015       | 2016              | 2015       |
| Balances at beginning of year                              |                   |            |                   |            |
| Loans and receivables                                      | <b>P6,994,670</b> | P6,734,550 | <b>P6,151,786</b> | P6,225,088 |
| Investment properties                                      | <b>1,287,811</b>  | 1,343,304  | <b>1,206,418</b>  | 1,214,237  |
| Accrued interest receivable                                | <b>69,331</b>     | 79,077     | <b>68,342</b>     | 78,532     |
| AFS financial assets                                       | <b>38,742</b>     | 38,742     | <b>6,323</b>      | 6,323      |
| Bank premises, furniture, fixtures and equipment           | <b>2,070</b>      | 2,743      | -                 | -          |
| Other assets                                               | <b>741,589</b>    | 706,182    | <b>626,103</b>    | 641,658    |
|                                                            | <b>9,134,213</b>  | 8,904,598  | <b>8,058,972</b>  | 8,165,838  |
| Provisions charged to operations                           | <b>850,546</b>    | 966,574    | <b>521,475</b>    | 487,485    |
| Accounts charged off and others                            | <b>(977,248)</b>  | (736,959)  | <b>(912,296)</b>  | (594,351)  |
|                                                            | <b>(126,702)</b>  | 229,615    | <b>(390,821)</b>  | (106,866)  |
| Balances at end of year                                    |                   |            |                   |            |
| Loans and receivables (Note 9)                             | <b>6,654,995</b>  | 6,994,670  | <b>5,709,025</b>  | 6,151,786  |
| Investment properties (Note 12)                            | <b>1,412,971</b>  | 1,287,811  | <b>1,206,418</b>  | 1,206,418  |
| Accrued interest receivable                                | <b>179,339</b>    | 69,331     | <b>62,019</b>     | 68,342     |
| AFS financial assets (Note 8)                              | <b>38,742</b>     | 38,742     | <b>6,323</b>      | 6,323      |
| Bank premises, furniture, fixtures and equipment (Note 11) | <b>2,371</b>      | 2,070      | -                 | -          |
| Other assets (Note 14)                                     | <b>718,434</b>    | 741,589    | <b>614,366</b>    | 626,103    |
|                                                            | <b>P9,006,852</b> | P9,134,213 | <b>P7,598,151</b> | P8,058,972 |

At the current level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance to cover any losses that may be incurred from the non-collection or non-realization of its loans and receivables and other risk assets.

The separate valuation allowance of acquired loans and receivables from PDB amounting to P1.59 billion was not recognized by the Group on the effectivity date of acquisition as these receivables were measured at fair value at acquisition date. Any uncertainties about future cash flows of these receivables were included in their fair value measurement. Also, the separate valuation allowance of acquired investment properties from PDB amounting to P199.15 million was not recognized by the Group on the effectivity date of acquisition as these properties were measured at fair value on acquisition date.

A reconciliation of the allowance for credit losses on loans and receivables from customers, AFS financial assets and accrued interest receivable follows:

|                                         | Consolidated                     |                   |                       |                 |                   |                            |                             |
|-----------------------------------------|----------------------------------|-------------------|-----------------------|-----------------|-------------------|----------------------------|-----------------------------|
|                                         | 2016                             |                   |                       |                 |                   |                            |                             |
|                                         | Loans and Receivables            |                   |                       |                 |                   | AFS Financial Assets       |                             |
|                                         | Corporate and Commercial Lending | Consumer Lending  | Trade-related Lending | Others          | Total             | Unquoted Equity Securities | Accrued Interest Receivable |
| Balance at beginning of year            | <b>P5,289,222</b>                | <b>P1,313,023</b> | <b>P390,326</b>       | <b>P2,099</b>   | <b>P6,994,670</b> | <b>P38,742</b>             | <b>P69,331</b>              |
| Provisions (recoveries) during the year | 311,242                          | 410,941           | (258)                 | 689             | 722,614           | -                          | 43,174                      |
| Transfers/others                        | (1,007,077)                      | (92,504)          | (112,445)             | 149,737         | (1,062,289)       | (4,464)                    | 66,834                      |
| Balance at end of year                  | <b>P4,593,387</b>                | <b>P1,631,460</b> | <b>P277,623</b>       | <b>P152,525</b> | <b>P6,654,995</b> | <b>P34,298</b>             | <b>P179,339</b>             |
| Individual impairment                   | <b>P1,462,699</b>                | <b>P729,796</b>   | <b>P145,476</b>       | <b>P151,836</b> | <b>P2,489,807</b> | <b>P38,302</b>             | <b>P179,339</b>             |
| Collective impairment                   | 3,130,688                        | 901,664           | 132,147               | 689             | 4,165,188         | -                          | -                           |
|                                         | <b>P4,593,387</b>                | <b>P1,631,460</b> | <b>P277,623</b>       | <b>P152,525</b> | <b>P6,654,995</b> | <b>P38,298</b>             | <b>P179,339</b>             |

## NOTES TO FINANCIAL STATEMENTS

| Consolidated                            |                                  |                  |                       |        |            |                            |                             |
|-----------------------------------------|----------------------------------|------------------|-----------------------|--------|------------|----------------------------|-----------------------------|
| 2015                                    |                                  |                  |                       |        |            |                            |                             |
|                                         | Loans and Receivables            |                  |                       |        |            | AFS Financial Assets       |                             |
|                                         | Corporate and Commercial Lending | Consumer Lending | Trade-related Lending | Others | Total      | Unquoted Equity Securities | Accrued Interest Receivable |
| Balance at beginning of year            | P5,066,065                       | P959,999         | P708,387              | P99    | P6,734,550 | P38,742                    | P79,077                     |
| Provisions (recoveries) during the year | 318,146                          | 593,478          | 6,874                 | 2,085  | 920,583    | 59                         | (601)                       |
| Transfers/others                        | (94,989)                         | (240,454)        | (324,935)             | (85)   | (660,463)  | (59)                       | (9,145)                     |
| Balance at end of year                  | P5,289,222                       | P1,313,023       | P390,326              | P2,099 | P6,994,670 | P38,742                    | P69,331                     |
| Individual impairment                   | P2,082,499                       | P837,178         | P261,589              | P14    | P3,181,280 | P38,742                    | P69,331                     |
| Collective impairment                   | 3,206,723                        | 475,845          | 128,737               | 2,085  | 3,813,390  | -                          | -                           |
|                                         | P5,289,222                       | P1,313,023       | P390,326              | P2,099 | P6,994,670 | P38,742                    | P69,331                     |

| Parent Company                          |                                  |                  |                       |        |            |                            |                             |
|-----------------------------------------|----------------------------------|------------------|-----------------------|--------|------------|----------------------------|-----------------------------|
| 2016                                    |                                  |                  |                       |        |            |                            |                             |
|                                         | Loans and Receivables            |                  |                       |        |            | AFS Financial Assets       |                             |
|                                         | Corporate and Commercial Lending | Consumer Lending | Trade-related Lending | Others | Total      | Unquoted Equity Securities | Accrued Interest Receivable |
| Balance at beginning of year            | P5,053,830                       | P707,616         | P390,327              | P14    | P6,151,786 | P6,323                     | P68,342                     |
| Provisions (recoveries) during the year | 266,007                          | 230,000          | (258)                 | 689    | 496,437    | -                          | (27)                        |
| Transfers/others                        | (938,711)                        | 123,749          | (124,222)             | (14)   | (939,198)  | -                          | (6,296)                     |
| Balance at end of year                  | P4,381,126                       | P1,061,364       | P265,846              | P689   | P5,709,025 | P6,323                     | P62,019                     |
| Individual impairment                   | P1,292,911                       | P729,796         | P137,109              | P-     | P2,159,816 | P6,323                     | P62,019                     |
| Collective impairment                   | 3,088,214                        | 331,569          | 128,737               | 689    | 3,549,209  | -                          | -                           |
|                                         | P4,381,126                       | P1,061,364       | P265,846              | P689   | P5,709,025 | P6,323                     | P62,019                     |

| Parent Company                          |                                  |                  |                       |        |            |                            |                             |
|-----------------------------------------|----------------------------------|------------------|-----------------------|--------|------------|----------------------------|-----------------------------|
| 2015                                    |                                  |                  |                       |        |            |                            |                             |
|                                         | Loans and Receivables            |                  |                       |        |            | AFS Financial Assets       |                             |
|                                         | Corporate and Commercial Lending | Consumer Lending | Trade-related Lending | Others | Total      | Unquoted Equity Securities | Accrued Interest Receivable |
| Balance at beginning of year            | P4,842,834                       | P673,853         | P708,387              | P14    | P6,225,088 | P6,323                     | P78,532                     |
| Provisions (recoveries) during the year | 282,013                          | 200,000          | 6,874                 | -      | 488,887    | -                          | (1,044)                     |
| Transfers/others                        | (71,017)                         | (166,237)        | (324,935)             | -      | (562,189)  | -                          | (9,146)                     |
| Balance at end of year                  | P5,053,830                       | P707,616         | P390,326              | P14    | P6,151,786 | P6,323                     | P68,342                     |
| Individual impairment                   | P1,856,131                       | P440,394         | P261,589              | P14    | P2,558,128 | P6,323                     | P68,342                     |
| Collective impairment                   | 3,197,699                        | 267,222          | 128,737               | -      | 3,593,658  | -                          | -                           |
|                                         | P5,053,830                       | P707,616         | P390,326              | P14    | P6,151,786 | P6,323                     | P68,342                     |

### 16. DEPOSIT LIABILITIES

As of December 31, 2016 and 2015, 39.42% and 40.66% respectively, of the total deposit liabilities of the Group are subject to periodic interest repricing. The remaining deposit liabilities bear annual fixed interest rates ranging from 0.13% to 3.25% in 2016, 0.13% to 2.75% in 2015 and 2014.

#### Interest Expense on Deposit Liabilities

This account consists of:

|         | Consolidated |            |            | Parent Company |            |            |
|---------|--------------|------------|------------|----------------|------------|------------|
|         | 2016         | 2015       | 2014       | 2016           | 2015       | 2014       |
| Demand  | P197,595     | P165,228   | P147,535   | P143,917       | P122,277   | P109,131   |
| Savings | 2,635,565    | 1,823,468  | 1,810,273  | 2,383,021      | 1,570,706  | 1,638,312  |
| Time    | 1,998,395    | 2,019,592  | 2,058,910  | 1,102,189      | 1,188,183  | 1,157,255  |
|         | P4,831,555   | P4,008,288 | P4,016,718 | P3,629,127     | P2,881,166 | P2,904,698 |

BSP Circular No. 830 requires reserves against deposit liabilities. As of December 31, 2016 and 2015, due from BSP amounting to ₱78.78 billion and ₱61.43 billion, respectively, were set aside as reserves for deposit liabilities per latest report submitted by the Parent Company to the BSP. As of December 31, 2016 and 2015, the Parent Company is in compliance with such regulation.

On August 3, 2016, the BOD of the Parent Company approved the issuance of Long Term Negotiable Certificates of Deposits (LTNCD) of up to 20.00 billion in tranches of 5.00 billion to 10.00 billion each and with tenors ranging from 5 to 7 years to support the Group's strategic initiatives and business growth. October 27, 2016, the Monetary Board of the BSP approved the LTNCD issuances. On November 18, 2016, the Parent Company issued at par LTNCDs with aggregate principal amount of ₱9.58 billion due May 18, 2022. The LTNCDs are included under the 'Time deposit liabilities' account. The LTNCDs bear a fixed coupon rate of 3.25% per annum, payable quarterly in arrears.

## 17. BILLS PAYABLE

### Bills Payable

The Group's and the Parent Company's bills payable consist of:

|                             | Consolidated       |             | Parent Company     |             |
|-----------------------------|--------------------|-------------|--------------------|-------------|
|                             | 2016               | 2015        | 2016               | 2015        |
| Interbank loans payable     | <b>₱16,954,998</b> | ₱18,422,442 | <b>₱16,954,998</b> | ₱18,422,442 |
| Government lending programs | –                  | 662,738     | –                  | 208         |
|                             | <b>₱16,954,998</b> | ₱19,085,180 | <b>₱16,954,998</b> | ₱18,422,650 |

### *Interbank loans payable*

Interbank loans payable consists of short-term dollar-denominated borrowings of the Group and the Parent Company with annual interest ranging from 1.25% to 1.68% in 2016 and 2015.

As of December 31, 2016, the carrying amount of foreign currency-denominated HTM and AFS financial assets pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱8.96 billion and ₱0.53 billion, respectively. The fair value of HTM financial assets pledged as collateral amounted to ₱8.41 billion as of December 31, 2016 (Note 8).

As of December 31, 2015, the carrying amount of foreign currency-denominated HTM and AFS financial assets pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱8.09 billion and ₱4.72 billion, respectively. The fair value of HTM financial assets pledged as collateral amounted to ₱8.66 billion as of December 31, 2015 (Note 8).

As of December 31, 2016 and 2015, margin deposits amounting to ₱74.68 million and ₱561.21million, respectively, are deposited with various counterparties to meet the collateral requirements for its interbank bills payable.

Interbank loans payable includes a US\$158.00 million unsecured, three-year term loan facility from regional and international banks. The facility carries an interest margin of 1.40% per annum over 3-month LIBOR. The term of the loan provides for a financial covenant such that the Parent Company shall ensure that its minimum capital adequacy ratio (CAR) will, at all times, be equal to or greater of (a) the percentage prescribed by BSP from time to time and (b) 10.00%. Otherwise, the loan shall become immediately due and payable. The borrowing was measured initially at fair value and was subsequently carried at amortized cost. As of December 31, 2016 and 2015, the carrying value of the loan amounted to ₱7.81 billion and ₱7.37 billion respectively.

### *Government lending programs*

As of December 31, 2015, this account consists of:

| Counterparty                                    | Average term | Rates          | Consolidated    | Parent Company |
|-------------------------------------------------|--------------|----------------|-----------------|----------------|
| Land Bank of the Philippines                    | 5 -10 years  | 3.50% to 8.66% | ₱460,768        | ₱208           |
| Social Security Services                        | 6 years      | 2.50% to 5.25% | 178,056         | –              |
| Small Business Guaranty and Finance Corporation | 4 years      | 5.00% to 6.50% | 23,914          | –              |
|                                                 |              |                | <b>₱662,738</b> | <b>₱208</b>    |

Loans and receivables of the Group and the Parent Company amounting to ₱760.38 million and ₱0.21 million as of December 31, 2015, respectively, are pledged as collateral for the rediscounting facilities (Note 9). Loans and receivables pledged as collateral shall be released by the rediscounting institution once the rediscounted loan has been fully paid upon maturity. In case a particular loan account pledged as collateral is paid in full by the borrower before it matures, the equivalent discount value shall be paid by the Group to the rediscounting institution before the pledged collateral can be released.

## NOTES TO FINANCIAL STATEMENTS

### 18. ACCRUED INTEREST AND OTHER EXPENSES

This account consists of:

|                                       | Consolidated      |            | Parent Company    |            |
|---------------------------------------|-------------------|------------|-------------------|------------|
|                                       | 2016              | 2015       | 2016              | 2015       |
| Accrued payable for employee benefits | <b>P789,691</b>   | P725,273   | <b>P786,014</b>   | P724,134   |
| Accrued interest payable              | <b>552,881</b>    | 384,114    | <b>464,741</b>    | 293,213    |
| Accrued lease payable                 | <b>121,139</b>    | 111,078    | <b>119,950</b>    | 107,237    |
| Accrued taxes and other licenses      | <b>87,156</b>     | 77,658     | <b>77,837</b>     | 74,188     |
| Accrued other expenses payable        | <b>317,323</b>    | 286,151    | <b>112,809</b>    | 62,223     |
|                                       | <b>P1,868,190</b> | P1,584,274 | <b>P1,561,351</b> | P1,260,995 |

### 19. OTHER LIABILITIES

This account consists of:

|                                         | Consolidated      |            | Parent Company    |            |
|-----------------------------------------|-------------------|------------|-------------------|------------|
|                                         | 2016              | 2015       | 2016              | 2015       |
| <b>Financial liabilities</b>            |                   |            |                   |            |
| Accounts payable                        | <b>P2,801,269</b> | P2,107,169 | <b>P1,731,365</b> | P1,261,933 |
| Acceptances payable                     | <b>1,172,158</b>  | 997,418    | <b>1,172,158</b>  | 997,418    |
| Due to PDIC                             | <b>428,308</b>    | 345,805    | <b>428,308</b>    | 345,805    |
| Other credits-dormant                   | <b>318,701</b>    | 218,635    | <b>304,036</b>    | 214,220    |
| Due to the Treasurer of the Philippines | <b>28,131</b>     | 95,838     | <b>23,716</b>     | 95,838     |
| Margin deposits                         | <b>1,702</b>      | 3,356      | <b>1,702</b>      | 3,356      |
| Miscellaneous                           | <b>488,139</b>    | 636,121    | <b>428,532</b>    | 419,288    |
|                                         | <b>5,238,408</b>  | 4,404,342  | <b>4,089,817</b>  | 3,337,858  |
| <b>Nonfinancial liabilities</b>         |                   |            |                   |            |
| Withholding taxes payable               | <b>150,814</b>    | 137,523    | <b>115,928</b>    | 107,906    |
| Retirement liabilities (Note 23)        | <b>144,686</b>    | 164,256    | <b>—</b>          | —          |
|                                         | <b>295,500</b>    | 301,779    | <b>115,928</b>    | 107,906    |
|                                         | <b>P5,533,908</b> | P4,706,121 | <b>P4,205,745</b> | P3,445,764 |

Accounts payable includes payables to suppliers and service providers, and loan payments and other charges received from customers in advance.

Miscellaneous mainly includes sundry credits, inter-office float items, and dormant deposit accounts.

### 20. OTHER OPERATING INCOME AND MISCELLANEOUS EXPENSES

Service Charges, Fees and Commissions

Details of this account are as follows:

|                                | Consolidated      |            |            | Parent Company    |            |            |
|--------------------------------|-------------------|------------|------------|-------------------|------------|------------|
|                                | 2016              | 2015       | 2014       | 2016              | 2015       | 2014       |
| Service and collection charges |                   |            |            |                   |            |            |
| Deposits                       | <b>P597,294</b>   | P628,191   | P659,597   | <b>P535,397</b>   | P572,448   | P610,332   |
| Loans                          | <b>214,237</b>    | 170,070    | 97,683     | <b>40,301</b>     | 34,785     | 30,743     |
| Remittances                    | <b>302,184</b>    | 248,615    | 132,939    | <b>302,184</b>    | 248,615    | 132,939    |
| Others                         | <b>114,791</b>    | 169,744    | 176,556    | <b>93,452</b>     | 90,019     | 70,257     |
| Fees and commissions           | <b>894,963</b>    | 617,698    | 495,032    | <b>348,114</b>    | 510,273    | 376,378    |
|                                | <b>P2,123,469</b> | P1,834,318 | P1,561,807 | <b>P1,319,448</b> | P1,456,140 | P1,220,649 |

#### Trading and Securities Gain - Net

This account consists of:

|                                              | Consolidated      |           |          | Parent Company    |           |           |
|----------------------------------------------|-------------------|-----------|----------|-------------------|-----------|-----------|
|                                              | 2016              | 2015      | 2014     | 2016              | 2015      | 2014      |
| Financial assets at FVPL:                    |                   |           |          |                   |           |           |
| Held-for-trading (Note 8)                    | <b>(P135,709)</b> | (P50,330) | P28,505  | <b>(P138,286)</b> | (P48,087) | (P45,421) |
| Financial assets designated at FVPL (Note 8) | <b>111,615</b>    | (120,134) | (40,401) | <b>111,615</b>    | (120,134) | (40,401)  |
| Derivative assets (Note 24)                  | <b>23,510</b>     | (1,425)   | 3,065    | <b>23,510</b>     | (1,425)   | 3,065     |
| AFS financial assets                         | <b>918,673</b>    | 638,723   | 544,094  | <b>856,031</b>    | 629,642   | 541,653   |
|                                              | <b>P918,089</b>   | P466,834  | P535,263 | <b>P852,870</b>   | P459,996  | P458,896  |

#### Miscellaneous Income

Details of this account are as follows:

|                                            | Consolidated    |          |            | Parent Company  |          |            |
|--------------------------------------------|-----------------|----------|------------|-----------------|----------|------------|
|                                            | 2016            | 2015     | 2014       | 2016            | 2015     | 2014       |
| Bancassurance (Note 10)                    | <b>P383,483</b> | P337,521 | P277,138   | <b>P383,483</b> | P337,407 | P277,138   |
| Dividends (Note 8)                         | <b>193,229</b>  | 263,330  | 311,073    | <b>193,229</b>  | 255,407  | 311,073    |
| Rental on bank premises                    | <b>91,591</b>   | 51,731   | 56,183     | <b>67,134</b>   | 39,516   | 28,642     |
| Fund transfer fees                         | <b>50,658</b>   | 56,621   | 48,792     | <b>50,658</b>   | 56,621   | 48,792     |
| Rental safety deposit boxes                | <b>24,627</b>   | 23,139   | 20,017     | <b>24,269</b>   | 22,768   | 19,385     |
| Recovery of charged off assets             | <b>18,734</b>   | 15,620   | 93,797     | <b>10,523</b>   | 7,943    | 79,256     |
| Miscellaneous income (Notes 10, 11 and 12) | <b>116,123</b>  | 218,893  | 781,064    | <b>70,801</b>   | 172,291  | 626,940    |
|                                            | <b>P878,445</b> | P966,855 | P1,588,064 | <b>P800,097</b> | P891,953 | P1,391,226 |

#### Miscellaneous Expenses

Details of this account are as follows:

|                             | Consolidated      |            |            | Parent Company  |          |          |
|-----------------------------|-------------------|------------|------------|-----------------|----------|----------|
|                             | 2016              | 2015       | 2014       | 2016            | 2015     | 2014     |
| Service charges             | <b>P225,889</b>   | P181,216   | P86,067    | <b>P225,889</b> | P181,216 | P86,067  |
| Information technology      | <b>108,458</b>    | 371,949    | 326,718    | <b>227,627</b>  | 280,973  | 236,261  |
| Litigations                 | <b>117,363</b>    | 100,947    | 149,996    | <b>43,261</b>   | 26,486   | 61,452   |
| Freight                     | <b>34,331</b>     | 25,534     | 18,405     | <b>27,354</b>   | 21,338   | 13,970   |
| Membership fees and dues    | <b>29,329</b>     | 17,012     | 19,228     | <b>28,135</b>   | 14,861   | 17,698   |
| Clearing and processing fee | <b>27,379</b>     | 14,337     | 23,143     | <b>24,525</b>   | 11,591   | 16,784   |
| Broker's fee                | <b>12,403</b>     | 22,970     | 52,215     | <b>12,403</b>   | 22,970   | 25,959   |
| Miscellaneous expense       | <b>518,834</b>    | 267,969    | 346,027    | <b>352,295</b>  | 241,307  | 267,122  |
|                             | <b>P1,073,986</b> | P1,001,934 | P1,021,799 | <b>P941,489</b> | P800,742 | P725,313 |



## NOTES TO FINANCIAL STATEMENTS

### 21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following tables present both the Group's and Parent Company's assets and liabilities as of December 31, 2016 and 2015 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the respective reporting date:

|                                                                                                     | Consolidated            |                       |              |                         |                       |              |
|-----------------------------------------------------------------------------------------------------|-------------------------|-----------------------|--------------|-------------------------|-----------------------|--------------|
|                                                                                                     | 2016                    |                       |              | 2015                    |                       |              |
|                                                                                                     | Within<br>Twelve Months | Over<br>Twelve Months | Total        | Within<br>Twelve Months | Over<br>Twelve Months | Total        |
| <b>Financial assets</b>                                                                             |                         |                       |              |                         |                       |              |
| Cash and other cash items                                                                           | P12,010,543             | P–                    | P12,010,543  | P11,377,101             | P–                    | P11,377,101  |
| Due from BSP                                                                                        | 91,964,495              | –                     | 91,964,495   | 86,318,501              | –                     | 86,318,501   |
| Due from other banks                                                                                | 11,332,236              | –                     | 11,332,236   | 21,243,492              | –                     | 21,243,492   |
| Interbank loans receivables                                                                         | 3,451,543               | –                     | 3,451,543    | –                       | –                     | –            |
| Financial assets at FVPL                                                                            | 7,703,899               | –                     | 7,703,899    | 6,244,593               | –                     | 6,244,593    |
| AFS financial assets - gross                                                                        | 11,849,322              | 22,063,143            | 33,912,465   | 1,370,480               | 47,497,495            | 48,867,975   |
| HTM financial assets                                                                                | 2,112,503               | 55,292,297            | 57,404,800   | 8,596,143               | 7,540,004             | 16,136,147   |
| Loans and receivables - gross                                                                       | 150,962,924             | 242,775,212           | 393,738,136  | 155,520,631             | 161,514,151           | 317,034,782  |
| Accrued interest receivable - gross                                                                 | 3,193,868               | –                     | 3,193,868    | 2,691,068               | –                     | 2,691,068    |
| Other assets - gross                                                                                | 4,698,468               | 953,734               | 5,652,202    | 3,955,145               | 1,022,116             | 4,977,261    |
|                                                                                                     | 299,279,801             | 321,084,386           | 620,364,187  | 297,317,154             | 217,573,766           | 514,890,920  |
| <b>Nonfinancial assets</b>                                                                          |                         |                       |              |                         |                       |              |
| Bank premises, furniture, fixtures and equipment - net of accumulated depreciation and amortization | –                       | 6,498,639             | 6,498,639    | –                       | 6,356,189             | 6,356,189    |
| Investment properties - net of accumulated depreciation                                             | –                       | 6,762,710             | 6,762,710    | –                       | 6,685,950             | 6,685,950    |
| Deferred tax assets                                                                                 | –                       | 1,666,267             | 1,666,267    | –                       | 1,381,280             | 1,381,280    |
| Investments in associates                                                                           | –                       | 278,752               | 278,752      | –                       | 371,399               | 371,399      |
| Intangible assets                                                                                   | –                       | 4,089,715             | 4,089,715    | –                       | 3,972,308             | 3,972,308    |
| Goodwill                                                                                            | –                       | 839,748               | 839,748      | –                       | 839,748               | 839,748      |
| Other assets - gross                                                                                | 944,754                 | 1,015,932             | 1,960,686    | 775,844                 | 965,873               | 1,741,717    |
|                                                                                                     | 944,754                 | 21,151,763            | 22,096,517   | 775,844                 | 20,572,747            | 21,348,591   |
| Allowance for impairment and credit losses (Note 15)                                                |                         |                       | (9,006,852)  |                         |                       | (9,134,213)  |
| Unearned discounts (Note 9)                                                                         |                         |                       | (255,841)    |                         |                       | (278,335)    |
|                                                                                                     |                         |                       | (9,262,693)  |                         |                       | (9,412,548)  |
|                                                                                                     |                         |                       | P633,198,011 |                         |                       | P526,826,963 |
| <b>Financial liabilities</b>                                                                        |                         |                       |              |                         |                       |              |
| Deposit liabilities                                                                                 | P513,517,732            | P28,065,286           | P541,583,018 | P412,650,027            | P26,615,659           | P439,265,686 |
| Bills payable                                                                                       | 16,954,998              | –                     | 16,954,998   | 11,062,703              | 8,022,477             | 19,085,180   |
| Manager's checks                                                                                    | 2,029,778               | –                     | 2,029,778    | 1,456,498               | –                     | 1,456,498    |
| Accrued interest and other expenses*                                                                | 870,204                 | –                     | 870,204      | 670,265                 | –                     | 670,265      |
| Derivative liabilities                                                                              | 243,198                 | –                     | 243,198      | 66,373                  | –                     | 66,373       |
| Other liabilities                                                                                   | 5,238,408               | –                     | 5,238,408    | 4,404,342               | –                     | 4,404,342    |
|                                                                                                     | 538,854,318             | 28,065,286            | 566,919,604  | 430,310,208             | 34,638,136            | 464,948,344  |
| <b>Nonfinancial liabilities</b>                                                                     |                         |                       |              |                         |                       |              |
| Accrued interest and other expenses                                                                 | 87,156                  | 910,830               | 997,986      | 802,931                 | 111,078               | 914,009      |
| Deferred tax liabilities                                                                            | –                       | 1,161,414             | 1,161,414    | –                       | 1,116,147             | 1,116,147    |
| Income tax payable                                                                                  | 437,303                 | –                     | 437,303      | 375,780                 | –                     | 375,780      |
| Other liabilities                                                                                   | 150,814                 | 144,686               | 295,500      | 137,523                 | 164,256               | 301,779      |
|                                                                                                     | P539,529,591            | P30,282,216           | P569,811,807 | P431,626,442            | P36,029,617           | P467,656,059 |

\*Accrued interest and other expenses include accrued interest payable and accrued other expenses payable (Note 18).

|                                                                                                     | Parent Company          |                       |              |                         |                       |              |
|-----------------------------------------------------------------------------------------------------|-------------------------|-----------------------|--------------|-------------------------|-----------------------|--------------|
|                                                                                                     | 2016                    |                       |              | 2015                    |                       |              |
|                                                                                                     | Within<br>Twelve Months | Over<br>Twelve Months | Total        | Within<br>Twelve Months | Over<br>Twelve Months | Total        |
| <b>Financial assets</b>                                                                             |                         |                       |              |                         |                       |              |
| Cash and other cash items                                                                           | P10,580,748             | P-                    | P10,580,748  | P10,052,891             | P-                    | P10,052,891  |
| Due from BSP                                                                                        | 85,307,128              | -                     | 85,307,128   | 77,003,616              | -                     | 77,003,616   |
| Due from other banks                                                                                | 9,689,165               | -                     | 9,689,165    | 19,200,544              | -                     | 19,200,544   |
| Interbank loans receivables/SPURA                                                                   | 2,958,465               | -                     | 2,958,465    | -                       | -                     | -            |
| Financial assets at FVPL                                                                            | 7,232,882               | -                     | 7,232,882    | 5,465,417               | -                     | 5,465,417    |
| AFS financial assets - gross                                                                        | 11,159,904              | 20,000,169            | 31,160,073   | 1,205,447               | 45,635,075            | 46,840,522   |
| HTM financial assets                                                                                | 2,087,861               | 51,981,160            | 54,069,021   | 8,515,233               | 5,430,412             | 13,945,645   |
| Loans and receivables - gross                                                                       | 131,527,458             | 203,449,468           | 334,976,926  | 134,470,413             | 131,495,001           | 265,965,414  |
| Accrued interest receivable - gross                                                                 | 2,728,373               | -                     | 2,728,373    | 2,269,589               | -                     | 2,269,589    |
| Other assets - gross                                                                                | 3,350,015               | 254,485               | 3,604,500    | 3,036,585               | 283,282               | 3,319,867    |
|                                                                                                     | 266,621,999             | 275,685,282           | 542,307,281  | 261,219,735             | 182,843,770           | 444,063,505  |
| <b>Nonfinancial assets</b>                                                                          |                         |                       |              |                         |                       |              |
| Bank premises, furniture, fixtures and equipment - net of accumulated depreciation and amortization | -                       | 5,143,981             | 5,143,981    | -                       | 4,997,202             | 4,997,202    |
| Investment properties - net of accumulated depreciation                                             | -                       | 2,967,294             | 2,967,294    | -                       | 3,106,280             | 3,106,280    |
| Deferred tax assets                                                                                 | -                       | 1,508,150             | 1,508,150    | -                       | 1,369,147             | 1,369,147    |
| Investments in subsidiaries                                                                         | -                       | 12,169,037            | 12,169,037   | -                       | 9,164,601             | 9,164,601    |
| Investment in associates                                                                            | -                       | 276,559               | 276,559      | -                       | 371,399               | 371,399      |
| Intangible assets                                                                                   | -                       | 805,582               | 805,582      | -                       | 762,808               | 762,808      |
| Goodwill                                                                                            | -                       | 222,841               | 222,841      | -                       | 222,841               | 222,841      |
| Other assets - gross                                                                                | 759,212                 | 754,754               | 1,513,966    | 469,848                 | 785,818               | 1,255,666    |
|                                                                                                     | 759,212                 | 23,848,198            | 24,607,410   | 469,848                 | 20,780,096            | 21,249,944   |
| Allowances for impairment and credit losses (Note 15)                                               |                         |                       | (7,598,152)  |                         |                       | (8,058,972)  |
| Unearned discounts (Note 9)                                                                         |                         |                       | (198,042)    |                         |                       | (168,620)    |
|                                                                                                     |                         |                       | (7,796,194)  |                         |                       | (8,227,592)  |
|                                                                                                     |                         |                       | P559,143,914 |                         |                       | P457,085,857 |
| <b>Financial liabilities</b>                                                                        |                         |                       |              |                         |                       |              |
| Deposit liabilities                                                                                 | P455,816,577            | P15,145,414           | P470,961,991 | P368,242,423            | P5,360,993            | P373,603,416 |
| Bills payable                                                                                       | 16,954,998              | -                     | 16,954,998   | 11,053,287              | 7,369,363             | 18,422,650   |
| Manager's checks                                                                                    | 1,445,585               | -                     | 1,445,585    | 741,479                 | -                     | 741,479      |
| Accrued interest and other expenses*                                                                | 577,550                 | -                     | 577,550      | 355,436                 | -                     | 355,436      |
| Derivative liabilities                                                                              | 243,198                 | -                     | 243,198      | 66,373                  | -                     | 66,373       |
| Other liabilities                                                                                   | 4,089,817               | -                     | 4,089,817    | 3,337,858               | -                     | 3,337,858    |
|                                                                                                     | 479,127,725             | 15,145,414            | 494,273,139  | 383,796,856             | 12,730,356            | 396,527,212  |
| <b>Nonfinancial liabilities</b>                                                                     |                         |                       |              |                         |                       |              |
| Accrued interest and other expenses                                                                 | 77,836                  | 905,965               | 983,801      | 798,322                 | 107,237               | 905,559      |
| Income tax payable                                                                                  | 354,212                 | -                     | 354,212      | 345,312                 | -                     | 345,312      |
| Other liabilities                                                                                   | 115,928                 | -                     | 115,928      | 107,906                 | -                     | 107,906      |
|                                                                                                     | P479,675,701            | P16,051,379           | P495,727,080 | P385,048,396            | P12,837,593           | P397,885,989 |

\*Accrued interest and other expenses include accrued interest payable and accrued other expenses payable (Note 18).

## NOTES TO FINANCIAL STATEMENTS

### 22. EQUITY

The Parent Company's capital stock consists of (amounts in thousands, except for number of shares):

|                                 | 2016          |             | 2015          |             |
|---------------------------------|---------------|-------------|---------------|-------------|
|                                 | Shares        | Amount      | Shares        | Amount      |
| Common stock - ₱10.00 par value |               |             |               |             |
| Authorized – shares             | 2,500,000,000 |             | 2,500,000,000 |             |
| Issued and outstanding          |               |             |               |             |
| Balance at beginning of year    | 1,853,728,497 | ₱18,537,285 | 1,716,414,317 | ₱17,164,143 |
| Stock dividends*                | 148,299,339   | 1,482,993   | 137,314,180   | 1,373,142   |
|                                 | 2,002,027,836 | ₱20,020,278 | 1,853,728,497 | ₱18,537,285 |

\*The stock dividends declared include fractional shares equivalent to 1,060 shares in 2016 and 1,035 shares in 2015.

The Parent Company shares are listed in the Philippine Stock Exchange.

On March 5, 2014, the BOD authorized the Parent Company to conduct a rights issue, by way of offering common shares to certain eligible shareholders. The BSP approved the stock rights offering on March 18, 2014.

The stock rights offering yielded a subscription of 161,609,878 common shares which were listed at the Philippine Stock Exchange on May 13, 2014. The total proceeds of the stock rights offering amounted to ₱7.93 billion, net of stock issuance cost of ₱67.53 million which was deducted from additional paid in capital.

The additional capital enabled the Parent Company to pursue growth strategies while ensuring that its capital adequacy levels remain above the new Basel III requirements, particularly in light of the acquisition of PDB.

On May 8, 2014, the BOD approved and the stockholders ratified the increase in the Parent Company's authorized capital stock from ₱20.00 billion to ₱25.00 billion, or from 2.00 billion to 2.50 billion shares with par value of ₱10.00 per share. The increase in the Parent Company's authorized capital stock was subsequently approved by the BSP and the SEC on August 7, 2014 and August 29, 2014, respectively.

The summarized information on the Parent company's registration of securities under the Securities Regulation Code follows:

| Date of SEC Approval | Authorized Shares* |
|----------------------|--------------------|
| April 12, 1991       | 100,000            |
| October 7, 1993      | 150,000            |
| August 30, 1994      | 200,000            |
| July 26, 1995        | 250,000            |
| September 12, 1997   | 500,000            |
| September 5, 2005    | 1,000,000          |
| September 14, 2007   | 1,600,000          |
| September 5, 2008    | 2,000,000          |
| August 29, 2014      | 2,500,000          |

\* Restated to show the effects of the ten-for-one stock split in 2012

As reported by the Parent Company's transfer agent, Stock Transfer Service, Inc., the total number of stockholders is 1,959 and 1,980 as of December 31, 2016 and 2015, respectively.

#### Subsequent Events

On January 19, 2017, the BOD of CBCC approved the increase in authorized capital stock of CBCC from ₱500.00 million to ₱2.00 billion to enable CBCC to handle bigger deals. The approval was ratified by the BOD of the Parent Company on February 1, 2017. On the same date, the BOD of the Parent Company approved the capital infusion of ₱500.00 million to be paid within the first quarter of 2017.

On February 22, 2017, the BOD of the Parent Company approved to undertake a stock rights offering through the issuance of new shares from the unissued shares of the Parent Company's authorized capital stock that will generate the aggregate issue of approximately ₱15.00 billion to all eligible stockholders.

### Dividends

Details of the Parent Company's cash dividend payments follow:

| Date of Declaration | Date of Record     | Date of Payment    | Stock Dividend Per Share | Cash Dividend Per Share |
|---------------------|--------------------|--------------------|--------------------------|-------------------------|
| May 05, 2016        | May 23, 2016       | June 03, 2016      | 8%                       | 1.00                    |
| May 07, 2015        | August 12, 2015    | September 09, 2015 | 8%                       | 1.00                    |
| May 08, 2014        | September 19, 2014 | October 15, 2014   | 8%                       | 1.00                    |
| May 02, 2013        | July 19, 2013      | August 14, 2013    | 10%                      | 1.20                    |

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2016 and 2015, surplus includes the amount of ₱1.28 billion, net of deferred tax liability of ₱547.40 million, representing transfer of revaluation increment on land which was carried at deemed cost when the Group transitioned to PFRS in 2005 (Note 11). This amount will be available to be declared as dividends upon sale of the underlying land.

In the consolidated financial statements, a portion of the Group's surplus corresponding to the net earnings of the subsidiaries and associates amounting to ₱607.74 million and ₱296.00 million as of December 31, 2016 and 2015, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

### Reserves

In compliance with BSP regulations, 10.00% of the Parent Company's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Parent Company's authorized capital stock.

### **Capital Management**

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes as of December 31, 2016 and 2015.

### Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets (RWA), should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and RWA are computed based on BSP regulations. RWA consists of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

On August 4, 2006, the BSP, under BSP Circular No. 538, issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II capital adequacy framework. The BSP guidelines took effect on July 1, 2007. Thereafter, banks were required to compute their CAR using these guidelines.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard & Poor's, Moody's and Fitch, while PhilRatings were used on peso-denominated exposures to Sovereigns, MDBs, Banks, LGUs, Government Corporations, Corporates.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular took effect on January 1, 2014.

## NOTES TO FINANCIAL STATEMENTS

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and this ratio shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The CAR of the Group and the Parent Company as of December 31, 2016 as reported to the BSP are shown in the table below.

|                                 | Consolidated               |         | Parent Company |         |
|---------------------------------|----------------------------|---------|----------------|---------|
|                                 | 2016                       | 2015    | 2016           | 2015    |
|                                 | (Amounts in Million Pesos) |         |                |         |
| CET 1 Capital                   | <b>P58,170</b>             | P54,071 | <b>P57,409</b> | P54,136 |
| Less: Regulatory Adjustments    | <b>7,338</b>               | 6,678   | <b>13,169</b>  | 11,124  |
|                                 | <b>50,832</b>              | 47,393  | <b>44,240</b>  | 43,012  |
| Additional Tier 1 Capital       | —                          | —       | —              | —       |
| Less: Regulatory Adjustments    | —                          | —       | —              | —       |
|                                 | —                          | —       | —              | —       |
| <b>Net Tier 1 Capital</b>       | <b>50,832</b>              | 47,393  | <b>44,240</b>  | 43,012  |
| Tier 2 Capital                  | <b>4,076</b>               | 3,486   | <b>3,514</b>   | 2,955   |
| Less: Regulatory Adjustments    | —                          | —       | —              | —       |
| <b>Net Tier 2 Capital</b>       | <b>4,076</b>               | 3,486   | <b>3,514</b>   | 2,955   |
| <b>Total Qualifying Capital</b> | <b>P54,909</b>             | P50,879 | <b>P47,754</b> | P45,967 |

|                  | Consolidated               |          | Parent Company  |          |
|------------------|----------------------------|----------|-----------------|----------|
|                  | 2016                       | 2015     | 2016            | 2015     |
|                  | (Amounts in Million Pesos) |          |                 |          |
| Credit RWA       | <b>P414,381</b>            | P348,149 | <b>P352,651</b> | P294,883 |
| Market RWA       | <b>4,575</b>               | 2,770    | <b>4,339</b>    | 2,274    |
| Operational RWA  | <b>30,727</b>              | 25,906   | <b>25,689</b>   | 22,703   |
| <b>Total RWA</b> | <b>P449,683</b>            | P376,825 | <b>P382,679</b> | P319,860 |

|                      |               |        |               |        |
|----------------------|---------------|--------|---------------|--------|
| CET 1 capital ratio  | <b>11.30%</b> | 12.58% | <b>11.56%</b> | 13.45% |
| Tier 1 capital ratio | <b>11.30%</b> | 12.58% | <b>11.56%</b> | 13.45% |
| Total capital ratio  | <b>12.21%</b> | 13.50% | <b>12.48%</b> | 14.37% |

On August 14, 2015, the MB of the BSP, in its Resolution No. 1292 approved the request of the Parent Company that PDB's compliance with the minimum capital ratios prescribed under Basel III framework be assessed based on the consolidated capital position of the Parent Company, CBSI and PDB up to one (1) year or upon issuance of the certified true copy of the Articles of Merger and Plan of Merger by the SEC, whichever comes earlier.

The Parent Company has complied with all externally imposed capital requirements throughout the period.

The issuance of BSP Circular No. 639 covering the ICAAP in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this circular, the Parent Company has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Parent Company. The level and structure of capital are assessed and determined in light of the Parent Company's business environment, plans, performance, risks and budget; as well as regulatory edicts. BSP requires submission of an ICAAP document every March 31. The Group has complied with this requirement.

### 23. RETIREMENT PLAN

The Group has separate funded noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. The retirement plans are administered by the Parent Company's Trust Group which acts as the trustee of the plans. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation studies of the retirement plans were made as of December 31, 2016.



The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The amounts of net defined benefit asset in the balance sheets follow:

|                                  | Consolidated     |           | Parent Company  |          |
|----------------------------------|------------------|-----------|-----------------|----------|
|                                  | 2016             | 2015      | 2016            | 2015     |
| Net plan assets (Note 14)        | <b>¥754,754</b>  | ¥785,818  | <b>¥754,754</b> | ¥785,818 |
| Retirement liabilities (Note 19) | <b>(144,686)</b> | (164,256) | –               | –        |
|                                  | <b>¥610,068</b>  | ¥621,562  | <b>¥754,754</b> | ¥785,818 |

The movements in the defined benefit asset, present value of defined benefit obligation and fair value of plan assets follow:

|                                                                                | Consolidated                                 |                      |              |                      |               |                                                                   |                                                       |                                                                 |                                                                   |                                         |                          |                             |
|--------------------------------------------------------------------------------|----------------------------------------------|----------------------|--------------|----------------------|---------------|-------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------|--------------------------|-----------------------------|
|                                                                                | 2016                                         |                      |              |                      |               |                                                                   |                                                       |                                                                 |                                                                   |                                         |                          |                             |
|                                                                                | Remeasurements in other comprehensive income |                      |              |                      |               |                                                                   |                                                       |                                                                 |                                                                   |                                         |                          |                             |
|                                                                                | Net benefit cost                             |                      |              |                      |               | Return on plan assets (excluding amount included in net interest) | Actuarial changes arising from experience adjustments | Actuarial changes arising from changes in financial assumptions | Actuarial changes arising from changes in demographic assumptions | Changes in remeasurement gains (losses) | Contribution by employer | December 31, 2016           |
|                                                                                | January 1, 2016                              | Current service cost | Net interest | Net pension expense* | Benefits paid |                                                                   |                                                       |                                                                 |                                                                   |                                         |                          |                             |
|                                                                                | (a)                                          | (c)                  | (d)          | (e) = c + d          | (f)           | (g)                                                               | (h)                                                   | (i)                                                             |                                                                   | (j) = g + h + i                         | (k)                      | (l) = a + b + e + f + j + k |
| Fair value of plan assets                                                      | ¥4,472,990                                   | ¥-                   | ¥179,522     | ¥179,522             | (¥644,384)    | ¥278,115                                                          | ¥-                                                    | ¥-                                                              | ¥-                                                                | ¥278,115                                | ¥234,867                 | ¥4,521,109                  |
| Present value of defined benefit obligation                                    | 3,851,428                                    | 302,347              | 148,206      | 450,553              | (¥644,384)    | -                                                                 | 72,293                                                | 165,252                                                         | 15,900                                                            | 253,444                                 | -                        | 3,911,041                   |
| Net defined benefit asset                                                      | ¥621,562                                     | (¥302,347)           | ¥31,316      | (¥271,031)           | ¥-            | ¥278,115                                                          | (¥72,293)                                             | (¥165,252)                                                      | (¥15,900)                                                         | ¥24,671                                 | ¥234,867                 | ¥610,068                    |
| *Presented under Compensation and fringe benefits in the statements of income. |                                              |                      |              |                      |               |                                                                   |                                                       |                                                                 |                                                                   |                                         |                          |                             |

\*Presented under Compensation and fringe benefits in the statements of income.

|                                             | Consolidated                                 |                      |                |                      |               |                                                                   |                                                       |                                                                 |                                         |                          |                             |
|---------------------------------------------|----------------------------------------------|----------------------|----------------|----------------------|---------------|-------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------|--------------------------|-----------------------------|
|                                             | 2015                                         |                      |                |                      |               |                                                                   |                                                       |                                                                 |                                         |                          |                             |
|                                             | Remeasurements in other comprehensive income |                      |                |                      |               |                                                                   |                                                       |                                                                 |                                         |                          |                             |
|                                             | Net benefit cost                             |                      |                |                      | Benefits paid | Return on plan assets (excluding amount included in net interest) | Actuarial changes arising from experience adjustments | Actuarial changes arising from changes in financial assumptions | Changes in remeasurement gains (losses) | Contribution by employer | December 31, 2015           |
|                                             | January 1, 2015                              | Current service cost | Net interest   | Net pension expense* |               |                                                                   |                                                       |                                                                 |                                         |                          |                             |
|                                             | (a)                                          | (c)                  | (d)            | (e) = c + d          | (f)           | (g)                                                               | (h)                                                   | (i)                                                             | (j) = g + h + i                         | (k)                      | (l) = a + b + e + f + j + k |
| Fair value of plan assets                   | ¥4,678,994                                   | ¥–                   | ¥212,682       | ¥212,682             | (¥253,042)    | (¥402,428)                                                        | ¥–                                                    | ¥–                                                              | (¥402,428)                              | ¥236,784                 | ¥4,472,990                  |
| Present value of defined benefit obligation | 4,058,096                                    | 386,634              | 139,272        | 525,906              | (253,042)     | –                                                                 | (257,512)                                             | (222,020)                                                       | (479,532)                               | –                        | 3,851,428                   |
| Net defined benefit asset                   | <b>¥620,898</b>                              | <b>(¥386,634)</b>    | <b>¥73,410</b> | <b>(¥313,224)</b>    | <b>¥–</b>     | <b>(¥402,428)</b>                                                 | <b>¥257,512</b>                                       | <b>¥222,020</b>                                                 | <b>¥77,104</b>                          | <b>¥236,784</b>          | <b>¥621,562</b>             |

\*Presented under Compensation and fringe benefits in the statements of income.

|                                             | Parent Company                               |                      |                |                      |               |                                                                   |                                                       |                                                                 |                                         |                          |                             |
|---------------------------------------------|----------------------------------------------|----------------------|----------------|----------------------|---------------|-------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------|--------------------------|-----------------------------|
|                                             | 2016                                         |                      |                |                      |               |                                                                   |                                                       |                                                                 |                                         |                          |                             |
|                                             | Remeasurements in other comprehensive income |                      |                |                      |               |                                                                   |                                                       |                                                                 |                                         |                          |                             |
|                                             | Net benefit cost                             |                      |                |                      | Benefits paid | Return on plan assets (excluding amount included in net interest) | Actuarial changes arising from experience adjustments | Actuarial changes arising from changes in financial assumptions | Changes in remeasurement gains (losses) | Contribution by employer | December 31, 2016           |
|                                             | January 1, 2016                              | Current service cost | Net interest   | Net pension expense* |               |                                                                   |                                                       |                                                                 |                                         |                          |                             |
|                                             | (a)                                          | (c)                  | (d)            | (e) = c + d          | (f)           | (g)                                                               | (h)                                                   | (i)                                                             | (j) = g + h + i                         | (k)                      | (l) = a + b + e + f + j + k |
| Fair value of plan assets                   | ¥3,892,350                                   | ¥–                   | ¥173,210       | ¥173,210             | (¥183,784)    | ¥284,221                                                          | ¥–                                                    | ¥–                                                              | ¥284,221                                | ¥150,000                 | ¥4,315,997                  |
| Present value of defined benefit obligation | 3,106,532                                    | 288,262              | 138,241        | 426,503              | (183,784)     | –                                                                 | 49,966                                                | 162,025                                                         | 211,991                                 | –                        | 3,561,243                   |
| Net defined benefit asset                   | <b>¥785,818</b>                              | <b>(¥288,262)</b>    | <b>¥34,969</b> | <b>(¥253,293)</b>    | <b>¥–</b>     | <b>¥284,221</b>                                                   | <b>(¥49,966)</b>                                      | <b>¥162,025</b>                                                 | <b>¥72,230</b>                          | <b>¥150,000</b>          | <b>¥754,754</b>             |

\*Presented under Compensation and fringe benefits in the statements of income.

## NOTES TO FINANCIAL STATEMENTS

| Parent Company                               |                         |              |                         |                  |                                                                                  |                                                                   |                                                                             |                                               |                             |                      |                                |
|----------------------------------------------|-------------------------|--------------|-------------------------|------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------|-----------------------------|----------------------|--------------------------------|
| 2015                                         |                         |              |                         |                  |                                                                                  |                                                                   |                                                                             |                                               |                             |                      |                                |
| Remeasurements in other comprehensive income |                         |              |                         |                  |                                                                                  |                                                                   |                                                                             |                                               |                             |                      |                                |
| January 1,<br>2015                           | Net benefit cost        |              |                         | Benefits<br>paid | Return on<br>plan assets<br>(excluding<br>amount<br>included<br>in net interest) | Actuarial<br>changes arising<br>from<br>experience<br>adjustments | Actuarial<br>changes arising<br>from changes<br>in financial<br>assumptions | Changes in<br>remeasurement<br>gains (losses) | Contribution<br>by employer | December 31,<br>2015 | (l) = a + b + e + f<br>+ j + k |
|                                              | Current<br>service cost | Net interest | Net pension<br>expense* |                  |                                                                                  |                                                                   |                                                                             |                                               |                             |                      |                                |
| (a)                                          | (c)                     | (d)          | (e) = c + d             | (f)              | (g)                                                                              | (h)                                                               | (i)                                                                         | (j) = g + h + i                               | (k)                         |                      |                                |
| Fair value of plan assets                    | P4,234,605              | P-           | P192,251                | P192,251         | (P209,041)                                                                       | (P377,193)                                                        | P-                                                                          | P-                                            | (P377,193)                  | P51,727              | P3,892,349                     |
| Present value of defined benefit obligation  | 3,307,934               | 294,405      | 104,755                 | 399,160          | (209,041)                                                                        | -                                                                 | (165,875)                                                                   | (225,647)                                     | (391,522)                   | -                    | 3,106,531                      |
| Net defined benefit asset                    | P926,671                | (P294,405)   | P87,496                 | (P206,909)       | P-                                                                               | (P377,193)                                                        | P165,875                                                                    | P225,647                                      | P14,329                     | P51,727              | P785,818                       |

\*Presented under Compensation and fringe benefits in the statements of income.

The Parent Company does not expect to contribute to its defined benefit pension plan in 2017.

In 2016 and 2015, the major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

|                                 | Consolidated |         | Parent Company |         |
|---------------------------------|--------------|---------|----------------|---------|
|                                 | 2016         | 2015    | 2016           | 2015    |
| Parent Company shares (Note 28) | 40.13%       | 36.77%  | 42.04%         | 42.26%  |
| Equity instruments              | 21.76%       | 17.49%  | 22.18%         | 19.17%  |
| Cash and cash equivalents       | 6.13%        | 16.44%  | 3.57%          | 6.70%   |
| Debt instruments                | 16.19%       | 15.30%  | 15.67%         | 16.44%  |
| Other assets                    | 15.79%       | 14.00%  | 16.54%         | 15.43%  |
|                                 | 100.00%      | 100.00% | 100.00%        | 100.00% |

The following table shows the breakdown of fair value of the plan assets:

|                                           | Consolidated |            | Parent Company |            |
|-------------------------------------------|--------------|------------|----------------|------------|
|                                           | 2016         | 2015       | 2016           | 2015       |
| Due from BSP                              | P53,580      | P189,819   | P46,000        | P187,484   |
| Deposits in banks                         | 223,432      | 545,480    | 108,259        | 73,437     |
| Financial assets at FVPL                  | 976,684      | 754,054    | 956,163        | 739,208    |
| AFS financial assets                      |              |            |                |            |
| Quoted debt securities                    | 555,553      | 566,644    | 515,123        | 545,799    |
| Quoted equity securities                  | 7,054        | 28,117     | 5,481          | 6,781      |
| Parent Company shares                     | 1,814,531    | 1,644,750  | 1,814,531      | 1,644,750  |
| Investments in unit investment trust fund | 167,840      | 109,098    | 152,278        | 85,382     |
| Corporate bonds                           | 8,750        | 8,750      | 8,750          | 8,750      |
| Loans and receivable                      | 553,339      | 454,738    | 552,379        | 453,881    |
| Investment properties*                    | 147,154      | 161,148    | 143,799        | 136,568    |
| Other assets                              | 13,284       | 10,392     | 13,234         | 10,309     |
|                                           | P4,521,201   | P4,472,990 | P4,315,997     | P3,892,349 |

\* Investment properties comprise properties located in Manila.

The carrying value of the plan assets of the Group and Parent Company amounted to P4.52 billion and P4.32 billion, respectively, as of December 31, 2016, and P4.47 billion and P3.89 billion, respectively, as of December 31, 2015.

The principal actuarial assumptions used in 2016 and 2015 in determining the retirement liability for the Group's and Parent Company's retirement plans are shown below:

|                      | 2016   |       |       |          |          |
|----------------------|--------|-------|-------|----------|----------|
|                      | Parent | CBSI  | CIBI  | CBC-PCCI | CBCC     |
| Discount rate:       |        |       |       |          |          |
| January 1            | 4.45%  | 4.99% | 5.10% | 5.10%    | –        |
| December 31          | 4.79%  | 5.08% | 5.14% | 5.14%    | 5.19%    |
| Salary increase rate | 6.00%  | 6.00% | 6.00% | 6.00%    | 6.00%    |
|                      | 2015   |       |       |          |          |
|                      | Parent | CBSI  | PDB   | CIBI     | CBC-PCCI |
| Discount rate:       |        |       |       |          |          |
| January 1            | 4.54%  | 4.66% | 4.60% | 4.49%    | 4.56%    |
| December 31          | 4.45%  | 4.99% | 4.23% | 5.10%    | 5.10%    |
| Salary increase rate | 5.00%  | 5.00% | 5.00% | 5.00%    | 5.00%    |

The sensitivity analysis below has been determined based on the impact of reasonably possible changes of each significant assumption on the defined benefit liability as of the end of the reporting period, assuming all other assumptions were held constant:

| December 31, 2016    | Parent     | CBSI      | CIBI     | CBC-PCCI | CBCCC  |
|----------------------|------------|-----------|----------|----------|--------|
| Discount rate        |            |           |          |          |        |
| (+1%)                | (P246,034) | (P35,473) | (P1,566) | (P9,072) | (P814) |
| (-1%)                | 330,859    | 45,560    | 2,073    | 12,454   | 1,025  |
| Salary increase rate |            |           |          |          |        |
| (+1%)                | 310,338    | 43,290    | 1,946    | 11,854   | 983    |
| (-1%)                | (237,969)  | (34,585)  | (1,522)  | (8,860)  | (799)  |
| December 31, 2015    | Parent     | CBSI      | CIBI     | CBC-PCCI | CBCC   |
| Discount rate        |            |           |          |          |        |
| (+1%)                | (P186,222) | (P41,329) | (P1,072) | (P3,644) | P–     |
| (-1%)                | 267,709    | 59,118    | 1,566    | 7,690    | –      |
| Salary increase rate |            |           |          |          |        |
| (+1%)                | 252,451    | 55,498    | 1,496    | 7,354    | –      |
| (-1%)                | (181,218)  | (40,226)  | (1,059)  | (3,596)  | –      |

The weighted average duration of the defined benefit obligation are presented below:

|                | December 31, 2016 | December 31, 2015 |
|----------------|-------------------|-------------------|
| Parent Company | 13                | 13                |
| CBSI           | 18                | 18                |
| CIBI           | 19                | 19                |
| CBC-PCCI       | 19                | 19                |
| CBCC           | 22                | –                 |

The maturity analyses of the undiscounted benefit payments as of December 31, 2016 and 2015 are as follows:

| December 31, 2016              | Parent     | CBSI      | CIBI    | CBC-PCCI  | CBCC    |
|--------------------------------|------------|-----------|---------|-----------|---------|
| 1 year and less                | P884,693   | P9,290    | P–      | P–        | P–      |
| More than 1 year to 5 years    | 846,426    | 64,223    | 1,571   | 20,508    | –       |
| More than 5 years to 10 years  | 2,115,399  | 140,944   | 12,533  | 41,384    | 7,925   |
| More than 10 years to 15 years | 2,680,694  | 541,073   | 25,081  | 41,182    | 13,494  |
| More than 15 years to 20 years | 3,146,044  | 1,023,406 | –       | 159,992   | 104,806 |
| More than 20 years             | 21,735,037 | 8,360,827 | 393,003 | 1,173,627 | 275,604 |

## NOTES TO FINANCIAL STATEMENTS

| December 31, 2015              | Parent     | CBSI      | CIBI    | CBC-PCCI | CBCC |
|--------------------------------|------------|-----------|---------|----------|------|
| 1 year and less                | ₱836,930   | ₱72,141   | ₱–      | ₱8,632   | ₱–   |
| More than 1 year to 5 years    | 634,991    | 183,285   | 1,385   | 19,074   | –    |
| More than 5 years to 10 years  | 1,719,371  | 295,106   | 8,509   | 32,982   | –    |
| More than 10 years to 15 years | 2,426,865  | 560,349   | 16,035  | 13,614   | –    |
| More than 15 years to 20 years | 2,340,344  | 1,126,570 | 2,048   | 98,631   | –    |
| More than 20 years             | 15,244,682 | 5,923,431 | 282,416 | 766,434  | –    |

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

Occasionally, the Parent Company enters into forward exchange contracts as an accommodation to its clients. These derivatives are not designated as accounting hedges. The aggregate notional amounts of the outstanding buy US dollar currency forwards as of December 31, 2016 and 2015 amounted to US\$148.58 million and US\$287.67 million, respectively, while the sell US dollar forward contracts amounted to US\$197.06 million and US\$440.00 million, respectively. Weighted average buy US dollar forward rate as of December 31, 2016 and 2015 is ₱46.76, while the weighted average sell US dollar forward rates are ₱44.26 and ₱47.32, respectively.

The aggregate notional amounts of the outstanding buy Euro currency forwards as of December 31, 2016 and 2015 amounted to €2 million and nil, respectively while the aggregate notional amounts of the outstanding sell Euro currency forwards as of the December 31, 2016 and 2015 amounted to €6 million and €241.02 million, respectively. The weighted average buy Euro forward rates as of December 31, 2016 ₱53.40 while the weighted average sell Euro forward rate as of December 31, 2016 and 2015 are ₱51.85 and ₱51.68, respectively.

The aggregate notional amounts of the outstanding buy Hong Kong dollars (HKD) currency forwards as of December 31, 2016 amounted to HKD155.15 million. The weighted average buy HKD forward rates as of December 31, 2016 is ₱6.41.

The aggregate notional amounts of the outstanding sell Chinese Yuan (CNY) currency forwards as of December 31, 2016 amounted to CNY34.91 million. The weighted average sell CNY forward rates as of December 31, 2016 is ₱7.12.

The aggregate notional amounts of the outstanding IRS as of December 31, 2016 and 2015 amounted to ₱10.82 billion and ₱6.95 billion, respectively.

As of December 31, 2016 and 2015, the fair values of derivatives follow:

|                   | 2016             |                      | 2015             |                      |
|-------------------|------------------|----------------------|------------------|----------------------|
|                   | Derivative Asset | Derivative Liability | Derivative Asset | Derivative Liability |
| Currency forwards | ₱176,513         | ₱213,788             | ₱283,112         | ₱35,876              |
| IRS               | 30,065           | 29,410               | 7,624            | 30,497               |
| Warrants          | 9,710            | –                    | 9,190            | –                    |
|                   | ₱216,288         | ₱243,198             | ₱299,926         | ₱66,373              |

#### Fair Value Changes of Derivatives

The net movements in fair value changes of derivative instruments are as follows:

|                                    | 2016      | 2015      |
|------------------------------------|-----------|-----------|
| Balance at beginning of year       | ₱233,553  | ₱187,947  |
| Fair value changes during the year | (183,640) | 316,442   |
| Settled transactions               | (76,823)  | (270,836) |
| Balance at end of year             | (₱26,910) | ₱233,553  |

The net movements in the value of the derivatives are presented in the statements of income under the following accounts:

|                                               | 2016       | 2015    | 2014       |
|-----------------------------------------------|------------|---------|------------|
| Foreign exchange gain (loss)                  | (₱283,994) | ₱47,031 | (₱155,824) |
| Trading and securities gain (loss)* (Note 20) | 23,510     | (1,425) | 3,065      |
|                                               | (₱260,484) | ₱45,606 | (₱152,759) |

\*Net movements in the value related to embedded credit derivatives and IRS.

## 25. LEASE CONTRACTS

The lease contracts are for periods ranging from one to 25 years from the dates of contracts and are renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%.

Annual rentals on these lease contracts included in 'Occupancy cost' in the statements of income in 2016, 2015 and 2014 amounted to P681.05 million, P615.00 million and P522.00 million, respectively, for the Group, and P450.53 million, P396.88 million and P349.00 million, respectively, for the Parent Company.

Future minimum rentals payable of the Group and the Parent Company under non-cancelable operating leases follow:

|                                             | Consolidated      |            | Parent Company    |            |
|---------------------------------------------|-------------------|------------|-------------------|------------|
|                                             | 2016              | 2015       | 2016              | 2015       |
| Within one year                             | <b>P573,623</b>   | P468,972   | <b>P506,446</b>   | P394,965   |
| After one year but not more than five years | <b>1,900,916</b>  | 1,465,118  | <b>1,677,595</b>  | 1,204,976  |
| After five years                            | <b>1,152,237</b>  | 785,931    | <b>724,682</b>    | 484,064    |
|                                             | <b>P3,626,776</b> | P2,720,021 | <b>P2,908,723</b> | P2,084,005 |

The Group and the Parent Company have also entered into commercial property leases on its investment properties (Note 12).

Future minimum rentals receivable under noncancellable operating leases follow:

|                                             | Consolidated   |         | Parent Company |        |
|---------------------------------------------|----------------|---------|----------------|--------|
|                                             | 2016           | 2015    | 2016           | 2015   |
| Within one year                             | <b>P5,044</b>  | P5,465  | <b>P4,865</b>  | P2,792 |
| After one year but not more than five years | <b>22,047</b>  | 38,575  | <b>2,977</b>   | 5,670  |
| After more than five years                  | <b>27,653</b>  | 23,867  | <b>–</b>       | –      |
|                                             | <b>P54,743</b> | P67,907 | <b>P7,842</b>  | P8,462 |

## 26. INCOME AND OTHER TAXES

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9337, An Act Amending National Internal Revenue Code, provides that RCIT rate shall be 30.00% while interest expense allowed as a deductible expense is reduced to 33.00% of interest income subject to final tax.

An MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% gross income tax.

Interest income on deposit placements with other FCDUs and OBUs is taxed at 7.50%, while all other income of the FCDU is subject to the 30.00% corporate tax.

On March 15, 2011, the BIR issued Revenue Regulation (RR) No. 4-2011 which prescribes the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU and within RBU. Pursuant to the regulations, the Parent Company made an allocation of its expenses in calculating income taxes due for RBU and FCDU.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue.



## NOTES TO FINANCIAL STATEMENTS

The provision for income tax consists of:

|           | Consolidated      |           |            | Parent Company    |           |            |
|-----------|-------------------|-----------|------------|-------------------|-----------|------------|
|           | 2016              | 2015      | 2014       | 2016              | 2015      | 2014       |
| Current   |                   |           |            |                   |           |            |
| Final tax | <b>P498,750</b>   | P435,649  | P575,434   | <b>P458,011</b>   | P417,227  | P472,387   |
| RCIT      | <b>907,782</b>    | 1,007,447 | 888,188    | <b>785,800</b>    | 941,923   | 871,033    |
| MCIT      | –                 | 29,935    | 34,693     | –                 | –         | –          |
|           | <b>1,406,532</b>  |           |            | <b>1,243,811</b>  |           |            |
|           |                   | 1,473,031 | 1,498,315  |                   | 1,359,150 | 1,343,420  |
| Deferred  | <b>(279,980)</b>  | (663,062) | 66,612     | <b>(160,672)</b>  | (531,080) | 65,412     |
|           | <b>P1,126,552</b> | P809,969  | P1,564,927 | <b>P1,083,139</b> | P828,070  | P1,408,832 |

The details of net deferred tax assets (liabilities) follow:

|                                                                                                 | Consolidated       |             | Parent Company    |            |
|-------------------------------------------------------------------------------------------------|--------------------|-------------|-------------------|------------|
|                                                                                                 | 2016               | 2015        | 2016              | 2015       |
| Deferred tax assets (liabilities) on                                                            |                    |             |                   |            |
| Allowance for impairment and credit losses                                                      | <b>P2,429,146</b>  | P2,149,489  | <b>P2,249,967</b> | P2,123,705 |
| Revaluation increment on land                                                                   | <b>(547,405)</b>   | (547,405)   | <b>(547,405)</b>  | (547,405)  |
| Fair value adjustment on asset foreclosure and dacion transactions - net of depreciated portion | <b>(91,030)</b>    | (34,821)    | <b>32,014</b>     | 28,592     |
| Net defined benefit asset                                                                       | <b>(183,020)</b>   | (186,469)   | <b>(226,426)</b>  | (235,745)  |
| Fair value adjustments on net assets (liabilities) of PDB and Unity Bank                        | <b>(1,102,839)</b> | (1,115,661) | –                 | –          |
|                                                                                                 | <b>P504,852</b>    | P265,133    | <b>P1,508,150</b> | P1,369,147 |

The Group did not set up deferred tax assets on the following temporary differences as it believes that it is highly probable that these temporary differences will not be realized in the near foreseeable future:

|                                            | Consolidated      |            | Parent Company  |            |
|--------------------------------------------|-------------------|------------|-----------------|------------|
|                                            | 2016              | 2015       | 2016            | 2015       |
| Allowance for impairment and credit losses | <b>P909,699</b>   | P1,969,250 | <b>P98,262</b>  | P979,955   |
| NOLCO                                      | <b>228,929</b>    | 467,368    | –               | –          |
| Excess of MCIT over RCIT                   | <b>40,339</b>     | 97,607     | –               | –          |
| Accrued compensated absences               | <b>32,416</b>     | 291,386    | <b>53,003</b>   | 65,993     |
| Others                                     | <b>62,280</b>     | 43,688     | –               | –          |
|                                            | <b>P1,273,663</b> | P2,869,299 | <b>P151,265</b> | P1,045,948 |

As of December 31, 2015, details of the Group's NOLCO are as follows:

| Inception Year | Original Amount | Used Amount | Expired Amount  | Remaining Balance | Expiry Year |
|----------------|-----------------|-------------|-----------------|-------------------|-------------|
| 2013           | P238,439        | P–          | P238,439        | P–                | 2016        |
| 2014           | 177,085         | –           | –               | 177,085           | 2017        |
| 2015           | 51,844          | –           | –               | 51,844            | 2018        |
|                | <b>P467,368</b> | <b>P–</b>   | <b>P238,439</b> | <b>P228,929</b>   |             |

As of December 31, 2016, details of the excess of MCIT over RCIT of the Group follow:

| Inception Year | Original Amount | Used Amount | Expired Amount | Remaining Balance | Expiry Year |
|----------------|-----------------|-------------|----------------|-------------------|-------------|
| 2013           | P37,783         | P37,783     | P–             | P–                | 2016        |
| 2014           | 37,001          | 19,485      | –              | 17,516            | 2017        |
| 2015           | 22,823          | –           | –              | 22,823            | 2018        |
|                | <b>P97,607</b>  | <b>P–</b>   | <b>P–</b>      | <b>P40,339</b>    |             |

The reconciliation of the statutory income tax to the provision for income tax follows:

|                                        | Consolidated      |            |            | Parent Company    |            |            |
|----------------------------------------|-------------------|------------|------------|-------------------|------------|------------|
|                                        | 2016              | 2015       | 2014       | 2016              | 2015       | 2014       |
| Statutory income tax                   | <b>P2,276,256</b> | P1,923,764 | P2,003,974 | <b>P2,262,431</b> | P2,002,359 | P1,957,021 |
| Tax effects of                         |                   |            |            | -                 |            |            |
| FCDU income                            | <b>(549,881)</b>  | (459,351)  | (524,178)  | <b>(543,591)</b>  | (472,787)  | (479,306)  |
| Non-taxable income                     | <b>(219,042)</b>  | (300,817)  | (618,351)  | <b>(179,507)</b>  | (330,074)  | (349,137)  |
| Interest income subjected to final tax | <b>(464,491)</b>  | (168,700)  | (453,824)  | <b>(604,445)</b>  | (180,071)  | (230,809)  |
| Nondeductible expenses                 | <b>243,937</b>    | (63,433)   | 1,234,635  | <b>146,205</b>    | (232,661)  | 532,835    |
| Others                                 | <b>(160,227)</b>  | (121,494)  | (77,329)   | <b>2,046</b>      | 41,304     | (21,772)   |
| Provision for income tax               | <b>P1,126,552</b> | P809,969   | P1,564,927 | <b>P1,083,139</b> | P828,070   | P1,408,832 |

## 27. TRUST OPERATIONS

Securities and other properties (other than deposits) held by the Parent Company in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying balance sheets since these are not assets of the Parent Company (Note 29).

In compliance with the requirements of current banking regulations relative to the Parent Company's trust functions: (a) government bonds included under HFT financial assets and AFS financial assets with total face value of P994.05 million and P250.62 million as of December 31, 2016 and 2015, respectively, are deposited with the BSP as security for the Parent Company's faithful compliance with its fiduciary obligations (Note 8); and (b) a certain percentage of the Parent Company's trust fee income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function equals 20.00% of the Parent Company's authorized capital stock.

## 28. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- significant investors
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are normally made in the ordinary course of business and based on the terms and conditions discussed below.

### Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Group has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. Income earned by the Group and Parent Company from such services amounted to P44.35 million and P41.41 million, respectively, in 2016, P44.19 million and P41.35 million, respectively, in 2015, and P46.91 million and P44.05 million, respectively, in 2014. 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.

## NOTES TO FINANCIAL STATEMENTS

A summary of transactions with related party retirement plans follows:

|                              | Consolidated     |           | Parent Company   |           |
|------------------------------|------------------|-----------|------------------|-----------|
|                              | 2016             | 2015      | 2016             | 2015      |
| Deposits in banks            | <b>P223,432</b>  | P75,278   | <b>P108,259</b>  | P73,437   |
| AFS financial assets         | <b>1,814,531</b> | 1,644,750 | <b>1,814,531</b> | 1,644,750 |
| Dividend income              | <b>44,214</b>    | 40,939    | <b>44,214</b>    | 40,939    |
| Interest income              | <b>2,069</b>     | 697       | <b>1,172</b>     | 511       |
| Total market value of shares | <b>1,814,531</b> | 1,644,750 | <b>1,814,531</b> | 1,644,750 |
| Number of shares held        | <b>47,751</b>    | 44,214    | <b>47,751</b>    | 44,214    |

In 2014, dividend income and interest income of the retirement plan from investments and placements in the Parent Company amounted to P37.91 million and P0.73 million, respectively, for the Group, and P37.91 million and P0.66 million, respectively, for the Parent Company.

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

### Remunerations of Directors and other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the ManCom to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

|                              | Consolidated    |          |          | Parent Company  |          |          |
|------------------------------|-----------------|----------|----------|-----------------|----------|----------|
|                              | 2016            | 2015     | 2014     | 2016            | 2015     | 2014     |
| Short-term employee benefits | <b>P380,394</b> | P411,833 | P400,318 | <b>P315,284</b> | P325,324 | P313,469 |
| Post-employment benefits     | <b>4,774</b>    | 6,526    | 7,646    | <b>2,194</b>    | 3,946    | 3,645    |
|                              | <b>P385,168</b> | P418,359 | P407,964 | <b>P317,478</b> | P329,270 | P317,114 |

Members of the BOD are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to four percent of the Parent Company's net earnings, with certain deductions in accordance with BSP regulation. Non-executive directors do not receive any performance-related compensation. Directors' remuneration covers all Parent Company's Board activities and membership of committees and subsidiary companies.

The Group also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables below.

### Other Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Transactions between the Group and its associated companies also qualify as related party transactions. Details of the Parent Company's subsidiaries and associate are disclosed in Notes 1 and 10.

### Group

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

| Category                    | Amount / Volume     | Outstanding Balance | December 31, 2016                                                                                                                                       |
|-----------------------------|---------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             |                     |                     | Terms and Conditions                                                                                                                                    |
| <b>Significant Investor</b> |                     |                     |                                                                                                                                                         |
| Loans and receivables       |                     | <b>P2,710,000</b>   | These are secured loans with interest rate of 5.13% and maturity of four years; collateral includes shares of stocks with fair value of P28.44 billion. |
| Issuances                   | P-                  |                     |                                                                                                                                                         |
| Repayments                  | -                   |                     |                                                                                                                                                         |
| Deposit liabilities         |                     | <b>223</b>          | These are checking accounts with annual average rate of 0.13%.                                                                                          |
| Deposits                    | <b>2,053,853</b>    |                     |                                                                                                                                                         |
| Withdrawals                 | <b>(10,270,042)</b> |                     |                                                                                                                                                         |
| <b>Associate</b>            |                     |                     |                                                                                                                                                         |
| Deposit liabilities         |                     | <b>288,072</b>      | These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.                                                              |
| Deposits                    | <b>437,486</b>      |                     |                                                                                                                                                         |
| Withdrawals                 | <b>(1,097,863)</b>  |                     |                                                                                                                                                         |

|                                 |                 |                     | December 31, 2016                                                                                                                                                                                                                                        |
|---------------------------------|-----------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Category                        | Amount / Volume | Outstanding Balance | Terms and Conditions                                                                                                                                                                                                                                     |
| <b>Key Management Personnel</b> |                 |                     |                                                                                                                                                                                                                                                          |
| Loans and receivables           |                 | 11,703              | This includes secured and unsecured loans amounting to ₱16.12 million and ₱8.02 million, respectively. Secured loans bear annual interest rate of 6.00% and maturity of 15 years. Collateral includes real properties with fair value of ₱32.82 million. |
| Issuances                       | 557             |                     |                                                                                                                                                                                                                                                          |
| Repayments                      | 8,463           |                     |                                                                                                                                                                                                                                                          |
| Deposit liabilities             |                 | 15,830              | These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.                                                                                                                                            |
| Deposits                        | 209,071         |                     |                                                                                                                                                                                                                                                          |
| Withdrawals                     | (228,679)       |                     |                                                                                                                                                                                                                                                          |
| <b>Other Related Parties</b>    |                 |                     |                                                                                                                                                                                                                                                          |
| Deposit liabilities             |                 | 22,019              | These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.                                                                                                                                                  |
| Deposits                        | 8,122,268       |                     |                                                                                                                                                                                                                                                          |
| Withdrawals                     | (33,781,787)    |                     |                                                                                                                                                                                                                                                          |

| Category                        | December 31, 2015 |                     |                                                                                                                                                                          |
|---------------------------------|-------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                 | Amount / Volume   | Outstanding Balance | Terms and Conditions                                                                                                                                                     |
| <b>Significant Investor</b>     |                   |                     |                                                                                                                                                                          |
| Loans and receivables           |                   | ₱2,710,000          | These are secured loans with interest rate of 5.13% and maturity of five years; collateral includes shares of stocks with fair value of ₱22.11 billion.                  |
| Issuances                       | ₱–                |                     |                                                                                                                                                                          |
| Repayments                      | (290,000)         |                     |                                                                                                                                                                          |
| Deposit liabilities             |                   | 8,216,412           | These are checking accounts with annual average interest rate of 0.13%.                                                                                                  |
| Deposits                        | 3,633,465         |                     |                                                                                                                                                                          |
| Withdrawals                     | –                 |                     |                                                                                                                                                                          |
| <b>Associate</b>                |                   |                     |                                                                                                                                                                          |
| Deposit liabilities             |                   | 948,449             | These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.                                                                               |
| Deposits                        | 61,703            |                     |                                                                                                                                                                          |
| Withdrawals                     | (93,953)          |                     |                                                                                                                                                                          |
| <b>Key Management Personnel</b> |                   |                     |                                                                                                                                                                          |
| Loans and receivables           |                   | 16,121              | These are secured loans with interest rates ranging from 5.50% to 8.00% and maturity of 15 years. Collateral includes real properties with fair value of ₱31.08 million. |
| Issuances                       | 7,901             |                     |                                                                                                                                                                          |
| Repayments                      | (13,458)          |                     |                                                                                                                                                                          |
| Deposit liabilities             |                   | 35,438              | These are checking, savings and time eposit accounts with annual average interest rates ranging from 0.25% to 1.00%.                                                     |
| Deposits                        | 106,168           |                     |                                                                                                                                                                          |
| Withdrawals                     | (107,432)         |                     |                                                                                                                                                                          |
| <b>Other Related Parties</b>    |                   |                     |                                                                                                                                                                          |
| Deposit liabilities             |                   | 25,681,538          | These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.                                                                  |
| Deposits                        | 49,896            |                     |                                                                                                                                                                          |
| Withdrawals                     | (4,029,046)       |                     |                                                                                                                                                                          |

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2016, 2015, and 2014 follow:

|                  | Significant Investor |          |          | Associate |        |         |
|------------------|----------------------|----------|----------|-----------|--------|---------|
|                  | 2016                 | 2015     | 2014     | 2016      | 2015   | 2014    |
| Interest income  | P138,944             | P142,662 | P146,695 | P-        | P1,288 | P14,341 |
| Interest expense | 12                   | 8        | 1        | 1,513     | 2,411  | 1,332   |

|                  | Key Management Personnel |        |        | Other Related Parties |      |         |
|------------------|--------------------------|--------|--------|-----------------------|------|---------|
|                  | 2016                     | 2015   | 2014   | 2016                  | 2015 | 2014    |
| Interest income  | P-                       | P1,039 | P1,133 | P-                    | P-   | P42,660 |
| Interest expense | 40                       | 1,270  | 466    | 11                    | 125  | 199     |

## NOTES TO FINANCIAL STATEMENTS

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

### Parent Company

Related party transactions of the Parent Company by category of related party, except those already presented in the Group disclosures, are presented below.

| December 31, 2016               |                     |                     |                                                                                                         |
|---------------------------------|---------------------|---------------------|---------------------------------------------------------------------------------------------------------|
| Category                        | Amount / Volume     | Outstanding Balance | Nature, Terms and Conditions                                                                            |
| <b>Subsidiaries</b>             |                     |                     |                                                                                                         |
| Deposit liabilities             |                     | <b>₱14,218</b>      | These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%. |
| Deposits                        | <b>₱273,603</b>     |                     |                                                                                                         |
| Withdrawals                     | <b>(6,767,542)</b>  |                     |                                                                                                         |
| <b>Associate</b>                |                     |                     |                                                                                                         |
| Deposit liabilities             |                     | <b>288,072</b>      | These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.              |
| Deposits                        | <b>437,486</b>      |                     |                                                                                                         |
| Withdrawals                     | <b>(4,700,011)</b>  |                     |                                                                                                         |
| <b>Key Management Personnel</b> |                     |                     |                                                                                                         |
| Loans and receivables           |                     | <b>1,249</b>        | Loans with interest rates ranging from 6.00% to 8.00% and maturity of 15 years.                         |
| Issuances                       | <b>557</b>          |                     |                                                                                                         |
| Repayments                      | <b>(1,060)</b>      |                     |                                                                                                         |
| Deposit liabilities             |                     | <b>15,830</b>       | These are savings account with annual average interest rates ranging from 0.25% to 1.00%.               |
| Deposits                        | <b>209,071</b>      |                     |                                                                                                         |
| Withdrawals                     | <b>(206,142)</b>    |                     |                                                                                                         |
| <b>Other Related Parties</b>    |                     |                     |                                                                                                         |
| Deposit liabilities             |                     | <b>22,019</b>       | These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%. |
| Deposits                        | <b>8,122,268</b>    |                     |                                                                                                         |
| Withdrawals                     | <b>(33,709,401)</b> |                     |                                                                                                         |

| December 31, 2015               |                    |                     |                                                                                                         |
|---------------------------------|--------------------|---------------------|---------------------------------------------------------------------------------------------------------|
| Category                        | Amount / Volume    | Outstanding Balance | Nature, Terms and Conditions                                                                            |
| <b>Subsidiaries</b>             |                    |                     |                                                                                                         |
| Deposit liabilities             |                    | <b>₱6,508,157</b>   | These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%. |
| Deposits                        | <b>₱35,001</b>     |                     |                                                                                                         |
| Withdrawals                     | <b>(50,340)</b>    |                     |                                                                                                         |
| <b>Associate</b>                |                    |                     |                                                                                                         |
| Deposit liabilities             |                    | <b>4,550,697</b>    | These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.              |
| Deposits                        | <b>61,703</b>      |                     |                                                                                                         |
| Withdrawals                     | <b>(93,953)</b>    |                     |                                                                                                         |
| <b>Key Management Personnel</b> |                    |                     |                                                                                                         |
| Loans and receivables           |                    | <b>1,752</b>        | Loans with interest rates ranging from 6.00% to 8.00% and maturity of 15 years.                         |
| Issuances                       | <b>453</b>         |                     |                                                                                                         |
| Repayments                      | <b>(856)</b>       |                     |                                                                                                         |
| Deposit liabilities             |                    | <b>12,901</b>       | These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.              |
| Deposits                        | <b>99,867</b>      |                     |                                                                                                         |
| Withdrawals                     | <b>(100,466)</b>   |                     |                                                                                                         |
| <b>Other Related Parties</b>    |                    |                     |                                                                                                         |
| Deposit liabilities             |                    | <b>25,609,152</b>   | These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%. |
| Deposits                        | <b>12,718</b>      |                     |                                                                                                         |
| Withdrawals                     | <b>(4,029,046)</b> |                     |                                                                                                         |

In 2015, PDB sold its investment property to the Parent Company for a total selling price of ₱464.52 million. PDB recognized gain on such sale amounting to ₱55.30 million. PDB's gain on sale was eliminated at the group level. In addition, CBSI assigned its portfolio of receivables to PDB amounting to ₱2.83 billion.



The related party transactions shall be settled in cash. There are no provisions for credit losses in 2016, 2015 and 2014 in relation to amounts due from related parties.

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2016, 2015 and 2014 follow:

|                  | Subsidiaries |             |             | Associate     |            |               |
|------------------|--------------|-------------|-------------|---------------|------------|---------------|
|                  | 2016         | 2015        | 2014        | 2016          | 2015       | 2014          |
| Interest expense | <b>₱33</b>   | <b>₱137</b> | <b>₱203</b> | <b>₱1,513</b> | <b>₱19</b> | <b>₱1,081</b> |

|                  | Key Management Personnel |            |            | Other Related Parties |           |                |
|------------------|--------------------------|------------|------------|-----------------------|-----------|----------------|
|                  | 2016                     | 2015       | 2014       | 2016                  | 2015      | 2014           |
| Interest income  | <b>₱56</b>               | <b>₱78</b> | <b>₱98</b> | <b>₱–</b>             | <b>₱–</b> | <b>₱42,660</b> |
| Interest expense | <b>40</b>                | <b>76</b>  | <b>55</b>  | <b>11</b>             | <b>27</b> | <b>106</b>     |

Outstanding loan balances with related parties are unimpaired as at year-end, thus no impairment allowance was recorded.

Outright purchases and outright sale of debt securities of the Parent Company with its subsidiaries in 2016 and 2015 follow:

|                    | Subsidiaries      |                 |
|--------------------|-------------------|-----------------|
|                    | 2016              | 2015            |
| Peso-denominated   |                   |                 |
| Outright purchase  | <b>₱1,504,879</b> | <b>₱277,420</b> |
| Outright sale      | <b>1,128,000</b>  | <b>603,000</b>  |
| Dollar-denominated |                   |                 |
| Outright purchase  | –                 | US\$9,000       |
| Outright sale      | –                 | 5,934           |

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

|                      | Subsidiaries  |               |  | Nature, Terms and Conditions                                                                     |
|----------------------|---------------|---------------|--|--------------------------------------------------------------------------------------------------|
|                      | 2016          | 2015          |  |                                                                                                  |
| <b>Balance Sheet</b> |               |               |  |                                                                                                  |
| Accounts receivable  | <b>₱5,187</b> | <b>₱3,301</b> |  | This pertains to various expenses advanced by CBC in behalf of CBSI                              |
| Security deposits    | <b>3,050</b>  | <b>2,445</b>  |  | This pertains to the rental deposits with CBSI for office space leased out to the Parent Company |
| Accounts payable     | <b>10,623</b> | <b>3,303</b>  |  | This pertains to various unpaid rental to CBSI                                                   |

|                         | Subsidiaries   |                |                | Nature, Terms and Conditions                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------|----------------|----------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                         | 2016           | 2015           | 2014           |                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Income Statement</b> |                |                |                |                                                                                                                                                                                                                                                                                                                                                                                            |
| Miscellaneous income    | <b>₱1,800</b>  | <b>₱1,800</b>  | <b>₱1,800</b>  | Human resources functions provided by the Parent Company to its subsidiaries (except CBC Forex and Unity Bank) such as recruitment and placement, training and development, salary and benefits development, systems and research, and employee benefits. Under the agreement between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee |
| Occupancy cost          | <b>22,255</b>  | <b>16,266</b>  | <b>16,411</b>  | 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   | <b>229,592</b> | <b>122,260</b> | <b>103,364</b> | This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements                                                                                                                                                                                                                                                |

## NOTES TO FINANCIAL STATEMENTS

### Regulatory Reporting

As required by the BSP, the Group discloses loan transactions with its and affiliates and investees and with certain directors, officers, stockholders and related interests (DOSRI). Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

|                                                                                         | Consolidated      |            | Parent Company    |            |
|-----------------------------------------------------------------------------------------|-------------------|------------|-------------------|------------|
|                                                                                         | 2016              | 2015       | 2016              | 2015       |
| Total outstanding DOSRI loans                                                           | <b>P7,023,635</b> | P5,022,503 | <b>P7,015,002</b> | P4,997,513 |
| Percent of DOSRI loans granted under regulations existing prior to BSP Circular No. 423 | —                 | —          | —                 | —          |
| Percent of DOSRI loans granted under BSP Circular No. 423                               | —                 | —          | —                 | —          |
| Percent of DOSRI loans to total loans                                                   | <b>1.81%</b>      | 1.59%      | <b>2.12%</b>      | 1.88%      |
| Percent of unsecured DOSRI loans to total DOSRI loans                                   | <b>5.99%</b>      | 3.05%      | <b>5.98%</b>      | 3.02%      |

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

## 29. COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these transactions.

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

|                                               | Consolidated        |             | Parent Company      |             |
|-----------------------------------------------|---------------------|-------------|---------------------|-------------|
|                                               | 2016                | 2015        | 2016                | 2015        |
| Trust department accounts (Note 27)           | <b>P104,373,741</b> | P82,677,515 | <b>P102,862,792</b> | P78,663,914 |
| Future exchange sold                          | <b>11,267,749</b>   | 21,031,257  | <b>11,267,749</b>   | 21,031,257  |
| Unused commercial letters of credit (Note 28) | <b>17,801,390</b>   | 18,440,951  | <b>17,801,205</b>   | 18,431,395  |
| IRS receivable                                | <b>10,823,400</b>   | 6,950,000   | <b>10,823,400</b>   | 6,950,000   |
| Future exchange bought                        | <b>8,922,411</b>    | 13,407,792  | <b>8,922,411</b>    | 13,407,792  |
| Credit card lines                             | <b>8,883,196</b>    | 7,435,851   | <b>8,883,196</b>    | 7,435,851   |
| Standby credit commitment                     | <b>3,029,782</b>    | 3,259,734   | <b>3,029,782</b>    | 3,259,734   |
| Outstanding guarantees issued                 | <b>4,827,530</b>    | 5,725,655   | <b>1,140,440</b>    | 792,581     |
| Spot exchange sold                            | <b>558,487</b>      | 753,930     | <b>558,487</b>      | 753,930     |
| Spot exchange bought                          | <b>409,940</b>      | 1,130,390   | <b>409,940</b>      | 1,130,390   |
| Late deposits/payments received               | <b>417,559</b>      | 245,924     | <b>405,838</b>      | 210,993     |
| Deficiency claims receivable                  | <b>294,632</b>      | 297,073     | <b>294,632</b>      | 297,073     |
| Inward bills for collection                   | <b>234,588</b>      | 144,155     | <b>234,588</b>      | 144,155     |
| Outward bills for collection                  | <b>73,702</b>       | 76,230      | <b>57,227</b>       | 74,508      |
| Others                                        | <b>2,575</b>        | 14,125      | <b>2,348</b>        | 13,991      |

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### 30. SEGMENT INFORMATION

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the markets served, with each segment representing a strategic business unit. In 2014, the Group's organization structure was realigned in a manner that caused the composition of its reportable segments to change. From four major groups (Consumer Banking, Institutional Banking, Branch Banking and Treasury), the Group now has three major business segments, namely:

The Group's business segments are as follows:

- a. Lending Business – principally handles all the lending, trade finance and corollary banking products and services offered to corporate and institutional customers as well as selected middle market clients. It also handles home loans, contract-to-sell receivables and auto loans for individual and 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 Capital Markets and Investments – principally provides money market, trading and treasury services, manages the Group's funding operations by the use of government securities, placements and acceptances with other banks as well as offers advisory and capital-raising services to corporate clients and wealth management services to high-net-worth customers; and
- d. Others – handles other services including but not limited to trust and investment management services, asset management, insurance brokerage, credit management, thrift banking business, operations and financial control, and other support services.

The Group's businesses are organized to cater to the banking needs of market segments, facilitate customer engagement, ensure timely delivery of products and services as well as achieve cost efficiency and economies of scale. Accordingly, the corresponding segment information for all periods presented herein are restated to reflect such change.

The Group reports its primary segment information to the Chief Operating Decision Maker (CODM) on the basis of the above-mentioned segments. The CODM of the Group is the President and Chief Executive Officer.

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

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

Interest income is reported net as management primarily relies on the net interest income as performance measure, not the gross income and expense.

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

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

The Group has no significant customers which contributes 10.00% or more of the consolidated revenues.

The Group's asset producing revenues are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented.

## NOTES TO FINANCIAL STATEMENTS

The following tables present relevant financial information regarding business segments measured in accordance with PFRS as of and for the years ended December 31, 2016, 2015 and 2014 (with corresponding items of segment information for earlier periods restated to reflect the new composition of reportable segments):

|                                            | Lending Business    |              |              | Retail Banking Business |              |              |
|--------------------------------------------|---------------------|--------------|--------------|-------------------------|--------------|--------------|
|                                            | 2016                | 2015         | 2014         | 2016                    | 2015         | 2014         |
| <b>Results of Operations</b>               |                     |              |              |                         |              |              |
| Net interest income                        |                     |              |              |                         |              |              |
| Third party                                | <b>P11,234,520</b>  | P9,884,601   | P8,972,673   | <b>P477,635</b>         | P247,320     | (P187,269)   |
| Intersegment                               | <b>(6,185,045)</b>  | (5,226,806)  | (3,102,914)  | <b>7,067,165</b>        | 6,377,212    | 4,564,274    |
|                                            | <b>5,049,475</b>    | 4,657,795    | 5,869,759    | <b>7,544,800</b>        | 6,624,532    | 4,377,005    |
| Other operating income                     | <b>907,182</b>      | 885,555      | 633,077      | <b>1,234,356</b>        | 1,420,568    | 1,296,578    |
| Total revenue                              | <b>5,956,657</b>    | 5,543,350    | 6,502,836    | <b>8,779,156</b>        | 8,045,100    | 5,673,583    |
| Other operating expense                    | <b>(2,228,638)</b>  | (1,361,427)  | (1,172,810)  | <b>(5,759,880)</b>      | (5,472,577)  | (5,109,623)  |
| Income before income tax                   | <b>3,728,019</b>    | 4,181,923    | 5,330,026    | <b>3,019,276</b>        | 2,572,523    | 563,960      |
| Provision for income tax                   | <b>96,461</b>       | –            | (3,612)      | <b>(6,833)</b>          | (5,000)      | (6,550)      |
| Net income                                 | <b>P3,824,480</b>   | P4,181,923   | P5,326,414   | <b>P3,012,443</b>       | P2,567,523   | P557,410     |
| Total assets                               | <b>P251,890,331</b> | P200,906,783 | P196,097,393 | <b>P361,036,278</b>     | P124,073,281 | P239,928,734 |
| Total liabilities                          | <b>P2,233,433</b>   | P1,050,634   | P775,648     | <b>P365,417,688</b>     | P336,671,277 | P296,507,001 |
| Depreciation and amortization              | <b>P51,266</b>      | P39,019      | P21,879      | <b>P313,745</b>         | P300,010     | P309,589     |
| Provision for impairment and credit losses | <b>P916,974</b>     | P258,725     | P377,664     | <b>P126,025</b>         | P217,447     | P264,341     |
| Capital expenditures                       | <b>P451,770</b>     | P15,713      | P9,341       | <b>P647,525</b>         | P15,880      | P92,164      |

|                                            | Financial Capital Markets and Investments |              |             | Other Business and Support Units |              |               |
|--------------------------------------------|-------------------------------------------|--------------|-------------|----------------------------------|--------------|---------------|
|                                            | 2016                                      | 2015         | 2014        | 2016                             | 2015         | 2014          |
| <b>Results of Operations</b>               |                                           |              |             |                                  |              |               |
| Net interest income                        |                                           |              |             |                                  |              |               |
| Third party                                | <b>P2,039,741</b>                         | P2,446,783   | P2,599,321  | <b>2,942,296</b>                 | P2,506,480   | P2,704,022    |
| Intersegment                               | <b>(424,779)</b>                          | (567,059)    | (541,263)   | <b>(457,341)</b>                 | (583,347)    | (920,097)     |
|                                            | <b>1,614,962</b>                          | 1,879,724    | 2,058,058   | <b>2,484,955</b>                 | 1,923,133    | 1,783,925     |
| Other operating income                     | <b>1,386,223</b>                          | 1,393,658    | 1,413,239   | <b>1,566,985</b>                 | 787,361      | 1,416,383     |
| Total revenue                              | <b>3,001,185</b>                          | 3,273,382    | 3,471,297   | <b>4,051,943</b>                 | 2,710,494    | 3,200,308     |
| Other operating expense                    | <b>(959,151)</b>                          | (651,534)    | (601,704)   | <b>(5,253,750)</b>               | (5,674,243)  | (5,283,975)   |
| Income before income tax                   | <b>2,042,034</b>                          | 2,621,848    | 2,869,593   | <b>(1,201,807)</b>               | (2,963,749)  | (2,083,667)   |
| Provision for income tax                   | <b>(388,807)</b>                          | (357,864)    | (451,402)   | <b>(827,373)</b>                 | (447,105)    | (1,103,363)   |
| Net income                                 | <b>P1,653,227</b>                         | P2,263,984   | P2,418,191  | <b>(P2,029,180)</b>              | (P3,410,854) | (P3,187,030)  |
| Total assets                               | <b>P128,281,917</b>                       | P104,004,670 | P69,282,581 | <b>(P108,010,515)</b>            | P97,842,229  | (P34,087,895) |
| Total liabilities                          | <b>P124,409,814</b>                       | P59,108,627  | P43,584,546 | <b>P77,750,872</b>               | P70,825,521  | P73,786,135   |
| Depreciation and amortization              | <b>P30,449</b>                            | P20,199      | P13,950     | <b>P729,326</b>                  | P620,184     | P576,346      |
| Provision for impairment and credit losses | <b>P–</b>                                 | P–           | P–          | <b>(P192,453)</b>                | P490,402     | (P201,104)    |
| Capital expenditures                       | <b>P230,076</b>                           | P8,799       | P66,145     | <b>(P193,719)</b>                | P1,453,590   | P896,254      |

|                                            | Total               |              |              |
|--------------------------------------------|---------------------|--------------|--------------|
|                                            | 2016                | 2015         | 2014         |
| <b>Results of Operations</b>               |                     |              |              |
| Net interest income                        |                     |              |              |
| Third party                                | <b>P16,694,192</b>  | P15,085,184  | P14,088,747  |
| Intersegment                               | –                   | –            | –            |
|                                            | <b>16,694,192</b>   | 15,085,184   | 14,088,747   |
| Other operating income                     | <b>5,094,746</b>    | 4,487,142    | 4,759,277    |
| Total revenue                              | <b>21,788,941</b>   | 19,572,326   | 18,848,024   |
| Other operating expense                    | <b>(14,201,419)</b> | (13,159,781) | (12,168,112) |
| Income before income tax                   | <b>7,587,522</b>    | 6,412,545    | 6,679,912    |
| Provision for income tax                   | <b>(1,126,552)</b>  | (809,969)    | (1,564,927)  |
| Net income                                 | <b>P6,460,970</b>   | P5,602,576   | P5,114,985   |
| Total assets                               | <b>P633,198,011</b> | P526,826,963 | P471,220,813 |
| Total liabilities                          | <b>P569,811,807</b> | P467,656,059 | P414,653,330 |
| Depreciation and amortization              | <b>P1,124,786</b>   | P979,412     | P921,764     |
| Provision for impairment and credit losses | <b>P850,546</b>     | P966,574     | P440,901     |
| Capital expenditures                       | <b>P1,135,652</b>   | P1,493,982   | P1,063,904   |

The Group's share in net loss of an associate included in other operating income amounting to P89.38 million, P37.89 million and P0.91 million in 2016, 2015 and 2014, respectively are reported under 'Other Business and Support Units'.

### 31. EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year (adjusted for stock dividends).

The following reflects the income and share data used in the basic earnings per share computations:

|                                                                   | 2016              | 2015       | 2014       |
|-------------------------------------------------------------------|-------------------|------------|------------|
| a. Net income attributable to equity holders of the parent        | <b>P6,458,296</b> | P5,606,666 | P5,117,832 |
| b. Weighted average number of common shares outstanding (Note 22) | <b>2,002,028</b>  | 2,002,028  | 2,002,028  |
| c. EPS (a/b)                                                      | <b>P3.23</b>      | P2.80      | P2.56      |

As of December 31, 2016, 2015 and 2014, there were no outstanding dilutive potential common shares. Before consideration of the 8.00% stock dividends distributed in 2016, the EPS for 2015 and 2014 were P3.02 and P2.76, respectively.

### 32. FINANCIAL PERFORMANCE

The following basic ratios measure the financial performance of the Group and the Parent Company:

|                          | Consolidated  |       |       | Parent Company |       |       |
|--------------------------|---------------|-------|-------|----------------|-------|-------|
|                          | 2016          | 2015  | 2014  | 2016           | 2015  | 2014  |
| Return on average equity | <b>10.42%</b> | 9.62% | 9.91% | <b>10.32%</b>  | 9.57% | 9.91% |
| Return on average assets | <b>1.16%</b>  | 1.17% | 1.12% | <b>1.33%</b>   | 1.35% | 1.30% |
| Net interest margin      | <b>3.20%</b>  | 3.37% | 3.30% | <b>3.03%</b>   | 3.20% | 3.20% |



## NOTES TO FINANCIAL STATEMENTS

### 33. NON-CASH INVESTING ACTIVITIES

The following is a summary of certain non-cash investing activities that relate to the analysis of the statements of cash flows:

|                                                            | Consolidated    |           |            |
|------------------------------------------------------------|-----------------|-----------|------------|
|                                                            | 2016            | 2015      | 2014       |
| Addition to investment properties from settlement of loans | <b>₱784,415</b> | ₱960,332  | ₱1,485,082 |
| Fair value gain in AFS financial assets                    | <b>405,722</b>  | (610,521) | 202,452    |
| Addition to equity investment                              | –               | –         | 145,028    |
| Cumulative translation adjustment                          | <b>(3,637)</b>  | (16,734)  | (86,686)   |
| Addition to chattel mortgage from settlement of loans      | <b>334,553</b>  | 112,056   | 22,943     |
|                                                            |                 |           |            |
|                                                            | Parent Company  |           |            |
|                                                            | 2016            | 2015      | 2014       |
| Addition to investment properties from settlement of loans | <b>₱296,844</b> | ₱257,851  | ₱498,255   |
| Fair value gain in AFS financial assets                    | <b>405,722</b>  | (464,471) | 188,354    |
| Addition to equity investment                              | –               | –         | 145,028    |
| Cumulative translation adjustment                          | <b>(3,637)</b>  | (14,914)  | (87,715)   |
| Addition to chattel mortgage from settlement of loans      | <b>19,088</b>   | 2,244     | 7,817      |

### 34. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The amendments to PFRS 7 require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table.

| December 31, 2016                                                   |                                            |                                                                 |                                                                |                                                                                                                                       |                                    |                    |
|---------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------|
| Financial instruments recognized at end of reporting period by type | Gross carrying amounts (before offsetting) | Gross amounts offset in accordance with the offsetting criteria | Net amount presented in statements of financial position [a-b] | Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria |                                    |                    |
|                                                                     |                                            |                                                                 |                                                                | Financial instruments                                                                                                                 | Fair value of financial collateral | Net exposure [c-d] |
|                                                                     | [a]                                        | [b]                                                             | [c]                                                            | [d]                                                                                                                                   |                                    | [e]                |
| <b>Financial assets</b>                                             |                                            |                                                                 |                                                                |                                                                                                                                       |                                    |                    |
| Currency forwards                                                   | <b>₱17,631</b>                             | ₱–                                                              | <b>₱17,631</b>                                                 | <b>₱17,310</b>                                                                                                                        | ₱–                                 | <b>₱321</b>        |
| IRS                                                                 | <b>30,065</b>                              | –                                                               | <b>30,065</b>                                                  | <b>16,496</b>                                                                                                                         | –                                  | <b>13,569</b>      |
|                                                                     | <b>₱47,696</b>                             | ₱–                                                              | <b>₱47,696</b>                                                 | <b>₱33,807</b>                                                                                                                        | ₱–                                 | <b>₱13,890</b>     |
| <b>Financial liabilities</b>                                        |                                            |                                                                 |                                                                |                                                                                                                                       |                                    |                    |
| Bills payable                                                       | <b>₱8,072,782</b>                          | ₱–                                                              | <b>₱8,072,782</b>                                              | <b>₱9,520,216</b>                                                                                                                     | <b>₱8,943,902</b>                  | <b>₱–</b>          |
| Currency forwards                                                   | <b>67,611</b>                              | –                                                               | <b>67,611</b>                                                  | <b>17,310</b>                                                                                                                         | –                                  | <b>50,301</b>      |
| IRS                                                                 | <b>29,410</b>                              | –                                                               | <b>29,410</b>                                                  | <b>16,496</b>                                                                                                                         | –                                  | <b>12,913</b>      |
|                                                                     | <b>₱8,169,802</b>                          | ₱–                                                              | <b>₱8,169,802</b>                                              | <b>₱9,554,023</b>                                                                                                                     | <b>₱8,943,902</b>                  | <b>₱63,214</b>     |

December 31, 2015

| Financial instruments<br>recognized at<br>end of reporting<br>period by type | Gross carrying<br>amounts (before<br>offsetting) | Gross amounts<br>offset in<br>accordance with<br>the offsetting<br>criteria | Net amount<br>presented in<br>statements of<br>financial<br>position<br>[a-b] | Effects of remaining rights of<br>set-off (including rights to set<br>off financial collateral) that<br>do not meet PAS 32 offsetting<br>criteria |                                          | Net exposure<br>[c-d] |
|------------------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------|
|                                                                              |                                                  |                                                                             |                                                                               | Financial<br>instruments                                                                                                                          | Fair value of<br>financial<br>collateral |                       |
|                                                                              | [a]                                              | [b]                                                                         | [c]                                                                           | [d]                                                                                                                                               |                                          | [e]                   |
| <b>Financial assets</b>                                                      |                                                  |                                                                             |                                                                               |                                                                                                                                                   |                                          |                       |
| Currency forwards                                                            | P109,265                                         | P-                                                                          | P109,265                                                                      | P2,926                                                                                                                                            | P-                                       | P106,339              |
| IRS                                                                          | 7,624                                            | -                                                                           | 7,624                                                                         | 7,243                                                                                                                                             | -                                        | 381                   |
|                                                                              | P116,889                                         | P-                                                                          | P116,889                                                                      | P10,169                                                                                                                                           | P-                                       | P106,720              |
| <b>Financial liabilities</b>                                                 |                                                  |                                                                             |                                                                               |                                                                                                                                                   |                                          |                       |
| Bills payable                                                                | P11,053                                          | P-                                                                          | P11,053                                                                       | P12,806                                                                                                                                           | P561,212                                 | P-                    |
| Currency forwards                                                            | 2,926                                            | -                                                                           | 2,926                                                                         | 2,926                                                                                                                                             | -                                        | -                     |
| IRS                                                                          | 30,497                                           | -                                                                           | 30,497                                                                        | 7,243                                                                                                                                             | 20,267                                   | 2,987                 |
|                                                                              | P44,476                                          | P-                                                                          | P44,476                                                                       | P22,975                                                                                                                                           | P581,479                                 | P2,987                |

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated and parent company financial statements were authorized for issue by the Parent Company's BOD on March 1, 2017.

### 36. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR NO. 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the details of percentage and other taxes paid or accrued by the Parent Company in 2016.

|                        |            |
|------------------------|------------|
| Gross receipts tax     | P811,167   |
| Documentary stamps tax | 607,134    |
| Local taxes            | 62,622     |
| Fringe benefit tax     | 5,774      |
| Others                 | 20,112     |
| Balance at end of year | P1,506,809 |

#### Withholding Taxes

Details of total remittances of withholding taxes in 2016 and amounts outstanding as of December 31, 2016 are as follows:

|                                                | Total<br>remittances | Amounts<br>outstanding |
|------------------------------------------------|----------------------|------------------------|
| Final withholding taxes                        | P667,372             | P66,798                |
| Withholding taxes on compensation and benefits | 568,624              | 36,054                 |
| Expanded withholding taxes                     | 111,945              | 8,750                  |
|                                                | P1,347,941           | P111,602               |

# CHINA BANK BRANCHES

## MAKATI MAIN BRANCH (HO)

CBC Bldg., 8745 Paseo de Roxas  
cor. Villar Sts., Makati City  
Trunkline: 885-5555  
(Private Exchange Connecting All  
Departments)  
Fax Nos.: 892-0220; 817-1325  
*Marissa A. Auditor*

## BINONDO BUSINESS CENTER

CBC Bldg., Dasmariñas  
cor. Juan Luna Sts., Binondo, Manila  
Trunklines: 247-5388; 885-5222  
(Private Exchange Connecting All  
Departments)  
Fax Nos.: 241-7058; 242-7225  
*Shirley T. Tan*

## METRO MANILA

### A. BONIFACIO-MAUBAN BRANCH

G/F Urban Oasis Residences  
423-431., A. Bonifacio Ave.  
Brgy. San Jose, Quezon City  
Tel. Nos.: 282-1991/94  
Fax No.: 282-1994  
*Vivian T. Kho*

### ALABANG HILLS BRANCH

G/F RBC-MDC Corporate Center  
Don Jesus Blvd., Alabang Hills Village  
Muntinlupa City  
Tel. Nos.: 877-8567; 877-8604  
Fax No.: 877-8604  
*Carlo D. Catindig*

### ANTIPOLO CITY BRANCH

G/F Budget Lane Arcade  
No. 6, Provincial Road  
Brgy. San Jose, Antipolo City, Rizal  
Tel. Nos.: 650-3277; 650-2087  
695-1509  
Fax No.: 650-2640  
*Judy Kristine N. Achacoso*

### ANTIPOLO CITY-TAKTAK BRANCH

Sumulong Highway near cor.  
Taktak Road, Brgy. Dela Paz  
Antipolo City, Rizal  
Tel. Nos.: 721-6320; 721-6316  
Fax No.: 721-6316  
*Mary Glenn B. Sanguyo*

### ANTIPOLO-SUMULONG HIGHWAY BRANCH

No. 219 Sumulong Highway  
Brgy. Mambagan, Antipolo City, Rizal  
Tel. Nos.: 632-7309; 632-7573  
655-8087  
Fax No.: 632-7309  
*Irene S. Lopez*

### ARANETA AVE. BRANCH

Philippine Whithasco Bldg.  
420 Araneta Ave., cor. Bayani St.  
Quezon City  
Tel. Nos.: 731-2252; 731-2261  
732-4153; 731-2179  
731-2216; 410-6753  
Fax No.: 410-3026  
*Arlene T. Uy*

## ARRANQUE BRANCH

Don Felipe Building  
675 Tomas Mapua St.  
Sta. Cruz, Manila  
Tel. Nos.: 733-3477; 734-4777  
733-7704  
733-8335 to 40  
734-4497; 734-4501/06  
Fax No.: 733-3481  
*Flora C. Peña*

## ASUNCION BRANCH

Units G6 & G7 Chinatown Steel  
Towers, Asuncion St.  
San Nicolas, Manila  
Tel. Nos.: 241-2311/52/59/61  
Fax No.: 241-2352  
*Mary Ann E. Tiu*

## AYALA-ALABANG BRANCH

G/F, CBC-Building, Acacia Ave.  
Madrigal Business Park  
Ayala Alabang, Muntinlupa City  
Tel. Nos.: 807-0673-74  
850-3785/9640/8888  
Fax No.: 850-8670  
*Victoria G. Capacio*

## AYALA-COLUMNS BRANCH

G/F The Columns Tower 3  
Ayala Ave., Makati City  
Tel. Nos.: 915-3672/3673  
915-3674/3675  
Fax No.: 915-3672  
*Cheryl S. Sambito*

## BALINTAWAK-BONIFACIO BRANCH

657 A. Bonifacio Ave.  
Balintawak, Quezon City  
Tel. Nos.: 361-3449; 361-7825  
362-3660; 361-0450  
Fax No.: 361-0199  
*Vivian T. Kho*

## BALUT BRANCH

North Bay Shopping Center  
Honorio Lopez Boulevard  
Balut, Tondo, Manila  
Tel. Nos.: 253-9921/29; 253-9620  
251-1182/86  
Fax No.: 253-9917  
*Sonny T. Badua*

## BANAWA BRANCH

CBC Bldg., 680 Banawe Ave.  
Sta. Mesa Hts. District I, Quezon City  
Tel. Nos.: 743-7486/88  
416-7028/7030/711-8694  
Fax No.: 743-7487  
*Rodolfo S. De Lara*

## BANAWA-MA. CLARA BRANCH

G/F Prosperity Bldg., Banawe St.  
Quezon City  
Tel. Nos.: 732-1060; 740-4864  
743-8967  
Fax No.: 740-4864  
*Raidis M. De Guzman*

## BEL-AIR BRANCH

2/F Saville Bldg., Gil Puyat Ave.  
cor. Paseo de Roxas St., Makati City  
Tel. Nos.: 897-2212  
899-4186/0685  
Fax No.: 890-4062  
*Glenn R. Narvaez*

## BETTER LIVING SUBD. BRANCH

128 Doña Soledad Ave.  
Parañaque City  
Tel. Nos.: 556-3467; 556-3468  
556-3470  
Fax No.: 556-3470  
*Flormina B. Jacinto*

## BF HOMES BRANCH

Aguirre cor. El Grande Ave.  
United BF Homes, Parañaque City  
Tel. Nos.: 825-6138/6891/6828  
Fax No.: 825-5979  
*Eslanie Q. Castillo*

## BF HOMES-AGUIRRE BRANCH

Margarita Centre, Aguirre Ave.  
cor. Elsie Gaches St.  
BF Homes, Parañaque City  
Tel. Nos.: 799-4707/4942  
659-3359/3360  
556-5845  
Fax No.: 659-3359  
*Maria Adelfa E. Bolivar*

## BF RESORT VILLAGE BRANCH

BF Resort Drive cor. Gloria Diaz St.  
BF Resort Village, Talon Dos  
Las Piñas City  
Tel. Nos.: 873-4542, 873-4541  
873-4540  
Fax No.: 873-4543  
*Heizel P. Bautista*

## BGC-ICON PLAZA BRANCH

G/F Icon Plaza Bldg., 25<sup>th</sup> Sts. Bonifacio  
South, Fort Bonifacio Global City  
Taguig City  
Tel. Nos.: 777-1943; 800-1474  
Fax No.: 777-1943  
*Marites M. Cadiz*

## BGC-ONE WORLD PLACE BRANCH

G/F One World Place, 32<sup>nd</sup> Ave.  
Fort Bonifacio Global City, Taguig City  
Tel. Nos.: 869-6309; 843-2448  
Fax No.: 843-2448  
*Minerva A. Briones*

## BINANGONAN BRANCH

National Highway, Bo. Tagpos  
Binangonan, Rizal  
Tel. Nos.: 669-1530; 669-1659  
Fax No.: 669-1530  
*Jennifer W. Guevarra*

## BLUMENTRITT BRANCH

1777-1781 Cavite cor. Leonor  
Rivera St., Blumentritt, Sta. Cruz  
Manila  
Tel. Nos.: 742-0254; 711-8589  
Fax No.: 711-8541  
*Jennet P. Jose*

## BO. KAPITOLYO BRANCH

G/F P&E Building, 12 United  
cor. First Sts., Bo. Kapitolyo, Pasig City  
Tel. Nos.: 634-8370/8915/3697  
Fax No.: 634-7504  
*Ana Victorina D. Camacho*

## BONNY SERRANO BRANCH

G/F Greenhills Garden Square  
297 Col. Bonny Serrano Ave.  
Quezon City  
Tel. Nos.: 410-0677; 997-8043  
997-8031  
Fax No.: 410-0677  
*Marvi B. Repuya*

## CAINTA BRANCH

CBC Bldg., (Beside Sta. Lucia East Mall)  
Felix Ave. (Imelda Ave.) Cainta, Rizal  
Tel. Nos.: 646-0691/93; 645-9974  
682-1795  
Fax Nos.: 646-0050; 4777383  
*Donna G. Del Rosario*

## CAPITOL HILLS BRANCH

G/F 88 Design Pro Building Capitol  
Hills, Old Balara, Quezon City  
Tel. Nos.: 952-7776/7805/7804  
Fax No.: 952-7806  
*Joanna Leigh R. Gojar*

## CENTURY CITY-KNIGHTSBRIDGE BRANCH

Unit 17 & 18 Knightsbridge  
Residences, Century City  
Kalayaan Ave., Makati City  
Tel. Nos.: 866-3937; 866-3803  
Fax No.: 866-3937  
*Sherry Grace P. Bernabe*

## COMMONWEALTH AVENUE BRANCH

LGF Ever Gotesco Mall  
Commonwealth Center  
Commonwealth Ave.  
cor. Don Antonio Road, Quezon City  
Tel. Nos.: 932-0818/0820  
431-5000/01  
Fax No.: 932-0822  
*Chinky Karen C. Caravana*

## CONGRESSIONAL AVENUE BRANCH

G/F Unit C The Arete Square  
Congressional Ave., Project 8  
Quezon City  
Tel. Nos.: 351-8648; 351-8645  
351-8646  
Fax No.: 351-8645  
*Joni Jane A. Ong*

## CORINTHIAN HILLS BRANCH

G/F The Clubhouse, Corinthian Hills  
Temple Drive, Brgy. Ugong Norte  
Quezon City  
Tel. Nos.: 637-3170/3180/1915  
Fax No.: 637-1905  
*Ma. Anacleto B. Gloria*

# CHINA BANK BRANCHES

## CUBAO-ARANETA BRANCH

Shopwise Arcade Building  
Times Square St., Araneta Shopping  
Center, Cubao, Quezon City  
Tel. Nos.: 911-2369/70  
438-3830-32; 911-2397  
Fax No.: 911-2432  
*Arnulfo C. Tongson*

## CUBAO-AURORA BRANCH

911 Aurora Boulevard Extension  
cor. Miami St., Cubao, Quezon City  
Tel. Nos.: 912-5164/57  
913-4675/76; 911-3524  
Fax No.: 912-5167  
*Ramiro Mateo D. Valdivia*

## CUBAO-P. TUAZON BRANCH

No. 287 P. Tuazon Ave.  
near cor. 18<sup>th</sup> Ave., Brgy. San Roque  
Cubao, Quezon City  
Tel. Nos.: 911-5896; 911-8416  
Fax No.: 911-8416  
*Andrea L. Taylan*

## CULIAT-TANDANG SORA BRANCH

G/F Royal Midway Plaza  
No. 419, Tandang Sora Ave.  
Brgy. Culiati, 1128 Quezon City  
Tel. Nos.: 288-2575; 288-5114  
Fax No.: 288-2575  
*Eileen M. Felipe*

## D. TUAZON BRANCH

148 D. Tuazon St., Brgy. Lourdes  
Sta. Mesa Heights, Quezon City  
Tel. Nos.: 731-2516/2508  
Fax No.: 731-0592  
*Ella Jane D. Cortez*

## DAMAR VILLAGE BRANCH

Clubhouse, Damar Village  
Quezon City  
Tel. Nos.: 442-3581; 367-5517  
Fax No.: 367-5517  
*Tennessy U. Yu Seng*

## DASMARIÑAS VILLAGE BRANCH

2283 Pasong Tamo Ext.  
cor. Lumbang St., Makati City  
Tel. Nos.: 894-2392/93; 813-2958  
Fax No.: 894-2355  
*Ruth D. Holmes*

## DIVISORIA-STA. ELENA BRANCH

New Divisoria Condominium Center  
632 Sta. Elena St., Binondo, Manila  
Tel. Nos.: 247-1435/36/37  
Fax No.: 247-1436  
*Mary Elizabeth Uy*

## DON ANTONIO BRANCH

G/F Royale Place, Don Antonio Ave.  
Brgy. Old Balara, Quezon City  
Tel. Nos.: 932-9477  
952-9678/9354  
Fax No.: 952-9344  
*Lilibeth M. David*

## DEL MONTE AVENUE BRANCH

No. 497 Del Monte Ave.  
Brgy. Manresa, Quezon City  
Tel. Nos.: 413-2826; 413-2825  
961-8828; 871-2745  
Fax No.: 361-1101  
*Wendy C. Tan*

## DEL MONTE-MATUTUM BRANCH

No. 202 Del Monte Ave.  
near cor. Matutum St.  
Brgy. St. Peter, Quezon City  
Tel. Nos.: 731-2535; 731-2571  
413-2118; 416-7791  
Fax No.: 416-7791  
*Stella A. Lim*

## E. RODRIGUEZ-ACROPOLIS BRANCH

G/F Suncrest Building  
E. Rodriguez Jr. Ave., Quezon City  
Tel. Nos.: 654-3607; 654-3586  
Fax No.: 654-3586  
*Richard Donelle O. Pareja*

## E. RODRIGUEZ-CORDILLERA BRANCH

No. 291 (G/F Units 285 & 287)  
E. Rodriguez Sr. Blvd.  
Brgy. Doña Josefa, Quezon City  
Tel. Nos.: 257-1512; 256-5292  
Fax No.: 257-1512  
*Maria Virginia D. Longakit*

## E. RODRIGUEZ-HILLCREST BRANCH

No. 402 E. Rodriguez Sr. Blvd.  
Cubao, Quezon City  
Tel. Nos.: 571-8927; 571-8928  
571-8929  
Fax No.: 571-8927  
*Rachel D. Umali*

## E. RODRIGUEZ SR. BLVD. BRANCH

CBC Bldg., #286 E. Rodriguez Sr. Blvd.  
Brgy. Damayang Lagi, Quezon City  
Tel. Nos.: 416-3166; 722-5860  
722-5893;  
725-9641 (MCB)  
Fax No.: 726-2865  
*Ana Ma. Raquel Y. Samala*

## EASTWOOD CITY BRANCH

Unit D, Techno Plaza One, Eastwood  
City Cyberpark, E. Rodriguez Jr. Ave.  
(C-5) Bagumbayan, Quezon City  
Tel. Nos.: 706-3491/3493/1979  
706-3320/3448  
Fax No.: 438-5531  
*Ramiro A. Amanquiton*

## EDSA-KALOOKAN BRANCH

No. 531 (Lot 5 Block 30) EDSA  
near cor. Biglang Awa St.  
Kalookan City  
Tel. Nos.: 442-4338; 442-4339  
442-4340  
Fax No.: 442-4339  
*Dolores L. Chua Tan Guat*

## EDSA-TIMOG AVE. BRANCH

G/F Richwell Corporate Center  
102 Timog Ave., Brgy. Sacred Heart  
Quezon City  
Tel. Nos.: 441-5225, 441-5226  
441-5227  
Fax No.: 441-5228  
*Antonio J. Tan, Jr.*

## ELCANO BRANCH

G/F Elcano Tower, Elcano St.  
San Nicolas, Manila  
Tel. Nos.: 244-6760; 244-6765  
244-6779  
Fax No.: 244-6760  
*Gervie Roy S. Mendoza*

## ERMITA BRANCH

Ground Floor A, Ma. Natividad Bldg.  
#470 T. M. Kalaw cor. Cortada Sts.  
Ermita, Manila  
Tel. Nos.: 525-6477;;536-7794  
525-6544;523-0074  
523-9862  
Fax No.: 525-8137  
*Redentor E. Raymundo*

## ESPAÑA BRANCH

España cor. Valencia Sts.  
Sampaloc, Manila  
Tel. Nos.: 741-9572/6209  
741-6208/9565  
Fax No.: 741-6207  
*Jose Omar S. Yuan*

## EXAMINER BRANCH

No. 1525 Quezon Ave.  
cor. Examiner St., West Triangle  
Quezon City  
Tel. Nos.: 376-3313/3314  
376-3317/3318  
Fax No.: 376-3315  
*Crislyn R. David*

## EVANGELISTA BRANCH

Evangelista cor. Gen. Estrella Sts.  
Bangkal, Makati City  
Tel. Nos.: 759-5095; 759-5096  
856-0434; 856-0433  
Fax No.: 759-5096  
*Sheijan A. Baladi*

## FAIRVIEW BRANCH

G/F Angelenix House, Fairview Ave.  
cor. Camaro St., Quezon City  
Tel. Nos.: 937-5597; 938-9636  
937-8086; 461-3004  
Fax No.: 937-8086  
*April Jean P. Chiong*

## FAIRVIEW TERRACES BRANCH

LGF Fairview Terraces, Quirino  
Highway cor. Maligaya Drive  
Brgy. Pasong Putik, Novaliches  
Quezon City  
Tel. Nos.: 285-5956; 285-6058  
Fax No.: 285-5956  
*Anthony V. Vergel De Dios*

## FILINVEST CORPORATE CITY BRANCH

G/F Wilcon Depot, Alabang-Zapote  
road cor. Bridgeway Ave., Filinvest  
Corporate City, Alabang, Muntinlupa  
Tel. Nos.: 775-0097/0126  
842-1993/2198  
807-2657 (area Office)  
Fax No.: 775-0322  
*Mary Grace D.P. Macaraig*

## FILINVEST CORP. CITY-COMMERCENTER BRANCH

G/F Commercenter Alabang  
Commerce Ave. cor. Filinvest Ave.  
Filinvest Corporate City, Alabang  
Muntinlupa City  
Tel. Nos.: 805-0824; 805-0827  
Fax No.: 805-0146  
*Ma. Clara R. Buan*

## FILINVEST CORP. CITY-NORTHGATE BRANCH

G/F Aeon Centre Building, Northgate  
Cyberzone, Filinvest Corporate City  
Alabang, Muntinlupa City  
Tel. Nos.: 776-1985; 551-5569  
Fax No.: 776-1985  
*Ma. Concepcion P. Masangkay*

## FIVE E-COM CENTER BRANCH

G/F Five E-com Center, Harbor Drive  
MOA Complex, Pasay City  
Tel. Nos.: 815-1883; 815-1884  
815-1887  
Fax No.: 815-1883  
*Donny M. Dela Cruz*

## FORT BONIFACIO GLOBAL CITY BRANCH

G/F Marajo Tower, 26<sup>th</sup> St.  
cor. 4<sup>th</sup> Ave., Fort Bonifacio  
Global City, Taguig City  
Tel. Nos.: 799-9072/9074  
856-4416/4891/5196  
403-1558 (MCB)  
Fax No.: 856-4416  
*Shellane S. Salgatar*

## GEN. LUIS-KATIPUNAN BRANCH

CBC Bldg., Gen. Luis St. cor.  
Katipunan SB Road, Brgy. Bagong  
Nayon, Novaliches, Quezon City  
Tel. Nos.: 285-5664; 285-5665  
Fax No.: 285-5665  
*Myra A. De Guzman*

## GIL PUYAT AVENUE BRANCH

Mitsu Bldg., No. 65 Sen. Gil Puyat Ave.  
Brgy. Palanan, Makati City  
Tel. Nos.: 844-0492/94  
844-0688/90  
Fax No.: 844-0497  
*Juvy P. Caguait*

# CHINA BANK BRANCHES

## GIL PUYAT-ELIZABETH PLACE BRANCH

G/F Elizabeth Place, Gil Puyat Ave.  
Makati City  
Tel. Nos.: 776-0502; 776-3234  
Fax No.: 766-0502  
*Ma. Rosalie F. Cipriano*

## GREENBELT 1 BRANCH

G/F Greenbelt 1, Legaspi St.  
near cor. Paseo de Roxas, Makati City  
Tel. Nos.: 836-1387; 836-1405  
836-1406  
Fax No.: 836-1406  
*Lorena M. Calpito*

## GREENHILLS BRANCH

G/F Gift Gate Bldg., Greenhills  
Shopping Center, San Juan  
Metro Manila  
Tel. Nos.: 721-0543/56; 721-3189  
727-9520; 724-5078  
724-6173; 727-2798  
Fax No.: 726-7661  
*Cherrie Germaine T. Bautista*

## GREENHILLS-CONNECTICUT BRANCH

G/F Missouri Square Bldg.  
Missouri cor. Connecticut St.  
Northeast Greenhills, San Juan City  
Tel. Nos.: 997-3452; 997-3455  
Fax No.: 997-3452  
*Prince Edward Solomon*

## GREENHILLS-ORTIGAS BRANCH

CBC Bldg., 14 Ortigas Ave.  
Greenhills, San Juan, Metro Manila  
Tel. Nos.: 723-0530/01  
723-0502/04; 726-1492  
727-4163 (Area Head)  
Fax No.: 723-0556; 725-9025  
*Jose Redentor V. Trinidad*

## HEROES HILLS BRANCH

Quezon Ave. cor. J. Abad Santos St.  
Heroes Hills, Quezon City  
Tel. Nos.: 351-4359/5121  
411-3375; 412-5697  
Fax No.: 351-5121  
*Mirasol C. Ruiz*

## HOLY SPIRIT DRIVE BRANCH

CBC Bldg., Lot 18 Block 6 Holy Spirit  
Drive, Don Antonio Heights  
Brgy. Holy Spirit, Quezon City  
Tel. No.: 355-8665  
Fax No.: 355-8665  
*Edward Joseph C. Alava*

## ILAYA BRANCH

#947 APL-YSL Bldg., Ilaya  
Tondo, Manila  
Tel. Nos.: 245-2416; 245-2548  
245-2557  
Fax No.: 245-2545  
*Jefferson G. Ching*

## INTRAMUROS BRANCH

No. 409 A. Soriano Ave.  
Intramuros, Manila  
Tel. Nos.: 528-4241; 536-1044  
536-5971; 310-5122  
Fax No.: 536-1044  
*Shirley L. Coquinco*

## J. ABAD SANTOS AVENUE BRANCH

2159 J. Abad Santos Ave.  
cor. Batangas St., Tondo, Manila  
Tel. Nos.: 255-1201 to 02  
255-1204  
Fax No.: 255-1203  
*Josephine D. Paredes*

## JUAN LUNA BRANCH

G/F Aclem Building, 501 Juan Luna St.  
Binondo, Manila  
Tel. Nos.: 247-3570/3795/3786  
480-0211  
Fax No.: 247-3795  
*Mary Ann K. Abrigo*

## KALAYAAN AVE. BRANCH

G/F PPS Building, Kalayaan Ave.  
Quezon City  
Tel. Nos.: 332-3858; 332-3859  
332-3860  
Fax No.: 332-3859  
*Bing D. Cueno*

## KALOOKAN BRANCH

CBC Bldg., 167 Rizal Ave. Extension  
Grace Park, Kalookan City  
Tel. Nos.: 364-0515/35  
364-0717/31; 364-0494  
364-9948; 366-9457  
Fax No.: 364-9864  
*Danilo T. Sarita*

## KALOOKAN-8<sup>th</sup> AVE. BRANCH

No. 279 Rizal Ave. cor. 8<sup>th</sup> Ave.  
Grace Park, Kalookan City  
Tel. Nos.: 287-0001; 287-0262  
Fax No.: 287-0262  
*Catherine Ann H. Chua-Baylon*

## KALOOKAN-10<sup>th</sup> AVE. BRANCH

No. 275 10<sup>th</sup> Ave. cor. 3<sup>rd</sup> St.  
Grace Park, Kalookan City  
Tel. Nos.: 287-5484; 287-5489  
*Josephine D. Paredes*

## KALOOKAN-CAMARIN BRANCH

Annex Bldg. Space No. 3, Zabarte  
Town Center, No. 588 Camarin Road  
cor. Zabarte Road, Kalookan City  
Tel. Nos.: 442-6830; 442-7541  
Fax No.: 442-6825  
*Alicia S. Gavino*

## KALOOKAN-MONUMENTO BRANCH

779 McArthur Highway  
Kalookan City  
Tel. Nos.: 364-2571; 361-3270  
921-3043  
Fax No.: 361-3270  
*Maria Teresa A. Del Rosario*

## KAMIAS BRANCH

G/F CRM Building II, 116 Kamias Road  
cor. Kasing-Kasing St., Quezon City  
Tel. Nos.: 433-6007; 920-7367  
920-8770  
Fax No.: 920-5723  
*Mary Ann P. Arroyo*

## KAMUNING BRANCH

#47 SKY47 Bldg., Kamuning Road  
Quezon City  
Tel. Nos.: 287-3369; 287-3368  
Fax No.: 287-3369  
*Manuel S. Aurora, Jr.*

## KARUHATAN BRANCH

No. 248 McArthur Highway  
Karuhatan, Valenzuela City  
Tel. Nos.: 291-0431/0175  
440-0033  
Fax No.: 440-0033  
*Rosa C. Arteche*

## KATIPUNAN AVE.-ST. IGNATIUS BRANCH

CBC Bldg., No. 121 Katipunan Ave.  
Brgy. St. Ignatius, Quezon City  
Tel. Nos.: 913-5532; 912-5003  
913-3226  
Fax No.: 913-5532  
*Warlito R. Estrella*

## LAGRO BRANCH

CBC Bldg., Lot 32 Blk 125, Quirino  
Highway, Greater Lagro, Quezon City  
Tel. Nos.: 372-8226; 372-8223  
Fax No.: 372-8223  
*Lilibeth M. David*

## LAS PIÑAS BRANCH

CBC Bldg., Alabang-Zapote Road  
cor. Aries St., Pamplona Park Subd.  
Las Piñas City  
Tel. Nos.: 874-6204; 874-6210  
Fax No.: 874-6414  
*Myra D. Adriano*

## LAS PIÑAS-MANUELA BRANCH

Alabang-Zapote Road cor. Philamlife  
Ave., Pamplona Dos, Las Piñas City  
Tel. Nos.: 872-9801/9572/9533  
871-0770  
Fax No.: 871-0771  
*Jocelyn B. Jaca*

## LAVEZARES BRANCH

No. 412 Lavezares St.  
San Nicolas, Manila  
Tel. Nos.: 521-6978; 521-7132  
521-7128  
Fax No.: 521-6978  
*Norma C. Yanga*

## LEGASPI VILLAGE-AMORSOLO BRANCH

G/F CAP Bldg., Herrera cor. Amorsolo  
Sts., Legaspi Village, Makati City  
Tel. Nos.: 832-6871; 833-5668  
Fax No.: 833-5668  
*David L. Flores*

## LEGASPI VILLAGE-AIM BRANCH

G/F Cacho-Gonzales Building  
101 Aguirre cor. Trasierra Sts.  
Legaspi Village, Makati City  
Tel. Nos.: 818-8156; 818-0734  
818-9649  
894-5882 to 85  
Fax No.: 818-0240  
*Ma. Luisa C. Rivera*

## LEGASPI VILLAGE-C. PALANCA BRANCH

Suite A, Basic Petroleum Building  
104 C. Palanca Jr. St.  
Legaspi Village, Makati City  
Tel. Nos.: 894-5915/18; 810-1464  
Fax No.: 894-5868  
*Ma. Rosalie F. Cipriano*

## LEGASPI VILLAGE-ESTEBAN BRANCH

G/F PPI Bldg., No. 109 Esteban St.  
Legaspi Village, Makati City  
Tel. Nos.: 800-6147; 805-4820  
Fax No.: 805-4820  
*Stephanie Nikki B. Nanquil*

## LEGASPI VILLAGE-PEREA BRANCH

G/F Greenbelt Mansion, 106 Perea St.  
Legaspi Village, Makati City  
Tel. Nos.: 893-2273/2272/2827  
Fax No.: 893-2272  
*Noemi C. Mendoza*

## LEGASPI VILLAGE-SALCEDO BRANCH

G/F Fedman Suites  
199 Salcedo St., Legaspi Village  
Makati City  
Tel. Nos.: 893-7680; 893-2618  
759-2462; 893-1503  
816-0905  
Fax No.: 893-3746  
*Manuel O. Yap*

## MAGALLANES VILLAGE BRANCH

G/F DHI Bldg., No. 2 Lapu-Lapu Ave.  
cor. EDSA, Magallanes Village  
Makati City  
Tel. Nos.: 757-0272/0240  
852-1290; 852-1245  
Fax No.: 852-1245  
*Ma. Monica M. Ela*

## MAKATI AVENUE BRANCH

G/F CBC Bldg., Makati Ave.  
cor. Hercules St., Makati City  
Tel. Nos.: 890-6971 to 74  
Fax No.: 890-6975  
*Ma. Emma Lourdes A. Libas*

## MAKATI-COMEMBO BRANCH

No. 46 J.P. Rizal Ext.  
Brgy. Comembo, Makati City  
Tel. Nos.: 802-2616; 802-2614  
802-2613  
Fax No.: 802-2613  
*Zandro A. Prieto*



# CHINA BANK BRANCHES

## MAKATI-JP RIZAL BRANCH

J.P. Rizal cor. Honradez Sts.  
Makati City  
Tel. Nos.: 815-6036 to 38  
Fax No.: 815-6038  
*Maria Cecilia D. Villas*

## MALABON-CONCEPCION BRANCH

Gen. Luna cor. Paez Sts.  
Concepcion, Malabon  
Tel. Nos.: 281-0102/03/04/05  
281-0293  
Fax No.: 281-0106  
*Ma. Elenita M. Baradi*

## MALABON-GOV. PASCUAL BRANCH

CBC Bldg., Gov. Pascual Ave.  
Malabon City  
Tel. Nos.: 352-1816; 352-1817  
352-1822; 961-2147  
Fax No.: 352-1822  
*Amy A. Go*

## MALABON-POTRERO BRANCH

CBC Bldg., McArthur Highway  
Potrero, Malabon  
Tel. Nos.: 448-0524/25  
361-8671/7056  
Fax No.: 448-0525  
*Leslie Y. De Los Angeles*

## MALANDAY BRANCH

CBC Bldg., McArthur Highway  
Malanday, Valenzuela City  
Tel. Nos.: 432-9787; 292-6956/57  
445-3201; 432-9785  
Fax No.: 292-6956  
*Miguela Gladiola G. Santos*

## MANDALUYONG-BONI AVE. BRANCH

G/F VOS Bldg., Boni Ave.  
cor. San Rafael St., Mandaluyong City  
Tel. Nos.: 746-6283/85; 534-2289  
Fax No.: 534-1968  
*Jose Marie N. Laforteza*

## MANDALUYONG-D. GUEVARA BRANCH

G/F 19 Libertad Plaza, Domingo  
Guevara St., Mandaluyong City  
Tel. Nos.: 534-5528; 534-5529  
Fax No.: 534-5529  
*Ma. Farida Sangalang*

## MANDALUYONG-PIONEER BRANCH

UG-05 Globe Telecom Plaza Tower I  
Pioneer St., Mandaluyong City  
Tel. Nos.: 746-6949  
635-4198; 632-1399  
Fax No.: 746-6948  
*Marie Jane V. Malig*

## MANILA-MACEDA BRANCH

Daguman Bldg., Maceda St.  
Sampaloc, Manila  
Tel. Nos.: 521-6644; 521-6643  
Fax No.: 521-6644  
*Joel E. Torio*

## MARIKINA-STA. ELENA BRANCH

250 J.P. Rizal St., Sta. Elena  
Marikina City  
Tel. Nos.: 646-4281; 646-4277  
646-4279; 646-1807  
Fax No.: 646-1807  
*Rosa Linda R. Yuseco*

## MARIKINA-FAIRLANE BRANCH

G/F E & L Patricio Building  
No. 809 J.P. Rizal Ave.  
Concepcion Uno, Marikina City  
Tel. Nos.: 997-0684; 997-0897  
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948-6120 (MCB)  
Fax No.: 997-0897  
*Hector Fernando Z. Yumul*

## MARIKINA-GIL FERNANDO BRANCH

Block 9, Lot 14 Gil Fernando Ave.  
Marikina City  
Tel. Nos.: 646-0780; 646-8032  
358-2138  
Fax No.: 646-8032  
*Imelda F. Polenday*

## MARIKINA-SSS VILLAGE BRANCH

Lilac cor. Rainbow Sts., SSS Village  
Concepcion Dos, Marikina City  
Tel. Nos.: 948-5135; 941-7709  
997-3343  
Fax No.: 942-0048  
*Nerissa J. Ramos*

## MASANGKAY BRANCH

959-961 G. Masangkay St.  
Binondo, Manila  
Tel. Nos.: 244-1828/35/48/56/59  
Fax No.: 244-1833  
*Yan Yan Y. Chua*

## MASANGKAY-LUZON BRANCH

1192 G. Masangkay St.  
Sta. Cruz, Manila  
Tel. Nos.: 255-0739; 254-9974  
254-9335  
Fax No.: 254-9974  
*Gina C. Chua*

## MAYON BRANCH

480 Mayon St., Maharlika  
Sta. Mesa Heights, Quezon City  
Tel. Nos.: 731-9054/2766  
741-2409  
Fax No.: 731-2766  
*Stella A. Lim*

## MINDANAO AVE. BRANCH

G/F LJC Building, 189 Mindanao Ave.  
Bahay Toro, Quezon City  
Tel. Nos.: 277-4768; 277-4782  
Fax No.: 277-4768  
*Ma. Cecilia D. So*

## MUNTINLUPA-PUTATAN BRANCH

G/F Teknikos Bldg., National Highway  
Brgy. Putatan, Muntinlupa City  
Tel. Nos.: 511-0980; 808-1817  
Fax No.: 808-1819  
*Carina A. Cariño*

## N. DOMINGO BRANCH

G/F The Main Place, No. 1  
Pinaglabanan cor. N. Domingo Sts.  
San Juan City  
Tel. Nos.: 470-2915; 470-2916  
470-2917  
Fax No.: 470-2916  
*Marissa L. Manzano*

## NAVOTAS BRANCH

No. 500 M. Naval St.  
near cor. Lacson St., Brgy. North Bay  
Boulevard North (NBBN), Navotas City  
Tel. Nos.: 283-0752 to 54  
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*Ma. Elenita M. Baradi*

## NOVALICHES BRANCH

954 Quirino Highway, Novaliches  
Proper, Novaliches, Quezon City  
Tel. Nos.: 936-3512  
937-1133/35/36  
Fax No.: 936-1037  
*Edwin T. Tamayo*

## NOVALICHES-SANGANDAAN BRANCH

CBC Bldg., Quirino Highway cor.  
Tandang Sora Ave., Brgy. Sangandaan  
Novaliches, Quezon City  
Tel. Nos.: 935-3049; 935-3491  
Fax No.: 935-2130  
*Ronaldo T. Uy, Jr.*

## NOVALICHES-TALIPAPA BRANCH

528 Copengco Bldg.  
Quirino Highway, Talipapa  
Novaliches, Quezon City  
Tel. Nos.: 936-2202; 936-3311  
936-7765  
Fax No.: 936-2202  
*Sheryl Grace A. Abratique*

## NOVALICHES-ZABARTE

G/F C.I. Bldg., 1151 Quirino Highway  
cor. Zabarte Road, Brgy. Kaligayahan  
Novaliches, Quezon City  
Tel. Nos.: 461-7691; 461-7694  
461-7698  
Fax No.: 461-7691  
*Jacqueline T. Alvarino*

## NUEVA BRANCH

Unit Nos. 557 & 559  
G/F Ayson Building, Yuchengco St.  
Binondo, Manila  
Tel. Nos.: 247-6374; 247-6396  
247-0493; 480-00-66  
Fax No.: 247-6396  
*Melissa S. Uy*

## ONGPIN BRANCH

G/F Se Jo Tong Building  
808 Ongpin St., Sta. Cruz, Manila  
Tel. Nos.: 733-8962 to 66  
735-5362  
Fax No.: 733-8964  
*Dolly C. Diu*

## OROQUIETA BRANCH

1225-1227, Oroquieta St.  
Sta. Cruz, Manila  
Tel. Nos.: 521-6648; 521-6650  
Fax No.: 521-6648  
*Josie T. Chua*

## ORTIGAS-ADB AVE. BRANCH

LGF City & Land Mega Plaza  
ADB Ave. cor. Garnet Rd.  
Ortigas Center, Pasig City  
Tel. Nos.: 687-2457/58  
687-2226/3263  
Fax No.: 687-2457  
*Josief Dennis Z. Timbol*

## ORTIGAS AVE. EXT.-RIVERSIDE BRANCH

Unit 2-3 Riverside Arcade  
Ortigas Ave. Extension  
cor. Riverside Drive, Brgy. Sta. Lucia  
Pasig City  
Tel. Nos.: 748-18-08; 748-4426  
655-7403; 655-8350  
Fax No.: 655-8350  
*Tita C. Ibarbia*

## ORTIGAS CENTER BRANCH

Unit 101 Parc Chateau Condominium  
Onyx cor. Sapphire Sts.  
Ortigas Center, Pasig City  
Tel. Nos.: 633-7960/70/53/54  
634-0178  
Fax No.: 633-7971  
*Virginia G. Go*

## ORTIGAS COMPLEX BRANCH

G/F Padilla Building, F. Ortigas Jr. Road  
(formerly Emerald Ave.)  
Ortigas Center, Pasig City  
Tel. Nos.: 634-3469; 631-2772  
Fax No.: 633-9039  
*Christabel Ethel C. Gabriela*

## ORTIGAS-JADE DRIVE BRANCH

Unit G-03, Antel Global Corporate  
Center, Jade Drive, Ortigas Center  
Pasig  
Tel. Nos.: 638-4489; 638-4490  
638-4510; 638-4540  
Fax No.: 638-4540  
*Grace N. Soriano*

## PACO BRANCH

Gen. Luna cor. Escoda St.  
Paco, Manila  
Tel. Nos.: 526-6492  
536-6630/31/72  
Fax No.: 536-6657  
*Susan V. Co*

## PACO-ANGEL LINA O BRANCH

Unit 1636 & 1638 Angel Linao St.  
Paco, Manila  
Tel. Nos.: 242-2849; 242-3416  
242-2849  
*Anna Lissette Y. Rogato*

# CHINA BANK BRANCHES

## PACO-OTIS BRANCH

G/F Union Motor Corp. Bldg.  
1760 Dra. Paz Guazon St.  
Paco, Manila  
Tel. Nos.: 561-6902; 561-6981  
564-2247  
Fax No.: 561-6981  
*Ma. Victoria O. Rondilla*

## PADRE FAURA BRANCH

G/F Regal Shopping Center, A. Mabini  
cor. P. Faura Sts., Ermita, Manila  
Tel. Nos.: 526-0586; 527-3202  
527-7865  
Fax No.: 527-3202  
*Carmina P. Manimbo*

## PARAÑAQUE-MOONWALK BRANCH

Milky Way St. cor. Armstrong Ave.  
Moonwalk, Parañaque City  
Tel. Nos.: 846-9729; 846-9739  
846-9771  
Fax No.: 846-9739  
*Rica Judith S. Garcia*

## PARAÑAQUE-SUCAT BRANCH

No. 8260 (between AMA Computer  
School and PLDT), Dr. A. Santos Ave.  
Brgy. San Isidro, Parañaque City  
Tel. Nos.: 820-8951/52; 820-2044  
825-2501; 804-3054/58  
(Area Office)  
Fax No.: 825-9517  
*Evangelina S. Peñafiel*

## PASAY-LIBERTAD BRANCH

CBC Bldg., 184 Libertad St.  
Antonio Arnaiz Ave., Pasay City  
Tel. Nos.: 551-7159; 834-8978  
831-0306; 831-0498  
Fax No.: 551-7160  
*Michelle C. Ang*

## PASAY-ROXAS BLVD. BRANCH

GF Unit G-01 Antel Seaview Towers  
2626 Roxas Blvd., Pasay City  
Tel. Nos.: 551-9067/68/69  
833-5048  
Fax No.: 551-1768  
*Ronaldo H. Francisco*

## PASIG-A. MABINI BRANCH

A. Mabini St., Brgy. Kapasigan  
Pasig City  
Tel. Nos.: 534-5178; 634-4028  
Fax No.: 534-5178  
*Jesucristina R. Dela Cruz*

## PASIG-C. RAYMUNDO BRANCH

G/F MicMar Apartments No. 6353  
C. Raymundo Ave., Brgy. Rosario  
Pasig City  
Tel. Nos.: 642-3652; 628-3912  
628-3922  
Fax No.: 576-4134  
*Joy L. Constantino*

## PASIG-MERCEDES BRANCH

Commercial Motors Corp. Compound  
Mercedes Ave., Pasig City  
Tel. Nos.: 628-0197/0209/0201  
Fax No.: 628-0211  
*Rosanna H. Malavega*

## PASIG-SAN JOAQUIN BRANCH

No. 43 M. Concepcion Ave.  
San Joaquin, Pasig City  
Tel. Nos.: 997-2815; 997-2816  
997-2817  
Fax No.: 997-2815  
*Ma. Jeanie V. Endonela*

## PASIG-SANTOLAN BRANCH

G/F Felmarc Business Center  
Amang Rodriguez Ave.  
Santolan, Pasig City  
Tel. Nos.: 646-0635; 682-3474  
682-3514; 681-4575  
Fax No.: 646-0514  
*Joanaru B. Macalagay*

## PASIG-SM SUPERCENTER BRANCH

G/F SM Supercenter Pasig  
Frontera Drive, C-5, Ortigas, Pasig City  
Tel. Nos.: 706-3207/3208/3209  
706-3208  
*Maria Norissa D. Mempin*

## PASIG-VALLE VERDE BRANCH

G/F Reliance IT Center  
E. Rodriguez Jr. Ave.  
Ugong, Pasig City  
Tel. Nos.: 706-9242; 706-9243  
Fax No.: 706-9243  
*Marcelino V. Cristobal*

## PASO DE BLAS BRANCH

G/F CYT Bldg., No. 178 Paso de Blas  
Valenzuela City  
Tel. Nos.: 292-3215/3213/3216  
Fax No.: 444-8850  
*Ma. Letecia G. Milan*

## PASONG TAMO BAGTIKAN BRANCH

G/F Trans-Phil House  
1177 Chino Roces Ave.  
cor. Bagtikan St., Makati City  
Tel. Nos.: 403-4820; 403-4821  
403-4822; 738-7591  
Fax No.: 403-4821  
*Maria Lucy Hazel C. Provido*

## PASONG TAMO-CITYLAND BRANCH

Units UG30-UG32 Cityland Pasong  
Tamo Tower, 2210 Pasong Tamo St.  
Makati City  
Tel. Nos.: 817-9337/47/51/60/82  
Fax No.: 817-9351  
*Marian D. Gonzales*

## PATEROS BRANCH

G/F Adela Bldg., M. Almeda St.  
Brgy. San Roque, Pateros  
Tel. Nos.: 531-6929; 531-6810  
654-3079  
Fax No.: 654-3079  
*Ma. Renalyn B. Navarro*

## PHILAM BRANCH

#8 East Lawin Drive  
Philam Homes, Quezon City  
Tel. Nos.: 927-9841; 924-2872  
929-5734  
Fax No.: 929-3115  
*April Jean P. Chiong*

## PROJECT 8-SHORTHORN BRANCH

Shorthorn St., Project 8, Quezon City  
Tel. Nos.: 373-3363; 373-3369  
Fax No.: 373-3363  
*Ma. Cecilia D. So*

## QUEZON AVE. BRANCH

No. 18 G & D Bldg., Quezon Ave.  
cor. D. Tuazon St., Quezon City  
Tel. Nos.: 712-3676; 712-0424  
740-7779/80; 712-1105  
416-8891  
732-2137 (MCB)  
Fax No.: 712-3006  
*Anita Y. Samala*

## QUIAPO BRANCH

216-220 Villalobos St., Quiapo, Manila  
Tel. Nos.: 733-2052/59/61  
733-6282/86  
Fax No.: 733-6282  
*Leslie C. So*

## REGALADO AVE. BRANCH

CBC Bldg., Regalado Ave.  
North Fairview, Quezon City  
Tel. Nos.: 921-5678; 921-5359  
Fax No.: 921-5359  
*Anthony V. Vergel De Dios*

## RIZAL-ANGONO BRANCH

Lot 3 Blk. 4 M.L. Quezon Ave.  
Richmond Subd., Angono, Rizal  
Tel. Nos.: 633-5198; 633-7513  
*Jennifer W. Guevarra*

## RIZAL-SAN MATEO BRANCH

#63 Gen. Luna cor. Simon St.  
Banaba, San Mateo, Rizal  
Tel. Nos.: 650-2230; 650-1837  
Fax No.: 650-1837  
*Cynthia S. Memoracion*

## ROOSEVELT AVE. BRANCH

CBC Bldg., #293 Roosevelt Ave.  
San Francisco Del Monte, Quezon City  
Tel. Nos.: 371-5133 to 35  
410-2160 410-1957  
371-2766  
Fax No.: 371-2765  
*Eileen M. Felipe*

## ROOSEVELT AVE.-FRISCO BRANCH

G/F Norita Bldg., #51 H. Francisco St.  
cor. Roosevelt Ave., Brgy. Paraiso  
Quezon City  
Tel. Nos.: 709-7552; 921-0866  
Fax No.: 921-0866  
*Mary Jo-Ann G. Pua*

## SALCEDO VILLAGE-L.P. LEVISTE BRANCH

Unit 1-B G/F The Athenaeum  
San Agustin – LP Leviste St.  
Salcedo Village, Makati City  
Tel. Nos.: 869-3128; 869-3132  
869-3134  
Fax No.: 869-3132  
*Madelene D. Capangpangan*

## SALCEDO VILLAGE-TORDESILLAS BRANCH

G/F Prince Tower Condominium  
14 Tordesillas St., Salcedo Village  
Makati City  
Tel. Nos.: 813-4901/32/33  
813-4944/52  
Fax No.: 813-4933  
*Pamela Joyce E. Gonzalez*

## SALCEDO VILLAGE-VALERO BRANCH

G/F Valero Tower, 122 Valero St.  
Salcedo Village, Makati City  
Tel. Nos.: 892-7768/69; 812-9207  
893-8188/96  
Fax No.: 892-7769  
*Nellie S. Alar*

## SALES-RAON BRANCH

611 Sales St., Quiapo, Manila  
Tel. Nos.: 734-5806; 734-7427  
734-6959  
Fax No.: 734-6959  
*Michael Christian G. Kua*

## SAN ANTONIO VILLAGE-P. OCAMPO BRANCH

JM Macalino Auto Center  
P. Ocampo St. cor. Dungon St.  
San Antonio Village, Makati City  
Tel. Nos.: 869-5648; 869-5649  
*Evanzueda F. Tuazon*

## SAN JUAN BRANCH

17 (new) F. Blumentritt St.  
San Juan, Metro Manila  
Tel. Nos.: 724-8263; 726-4826  
744-5616 to 18  
723-7333;  
723-4998  
Fax No.: 723-4998  
*Jesse Carlo T. Salvador*

## SAN JUAN-J. ABAD SANTOS BRANCH

Unit 3 Citiplace Bldg., 8001 Jose Abad  
Santos St., Little Baguio, San Juan City  
Tel. Nos.: 470-8292; 656-8329  
Fax No.: 656-8329  
*Rowena R. Mendoza*

## SHAW-HAIG BRANCH

G/F First of Shaw Bldg., Shaw Blvd.  
cor. Haig St., Mandaluyong City  
Tel. Nos.: 534-1073; 534-0744  
718-0218  
621-6459  
531-0795 (MCB)  
Fax No.: 576-3841 (telefax)  
*Jose Roy Billones*

# CHINA BANK BRANCHES

## SHAW-PASIG BRANCH

G/F RCC Center  
No. 104 Shaw Boulevard, Pasig City  
Tel. Nos.: 634-5018/19  
634-3343/44  
747-7812; 634-3340  
638-2751 (MCB)  
Fax No.: 634-3344  
*Hermenegildo G. Cariño*

## SHAW-SUMMIT ONE BRANCH

Unit 102 Summit One Office Tower  
530 Shaw Boulevard  
Mandaluyong City  
Tel. Nos.: 531-3970; 531-5736  
531-4058; 531-1304  
533-8723; 533-4948  
Fax No.: 531-9469  
*Lilian B. Orlina*

## SM AURA PREMIER BRANCH

L/G SM Aura Premier, McKinley  
Parkway, Fort Bonifacio Global City  
Taguig City  
Tel. Nos.: 808-9727; 808-9701  
Fax No.: 808-9701  
*Jacqueline M. Manalo*

## SM CITY BICUTAN BRANCH

LGF, Bldg. B, SM City Bicutan  
Doña Soledad Ave. cor.  
West Service Rd., Parañaque City  
Tel. Nos.: 821-0600/0700  
777-9347  
Fax No.: 821-0500  
*Kathlyn I. Abalos*

## SM CITY BF PARAÑAQUE BRANCH

G/F SM City BF Parañaque  
Dr. A. Santos Ave. cor. President's Ave.  
Parañaque City  
Tel. Nos.: 825-3201; 825-2990  
825-3095; 820-0911  
Fax No.: 825-1062  
*Merceditas A. Juanico*

## SM CITY MARIKINA BRANCH

G/F SM City Marikina  
Marcos Highway, Brgy. Calumpang  
Marikina City  
Tel. Nos.: 477-1845/46/47  
799-6105  
Fax No.: 477-1847  
*Roderick B. Olveda*

## SM CITY SAN LAZARO BRANCH

UGF (Units 164-166) SM City  
San Lazaro, Felix Huertas St.  
cor. A.H. Lacson Extension  
Sta. Cruz, Manila  
Tel. Nos.: 742-1572; 742-2330  
493-7115  
Fax No.: 732-7935  
*Jocelyn E. Tan*

## SM CITY TAYTAY BRANCH

Unit 147 Bldg. B, SM City Taytay  
Manila East Road, Brgy. Dolores  
Taytay, Rizal  
Tel. Nos.: 286-5844; 286-5979  
661-2276, 661-2277  
Fax No.: 661-2235  
*Godofredo B. Ponciano, Jr.*

## SM CITY FAIRVIEW BRANCH

LGF, SM City Fairview  
Quirino Ave. cor. Regalado Ave.  
Fairview, Quezon City  
Tel. Nos.: 417-2878; 939-3105  
Fax No.: 418-8228  
*Maricris R. Reyes*

## SM MALL OF ASIA BRANCH

G/F Main Mall Arcade, SM Mall of  
Asia, Bay Blvd., Pasay City  
Tel. Nos.: 556-0100/0102/0099  
625-2246  
Fax No.: 556-0099  
*Charmaine V. Santos*

## SM MEGAMALL BRANCH

LGF Building A, SM Megamall  
EDSA cor. J. Vargas St.  
Mandaluyong City  
Tel. Nos.: 633-1611/12  
633-1788/89  
638-7213 to 15  
Fax No.: 633-4971 or 633-1788  
*Aldrin S. Parco*

## SM CITY MASINAG BRANCH

SM City Masinag, Marcos Highway  
Brgy. Mayamot, Antipolo City  
Tel. Nos.: 655-8764; 655-9124  
655-8771  
Fax No.: 655-9124  
*Kathleen Joy R. Chupungco*

## SM CITY NORTH EDSA BRANCH

Cyberzone Carpark Bldg.  
SM City North Ave. cor. EDSA  
Quezon City  
Tel. Nos.: 456-6633; 454-8108/21  
925-4273  
Fax No.: 927-2234  
*Nicole Durene D. Cu*

## SM CITY NORTH EDSA-ANNEX BRANCH

UGF New Annex Building  
SM City North EDSA  
EDSA, Quezon City  
Tel. Nos.: 441-1370/1372/1373  
Fax No.: 441-1372  
*Rommel R. Sunga*

## SM SOUTHMALL BRANCH

UGF SM Southmall Alabang-Zapote  
Road, Talon 1, Almanza, Las Piñas City  
Tel. Nos.: 806-6116/19; 806-3536  
806-3547  
Fax No.: 806-3548  
*Virgilio V. Villarosa, Jr.*

## SOLEMARE BRANCH

G-11 Solemare Parksuites  
5A Bradco Ave., Aseana Business Park  
Parañaque City  
Tel. Nos.: 366-3237; 366-3219  
366-3199  
Fax No.: 366-3199  
*Lester M. Jose*

## SOLER-168 BRANCH

G/F R & S Bldg., Soler St., Manila  
Tel. Nos.: 242-1041; 242-1674  
242-1685  
Fax No.: 242-1041  
*Charles T. Salaya*

## SOUTH TRIANGLE BRANCH

G/F Sunshine Blvd. Plaza, Quezon Ave.  
cor. Sct. Santiago and Panay Ave.  
Brgy. South Triangle, Quezon City  
Tel. Nos.: 277-7947; 277-7948  
Fax No.: 277-7947  
*Rosela O. Wong*

## STA. MESA BRANCH (formerly Mezza Residences)

1-B G. Araneta Ave.  
Brgy. Doña Imelda, Quezon City  
Tel. Nos.: 516-0764; 516-0765  
516-0766  
Fax No.: 516-0765  
*Manuel S. Aurora, Jr.*

## STO. CRISTO BRANCH

622-39 Sto. Cristo St.  
Binondo, Manila  
Tel. Nos.: 242-4668/73; 242-5361  
241-1243; 242-5449  
242-3670  
Fax No.: 242-4672; 242-4761  
*Christopher C. Ty*

## T. ALONZO BRANCH

Abeleda Business Center  
908 T. Alonzo cor. Espeleta Sts.  
Sta. Cruz, Manila  
Tel. Nos.: 733-9581/82  
734-3231 to 33  
Fax No.: 733-9582  
*Clifton T. Cham*

## TAFT AVE.-QUIRINO BRANCH

2178 Taft Ave. near cor.  
Quirino Ave., Malate, Manila  
Tel. Nos.: 521-7825; 527-3285  
527-6747  
Fax No.: 527-3285  
*Jorielyn B. Nuqui*

## TAYTAY-SAN JUAN BRANCH

Velasquez St., Sitio Bangiad  
Brgy. San Juan, Taytay, Rizal  
Tel. No.: 998-6649  
Fax No.: 998-6649  
*Godofredo B. Ponciano, Jr.*

## TIMOG AVE. BRANCH

G/F Prince Jun Condominium  
42 Timog Ave., Quezon City  
Tel. Nos.: 371-4523/24  
371-4522/06  
Fax No.: 371-4503  
*Joyce P. Alfiler*

## TRINOMA BRANCH

Unit P002, Level P1, Triangle North of  
Manila, North Ave. cor. EDSA  
Quezon City  
Tel. Nos.: 901-5570-5573  
Fax No.: 901-5573  
*Maria-Catleya C. Reyes*

## TOMAS MAPUA-LAGUNA BRANCH

CBC Bldg., Tomas Mapua St.  
Sta. Cruz, Manila  
Tel. Nos.: 495-0302; 495-0294  
Fax No.: 495-0302  
*Jocelyn E. Tan*

## TOMAS MORATO EXTENSION BRANCH

G/F QY Building, Tomas Morato Ave.  
Quezon City  
Tel. Nos.: 373-4960; 373-4961  
Fax No.: 373-4961  
*William Cipriano D. Orcine III*

## 999 MALL BRANCH

Unit 3D-5; 3D-7 999 Shopping Mall  
Bldg., 2 Recto-Soler Sts.  
Binondo, Manila  
Tel. Nos.: 523-1216/ 1217/ 1218  
523-1219  
Fax No.: 523-1215  
*Arnold S. Castillo*

## TUTUBAN PRIME BLOCK BRANCH

Rivera Shophouse, Podium Area  
Tutuban Center Prime Block  
C.M. Recto Ave. cor. Rivera St.  
Manila  
Tel. Nos.: 255-1414/15  
Fax No.: 255-5441  
*Irene C. Chan*

## UP TECHNO HUB BRANCH

UP Ayala Land Techno Hub  
Commonwealth Ave., Quezon City  
Tel. Nos.: 441-1331/1332/1334  
Fax No.: 738-4800  
*Ma. Celeste C. Timbol*

## UP VILLAGE-MAGINHAWA BRANCH

LTR Bldg., No. 46 Maginhawa St.  
UP Village, Quezon City  
Tel. Nos.: 373-3349; 373-3354  
Fax No.: 373-3349  
*Maria Anacleto B. Gloria*

## V. LUNA BRANCH

G/F AGGCT Bldg., No. 32 V. Luna  
cor. Matapat Sts., Brgy. Pinyahan  
Quezon City  
Tel. Nos.: 772-8992; 772-8564  
Fax No.: 772-8564  
*Rowena C. Lagman*

## VALENZUELA BRANCH

CBC-Bldg., Mc Arthur Highway  
cor. V. Cordero St., Marulas  
Valenzuela City  
Tel. Nos.: 293-8920; 293-6160  
293-5088 to 90  
293-8919  
Fax No.: 293-5091  
*Rosa L. Chiu*

## VALENZUELA-GEN. LUIS BRANCH

AGT Building, 425 Gen. Luis St.  
Paso de Blas, Valenzuela City  
Tel. Nos.: 443-6160/61  
983-3861/62  
Fax No.: 443-6161  
*Alicia S. Gavino*

## CHINA BANK BRANCHES

### VALENZUELA-MALINTA BRANCH

MacArthur Highway, Brgy. Malinta  
Valenzuela City  
Tel. Nos.: 282-2160; 282-2160  
Fax No.: 282-2013  
*Ma. Christina B. Quijano*

### VISAYAS AVE. BRANCH

CBC-Building, Visayas Ave. cor.  
Congressional Ave. Ext., Quezon City  
Tel. Nos.: 454-0189; 925-2173  
455-4334/35  
Fax No.: 925-2155  
*Thelma S. Cabanban*

### WEST AVE. BRANCH

82 West Ave., Quezon City  
Tel. Nos.: 924-3131/3143  
6363; 920-6258  
411-6010/6011  
928-3270;  
Fax No.: 924-6364  
*Ma. Salome D. Garcia*

### XAVIERVILLE BRANCH

65 Xavierville Ave.  
Loyola Heights, Quezon City  
Tel. Nos.: 433-8696; 929-1265  
927-9826  
Fax No.: 929-3343  
*Alma A. Sevilla*

## PROVINCIAL BRANCHES- LUZON

### ANGELES CITY BRANCH

CBC Bldg., 949 Henson St.  
Angeles City  
Tel. Nos.: (045) 887-1549  
323-5343  
887-1550/2291  
625-8660/61  
Fax No.: (045) 625-8661  
*Luzviminda Grace M. Santos*

### ANGELES CITY-BALIBAGO BRANCH

Diamond Square, Service Road  
McArthur Highway cor. Charlotte St.  
Balibago, Angeles City, Pampanga  
Tel. Nos.: (045) 892-5136  
892-5144  
Fax No.: (045) 892-5144  
*Rean S. Bernarte*

### ANGELES CITY-MARQUEE MALL BRANCH

G/F Marquee Mall  
Angeles City, Pampanga  
Tel. Nos.: (045) 436-4013  
304-0850; 889-0975  
Fax No.: (045) 304-0850  
*Yalda Y. Ocampo*

### ANGELES-MCARTHUR HIGHWAY BRANCH

CBC Bldg., San Pablo St.  
cor. McArthur Highway  
Angeles City, Pampanga  
Tel. Nos.: (045) 323-5793  
887-6028; 625-9362  
Fax No.: (045) 887-6029  
*Ma. Josefa R. Nisce*

### ANGELES-STO. ROSARIO BRANCH

Angeles Business Center Bldg.  
Teresa Ave., Nepo Mart Complex  
Angeles City, Pampanga  
Tel. Nos.: (045) 888-5175  
322-9596  
Fax No.: (045) 888-5175  
*Joselito F. Datu*

### APALIT BRANCH

CBC Bldg., McArthur Highway  
San Vicente, Apalit, Pampanga  
Tel. No.: (045) 652-1131  
Fax No.: (045) 302-9560  
*Nancy T. Mensalvas*

### BAGUIO CITY BRANCH

G/F Juniper Bldg.  
A. Bonifacio Rd., Baguio City  
Tel. Nos.: (074) 442-9581  
443-5908  
443-8659 to 60  
442-9663  
Fax No.: (074) 442-9663  
*Mary Anne A. Tiwaquen*

### BAGUIO CITY-ABANAO BRANCH

G/F Paladin Hotel, No. 136 Abanao Ext.  
cor. Cariño St., Baguio City  
Tel. Nos.: (074) 424-4837  
424-4838  
Fax No.: (074) 424-4838  
*Edward U. Catipon*

### BALANGA CITY BRANCH

G/F Dilig Building, Don Manuel  
Banzon St., Balanga City, Bataan  
Tel. Nos.: (047) 237-9388/89  
791-1779  
Fax No.: (047) 791-1779  
*Arnel S. Guzman*

### BALER BRANCH

Provincial Road, Barrio Suklayain  
Baler, Aurora  
Tel. Nos.: (042) 724-0026  
703-3331 (Manila line)  
Fax No.: (042) 724-0026  
*Edwin Q. Manuel*

### BALIWAG BRANCH

Km. 51, Doña Remedios Trinidad (DRT)  
Highway, Baliwag, Bulacan  
Tel. Nos.: (044) 766-1066/5257  
673-5338  
Fax No.: (044) 766-5257  
*Janet R. De Castro*

### BATANGAS CITY BRANCH

P. Burgos St., Batangas City  
Tel. Nos.: (043) 723-0953  
520-6118 (Mla-direct)  
Fax Nos.: 520-6118 (Mla-direct)  
(043) 402-9157  
*Ruvishella S. Bicol*

### BATANGAS-BAUAN BRANCH

62 Kapitan Ponso St., Bauan, Batangas  
Tel. Nos.: (043) 702-4481  
702-5383  
Fax No.: (043) 702-4481  
*Maricel R. Alcantara*

### BATANGAS-LEMERY BRANCH

Miranda Building, Ilustre Ave.  
Lemery, Batangas  
Tel. Nos.: (043) 409-3467  
984-0206 (Manila line)  
Fax No.: (043) 409-3467  
*Enrique M. Padua*

### BATANGAS-ROSARIO BRANCH

Dr. Gualberto Ave., Brgy. Namunga  
Rosario, Batangas  
Tel. Nos.: (043) 312-3748  
312-3776  
*Lorellie S. Garcia*

### BATANGAS-TANAUAN BRANCH

J.P. Laurel Highway  
Tanauan City, Batangas  
Tel. Nos.: (043) 702-8956  
702-8957  
Fax No.: (043) 702-8956  
*Elvira L. Maliksi*

### BULACAN-BALAGTAS BRANCH

MacArthur Highway, Brgy. San Juan  
Balagtas, Bulacan  
Tel. Nos.: (044) 769-4376  
769-0359  
Fax No.: (044) 769-4376  
*Ma. Consolacion C. Santos*

### BULACAN-PLARIDEL BRANCH

CBC Bldg., Cagayan Valley Road  
Plaridel, Bulacan  
Tel. Nos.: (044) 931-2332  
325-0069  
Fax No.: (044) 931-2293  
*Magdalena S. Ignacio*

### BULACAN-STA. MARIA BRANCH

J.P. Rizal cor. C. de Guzman St.  
Poblacion, Sta. Maria, Bulacan  
Tel. Nos.: (044) 288-2006  
815-2951; 913-0334  
Fax No.: (044) 288-2006  
*Karen S. Mendoza*

### CABANATUAN CITY BRANCH

Melencio cor. Sanciango Sts.  
Cabanatuan City  
Tel. Nos.: (044) 600-4265  
463-0935 to 36  
Fax No.: (044) 463-0936  
*Juanito C. Santiago*

### CABANATUAN-MAHARLIKA BRANCH

CBC Bldg., Maharlika Highway  
Cabanatuan City  
Tel. Nos.: (044) 463-8586/87  
463-7964; 600-3590  
9402395  
Fax No.: (044) 463-8587  
*Mary Ann R. Tagle*

### CALAPAN CITY BRANCH

J.P. Rizal St., San Vicente  
Calapan City, Oriental Mindoro  
Tel. Nos.: (043) 288-8978/8508  
441-0382  
Fax No.: (043) 441-0382  
*Ruel A. Añonuevo*

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CBC Bldg., National Road  
Poblacion, Candon City, Ilocos Sur  
Tel. Nos.: (077) 674-0574  
674-0554  
Fax No.: (077) 674-0574  
*Marie Hope Feliza E. Malinnag*

### CARMONA BRANCH

CBC Bldg., Paseo de Carmona  
Brgy. Maduya, Carmona, Cavite  
Tel. Nos.: (046) 430-1969/1277  
430-3568  
4753941 (Manila line)  
Fax No.: (046) 430-1277  
*Maria Victoria M. Molde*

### CAUAYAN CITY BRANCH

G/F Prince Christopher Bldg.  
Maharlika Highway, Cauayan City  
Isabela  
Tel. Nos.: (078) 652-1849  
897-1338; 652-0061  
Fax No.: (078) 652-1849  
*Mary Ann S. Gaspar*

### CAVITE-DASMARIÑAS BRANCH

G/F CBC Bldg., Gen. E. Aguinaldo  
Highway, Dasmariñas, Cavite  
Tel. Nos.: (046) 416-5036/39/40  
584-40-83 (Manila line)  
Fax No.: (046) 416-5036  
*Arlyn G. Araña*

### CAVITE-IMUS BRANCH

G/F CBC Bldg., Nueno Ave.  
Tanzang Luma, Imus, Cavite  
Tel. Nos.: (046) 970-8726/64  
471-2637; 471-7094  
Fax No.: (046) 471-2637  
*Mario E. Sayoc II*

### CAVITE-MOLINO BRANCH

Patio Jacinto, Molino Road  
Molino 3, Bacoor, Cavite  
Tel. Nos.: (046) 431-0632  
484-6295  
Fax No.: (046) 431-0901  
*Ryan M. Dela Peña*



# CHINA BANK BRANCHES

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G/F CBC Bldg., Gen. Trias Drive  
Rosario, Cavite  
Tel. Nos.: (046) 437-0057 to 59  
Fax No.: (046) 437-0058  
Ma. Lorna A. Virata

## CAVITE-SILANG BRANCH

CBC Bldg., J.P. Rizal St.  
Poblacion, Silang, Cavite  
Tel. Nos.: (046) 413-5095  
413-4826; 413-5500  
413-5417  
Fax No.: (046) 413-5095  
Menaline B. Reyes

## CLARK FREEPORT ZONE BRANCH

Unit 2 Stotsenberg Medical Center  
Bldg., N. Aquino cor. S. Osmeña and  
E. Jacinto Sts., Clark Freeport Zone  
Angeles City, Pampanga  
Tel. Nos.: (045) 499-8060  
499-8062; 499-8063  
Fax No.: (045) 499-8063  
Lorna O. Cruz

## DAET BRANCH

Vinzons Ave.  
Daet, Camarines Norte  
Tel. Nos.: (054) 440-0066; 440-0067  
Fax No.: (054) 472-1358  
Sheila F. Dalupang

## DAGUPAN-PEREZ BRANCH

Siapno Building, Perez Boulevard  
Dagupan City  
Tel. Nos.: (075) 522-2562 to 64  
Fax No.: (075) 522-8308  
Rommel M. Agacita

## DAGUPAN-M.H. DEL PILAR BRANCH

Carried Realty Bldg., No. 28 M.H. del  
Pilar St., Dagupan City  
Tel. Nos.: (075) 523-5606; 522-8929  
632-0430; 632-0583  
Fax No.: (075) 523-5606  
Rommel M. Agacita

## DOLORES BRANCH

CBC Bldg., McArthur Highway  
Dolores, San Fernando City  
Pampanga  
Tel. Nos.: (045) 963-3413 to 15  
860-1780/81  
Fax No.: (045) 963-1014  
Roberto P. Basilio

## ILOCOS NORTE-SAN NICOLAS BRANCH

National Highway, Brgy. 2 San Baltazar  
San Nicolas, Ilocos Norte  
Tel. Nos.: (077) 600-0994; 600-0995  
Fax No.: (077) 600-0995  
Christianne Sophie C. Menrige

## IRIGA CITY BRANCH

Highway 1, JP Rizal St., San Roque  
Iriga City, Camarines Sur  
Tel. Nos.: (054) 299-7000; 456-1498  
Fax No.: (054) 456-1498  
Ma. Gracia B. Caramoan

## ISABELA-ILAGAN BRANCH

G/F North Star Mall, Maharlika  
Highway, Brgy. Alibagu, Ilagan, Isabela  
Tel. Nos.: (078) 323-0179  
323-0178  
Fax No.: (078) 323-0179  
Donnabella D. Castillo

## ISABELA-ROXAS BRANCH

National Road, Brgy. Bantug  
Roxas, Isabela  
Tel. Nos.: (078) 376-0422  
376-0434  
Fax No.: (078) 642-0022  
Adeluiso L. Cabugos

## GAPAN BRANCH

G/F Waltermart Center - Gapan  
Maharlika Highway, Brgy. Bayanihan  
Gapan, Nueva Ecija  
Tel. Nos.: (044) 486-0217  
486-0434; 486-0695  
Fax No.: (044) 486-0434  
Medel C. Driz

## GUAGUA BRANCH

Yabut Building, Plaza Burgos  
Guagua, Pampanga  
Tel. Nos.: (045) 458-1043  
458-1045; 458-1046  
Fax No.: (045) 458-1043  
Nikita D. Masbang

## LA TRINIDAD BRANCH

G/F SJV Bulasao Building  
Km. 4, La Trinidad, Benguet  
Tel. Nos.: (074) 422-2065/2590  
309-1663  
Fax No.: (074) 422-2065  
Liza L. Serrano

## LA UNION-AGOO BRANCH

National Highway  
San Jose Norte, Agoo, La Union  
Tel. Nos.: (072) 682-0350  
682-0391  
Fax No.: (072) 682-0350  
Rommel M. Agacita

## LA UNION-SAN FERNANDO BRANCH

Roger Pua Phee Building  
National Highway, Brgy. 3  
San Fernando, La Union  
Tel. Nos.: (072) 607-8931/8932  
607-8933/8934  
Fax No.: (072) 607-8934  
Fenaly G. Rimando

## LAGUNA-BIÑAN BRANCH

G/F Raja Cordelle Bldg.  
National Highway, Brgy. San Vicente  
Biñan, Laguna  
Tel. Nos.: (049) 511-3196  
245-0440 (Manila line)  
Fax No.: (049) 511-3196  
Serlita B. Mercado

## LAGUNA-CABUYAO BRANCH

G/F Centro Mall, Cabuyao City  
Laguna  
Tel. Nos.: (049) 544-2287  
544-2289  
Fax No.: (049) 544-2287 (telefax)  
Anna Regina S. Del Rosario

## LAGUNA-CALAMBA BRANCH

CBC Bldg., National Highway  
Crossing, Calamba, Laguna  
Tel. Nos.: (049) 545-7134 to 38  
Fax No.: (049) 545-7138  
Estela A. Liamson

## LAGUNA-STA. CRUZ BRANCH

A. Regidor St., Sta. Cruz, Laguna  
Tel. Nos.: (049) 501-4977  
501-4107; 501-4085  
Fax No.: (049) 501-4107  
Jocelyn D. Rico

## LAOAG CITY BRANCH

Liberato Abadilla St., Brgy. 17  
San Francisco, Laoag City  
Tel. Nos.: (077) 772-1024/27  
771-4688; 771-4417  
Fax No.: (077) 772-1035  
Marcialito B. Ancheta

## LEGAZPI CITY BRANCH

G/F Emma Chan Bldg.  
F. Imperial St., Legazpi City  
Tel. Nos.: (052) 480-6048; 480-6519  
214-3077  
Fax No.: 429-1813 (Direct-Mla line)  
Katherine Y. Barra

## LUCENA CITY BRANCH

233 Quezon Ave., Lucena City  
Tel. Nos.: (042) 373-2317  
373-3872/80/87  
660-7861  
Fax No.: (042) 373-3879  
Rossana V. Miralles

## MABALACAT-DAU BRANCH

R.D. Policarpio Bldg., McArthur  
Highway, Dau, Mabalacat, Pampanga  
Tel. Nos.: (045) 892-4969; 892-6040  
Fax No.: (045) 892-6040  
Lea L. Malinit

## MALOLOS CITY BRANCH

G/F Graceland Mall, BSU Grounds  
McArthur Highway, Guinhawa  
Malolos City, Bulacan  
Tel. Nos.: (044) 794-5840; 662-2013  
Fax No.: (044) 794-5840  
Rosemarie F. Bulaong

## MARILAO BRANCH

G/F, SM City Marilao  
Km. 21, Brgy. Ibayo, Marilao, Bulacan  
Tel. Nos.: (044) 815-8956/8957  
Fax No.: (044) 815-8956  
Marites B. Go

## MASBATE BRANCH

Espinosa Bldg., Zurbito St.  
Masbate City, Masbate  
Tel. Nos.: (056) 333-2363/65  
Fax No.: (056) 333-2365  
Ernie C. Torrevillas

## MEYCAUAYAN BRANCH

CBC Bldg., Malhacan Road  
Meycauayan, Bulacan  
Tel. Nos.: (044) 815-6889  
815-6961; 815-6958  
Fax No.: (044) 815-6961  
Lorela M. Guillermo

## NAGA CITY BRANCH

Centro-Peñafrancia St.  
Naga City  
Tel. Nos.: (054) 472-1359  
472-1358; 473-7920  
Fax No.: 250-8169 (Manila line)  
Glenn A. Altea, Jr.

## NUEVA ECIIJA-STA. ROSA BRANCH

CBC Bldg., Maharlika Highway  
Poblacion, Sta. Rosa, Nueva Ecija  
Tel. Nos.: (044) 333-6215  
940-1407  
Fax No.: (044) 333-6215  
Teresita P. Esteban

## OCC. MINDORO-SAN JOSE BRANCH

Liboro cor. Rizal St., San Jose  
Occidental Mindoro  
Tel. Nos.: (043) 491-0095  
491-0096  
Fax No.: (043) 491-0095  
Gary D. Tabora

## PANGASINAN-ALAMINOS CITY BRANCH

Marcos Ave., Brgy. Palamis  
Alaminos City, Pangasinan  
Tel. Nos.: (075) 551-3859  
654-0286  
Fax No.: (075) 654-0296  
Edwin D. Viado

## PANGASINAN-BAYAMBANG BRANCH

CBC Bldg., No. 91, Poblacion Sur  
Bayambang, Pangasinan  
Tel. Nos.: (075) 632-5776  
632-5775  
Fax No.: (075) 632-5776  
Miguel C. Jimenez, Jr.

## PANGASINAN-ROSALES BRANCH

CBC Bldg., Calle Dewey  
Rosales, Pangasinan  
Tel. Nos.: (075) 633-3852  
633-3853  
Fax No.: (075) 633-3852  
Jan Rod D. Lloren



# CHINA BANK BRANCHES

## PANGASINAN-URDANETA BRANCH

EF Square Bldg., McArthur Highway  
Poblacion, Urdaneta City, Pangasinan  
Tel. Nos.: (075) 632-2637  
632-0541; 656-2022  
656-2618  
Fax No.: (075) 656-2618  
*Glenda N. Anonas*

## PASEO DE STA. ROSA BRANCH

Unit 3, Paseo 5, Paseo de Sta. Rosa  
Sta. Rosa City, Laguna  
Tel. Nos.: (049) 837-1831  
502-3016; 502-2859  
827-8178  
420-8042 (Manila line)  
Fax No.: 420-8042 (Manila line)  
*Gerald A. Reta*

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CBC Bldg., V. Tiomico St.  
San Fernando City, Pampanga  
Tel. Nos.: (045) 961-3542/49  
963-5458 to 60  
961-5651; 860-1925  
892-3211  
Fax No.: (045) 961-8352  
*Gina K. Reyes*

## SAN FERNANDO-SINDALAN BRANCH

Jumbo Jenra Sindalan, Brgy. Sindalan  
San Fernando City, Pampanga  
Tel. Nos.: (045) 866-5464; 455-0569  
Fax No.: (045) 861-3081  
*Jesus B. Bondoc, Jr.*

## SAN JOSE CITY BRANCH

Maharlika Highway, Brgy. Malasin  
San Jose City  
Tel. Nos.: (044) 958-9094; 985-9096  
511-2898  
Fax No.: (044) 958-9094  
*Josephine D. Cariño*

## SAN PABLO CITY BRANCH

M. Paulino St., San Pablo City  
Tel. Nos.: (049) 562-5481 to 84  
Fax No.: (049) 562-5485  
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## SANTIAGO CITY

Navarro Bldg., Maharlika Highway near  
cor. Bayaua St., Santiago City, Isabela  
Tel. Nos.: (078) 682-7024 to 26  
Fax No.: (078) 305-2445  
*Rafael F. Ilarde*

## SM CITY BACOR BRANCH

LGF SM City Bacor, Tirona Highway  
cor. Aguinaldo Highway  
Bacoor, Cavite  
Tel. Nos.: (046) 417-0572/0746  
417-0623/0645  
Fax No.: (046) 417-0583  
*Elvira M. Montesa*

## SM CITY CLARK BRANCH

G/F (Units 172-173) SM City Clark  
M. Roxas St., CSEZ, Angeles City  
Pampanga  
Tel. Nos.: (045) 499-0252 to 54  
Fax No.: (045) 499-0254  
*Roderick R. De Leon*

## SM CITY DASMARIÑAS BRANCH

LGF SM City Dasmariñas, Governor's  
Drive, Pala-pala, Dasmariñas, Cavite  
Tel. No.: (046) 424-1134  
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*Evelyn T. Jardiniano*

## SM CITY LIPA BRANCH

G/F (Units 1111-1113) SM City Lipa  
Ayala Highway, Brgy. Maraouy  
Lipa City, Batangas  
Tel. Nos.: (043) 784-0212; 784-0213  
Fax No.: (043) 784-0212  
*Susan Laura K. Valdez*

## SM CITY NAGA BRANCH

SM City Naga, CBD II  
Brgy. Triangulo, Naga City  
Tel. Nos.: (054) 472-1366; 472-1367  
Fax No.: 250-8183 (Manila Line)  
*Rhoderick F. De Guzman*

## SM CITY OLONGAPO BRANCH

SM City Olongapo, Magsaysay Dr.  
cor. Gordon Ave., Brgy. Pag-asa  
Olongapo City, Zambales  
Tel. Nos.: (047) 602-0039; 602-0040  
Fax No.: (047) 602-0038  
*Edelmar D. Lee*

## SM CITY PAMPANGA BRANCH

Unit AX3 102, Building 4, SM City  
Pampanga, Mexico, Pampanga  
Tel. Nos.: (045) 455-0304/0305  
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Fax No.: (045) 455-0307  
*Rosario R. De Ausen*

## SM CITY SAN JOSE DEL MONTE BRANCH

UGF SM City San Jose Del Monte  
San Jose Del Monte City, Bulacan  
Tel. Nos.: (044) 913-1562  
985-3067 (Manila Line)  
Fax No.: (044) 913-1562  
*Chyrel B. Tuazon*

## SM CITY SAN PABLO BRANCH

G/F SM City San Pablo National  
Highway, Brgy. San Rafael  
San Pablo City, Laguna  
Tel. Nos.: (049) 521-0071 to 72  
Fax No.: (049) 521-0072  
*Maria Victoria A. Reyes*

## SM CITY STA. ROSA BRANCH

G/F SM City Sta. Rosa, Bo. Tagapo  
Sta. Rosa, Laguna  
Tel. Nos.: (049) 534-4640/4813  
Fax No.: 901-1632 (Manila Line)  
*Antonio C. Manilay*

## SOLANO BRANCH

National Highway, Brgy. Quirino  
Solano, Nueva Vizcaya  
Tel. Nos.: (078) 326-6559/60/61  
Fax No.: (078) 326-6561  
*Stephen Richard D. Wallis*

## SORSOGON BRANCH

CBC Bldg., Ramon Magsaysay Ave.  
Sorsogon City, Sorsogon  
Tel. Nos.: (056) 211-1610; 421-5105  
Fax No.: (02) 429-1124 (Manila Line)  
*Arthur B. Falcotelo*

## SUBIC BAY FREEPORT ZONE BRANCH

CBC Bldg., Subic Bay Gateway Park  
Rizal Highway, Subic Bay Freeport Zone  
Tel. Nos.: (047) 252-1568; 252-1575  
252-1591  
Fax No.: (047) 252-1575  
*Renato S. Cunanan*

## TABACO CITY BRANCH

Ziga Ave. cor. Berces St.  
Tabaco City, Albay  
Tel. Nos.: (052) 487-7150; 830-4178  
Fax No.: 429-1811 (Manila line)  
*Geoffrey E. Lim*

## TAGAYTAY CITY BRANCH

Foggy Heights Subdivision  
E. Aguinaldo Highway  
Tagaytay City, Cavite  
Tel. Nos.: (046) 483-0609; 483-0608  
Fax No.: (046) 483-0609  
*Paula Minette M. Dy*

## TALAVERA BRANCH

CBC Bldg., Marcos District  
Talavera, Nueva Ecija  
Tel. Nos.: (044) 940-2620; 940-2621  
Fax No.: (044) 940-2620  
*Renato P. Del Rosario, Jr.*

## TARLAC BRANCH

CBC Bldg., Panganiban near cor.  
F. Tanedo St., Tarlac City, Tarlac  
Tel. Nos.: (045) 982-7771 to 75  
Fax No.: (045) 982-7772  
*Perla S. Aquino*

## TARLAC-BAMBAN BRANCH

National Road, Brgy. Anupul  
Bamban, Tarlac  
Tel. Nos.: (045) 925-0402  
Fax No.: (045)  
*Armando Arepento*

## TARLAC-CAMILING BRANCH

Savewise Super Market, Poblacion  
Camiling, Tarlac  
Tel. Nos.: (045) 491-6445; 934-5085  
934-5086  
Fax No.: (045) 934-5085  
*Gary V. Eugenio*

## TARLAC-CONCEPCION BRANCH

G/F Descanzo Bldg., F. Timbol St.  
San Nicolas, Poblacion  
Concepcion, Tarlac  
Tel. Nos.: (045) 491-2987; 491-3028  
Fax No.: (045) 491-3113  
*Abigail B. Garcia*

## TARLAC-PANQUI BRANCH

Cedasco Building, M. H del Pilar St.  
Poblacion, Paniqui, Tarlac  
Tel. Nos.: (045) 491-8465; 491-8464  
Fax No.: (045) 491-8465  
*Maximo B. Mendoza, Jr.*

## THE DISTRICT IMUS BRANCH

G/F The District Imus, Anabu II  
Imus, Cavite  
Tel. Nos.: (046) 416-1417; 416-4294  
Fax No.: (046) 416-4212  
*Divina S. Ramos*

## TRECE MARTIRES

G/F Waltermart, Governor's Drive  
cor. City Hall Road, Brgy. San Agustin  
Trece Martires City, Cavite  
Tel. Nos.: (046) 460-4897; 460-4898  
460-4899  
Fax No.: (046) 460-4898  
*Lhovina A. Delfin*

## TUGUEGARAO CITY BRANCH

A. Bonifacio St., Tuguegarao  
Cagayan  
Tel. Nos.: (078) 844-0175; 844-0831  
846-1709  
Fax No.: (078) 844-0836  
*Laura L. Utleg*

## TUGUEGARAO-BALZAIN BRANCH

Balzain Highway, Tuguegarao City  
Cagayan  
Tel. Nos.: (078) 396-2207; 396-2208  
Fax No.: (078) 396-2207  
*Shirly Leocel A. Narag*

## VIGAN CITY BRANCH

Burgos St. near cor. Rizal St.  
Vigan City, Ilocos Sur  
Tel. Nos.: (077) 722-6968; 674-2272  
Fax No.: (077) 722-6948  
*Maria R. Pelayo*

## VIRAC BRANCH

Quezon Ave., Brgy. Salvacion  
Virac, Catanduanes  
Tel. Nos.: (052) 811-4321; 811-4322  
Fax No.: (052) 811-4321  
*Maria Criselda V. Albuero*

## ZAMBALES-BOTOLAN BRANCH

Botolan, Zambales  
Tel. Nos.: (047) 811-1322; 811-1372  
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*Rialyn D. Mirador*

# CHINA BANK BRANCHES

## PROVINCIAL BRANCHES- VISAYAS

### ANTIQUÉ-SAN JOSE BRANCH

Felrosa Building, Gen. Fullon St.  
cor. Cerdena St., San Jose, Antique  
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*Anna Marie B. Sentina*

### BACOLOD-ARANETA BRANCH

CBC Bldg., Araneta cor.  
San Sebastian Sts., Bacolod City  
Tel. Nos.: (034) 435-0247/48  
433-3818/19  
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### BACOLOD-LIBERTAD BRANCH

Libertad St., Bacolod City  
Negros Occidental  
Tel. Nos.: (034) 435-1645; 435-1646  
Fax No.: (034) 435-1645  
*Stella D. Aloro*

### BACOLOD-MANDALAGAN BRANCH

Lacson St., Mandalagan  
Bacolod City, Negros Occidental  
Tel. Nos.: (034) 441-0500; 441-0388  
709-0067  
Fax No.: (034) 709-0067  
*Pinky R. Alvarado*

### BACOLOD-NORTH DRIVE BRANCH

Anesa Bldg., B.S. Aquino Drive  
Bacolod City  
Tel. Nos.: (034) 435-0063 to 65  
709-1658  
Fax No.: (034) 435-0065  
*G Romulo F. Lopez*

### BAYBAY BRANCH

Magsaysay Ave., Baybay, Leyte  
Tel. Nos.: (053) 335-2899/98  
563-9228  
Fax No.: (053) 563-9228  
*Jose Alvin P. Sumalinog*

### BORONGAN BRANCH

Balud II, Poblacion, Borongan  
Eastern Samar  
Tel. Nos.: (055) 560-9948; 560-9938  
261-5888  
Fax No.: (055) 560-9938  
*Henedina M. Afable*

### CATARMAN BRANCH

cor. Rizal & Quirino Sts., Jose P. Rizal St.  
Catarmán, Northern Samar  
Tel. Nos.: (055) 251-8802/8821  
500-9921  
Fax No.: (055) 500-9921  
*Victorino T. Caparoso, Jr.*

### CATBALOGAN BRANCH

CBC Bldg., Del Rosario St.  
cor. Taft Ave., Catbalogan City, Samar  
Tel. Nos.: (055) 251-2897/98  
543-8121  
Fax No.: (055) 543-8279  
*Paul C. Oliva*

### CEBU-AYALA BRANCH

Unit 101 G/F Insular Life Cebu Business  
Center, Mindanao Ave. cor. Biliran  
Road, Cebu Business Park, Cebu City  
Tel. Nos.: (032) 262-1839; 260-6524  
Fax No.: (032) 260-6524  
*Sharon Rose L. Onrejas*

### CEBU-BANAWA BRANCH

G/F The J Block, Duterte St., Banawa  
Guadalupe, Cebu City  
Tel. Nos.: (032) 340-9561; 416-3827  
Fax No.: (032) 416-3827  
*Sheryll Marie V. Tiu*

### CEBU-BANILAD BRANCH

CBC Bldg., AS Fortuna St.  
Banilad, Cebu City  
Tel. Nos.: (032) 346-5870/81  
416-1001  
Fax No.: (032) 344-0087  
*Jouzi Marie C. Roña*

### CEBU-BASAK-SAN NICOLAS BRANCH

N. Bacalso Ave., Basak  
San Nicolas, Cebu City  
Tel. Nos.: (032) 340-8113; 414-4742  
Fax No.: (032) 414-4742  
*Zephyrus C. Celis*

### CEBU-BOGO BRANCH

Sim Building, P. Rodriguez St.  
Bogo City, Cebu  
Tel. Nos.: (032) 434-7119; 266-3251  
Fax No.: (032) 434-7119  
*Mylan D. Comahig*

### CEBU BUSINESS CENTER

CBC Bldg., Samar Loop cor. Panay  
Road, Cebu Business Park, Cebu City  
Tel. Nos.: (032) 239-3760  
to 239-3764  
Fax No.: (032) 238-1438  
*Sarah S. Susan*

### CEBU-CARCAR BRANCH

Dr. Jose Rizal St., Poblacion I  
Carcar, Cebu  
Tel. Nos.: (032) 487-8103; 487-8209  
266-7093  
Fax No.: (032) 487-8103  
*Mary Ann C. Rio*

### CEBU-CONSOLACION BRANCH

G/F SM City Consolacion  
Brgy. Lamac, Consolacion, Cebu  
Tel. Nos.: (032) 260-0024; 260-0025  
Fax No.: (032) 423-9253  
*Mary Jayne D. Caballero*

### CEBU-ESCARIO BRANCH

Units 3 & 5 Escario Central  
Escario Road, Cebu City  
Tel. Nos.: (032) 416-5860; 520-9229  
Fax No.: (032) 520-9229  
*Edgardo A. Olalo*

### CEBU-F. RAMOS BRANCH

F. Ramos St., Cebu City  
Tel. Nos.: (032) 253-9463; 254-4867  
412-5858  
Fax No.: (032) 253-9461  
*Alan Y. Go*

### CEBU-GORORDO BRANCH

No 424. Gorordo Ave.  
Bo. Camputhaw, Lahug District  
Cebu City  
Tel. Nos.: (032) 414-0509; 239-8654  
Fax No.: (032) 239-8654  
*Richard Alexander T. Lim*

### CEBU-GUADALUPE BRANCH

CBC Bldg., M. Velez St.  
cor. V. Rama Ave., Guadalupe  
Cebu City  
Tel. Nos.: (032) 254-7964; 254-8495  
254-1916  
Fax No.: (032) 032-416-5988  
*Angie G. Divinagracia*

### CEBU-IT PARK BRANCH

G/F The Link, Cebu IT Park  
Apas, Cebu City  
Tel. Nos.: (032) 266-2559  
262-0982  
Fax No.: (032) 266-2559  
*Odelon C. Logarta*

### CEBU-LAHUG BRANCH

JY Square Mall, No. 1 Salinas  
Dr., Lahug, Cebu City  
Tel. Nos.: (032) 417-2122; 233-0977  
234-2062  
Fax No.: (032) 234-2062  
*Marcos Ronald L. Villahermosa*

### CEBU-LAPU LAPU PUSOK BRANCH

G/F Goldberry Suites, President Quezon  
National Highway, Pusok  
Lapu-Lapu City, Cebu  
Tel. Nos.: (032) 340-2098; 494-0631  
340-2099  
Fax No.: (032) 340-2098/ 494-0631  
*Mary Faith R. Alvez*

### CEBU-LAPU LAPU CENTRO BRANCH

G.Y dela Serna St., Opon, Poblacion  
Lapu Lapu City, Cebu  
Tel. Nos.: (032) 231-3247; 493-5078  
Fax No.: (032) 231-3247  
*Joseph Y. Dañosos*

### CEBU-MAGALLANES BRANCH

CBC Bldg., Magallanes  
cor. Jakosalem Sts., Cebu City  
Tel. Nos.: (032) 255-0022/23/25/28  
253-0348; 255-6093  
255-0266; 412-1877  
Fax No.: (032) 255-0026  
*Susan Y. Tang*

### CEBU-MANDAUE BRANCH

SV Cabahug Building 155-B SB  
Cabahug St., Brgy. Centro  
Mandaue City, Cebu  
Tel. Nos.: (032) 346-5636/37  
346-2083; 344-4335  
422-8188  
Fax No.: (032) 346-2083  
*Marissa S. Macaraig*

### CEBU-MANDAUE-CABANCALAN BRANCH

M.L. Quezon St., Cabancalan  
Mandaue City, Cebu  
Tel. Nos.: (032) 421-1364; 505-9908  
Fax No.: (032) 421-1364  
*Ruel G. Umbay*

### CEBU-MANDAUE-J CENTRE MALL BRANCH

LGF J Centre Mall, A.S Fortuna Ave.  
Mandaue City, Cebu  
Tel. Nos.: (032) 520-2898; 421-1567  
Fax No.: (032) 520-2898  
*Mariza O. Lim*

### CEBU-MANDAUE NORTH ROAD BRANCH

G/F Units G1-G3, Basak Commercial  
Building (Kel-2) Basak  
Mandaue City, Cebu  
Tel. Nos.: (032) 345-8861; 345-8862  
420-6767  
Fax No.: (032) 420-6767  
*Ferdinand R. Sy*

### CEBU-MANDAUE NRA BRANCH

G/F Bai Hotel Cebu, Ouano Ave.  
cor. Seno Blvd., North Reclamation Area  
Mandaue City, Cebu  
Tel. No.: (032) 272-6985 (Telefax)  
*Maria Casilda P. Rubic*

### CEBU-MINGLANILLA BRANCH

Unit 9, Plaza Margarita  
Lipata, Minglanilla, Cebu  
Tel. Nos.: (032) 239-7234; 490-6025  
Fax No.: (032) 239-7235  
*Christine T. Obiña*

### CEBU-NAGA BRANCH

Leah's Square, National South Highway  
East Poblacion, Naga City, Cebu  
Tel. Nos.: (032) 238-7623; 489-8218  
Fax No.: (032) 489-8218  
*Sheila R. Pastor*

### CEBU-SM CITY BRANCH

Upper G/F, SM City Cebu, Juan Luna  
cor. A. Soriano Ave., Cebu City  
Tel. Nos.: (032) 232-0754/55  
231-9140; 412-9699  
Fax No.: (032) 232-1448  
*Alex M. Campilan*

### CEBU-SM SEASIDE CITY BRANCH

LGF SM Seaside City Cebu, South Road  
Properties, 6000, Cebu City  
Tel. No.: (032) 262-1772  
Fax No.: (032) 262-1772  
*Ronnie A. Aguilar*

## CHINA BANK BRANCHES

### CEBU-SUBANGDAKU BRANCH

Alpa Centrum, Subangdaku  
Mandaue City, Cebu  
Tel. Nos.: (032) 344-6561; 422-3664  
344-6621  
Fax No.: (032) 344-6621  
*Leah Liza L. Lagumbay*

### CEBU-TALAMBAN BRANCH

Unit UG-7 Gaisano Grand Mall  
Brgy. Talamban, Cebu City  
Tel. Nos.: (032) 236-8944; 418-0796  
Fax No.: (032) 236-8944  
*Genil Y. Espedido*

### CEBU-TALISAY BRANCH

CBC Bldg., 1055 Cebu South National  
Road, Bulacao, Talisay City, Cebu  
Tel. Nos.: (032) 272-3342/48  
491-8200  
Fax No.: (032) 272-3346  
*Rosie T. Faytone*

### DUMAGUETE CITY BRANCH

CBC Bldg., Real St., Dumaguete City  
Negros Oriental  
Tel. Nos.: (035) 422-8058; 225-5442  
225-5441; 225-4284  
225-5460  
Fax No.: (035) 422-5442  
*Iris Gail C. Pantino*

### ILOILO-IZNART BRANCH

G/F John A. Tan Bldg., Iznart St.  
Iloilo City  
Tel. Nos.: (033) 337-9477  
509-9868; 300-0644  
Fax No.: (033) 337-9566  
*Marjorie C. Mangilin*

### ILOILO-JARO BRANCH

CBC Bldg., E. Lopez St.  
Jaro, Iloilo City  
Tel. Nos.: (033) 320-3738; 320-3791  
Fax No.: (033) 503-2955  
*Joseph C. Chong*

### ILOILO-MABINI BRANCH

A. Mabini St., Iloilo City  
Tel. Nos.: (033) 335-0295; 335-0370  
509-0599  
Fax No.: (033) 335-0370  
*Sharlan C. Go*

### ILOILO-MANDURRIO BRANCH

Benigno Aquino Ave., Brgy. San Rafael  
Mandurriao, Iloilo City  
Tel. Nos.: (033) 333-3988; 333-4088  
Fax No.: (033) 501-6078  
*Rose Marie Y. Oquendo*

### ILOILO-RIZAL BRANCH

CBC Bldg., Rizal cor. Gomez Sts.  
Brgy. Ortiz, Iloilo City  
Tel. Nos.: (033) 336-0947; 338-2136  
509-8838  
Fax No.: (033) 338-2144  
*Thea Marie U. Yap*

### KALIBO BRANCH

Waldolf Garcia Building  
Osmeña Ave., Kalibo, Aklan  
Tel. Nos.: (036) 500-8088; 500-8188  
268-2988  
Fax No.: (036) 500-8188  
*Marylen T. Gerardo*

### MAASIN CITY BRANCH

G/F SJC Bldg., Tomas Oppus St.  
Brgy. Tunga-Tunga, Maasin City  
Southern Leyte  
Tel. Nos.: (053) 381-2287; 381-2288  
570-8488  
Fax No.: (053) 570-8488  
*Maria Luisa V. Gonzales*

### NEGROS OCC.-KABANKALAN BRANCH

CBC Bldg., National Highway  
Brgy. 1, Kabankalan, Negros Occidental  
Tel. Nos.: (034) 471-3349; 471-3364  
471-3738  
Fax No.: (034) 471-3349  
*Ross Ariel T. Tan*

### NEGROS OCC.-SAN CARLOS BRANCH

Rizal cor. Carmona Sts.  
San Carlos, Negros Occidental  
Tel. Nos.: (034) 312-5818; 312-5819  
729-3276  
Fax No.: (034) 729-3276  
*Mercedita C. Cortez*

### ORMOC CITY BRANCH

CBC Bldg., Real cor.  
Lopez Jaena Sts., Ormoc City, Leyte  
Tel. Nos.: (053) 255-3651 to 53  
Fax No.: (053) 561-8348  
*Warren Noel M. Del Valle*

### PUERTO PRINCESA CITY BRANCH

Malvar St. near cor. Valencia St.  
Puerto Princesa City, Palawan  
Tel. Nos.: (048) 434-9891 to 93  
Fax No.: (048) 434-9892  
*Joselito V. Cadorna*

### ROXAS CITY BRANCH

1063 Roxas Ave. cor. Bayot Drive  
Roxas City, Capiz  
Tel. Nos.: (036) 621-3203; 621-1780  
522-5775  
Fax No.: (036) 621-3203  
*Anthony V. Arguelles*

### SILAY CITY BRANCH

Rizal St., Silay City, Negros Occidental  
Tel. Nos.: (034) 714-6400; 495-5452  
495-0480  
Fax No.: (034) 495-0480  
*Olimpia L. Diones*

### TACLOBAN CITY BRANCH

Uytinkoc Building, Avenida Veteranos  
Tacloban City, Leyte  
Tel. Nos.: (053) 325-7706 to 08  
523-7700/7800  
Fax No.: (053) 523-7700  
*Felina G. Reyes*

### TAGBILARAN CITY BRANCH

G/F Melrose Bldg., Carlos P. Garcia Ave.  
Tagbilaran City, Bohol  
Tel. Nos.: (038) 501-0688; 501-0677  
411-2484  
Fax No.: (038) 501-0677  
*Karen Jean T. Maslog*

## PROVINCIAL BRANCHES-MINDANAO

### BUTUAN CITY BRANCH

CBC Bldg., J.C. Aquino Ave.  
Butuan City  
Tel. Nos.: (085) 341-5159; 341-7445  
(085) 815-3454/55  
225-2081  
Fax No.: (085) 815-3455  
*Sheelah A. Kho*

### CAGAYAN DE ORO-BORJA BRANCH

J. R. Borja St., Cagayan de Oro City  
Tel. Nos.: (08822) 724-832/33  
726-076  
(088) 857-3742  
Fax No.: (088) 857-2212  
*Janet G. Tan*

### CAGAYAN DE ORO-CARMEN BRANCH

G/F GT Realty Building, Max Suniel St.  
cor. Yakal St., Carmen  
Cagayan de Oro City  
Tel. Nos.: (08822) 723-091; 724-372  
(088) 858-3902/03  
Fax Nos.: (088) 858-3903  
(08822) 724-372  
*Jane Byzallel G. Quirante*

### CAGAYAN DE ORO-DIVISORIA BRANCH

RN Abejuela St., South Divisoria  
Cagayan de Oro City  
Tel. Nos.: (08822) 722-641  
(088) 857-5759  
Fax No.: (088) 857-4200  
*Crescencio Al C. Co Untian*

### CAGAYAN DE ORO-LAPASAN BRANCH

CBC Bldg., Claro M. Recto Ave.  
Lapasan, Cagayan de Oro City  
Tel. Nos.: (08822) 722-240; 724-540  
726-242  
(088) 856-1325/1326  
Fax Nos.: (088) 856-1325/1326  
856-5063 (area office)  
*James M. Bomediano*

### CAGAYAN DE ORO-PUERTO BRANCH

Luis A.S. Yap Building, Zone 6  
Brgy. Puerto, Cagayan de Oro City  
Misamis Oriental  
Tel. Nos.: (088) 880-7183; 880-7185  
Fax No.: (088) 880-7185  
*Jasmine L. Soriano*

### CAGAYAN DE ORO-GAISANO CITY MALL BRANCH

G/F Gaisano City Mall, C. M. Recto  
cor. Corrales Extension  
Cagayan de Oro City  
Tel. Nos.: (08822) 745-877; 745-880  
(088) 880-1051; 880-1052  
Fax No.: (08822) 745-880  
*Gina C. Telow*

### COTABATO CITY BRANCH

No. 76 S.K. Pendatun Ave.  
Cotabato City, Maguindanao  
Tel. Nos.: (064) 421-4685/4653  
Fax No.: (064) 421-4686  
*Ariel Cesar O. Romero*

### DAVAO-BAJADA BRANCH

B.I. Zone Building, J.P. Laurel Ave.  
Bajada, Davao City  
Tel. Nos.: (082) 221-0184; 221-0319  
Fax No.: (082) 221-0568  
*Abigail O. Sintos*

### DAVAO-BUHANGIN BRANCH

Buhangin Road, Davao City  
Tel. Nos.: (082) 300-8335; 227-9764  
221-5970  
Fax No.: (082) 221-5970  
*Roberto A. Alag*

### DAVAO-CALINAN BRANCH

Davao- Bukidnon National Highway –  
Riverside, Calinan Proper, Davao City  
Tel. Nos.: (082) 224-9229; 224-9135  
Fax Nos.: (082) 224-9229  
*Chris G. Dolar*

### DAVAO-INSULAR VILLAGE BRANCH (formerly Davao-Lanang Branch)

Insular Village I, Km. 8, Lanang  
Davao City  
Tel. Nos.: (082) 300-1892  
234-7166; 234-7165  
Fax No.: (082) 300-1892  
*Joselito S. Crisostomo*

### DAVAO-MA-A BRANCH

G/F Lapeña Building, McArthur  
Highway, Matina, Davao City  
Fax Nos.: (082) 295-0472; 295-1072  
*Maria Eloise D. Maniti*

### DAVAO-MATINA BRANCH

Km. 4 McArthur Highway  
Matina, Davao City  
Tel. Nos.: (082) 297-4288; 297-4455  
297-5880/81  
Fax No.: (082) 297-5880  
*Petronila G. Narvaez*

### DAVAO-PANABO CITY BRANCH

PJ Realty, Barangay New Pandan  
Panabo City, Davao del Norte  
Tel. Nos.: (084) 628-4057; 628-4065  
Fax No.: (084) 628-4053  
*Noemi I. Altar*

## CHINA BANK BRANCHES

### DAVAO-RECTO BRANCH

CBC Bldg., C.M. Recto Ave.  
cor. J. Rizal St., Davao City  
Tel. Nos.: (082) 221-4481/7028  
221-6021/6921/4163  
226-3851; 226-2103  
Fax No.: (082) 221-8814  
*Carlos C. Tan, Jr.*

### DAVAO-STA. ANA BRANCH

R. Magsaysay Ave. cor.  
F. Bangoy St., Sta. Ana District  
Davao City  
Tel. Nos.: (082) 227-9501/51  
227-9601; 221-1054/55  
221-6672  
Fax No.: (082) 226-4902  
*Elinor U. Toe*

### DAVAO-SM LANANG BRANCH

G/F SM Lanang Premier  
J.P. Laurel Ave., Davao City  
Tel. Nos.: (082) 285-1064  
285-1053  
Fax No.: (082) 285-1520  
*Janice S. Laburada*

### DAVAO-TAGUM BRANCH

153 Pioneer Ave.  
Tagum, Davao del Norte  
Tel. Nos.: (084) 655-6307/08  
400-2289/90  
Fax No.: (084) 400-2289  
*Ernesto A. Santiago, Jr.*

### DAVAO-TORIL BRANCH

McArthur Highway  
cor. St. Peter St., Crossing Bayabas  
Toril, Davao City  
Tel. Nos.: (082) 303-3068; 295-2334  
295-2332  
Fax No.: (082) 295-2332  
*Gregorio E. Cuta*

### DIPOLOG CITY BRANCH

CBC Bldg., Gen Luna  
cor. Gonzales Sts., Dipolog City  
Tel. Nos.: (065) 212-6768 to 69  
908-2008  
Fax No.: (065) 212-6769  
*Ma. Jesusa Perpetua F. Recentes*

### GEN. SANTOS CITY BRANCH

CBC Bldg., I. Santiago Blvd.  
Gen. Santos City  
Tel. Nos.: (083) 553-1618; 552-8288  
Fax No.: (083) 553-2300  
*Helen Grace L. Fernandez*

### GEN. SANTOS CITY-DADIANGAS BRANCH

M. Roxas Ave. cor. Lapu-Lapu St.  
Brgy. Dadiangas East, Gen. Santos City  
South Cotabato  
Tel. No.: (083) 552-8576  
Fax No.: (083) 552-8290  
*Lorena P. Abejero*

### ILIGAN CITY BRANCH

Lai Building, Quezon Ave. Ext.  
Pala-o, Iligan City  
Tel. Nos.: (063) 221-5477/79  
492-3009; 221-3009  
Fax No.: (063) 492-3010  
*Ronald O. Lua*

### KIDAPAWAN CITY BRANCH

G/F EVA Building, Quezon Blvd.  
cor. Tomas Claudio St., National  
Highway, Kidapawan City  
Tel. Nos.: (064) 278-3509; 278-3510  
Fax No.: (064) 278-3509  
*Wilbert R. Baus*

### KORONADAL CITY BRANCH

Gen. Santos Drive cor. Aquino St.  
Koronadal City, South Cotabato  
Tel. Nos.: (083) 228-7838; 228-7839  
520-1788  
Fax No.: (083) 228-7839  
*Rizkie E. Zaragoza*

### MALAYBALAY CITY BRANCH

Bethelda Building, Sayre Highway  
Malaybalay City, Bukidnon  
Tel. No.: (088) 813-3372  
Fax No.: 813-3373  
*Randolf M. Corrales*

### MIDSAYAP BRANCH

CBC Bldg., Quezon Ave.  
Poblacion 2, Midsayap, Cotabato  
Tel. No.: (064) 229-9700  
Fax No.: (064) 229-9750  
*Ma. Estrella B. Velasco*

### OZAMIZ CITY BRANCH

Gomez cor. Kaamino Sts.  
Ozamiz City  
Tel. Nos.: (088) 521-2658 to 60  
Fax No.: (088) 521-2659  
*Jefferson A. Go*

### PAGADIAN CITY BRANCH

Marasigan Bldg., F.S. Pajares Ave.  
Pagadian City  
Tel. Nos.: (062) 215-2781/82  
925-1116  
Fax No.: (062) 214-3877  
*Jumilito A. Dayuna*

### SURIGAO CITY BRANCH

CBC Bldg., Amat St.  
Barrio Washington, Surigao City  
Surigao del Norte  
Tel. Nos.: (086) 826-3958, 826-3968  
Fax No.: (086) 826-3958  
*Eivith Shenir C. Florendo*

### VALENCIA BRANCH

A. Mabini St., Valencia, Bukidnon  
Tel. Nos.: (088) 828-2048/49  
222-2356; 222-2417  
Fax No.: (088) 828-2048  
*Gilmar L. Villaruel*

### ZAMBOANGA CITY BRANCH

CBC Bldg., Gov. Lim Ave.  
cor. Nuñez St., Zamboanga City  
Tel. Nos.: (062) 991-2978/79  
991-1266  
Fax No.: (062) 991-1266  
*Jaime G. Asuncion*

### ZAMBOANGA-GUIWAN BRANCH

G/F Yang's Tower  
M.C. Lobregat National Highway  
Guiwan, Zamboanga City  
Tel. Nos.: (062) 984-1751; 984-1754  
Fax No.: (062) 984-1751  
*Alexander B. Lao*

### ZAMBOANGA-SAN JOSE GUSU BRANCH

Yubenco Supermarket, San Jose Gusu  
Zamboanga City, Zamboanga del Sur  
Tel. Nos.: (062) 995-6154; 955-6155  
Fax No.: (062) 955-6154  
*Dennis T. Wong Yat*

## SOON TO OPEN

### Ayala Ave.-Amorsolo Branch

G/F Teleperformance Bldg.  
Ayala Ave., Makati City

### Batangas-Balayan Branch

CBC Building (for construction)  
Barrio Ermita, Balayan, Batangas

### BGC-W Tower Branch

G/F W Tower, 39<sup>th</sup> St., North Bonifacio  
Triangle, Fort Bonifacio Global City  
Taguig City 1634

### Calbayog City Branch

Cajurao cor. Gomez Sts., Balud  
Calbayog Dist., Calbayog City, Samar

### Camalaniugan Branch

CBC Building (for construction) National  
Highway, Camalaniugan, Cagayan

### Katipunan Ave.-Loyola Heights Branch

Elizabeth Hall, Katipunan Ave.  
Loyola Heights, Quezon City

### Laguna-San Pedro Branch

No. 365 Brgy. Nueva, National Highway  
San Pedro City, Laguna

### Las Piñas-Marcos Alvarez Ave. Branch

Metro Towne Center  
2020 Marcos Alvarez Ave.  
Las Piñas City

### Las Piñas-Naga Road Branch

Lot 3, Naga Road, Pulanglupa 2  
Las Piñas City

### Lipa City-Tambo Branch

Tambo, Lipa City, Batangas

### Macapagal Ave.-Aseana Square Branch

Aseana Square (Caltex Area)  
D. Macapagal Ave., Aseana City  
Parañaque City

### Macapagal Ave.-Biopolis Branch

G/F The Biopolis, Central Business Park  
1-A 076 / 01, Diosdado Macapagal  
Avenue, Pasay City

### Novaliches-Sta. Monica

G/F E & V Bldg., Quirino Highway  
cor. Dumalay St., Novaliches  
Quezon City

### Ortigas-Tektite Branch

Unit EC-06B PSE Center (Tektite)  
Ortigas Center, Pasig City

### Parañaque-Baclaran Branch

Quirino Ave. cor. Aragon St.  
Baclaran, Parañaque City

### Quezon-Candelaria Branch

Rizal Street, Poblacion  
Candelaria, Quezon

### Rockwell-Ortigas Branch

G/F Tower 1 Rockwell Business Center  
Ortigas Ave., Pasig City

### Tarlac City-San Rafael Branch

Brgy. San Rafael, Tarlac City, Tarlac

### Parañaque-San Antonio Valley Branch

San Antonio Shopping Center  
San Antonio Road, Brgy. San Antonio  
Valley 1, Parañaque City

### Sct. Borromeo Branch

G/F The Forum Bldg.  
71-A Sct. Borromeo St.  
Diliman, Quezon City

### Sto. Domingo Ave. Branch

Sto. Domingo Ave., Quezon City

### Tandang Sora-Visayas Ave. Branch

#250 Tandang Sora Ave., Quezon City

### Tomas Morato-E. Rodriguez Branch

Tomas Morato Ave., Quezon City



# CHINA BANK SAVINGS BRANCHES

## METRO MANILA AND RIZAL

### ACACIA ESTATES–SAVEMORE

Acacia Taguig Town Center  
Acacia Estates, Ususan, Taguig City  
Tel. Nos.: (02) 633-5472; 964-1318  
Mobile No.: 0917-510-6013

### ADRIATICO–HYPERMARKET

M.H. Del Pilar, Adriatico  
Malate, Manila  
Tel. No.: (02) 525-6282  
*Kristina Concepcion*

### ALABANG HILLS

Alabang Commercial Citi Arcade  
Don Jesus Boulevard  
Alabang, Muntinlupa City  
Tel. No.: (02) 403-2801  
*Jose Angelo Gonzaga*

### AMANG RODRIGUEZ–SAVEMORE

Amang Rodriguez Ave.  
cor. Evangelista St.  
Santolan, Pasig City  
Tel. Nos.: (02) 654-0564; 645-4710  
*Emmanuel Formeloza*

### AMORANTO AVENUE

Unit 101 R Place Building  
255 N.S. Amoranto Sr. Ave.  
Quezon City  
Tel. No.: (02) 966-9075  
Mobile No.: 0917-805-6964  
*Theresa Georgia P. Bautista*

### ANGONO

M.L. Quezon Ave.  
Angono, Rizal  
Tel. No.: (02) 651-1782  
Fax No.: (02) 651-1779  
*Lourdes V. Quitoriano*

### ANONAS–SAVEMORE

Maamo St., Road Lot 30  
V. Luna St. and Anonas Extension  
Sikatuna, Quezon City  
Tel. No.: (02) 351-4928  
Mobile No.: 0917-863-6157  
*Angelito Domingo*

### ANTIPOLO

EMS Building, L1 M.L. Quezon  
cor. F. Dimailig St., Brgy. San Roque  
Antipolo City, Rizal  
Tel. No.: (02) 697-1066  
Fax No.: (02) 697-0224  
*Ma. Cecilia C. Oxales*

### ARANETA CENTER C.O.D.–SAVEMORE

Gen. Romulo St., Araneta Center  
Cubao, Quezon City  
Tel. Nos.: (02) 921-3147; 502-1437  
Mobile No.: 0917-809-9670  
*Wendell M. Gaza*

### AYALA AVENUE

VGP Center  
6772 Ayala Ave., Makati City  
Tel. Nos.: (02) 864-5017; 864-5065  
864-5011  
*Benjy Roland E. Herce*

### BACLARAN

3751 Quirino Ave.  
cor. Sta. Rita St.  
Baclaran, Parañaque City  
Mobile No.: 0917-703-2503  
*Jasmin T. Vergara*

### BANAWA

247-249 Banawa St.  
Sta. Mesa Heights  
Brgy. Lourdes, Quezon City  
Tel. Nos.: (02) 412-6249; 256-4941  
*Dino Laforteza*

### BANGKAL

Amara Building  
1661 Evangelista St.  
Bangkal, Makati City  
Tel. Nos.: (02) 621-3459; 621-3461  
*Erica Abolencia*

### BINONDO–JUAN LUNA

694-696 Juan Luna St.  
Binondo, Manila  
Tel. Nos.: (02) 254-0371; 254-7337  
964-1327  
*Erlinda C. Sia*

### BUENDIA

CBS Building  
314 Sen. Gil Puyat Ave., Makati City  
Tel. No.: (02) 812-9359  
Trunkline: (02) 884-7600 locals 3900  
to 3902 and 7645  
*Einar Salle*

### COMMONWEALTH AVENUE

JocFer Building  
Commonwealth Ave.  
Brgy. Holy Spirit, Quezon City  
Tel. No.: (02) 957-0559  
Mobile No.: 0917-521-3469  
*Cynthia Altiche*

### CUBAO

Fernandina 88 Condominium  
222 P. Tuazon Boulevard  
Araneta Center, Cubao, Quezon City  
Tel. Nos.: (02) 913-5209  
913-4903  
*Wendell M. Gaza*

### DEL MONTE

392 Del Monte Ave.  
Brgy. Sienna, Quezon City  
Tel. No.: (02) 741-2447  
Fax No.: 741-8285  
*Jobel Arana*

### DIVISORIA DRAGON 8

Dragon 8 Shopping Center, 3/Flr  
C.M Recto Ave. cor. Dagupan St.  
Divisoria, Manila  
Tel. Nos.: (02) 244-5960; 244-1068  
*Erlinda C. Sia*

### E. RODRIGUEZ SR.–HEMADY

Hemady Square, E. Rodriguez Ave.  
cor. Doña Hemady St.  
New Manila, Quezon City  
Tel. Nos.: (02) 987- 4966  
531-9676; 531-9680  
Mobile No.: 0917-808-5214  
*Keith Icaro*

### ESPAÑA–SUN MALL

Sun Mall  
España Boulevard cor. Mayon St.  
Brgy. Sta. Teresita, Quezon City  
Tel. Nos.: (02) 244-2476; 244-2477  
*Florante Juan*

### FELIX HUERTAS–JT CENTRALE

BC Centrale Mall, G/F Unit 103  
Fugoso cor. Felix Huertas St.  
Sta. Cruz, Manila  
Tel. Nos.: (02) 247-3177; 247-3181  
796-2421  
Mobile No.: 0917-553-8446  
*Marcon Rodel Mendoza*

### FILINVEST CORPORATE CITY

BC Group Building, East Asia Drive  
near cor. Commerce Ave.  
Filinvest Corporate City  
Alabang, Muntinlupa City  
Tel. No.: (02) 511-1152  
Fax No.: (02) 511-1145  
Mobile No.: 0917-804-6443  
*Kristina Tricia Balagat*

### FTI-TAGUIG HYPERMARKET

DBP Ave., Food Terminal Incorporated  
Western Bicutan, Taguig City  
Tel. Nos.: (02) 834-0408; 507-4090

### GREENHILLS–ORTIGAS AVENUE

VAG Building, Ortigas Ave.  
Greenhills, San Juan City  
Tel. Nos.: (02) 721-0105; 724-7523  
724-7528  
*Ma. Jennifer V. Bondoc*

### GREENHILLS–WILSON

219 Wilson St.  
Greenhills, San Juan City  
Tel. Nos.: (02) 748-7625  
584-5946  
*Josephine Joy T. Rillera*

### KALOOKAN

Augusto Building, Rizal Ave.  
Grace Park, Kalookan City  
Tel. No.: (02) 365-7593  
*Jude Toribio*

### KALOOKAN–MABINI

AJ Building  
353 A. Mabini St., Kalookan City  
Tel. Nos.: (02) 961-2628; 709-3435  
*Abner B. Aballa*

### KAPASIGAN

A. Mabini St.  
Kapasigan, Pasig City  
Tel. No.: (02) 642-2870  
Fax No.: (02) 640-7085  
*Edgardo N. Alejandro*

### KATIPUNAN AVENUE

One Burgundy Condominium  
Katipunan Ave., Loyola Heights  
Quezon City  
Tel. Nos.: (02) 931-1123; 211-7882  
Fax No.: (02) 288-4360  
Mobile No.: 0917-628-3318  
*John Paul C. Racines*

### LAGRO

Bonaza Building  
Quirino Highway, Greater Lagro  
Novaliches, Quezon City  
Tel. Nos.: (02) 936-4988; 461-7214  
*Marcelino G. Sison*

### LAS PIÑAS

Parco Supermarket  
J. Aguilar Ave., Las Piñas City  
Tel. No.: (02) 548-0368  
Mobile No.: 0917-830-3268  
*Geraldine Dina*

### LAS PIÑAS–ALMANZA UNO

Alabang-Zapote Road  
Almanza Uno, Las Piñas City  
Tel. No.: (02) 551-4724; 966-9001  
Mobile No.: 0917-817-3526  
*Geraldine Dina*

### MAKATI–CHINO ROCES

Graceland Plaza  
2176 Chino Roces Ave.  
Pio del Pilar, Makati City  
Tel. No.: (02) 831-0477; 964-1322  
*Cristina Sanchez*

### MAKATI–J.P. RIZAL

882 J.P. Rizal St.  
Poblacion, Makati City  
Tel. Nos.: (02) 890-1026; 890-1027  
Mobile No.: 0917-510-5919  
*Jude A. Ednilag*

### MALABON–SAVEMORE

Francis Market  
Governor Pascual cor. M.H. Del Pilar St.  
Malabon  
Tel. No.: (02) 931-6326  
*Marleon Josef Camiling*

### MANDALUYONG

Paterno's Building  
572 New Panaderos St.  
Brgy. Pag-asa, Mandaluyong City  
Tel. Nos.: (02) 238-3745; 238-3744  
*Dean I. Martin*

### MANDALUYONG–SHAW BOULEVARD

500 Shaw Tower, 500 Shaw Boulevard  
Mandaluyong City  
Tel. No.: (02) 941-9412  
Mobile No.: 0917-580-6593  
*Stephanie B. Villanueva*

### MANILA–STA.ANA SAVEMORE

Savemore Pedro Gil St.  
Sta. Ana, Manila  
Tel. Nos.: (02) 523-8574; 523-8606  
987-4975  
*Francisco Buenaflor*

### MANILA–STA. CRUZ

(to open May 2017)  
Multi-Pacific Business Inc. Building  
Plaza Sta. Cruz, Sta. Cruz, Manila

### MARIKINA

33 Bayan-Bayanan Ave.  
Brgy. Concepcion 1, Marikina City  
Tel. Nos.: (02) 477-2445; 943-6037  
*Razelyn J. Afuang*



# CHINA BANK SAVINGS BRANCHES

## MARIKINA–GIL FERNANDO AVE.

CTP Building  
Gil Fernando Ave., Marikina City  
Tel. Nos.: (02) 681-2810; 645-8169  
*Cecilia Sta. Maria*

## McKINLEY HILL

Commerce and Industry Plaza  
Upper Basement  
McKinley Town Center  
Campos Ave. cor. Park Ave.  
McKinley Hill, Taguig City  
Tel. Nos.: (02) 403-0425; 798-0357  
403-9413

*Joana V. Siochi*

## MUÑOZ JACKMAN–SAVEMORE

Jackman Plaza, Lower Ground Floor  
EDSA – Muñoz, Quezon City  
Tel. No.: (02) 442-6282  
*Angelito Domingo*

## NEPA-Q MART–SAVEMORE

770 Saint Rose Building  
EDSA and K-G St.  
West Kamias, Quezon City  
Tel. No.: (02) 351-4883  
Mobile No.: 0917-863-6069  
*Wendell M. Gaza*

## NINOY AQUINO AVE

Skyfreight Building, G/F  
Ninoy Aquino Ave. cor. Pascor Drive  
Parañaque City  
Tel. Nos.: (02) 843-2447; 239-0574  
*Rafael Ma. C. Guerra III*

## NOVA PLAZA MALL–SAVEMORE

Novaliches Plaza Mall  
Quirino Highway cor. Ramirez St.  
Novaliches Proper, Quezon City  
Tel. No.: (02) 983-1512  
*Angelito Domingo*

## ORTIGAS–CITRA

Unit B1, OMM Citra Building  
San Miguel Ave., Ortigas Center  
Pasig City  
Tel. Nos.: (02) 637-9778; 637-9824  
637-2018

*Irmina V. Dator*

## ORTIGAS CENTER

Hanston Square, San Miguel Ave.  
Ortigas Center, Pasig City  
Tel. Nos.: (02) 654-1912; 477-3439  
Mobile No.: 0917-807-8394  
*Gilda Brigida C. Alunan*

## PARAÑAQUE–BETTER LIVING

90 Doña Soledad Ave.  
Better Living Subdivision  
Bicutan, Parañaque City  
Tel. Nos.: (02) 551-3600; 831-8507  
507-4116  
Mobile No.: 0917-561-5576  
*Dimples O. Dacio*

## PARAÑAQUE–BF HOMES

284 Aguirre Ave.  
B.F. Homes, Parañaque City  
Tel. Nos.: (02) 553-5414; 964-1292  
Mobile No.: 0917-510-5911  
*Maria Francesca J. Corporal*

## PARAÑAQUE–JAKA PLAZA

Jaka Plaza Center  
Dr. A. Santos Ave. (Sucat Road)  
Brgy. San Isidro, Parañaque City  
Tel. No.: (02) 820-6093  
Fax No.: (02) 820-6091  
*Howard M. Abedo*

## PARAÑAQUE–LA HUERTA

1070 Quirino Ave.  
La Huerta, Parañaque City  
Tel. No.: (02) 893-1226  
*Marilet C. Valerio*

## PARAÑAQUE–MOONWALK

Kassel Residence  
E. Rodriguez Ave.  
Moonwalk, Parañaque City  
Tel. Nos.: (02) 664-1923; 957-2339  
Mobile No.: 0917-621-8321  
*Rinamarie Lychelle F. Vibal*

## PASIG–CANIOGAN

KSN Building, C. Raymundo Ave.  
Canioogan, Pasig City  
Tel. No.: (02) 957-0817  
*Redmund Pascual*

## PASIG–PADRE BURGOS

114 Padre Burgos St.  
Kapasigan, Pasig City  
Tel. Nos.: (02) 650-3356; 650-3361  
650-3362  
*Joseph Arnold R. Mirafior*

## PASO DE BLAS

Andoks Building, 629 Gen. Luis St.  
Malinta Interchange – NLEX  
Paso de Blas, Valenzuela City  
Tel. No.: (02) 984-8258  
Fax No.: (02) 984-8258  
*Mary Jane Anasta*

## PATEROS

500 Elisco Road  
Sto. Rosario, Pateros City  
Tel. Nos.: (02) 655-2349; 641-9556  
*Ida Daphne Dela Torre*

## PATEROS–ALMEDA

120 M. Almeda St.  
Pateros City  
Tel. Nos.: (02) 641-6768; 641-6760  
*Santos F. Guadines*

## PEDRO GIL–SAVEMORE

Pedro Gil cor. Singalong St.  
Paco, Manila  
Tel. Nos.: (02) 354-3117; 521-4056

## QUEZON AVENUE–PALIGSAHAN

1184-A Ben-Lor Building  
Brgy. Paligsahan, Quezon City  
Tel. Nos.: (02) 376-4546; 376-4548  
376-4544  
*Randal Ignatius Z. Razo*

## QUEZON AVENUE

GJ Building, 385 Quezon Ave.  
West Triangle, Quezon City  
Tel. Nos.: (02) 332-2639; 332-2638  
Mobile No.: 0917-538-2423  
*Helena Rowena Abanto*

## QUIAPO–QUEZON BOULEVARD

416 Quezon Boulevard  
Quiapo, Manila  
Tel. Nos.: (02) 247-3297; 247-3298

## RADA–LEGASPI

HRC Center, 104 Rada St.  
Legaspi Village, Makati City  
Tel. Nos.: (02) 810-9369; 818-2368  
812-2577  
Fax No.: (02) 810-9370  
*Amapola A. Guina*

## SAN JUAN CITY

Madison Square  
264 N. Domingo St.  
Brgy. Pasadena, San Juan City  
Tel. No.: (02) 507-4147  
Mobile No.: 0917-561-5639  
*Jeanette Mae E. Castillo*

## TAFT MASAGANA–SAVEMORE

Parkview Plaza, Trida Building  
Taft Ave. cor. T.M. Kalaw St.  
Ermita, Manila  
Tel. No.: (02) 554-0617  
Mobile No.: 0917-538-2421

## TAYTAY

C. Gonzaga Building II  
Manila East Road, Taytay, Rizal  
Tel. Nos.: (02) 650-3367; 623-6113  
Mobile No.: 0917-578-6978  
*Mary Joy Surla*

## TAYUMAN

1925-1929 Rizal Ave.  
near cor. Tayuman St.  
Sta. Cruz, Manila  
Tel. Nos.: (02) 230-3091; 247-0683  
586-1618  
*Nathaniel Villanueva*

## TIMOG

Jeinkinsen Towers Condominium  
80 Timog Ave., Quezon City  
Tel. Nos.: (02) 371-8303; 371-8304  
371-8305  
*Randal Ignatius Z. Razo*

## TWO E-COM

Two E-Com Center Tower B  
Ocean Drive cor. Bayshore Drive  
Mall of Asia Complex, Pasay City  
Tel. Nos.: (02) 802-3068; 802-5583  
587-4753  
Mobile No.: 0917-506-8303  
*Jazmin Vergara*

## UN AVENUE

552 United Nations Ave.  
Ermita, Manila  
Tel. Nos.: (02) 400-5468; 400-5467  
*Edward Lyndon M. Dimapilis*

## VALENZUELA–MARULAS

92-J MacArthur Highway  
Marulas, Valenzuela City  
Tel. Nos.: (02) 291-6542; 291-6541  
*Rowena Morenos*

## VISAYAS AVENUE

Wilcon City Center Mall  
Upper Ground Floor Visayas Ave.  
Quezon City  
Tel. Nos.: (02) 990-7717; 990-6543  
990-6544  
*Ma. Victoria I. Calderon*

## NORTH LUZON

### ANGELES–RIZAL

639 Rizal St., Angeles City  
Tel. Nos.: (045) 323-4303  
625-9722  
Fax No.: (045) 888-4971  
*Christopher G. Benitez*

### ANGELES–SAN JOSE

Sto. Rosario St.  
San Jose, Angeles City  
Tel. Nos.: (045) 409-0234  
888-2048  
*Maria Beata P. Larin*

### ARAYAT

Cacutud, Arayat, Pampanga  
Tel. No.: (045) 885-2390  
*Ma. Rowena C. Cura*

### BAGUIO–SESSION

B 108 Lopez Building, Session Road  
cor. Assumption Road, Baguio City  
Tel. Nos.: (074) 446-3993  
446-3994  
*Ma. Elena F. Estira*

### BALAGTAS

Brgy. Wawa, MacArthur Highway  
Balagtas St., Bulacan  
Tel. No.: (044) 693-1849  
*Maita D.R. de Guzman*

### BALANGA–D.M. BANZON

D.M. Banzon Street  
Balanga City, Bataan  
Tel. No.: (047) 237-3667  
*Mary Jane L. Sazon*

### BALIBAGO

JEV Building, MacArthur Highway  
Balibago, Angeles City  
Tel. No.: (045) 892-3325  
*Maricel E. Manalang*

### BALIUAG

Mariano Ponce Building  
Plaza Naning, Baliuag, Bulacan  
Tel. Nos.: (044) 766-2014  
673-1338  
*Marikris Agustin*

### CABANATUAN

Km. 115 Cagayan Valley Road  
Maharlika Highway  
near cor. Sanciango St.  
Cabanatuan City, Nueva Ecija  
Tel. Nos.: (044) 940-6943  
940-6942; 940-6944  
*Theresa Padiernos*

### CABANATUAN–BAYAN

Burgos Ave., Cabanatuan City  
Tel. No.: (044) 600-2888  
*Theresa Padiernos*

### DAGUPAN

Lyceum–Northwestern University  
Ground Floor, Tapuac District  
Dagupan City  
Tel. No.: (075) 523-3637  
*Gingin T. Aquino*

# CHINA BANK SAVINGS BRANCHES

## DAGUPAN-PEREZ BOULEVARD

Burgos Extension  
cor. Perez Boulevard, Lingayen Highway  
Dagupan City  
Tel. No.: (075) 515-7600  
Fax No.: (075) 522-9586  
*Ma. Suzette D. Ramos*

## DAU

MacArthur Highway  
Dau, Mabalacat, Pampanga  
Tel. Nos.: (045) 892-2216  
624-0167  
*Editha C. Gomez*

## DOLORES

STCI Building, MacArthur Highway  
Brgy. San Agustin, San Fernando City  
Pampanga  
Tel. No.: (045) 649-3150  
Fax No.: 649-3724  
*Alex L. Serrano*

## GUAGUA

Plaza Burgos, Guagua, Pampanga  
Tel. Nos.: (045) 901-0641  
901-0966  
*Betty L. Bacani*

## GUAGUA-STO NIÑO

Sto. Niño, Guagua, Pampanga  
Tel. No.: (045) 900-2326  
Fax No.: (045) 900-0779  
*Betty L. Bacani*

## LA UNION

A.G. Zambrano Building  
Quezon Ave., San Fernando City  
La Union  
Tel. No.: (072) 700-3800  
Fax No.: (072) 242-0414  
*Eloisa B. Chan*

## LAOAG CITY

LC Square Building  
J.P. Rizal cor. M.V. Farinas St.  
Laoag City, Ilocos Norte  
Tel. No.: (077) 234-3776  
Mobile No.: 0917-816-2456  
*Ronald C. Tamayo*

## MACABEBE

Poblacion, Macabebe, Pampanga  
Tel. No.: (045) 435-5507  
Mobile No.: 0917-821-8102  
*Analyn I. Tolentino*

## MALOLOS

Canlapan St., Sto. Rosario  
City of Malolos, Bulacan  
Tel. No.: (044) 794-2830  
Mobile No.: 0917-835-4684  
*Rosanna L. Martinez*

## MALOLOS-CATMON

Paseo Del Rosario  
Catmon, City of Malolos, Bulacan  
Tel. No.: (044) 791-2461  
Fax No.: (044) 662-7819  
*Romeo G. Esteban*

## MASANTOL

San Nicolas, Masanto, Pampanga  
Tel. No.: (045) 435-2906  
*Jona C. Bernarte*

## MEYCAUAYAN

Mancon Building  
MacArthur Highway  
Calvario, Meycauayan, Bulacan  
Tel. Nos.: (044) 228-2416  
840-0099  
*Roberto S. Evangelista*

## MOUNT CARMEL

Km. 78 MacArthur Highway  
Brgy. Saguin, San Fernando City  
Pampanga  
Tel. Nos.: (045) 861-1066  
435-6055  
*Regina S. Dayrit*

## PLARIDEL

0226 Cagayan Valley Road  
Banga 1st, Plaridel, Bulacan  
Tel. Nos.: (044) 795-0105  
670-1067

## OLONGAPO

City View Hotel Building  
25 Magsaysay Drive  
New Asinan, Olongapo City  
Tel. No.: (047) 222-2504  
Fax No.: (047) 222-1891  
Mobile No.: 0917-807-8509  
*Ricardo R. Chua*

## ORANI

Brgy. Balut, Orani, Bataan  
Tel. Nos.: (047) 638-1282  
638-1281  
*Elsie B. Dimalanta*

## ORANI-CALLE REAL

Calle Real, Orani Bataan  
Tel. Nos.: (047) 638-1130  
431-1275  
*Cristina T. Fermin*

## PORAC

Cangatba, Porac, Pampanga  
Tel. No.: (045) 329-3188  
Mobile No.: 0917-870-3305  
*Mariano V. Garcia Jr.*

## SAN FERNANDO

Khy Trading Building  
San Fernando-Gapan Road  
San Fernando City, Pampanga  
Tel. Nos.: (045) 961-1415  
961-1416  
*Mary Ann Jacquelyn S. Tiongson*

## SAN FERNANDO-BAYAN

JSL Building, Consunji St.  
San Fernando City, Pampanga  
Tel. No.: (045) 280-7818  
Mobile No.: 0917-584-4429  
*Misael M. Velasquez*

## SAN ILDEFONSO-SAVEMORE

Savemore Building  
Cagayan Valley Road  
Poblacion, San Ildefonso, Bulacan  
Tel. Nos.: (044) 797-0742  
797-0974  
*Ledwina D. Villafuerte*

## SAN JOSE DEL MONTE

Giron Building, Gov. Halili Ave.  
Tungkong Mangga, City of San Jose  
Del Monte, Bulacan  
Tel. Nos.: (044) 815-8396  
815-6616  
Mobile No.: 0917-835-4675  
*Othello C. Mendoza*

## SAN MIGUEL

Norberto St., San Miguel, Bulacan  
Tel. No.: (044) 764-0162  
Fax No.: (044) 764-0826  
*Perlito U. Dimla*

## SAN NARCISO

Brgy. Libertad, San Narciso, Zambales  
Tel. No.: (047) 913-2245  
*Johnest N. Monsalud*

## SAN RAFAEL

Cagayan Valley  
cor. Cruz na Daan Road  
San Rafael, Bulacan  
Tel. No.: (044) 913-7629  
*Ledwina D. Villafuerte*

## SANTIAGO-VICTORY NORTE

JECO Building, Maharlika Highway  
cor. Quezon St., Victory Norte  
Santiago, Isabela  
Tel. Nos.: (078) 305-0260  
305-0252  
*Elizabeth K. Chua*

## STA. ANA

Poblacion, Sta. Ana, Pampanga  
Tel. No.: (045) 409-0335  
*Lita P. Lopez*

## STA. MARIA

Gen. Luna cor. De Leon St.  
Poblacion, Sta. Maria, Bulacan  
Tel. Nos.: (044) 288-2453  
893-0587  
Fax No.: (044) 641-1150  
*Helen O. Cabuhat*

## STA. RITA

San Vicente, Sta. Rita, Pampanga  
Tel. Nos.: (045) 900-0658  
434-0131  
*Gloria S. Cunanan*

## SUBIC

Baraca, Subic, Zambales  
Tel. No.: (047) 232-6104  
*Cheryl E. Comandante*

## TARLAC-MAC ARTHUR

MacArthur Highway  
San Nicolas, Tarlac City  
Tel. No.: (045) 982-9652  
Fax No.: (045) 982-9653  
*Thelma Marie C. Isais*

## TUGUEGARAO

Metropolitan Cathedral Parish Rectory  
Complex, Rizal St., Tuguegarao City  
Tel. No.: (078) 844-0484  
*Mario P. Allauigan*

## URDANETA

MacArthur Highway, Nancayasan  
Urdaneta City, Pangasinan  
Tel. No.: (075) 624-2331  
Fax No.: (075) 522-0498  
*Loreto V. Munoz Jr.*

## VIGAN

Agdamag Building, Quezon Ave.  
cor. Calle Mabini, Vigan City, Ilocos Sur  
Tel. No.: (077) 674-0300  
*Melvin R. Aguinaldo*

## SOUTH LUZON

### BACOR-MOLINO

Avon Building, 817 Molino Road  
Molino III, City of Bacoor, Cavite  
Tel. Nos.: (046) 235-5452  
431-9906  
Mobile No.: 0917-561-5883  
*May G. Tan*

### BACOR-TALABA

Coastal Road cor. Aguinaldo Highway  
Brgy. Talaba, City of Bacoor, Cavite  
Tel. No.: (046) 417-5940  
Fax No.: (046) 417-5930  
*Maria Victoria G. Baloy*

### BATANGAS-P. BURGOS

No. 4 Burgos St., Batangas City  
Tel. Nos.: (043) 723-1510  
723-7652  
*Edwin R. Guevara*

### BIÑAN

Nepa Highway  
San Vicente, Biñan City, Laguna  
Tel. No.: (049) 511-3638  
Fax No.: (049) 429-4878  
*Lilibeth A. Carandang*

### CALAMBA

HK Building II, National Highway  
Brgy. Halang, Calamba City, Laguna  
Tel. Nos.: (049) 306-0238  
306-0234  
Mobile No.: 0917-817-3609  
*Rodel B. Solomon*

### CALAMBA-CROSSING

AS Building, National Highway  
cor. Sto. Domingo St., Brgy. Uno  
Crossing, Calamba City, Laguna  
Tel. Nos.: (049) 545-3670  
545-5310  
(02) 520-8808  
*Rodel B. Solomon*

### CAVITE CITY

485 P. Burgos St.  
Barangay 34, Caridad  
Cavite City, Cavite  
Tel. No.: (046) 417-3100  
*Rosewedi L. Baltero-Cruz*

### DARAGA-ALBAY

N & H Building, Rizal St.  
Brgy. San Roque, Daraga, Albay  
Tel. Nos.: (052) 483-0706  
204-0024 to 25  
*Timoteo D. De Villa Jr.*

## CHINA BANK SAVINGS BRANCHES

### DASMARIÑAS

Veluz Plaza Building  
Zone 1, Aguinaldo Highway  
Dasmariñas City, Cavite  
Tel. Nos.: (046) 416-0510  
416-0501  
*Ma. Cecilia S. Gutierrez*

### FILIOIL-TANAUAN SUPLANG

FilOil Gas Station  
Brgy. Suplang, Tanauan City, Batangas  
Tel. No.: (043) 502-7144  
Mobile No.: 0917-863-6160  
*Carlo C. Olmos*

### IMUS-TANZANG LUMA

OLMA Building  
Aguinaldo Highway  
Tanzang Luma, Imus City, Cavite  
Tel. Nos.: (046) 471-4715  
476-0927  
Fax No.: (046) 471-9413  
*Quennie V. Umil*

### LAGUNA-STA. CRUZ

E & E Building, Pedro Guevarra Ave.  
Sta. Cruz, Laguna  
Tel. No.: (049) 501-4327  
*Roman J. Villacorta*

### LIPA-CM RECTO

China Bank Savings Building  
C.M. Recto Ave., Lipa City  
Tel. Nos.: (043) 756-1414  
756-1022  
*Rolando E. Castillo*

### LOS BAÑOS-CROSSING

Lopez Ave., Batong Malake  
Los Baños, Laguna  
Tel. Nos.: (049) 536-2596  
536-0549  
*Cherry Jane O. Pamplona*

### LUCENA

Merchan cor. Evangelista St.  
Lucena City  
Tel. No.: (042) 660-6964  
Fax No.: (042) 710-6964  
*Ronald De Guzman*

### NAGA

RL Building, Panganiban St.  
Lerma, Naga City, Camarines Sur  
Tel. No.: (054) 472-1947  
*Albert B. Tan*

### SAN PABLO-RIZAL AVENUE

Rizal Ave. cor. A. Fule St. (former Lopez  
Jaena), San Pablo City  
Tel. No.: (049) 562-7738  
*Simplicia Elizabeth Kalaw*

### SAN PEDRO

Gen - Ber Building, National Highway  
Landayan, San Pedro City, Laguna  
Tel. Nos.: (02) 869-8221  
869-8220  
*Catherine A. Jardiel*

### STA. ROSA

Sta. Rosa-Tagaytay Highway  
Sta. Rosa City, Laguna  
Tel. No.: (049) 502-9134  
Mobile No.: 0917-510-5951  
*Amor F. Cajucom*

### STA. ROSA-BALIBAGO

Old National Highway  
cor. Roque Lazaga St.  
Sta. Rosa City, Laguna  
Tel. Nos.: (049) 534-1167  
(02) 520-8448  
*Sonny L. Trivino*

### STO. TOMAS-MAHARLIKA

The Lifestyle Strip, Maharlika Highway  
San Antonio, Sto. Tomas, Batangas  
Tel. Nos.: (043) 318-0582  
778-3247  
*Myla L. Mapalad*

### TAGAYTAY-SAVEMORE

Mendez Crossing West  
Tagaytay-Nasugbu Highway  
cor. Mendez-Tagaytay Road  
Tagaytay City  
Tel. Nos.: (046) 413-3871  
413-3872  
Mobile No.: 0917-561-5334  
*Quennie V. Umil*

### UP LOS BAÑOS

Kanluran Road, UP Los Baños Campus  
College, Los Baños, Laguna  
Tel. Nos.: (02) 536-3058  
536-3682  
*Cherry Jane O. Pamplona*

## VISAYAS-MINDANAO

### BACOLOD

SKT Saturn Building  
Lacson cor. Rizal St.  
Bacolod City, Negros Occidental  
Tel. Nos.: (034) 435-6983  
435-7143  
*Ronnie A. Vinco, Jr*

### BACOLOD-LUZURIAGA

Lacson cor. Luzuriaga St.  
Bacolod City, Negros Occidental  
Tel. Nos.: (034) 704-1084  
704-1089  
*Ronnie A. Vinco, Jr.*

### CAGAYAN DE ORO

Sergio Osmeña St.  
Cogon District, Cagayan de Oro City  
Tel. Nos.: (088) 859-0169  
859-0740; 859-0949  
852-2006; 323-1057  
*Ma. Socorro D. Cosme*

### CEBU-LAHUG

Skyrise IT Building  
Brgy. Apas, Lahug, Cebu City  
Tel. Nos.: (032) 236-0809  
236-0810  
*Theresa L. Tan*

### CEBU-MANDAUE

A. Del Rosario Ave.  
Mantuyong, Mandaue City, Cebu  
Tel. Nos.: (032) 520-2780  
422-8019  
*Kristine Mae M. Diores*

### CEBU-MANGO

JSP Mango Realty Building  
Gen. Maxilom Ave.  
cor. Echavez St., Cebu City  
Tel. Nos.: (032) 231-4304  
231-4736  
*Theresa L. Tan*

### CEBU MANDAUE-BASAK

Cebu North Road  
Basak, Mandaue City, Cebu  
Tel. No.: (032) 346-6959  
Fax No.: (032) 346-8814  
*Pia Monica C. Alturas*

### DAVAO

8990 Corporate Center  
Quirino Ave., Davao City  
Tel. Nos.: (082) 321-0273  
321-0274  
*Philip C. Dumlaog*

### DAVAO-RECTO

C. Villa Abrille Building  
C.M. Recto Ave., Davao City  
Tel. No.: (082) 305-5808  
Fax No.: (082) 227-1802  
*Ma. Gladys B. Amancio*

### GENERAL SANTOS

I. Santiago Boulevard  
General Santos City  
Tel. No.: (083) 552-6329  
*Maria Theresa S. Pacheco*

### ILOILO

Cua Building  
Quezon St., Iloilo City  
Tel. Nos.: (033) 336-9752  
336-9753  
*Pamela Julianita P. Trompeta*

### ILOILO-JARO

Lopez Jaena cor. El 98 St.  
Jaro, Iloilo  
Tel. Nos.: (033) 320-0370  
320-0426  
*Elly Beth L. Amparo*

### ILOILO-QUEZON

132 Quezon St.  
Iloilo City  
Tel. No.: (033) 321-0940  
*Pamela Julianita P. Trompeta*

### TALISAY NEGROS-SAVEMORE

SaveMore Talisay, Mabini St.  
Zone 12, Paseo Mabini  
Talisay City, Negros Occidental  
Tel. Nos.: (034) 441-6264  
441-6267  
*Jaime Javier D. Torre*

### ZAMBOANGA-CITY MALL

City Mall, Don Alfaro St.  
Tetuan, Zamboanga City  
Tel. No.: (062) 955-8709  
955-0563  
Mobile No.: 0917-704-7242  
*Jennifer Marie R. De Leon*

## CBS OFF-BRANCH ATMs

### ISAAC & CATALINA MEDICAL CENTER

Calero St.  
Ibayo, Balanga, Bataan

### LA SALLE COLLEGE ANTIPOLLO

1985 La Salle Ave.  
Brgy. San Luis, Antipolo City, Rizal

### MABALACAT MUNICIPAL HALL

Delfin Drive  
Mabalacat, Pampanga

### RIS COMPOUND

RIS Development Corporation  
168 Mercado St.  
Tabe, Guiguinto, Bulacan

### ZAMECO COMPOUND

ZAMECO II Head Office  
National Road, Bgy. Magsaysay  
Castillejos, Zambales

# CHINA BANK SAVINGS BRANCHES

## BUSINESS OFFICES

**BAGUIO SALES OFFICE**  
B108 Lopez Building, 2<sup>nd</sup> Floor  
Session Road cor. Assumption Road  
Baguio City  
Tel. Nos.: (074) 422-0090  
(02) 884-7600 locals 4231  
4232

**BALIUAG SALES OFFICE**  
Mariano Ponce Building  
2<sup>nd</sup> Floor Plaza Naning  
Poblacion, Baliuag, Bulacan  
Tel. No.: (02) 884-7600 locals 4202  
4261

**CABANATUAN SALES OFFICE**  
Duran Building  
Burgos Ave., Cabanatuan City  
Tel. No.: (02) 884-7600 local 4254

**CAGAYAN DE ORO SALES OFFICE**  
Sergio Osmeña St.  
Cogon District, Cagayan De Oro City  
Tel. No.: (0882) 272-7082

**CEBU BUSINESS CENTER**  
JSP Plaza Building, 2<sup>nd</sup> Floor  
General Maxilom cor. Echaves St.  
Cebu City  
Tel. Nos.: (032) 232-5061; 232- 6263  
(02) 884-7600 locals 4207  
4209; 4205; 4206

**DAVAO BUSINESS CENTER**  
8990 Corporate Center, 3<sup>rd</sup> Floor  
Quirino Ave., Davao City  
Tel. Nos.: (082) 298-4569  
(02) 884-7600 local 4218

**GENERAL SANTOS SALES OFFICE**  
Go Chay Ching Building  
I. Santiago Boulevard  
General Santos City  
Tel. Nos.: (083) 301-5042  
(02) 884-7600 local 4271

**ILOILO SALES OFFICE**  
RTG Building  
Quezon St., Iloilo City  
Tel. Nos.: (033) 337-6421; 508-3628  
(02) 884-7600 local 4219

**IMUS SALES OFFICE**  
OLMA Building, Aguinaldo Highway  
Tanzang Luma, Imus City, Cavite  
Tel. Nos.: (046) 416-4992  
(02) 884-7600 local 4268

**LA UNION BUSINESS CENTER**  
A.G. Zambrano Building  
Quezon Ave., San Fernando City  
La Union  
Tel. Nos.: (072) 888-7477  
(02) 884-7600 local 4227

**LAOAG SALES OFFICE**  
LC Square Building  
J.P. Rizal cor. M.V Farinas St.  
Laoag City, Ilocos Norte  
Tel. No.: (077) 600-1009

**LIPA BUSINESS CENTER**  
China Bank Savings Building  
2<sup>nd</sup> Floor C.M Recto Ave.  
Lipa City  
Tel. Nos.: (043) 756-5003  
(02) 884-7600 local 4253

**MARIKINA SALES OFFICE**  
CTP Building  
3<sup>rd</sup> Floor Gil Fernando Ave.  
Marikina City  
Tel. Nos.: (02) 645-9819  
(02) 884-7600 local 4238

**NAGA SALES OFFICE**  
RL Building, 3<sup>rd</sup> Floor  
Panganiban St., Lerma, Naga City  
Tel. Nos.: (054) 472-1947  
(02) 884-7600 local 4273

**SAN FERNANDO PAMPANGA SALES OFFICE**  
JSL Building, 3<sup>rd</sup> Floor  
Consunji St., San Fernando City  
Pampanga  
Tel. Nos.: (045) 961-0005; 961-0008  
(02) 884-7600 locals 4221  
4236; 4237

**SAN PABLO SALES OFFICE**  
China Bank Savings Building, 2<sup>nd</sup> Floor  
Rizal Ave. cor. A. Fule St.  
San Pablo City  
Tel. Nos.: (049) 800-3917  
(02) 884-7600 local 4204

**SANTIAGO SALES OFFICE**  
Jeco Building, Maharlika Highway  
Victory Norte, Santiago City  
Tel. No.: (02) 884-7600 local 4374

**VIGAN SALES OFFICE**  
Agdamag Building, 2<sup>nd</sup> Floor  
Quezon Ave. cor. Calle Mabini  
Vigan City, Ilocos Sur

## DepED LOAN CENTERS

**NATIONAL CAPITAL REGION BUSINESS CENTER**  
GJ Building, 2<sup>nd</sup> Floor  
385 Quezon Ave.  
West Triangle, Quezon City  
Tel No.: (02) 372-7926  
Mobile No.: 0905-558-2542  
*Czar R. Tagros*

**REGION 1 LA UNION BUSINESS CENTER**  
A.G. Zambrano Building  
Quezon Ave., San Fernando City  
La Union  
Mobile No.: 0915-513-9452  
*Saddam Abdul Gonting*

**CORDILLERA AUTONOMOUS REGION BUSINESS CENTER**  
B108 Lopez Building  
Session Road cor. Assumption Road  
Baguio City  
Mobile No.: 0927-378-2661  
*Karina Mikaela Caguioa*

**REGION 2 TUGUEGARAO BUSINESS CENTER**  
Metropolitan Cathedral Parish  
Rectory Complex  
Rizal St., Tuguegarao City  
Tel. No.: (078) 375-4471  
Mobile No.: 0917-353-6503  
*Rodrigo Gamayon*

**REGION 3 SAN FERNANDO BUSINESS CENTER**  
JSL Building  
Consunji St., San Fernando City  
Pampanga  
Tel No.: (045) 280-8215  
*Jonald Imana*

**REGION 4-A TAYTAY BUSINESS CENTER**  
C. Gonzaga Building II, 2<sup>nd</sup> Floor  
Manila East Road, Taytay, Rizal  
Tel No.: (02) 633-3988  
Mobile No.: 0919-754-1907  
*Jeff Reguis*

**REGION 5 DARAGA BUSINESS CENTER**  
N & H Building  
Rizal St., Brgy. San Roque  
Daraga, Albay  
Tel. No. : (052) 483-7783  
Mobile Nos.: 0977-459-0839  
0926-445-1989  
*Charlie M. Banes*

**REGION 11 DAVAO BUSINESS CENTER**  
8990 Corporate Center, 3<sup>rd</sup> Floor  
Quirino Ave., Davao City  
Mobile No.: 0977-463-4707  
*Gina R. dela Cruz*

**REGION 12 GEN. SANTOS BUSINESS CENTER**  
Go Chay Ching Building  
I. Santiago Boulevard  
General Santos City  
Tel. No. : (083) 554-0211  
Mobile No.: 0907-881-5270  
*Joel Dondon*



# CHINA BANK OFF-BRANCH ATM DIRECTORY

## METRO MANILA

### 168 Mall

168 Mall, Sta. Elena St.  
Binondo, Manila

### 999 Mall 2

Recto cor. Soler St.  
Binondo, Manila

### 999 Shopping Mall

1002 -1062 Soler St., Brgy. 293  
Zone 28, District 3, Binondo, Manila

### Alabang Mall

Alabang Town Center, Alabang -  
Zapote Road, Muntinlupa City

### Alfamart Maax

Mall of Asia Annex (MAAX) Bldg.  
Seaside Blvd., San Rafael, Pasay City

### Alfamart Naga Road

Naga Road, Pulang Lupa 2  
Las Piñas City

### Ali Mall

P. Tuazon Blvd.  
Araneta Center, Quezon City

### Ali Mall 2

P. Tuazon Blvd.  
Araneta Center, Quezon City

### Ateneo De Manila University

Kostka Hall, Ateneo De Manila  
University, Katipunan Ave.  
Loyola Heights, Quezon City

### Cash and Carry

Filmore St., Makati City

### Chiang-Kai-Shek

Chiang Kai Shek College  
1274 P. Algue, Manila

### China Bank Online Center

Starbucks, China Bank Bldg.  
8745 Paseo De Roxas cor. Villar St.  
Makati City

### Comembo Commercial Complex

J.P. Rizal Ext. cor. Sampaguita St.  
Comembo, Makati City

### Commerce Center

Commerce Ave., Filinvest  
Ayala Alabang, Muntinlupa City

### Conrad S Maison Mall

Conrad Hotel, Coral Ave.  
SM Mall of Asia, Pasay City

### Dasmariñas Village Association Office

1417 Campanilla St.  
Dasmariñas Village, Makati City

### Eastwood City Walk 2

Eastwood City Cyberpark  
188 E. Rodriguez Jr. Ave.  
Bagumbayan, Quezon City

### Eastwood Cybermall

Eastwood Ave., Eastwood City  
Cyberpark, Bagumbayan, Quezon City

### Eastwood Mall

E. Rodriguez Jr. Ave., Bagumbayan  
Quezon City

### Gateway Mall

Cubao, Quezon City

### Glorietta 4

Ayala Center, Makati City

### Glorietta 5

Ayala Center, Makati City

### Greenbelt 3

Makati Ave., Makati City

### Greenhills Theater Mall

Greenhills, San Juan City

### Jackman Emporium

Jackman Emporium Department  
Store Bldg., Grace Park, Kalookan City

### Jackman Plaza-Muñoz

EDSA cor. Congressional Ave.  
Muñoz, Quezon City

### JGC Alabang

JGC Phils. Bldg., Prime St.  
Madrigal Business Park - Phase III  
Ayala Alabang, Muntinlupa City

### Katarungan Village

Katarungan Village Administration  
Office, F. Reria cor. University Road  
Muntinlupa City

### Kimston Plaza

P. Victor St. cor. P. Burgos St.  
Guadalupe Nuevo, Makati City

### Landmark-Makati

The Landmark Bldg., Makati Ave.  
Ayala Center, Makati City

### Landmark-Trinoma

EDSA cor. Mindanao Ave. Extension  
Pag-asa, Quezon City

### Liana's Sampaloc

537 M. Earnshaw, Sampaloc, Manila

### Malabon Citisquare

C4 Road cor. Dagat-Dagatan Ave.  
Malabon City

### Market! Market! 1

Market! Market!  
Bonifacio Global City, Taguig City

### Market! Market! 2

Market! Market!  
Bonifacio Global City, Taguig City

### Market! Market! 3

Market! Market!  
Bonifacio Global City, Taguig City

### Medical City

Ortigas Ave., Pasig City

### SM Megamall Bldg. B

EDSA cor. Julia Vargas St.  
Mandaluyong City

### Metro Point Mall

EDSA cor. Taft Ave., Pasay City

### Metrowalk

Bldg. C, Metrowalk Commercial  
Complex, Meralco Ave., Pasig City

### Midas Hotel

2702 Roxas Blvd., Pasay City

### MRT-Boni

MRT-Boni Station  
EDSA, Mandaluyong City

### MRT-Cubao Station

MRT-Cubao Station  
EDSA, Quezon City

### MRT-North Ave.

MRT-North Ave. Station  
EDSA, Quezon City

### MRT-Shaw

MRT-Shaw Station  
EDSA, Mandaluyong City

### Multinational Clubhouse

Nazareth cor. Judea Sts.  
Multinational Village  
Parañaque City

### Newport Mall

Resorts World Newport City  
Villamor, Pasay City

### Nova Square

689 Quirino Highway  
Brgy. San Bartolome, Novaliches  
Quezon City

### One E-Com Center

SM Mall of Asia, Palm Coast Ave.  
(Facing Esplanade), Pasay City

### Rockwell Business Center

Ortigas Ave., Pasig City

### Puregold-Blumentritt

286 Blumentritt St., Sta. Cruz, Manila

### Puregold-E. Rodriguez

Cosco Bldg., E. Rodriguez Ave.  
cor. G. Araneta Ave., Quezon City

### Puregold-Lakefront

Presidio Sudvision, Lakefront  
Muntinlupa City

### Puregold Jr.-Pandacan

West J. Zamora St., Brgy. 851  
Zone 093, Pandacan, Manila

### Puregold-Paso De Blas

Paso De Blas cor. Gen. Luis St.  
Malinta Exit, Valenzuela City

### Resorts World Gaming Area

Resorts World, Pasay

### Robinsons Forum Pioneer

Pioneer St. cor. EDSA  
Mandaluyong City

### Robinsons Galleria

EDSA cor. Ortigas Ave.  
Pasig City

### Robinsons Galleria 2

EDSA cor. Ortigas Ave.  
Pasig City

### Robinsons Galleria 3

West Wing, Robinsons Galleria  
EDSA cor. Ortigas Ave., Pasig City

### Robinsons Place - Manila

Pedro Gil cor. Adriatico St.  
Ermita, Manila

### Rockwell Power Plant

Power Plant Mall, Makati City

### Savers Center

EDSA near cor. Taft Ave.  
Pasay City

### Shop and Ride

248 Gen. Luis St., Novaliches  
Quezon City

### Shop and Ride 2

248 Gen. Luis St., Brgy. Nova Proper  
Novaliches, Quezon City

### Shopwise-Commonwealth

Blk. 17, Commonwealth Ave.  
Don Antonio, Quezon City

### Shopwise-Antipolo

M.L. Quezon St. cor. Circumferential  
Road, San Roque, Antipolo City

### SM Center Las Piñas

Alabang-Zapote Road, Las Piñas

### SM Hypermarket-Mandaluyong

121 Shaw Blvd. cor. E. Magalona St.  
Mandaluyong City

### SM Manila

Arroceros, Manila

### SM MOA Hypermarket

SM Mall of Asia, Pasay City

### SM MOA Seaside Ferry Terminal

SM Mall of Asia Seaside Blvd.  
Near Esplanade, Pasay City

### SM Muntinlupa

Brgy. Tunasan, National Road  
Muntinlupa City

### SM Taytay

Bldg. A, SM City Taytay  
Manila East Road, Brgy. Dolores  
Taytay, Rizal



## CHINA BANK OFF-BRANCH **ATM DIRECTORY**

### **Solaire Resort & Casino**

Entertainment City, Aseana Ave.  
Parañaque City

### **Southgate Mall**

EDSA cor. Pasong Tamo Extension  
Makati City

### **St. Francis Square**

Doña Julia Vargas Ave.  
cor. Bank Drive, Ortigas Center  
Mandaluyong City

### **St. Jude College**

Dimasalang St. cor. Don Quijote St.  
Sampaloc, Manila

### **St. Luke's-Quezon City**

St. Luke's Medical Center  
Medical Arts Bldg.  
E. Rodriguez Sr. Blvd., Quezon City

### **St. Luke's-The Fort**

St. Luke's Medical Center, 5<sup>th</sup> Ave.  
The Fort, Taguig City

### **St. Luke's-The Fort 2**

St. Luke's Medical Center, 5<sup>th</sup> Ave.  
The Fort, Taguig City

### **STI - Delos Santos Medical Center**

201 E. Rodriguez Sr. Blvd.  
Brgy. Damayang Lagi, Quezon City

### **Taft-U.N.**

Times Plaza, T.M. Kalaw  
cor. Gen. Luna St., Manila

### **The A Venue**

Valdez Site, The A Venue  
7829 Makati Ave., Makati City

### **Tiendesitas**

Frontera Verde, Ortigas Ave.  
cor. C-5, Pasig City

### **Trinoma Off 1**

Trinoma, North Ave.  
cor. EDSA, Quezon City

### **Trinoma Off 2**

Trinoma, North Ave.  
cor. EDSA, Quezon City

### **Two Shopping Center**

Taft Ave. near cor. EDSA  
Pasay City

### **U.P. Town Center**

Katipunan Ave., Brgy. UP Campus  
Diliman, Quezon City

### **UPM - PGH**

Faculty Medical Arts Bldg.  
PGH Compound, Taft Ave., Manila

### **UST-Doctor's Clinic**

UST Hospital, Vestibule and  
New Doctor's Clinic, España, Manila

### **UST Hospital**

UST Hospital, España St., Manila

### **UST Hospital 3**

UST Hospital Clinical Division  
A.H. Lacson Ave., Sampaloc  
Manila

### **Victory Central Mall**

No. 717 Old Victory Compound  
Rizal Ave., Monumento  
Caloocan City

### **Victory Pasay Mall**

Libertad cor. Taft Ave.  
Pasay City

### **Wack Wack Golf & Country Club**

Shaw Blvd., Mandaluyong City

### **Walter Mart-Makati**

790 Chino Roces Ave.  
cor. Antonio Arnaiz, Makati City

### **Walter Mart-North EDSA**

Walter Mart Bldg., EDSA, Quezon City

### **Walter Mart-Sucat**

Brgy. San Isidro, Dr. A. Santos Ave.  
Sucat, Parañaque City

### **Zabarte Town Center**

588 Camarin Road  
cor. Zabarte Road, Caloocan City

## **PROVINCIAL**

### **268 Mall**

CK Bldg., Plaridel Extension  
Sto. Rosario, Angeles City

### **2 Mango Ave**

Solara Bldg.  
General Maxilom Ave., Cebu City

### **A. Bonifacio-McDonald's Baguio**

Villanueva Bldg., Bonifacio St.  
Baguio City

### **Abreeza Mall**

J.P. Laurel Ave., Bajada, Davao City

### **Adventist University of the Philippines**

Sta. Rosa-Tagaytay Road  
Puting Kahoy, Silang, Cavite City

### **AG&P**

San Roque, Bauan, Batangas

### **Alfamart Filinvest Tanza**

Filinvest Ave., Westwood Place Subd.  
Ph.2, Brgy. Paradahan, Tanza  
Cavite City

### **Alfamart Golden City**

Molino-Paliparan Rd.  
Dasmariñas, Cavite

### **Alfamart Ilang-Ilang Tanza**

Ilang-ilang St., De Roman Subd.  
Daang Amaya 1, Tanza, Cavite

### **Alfamart Lancaster**

MCS Bldg., Advincula Ave.  
Alapan II-A, Imus, Cavite

### **Alfamart L'Paseo Arcade Indang**

L'Paseo Arcade, Poblacion  
Indang, Cavite

### **Alfamart Lumina**

Aguinaldo Highway  
cor. Nueno Ave., Imus, Cavite

### **Alfamart Pacita Complex**

Phase 3A, Block 3, Pacita Complex  
San Pedro, Laguna

### **Alfamart Poblacion Rosario**

153 Gen. Trias Drive, Rosario  
Brgy. Poblacion, Cavite

### **Alfamart Trece Martires**

CPC Bldg., Hugo Perez  
Trece Martires, Cavite

### **Alfamart Villa Catalina Dasmariñas**

Lot 6123, San Agustin  
Dasmariñas, Cavite

### **Alfamart Yakal Silang Cavite**

137 Pedro Montoya St.  
cor. Yakal, San Miguel, Silang, Cavite

### **Allen Avenue Catbalogan**

Allen Ave., Brgy. 04, Catbalogan City

### **Alwana**

National Highway, Brgy. Cugman  
Cagayan de Oro City

### **Angel Supermarket**

Luna St. cor. Burgos St.  
Brgy. Quirino, Solano, Nueva Viscaya

### **Angeles University Foundation**

McArthur Highway  
cor. San Pablo St., Angeles City

### **Araullo University**

Maharlika Highway  
Bitas, Cabanatuan City

### **Ateneo de Davao**

Roxas Ave., Davao City

### **Avenue Hotel Bacolod**

12<sup>th</sup> St. cor. Lacson St., Bacolod City

### **Budget Wise Supermarket**

Veterans Ave., Zamboanga City

### **Caltex-SLEX 1**

SLEX - Northbound  
Brgy. San Antonio, San Pedro, Laguna

### **Camayan Resort**

Camayan Beach Resort & Hotel  
Camayan Wharf, West Ilanin Forest  
Area, Subic Bay Freeport Zone

### **CB Mall**

McArthur Highway, Nancayasan  
Urdaneta City, Pangasinan

### **CDO Medical Center**

CDO Medical Center Bldg. 2  
Tiano cor. Nacalaban St.  
Cagayan de Oro City

### **Cebu Doctors' Hospital**

Osmeña Blvd., Cebu City

### **Cebu Doctors' University**

1 Potenciano Larrazabal Ave.  
North Reclamation Area  
Mandaue City

### **Celebes Coconut Butuan**

P-4, Brgy. Banza, Butuan City

### **Centrio Mall**

C.M. Recto cor. Corrales St.  
Cagayan de Oro

### **Clark Gateway**

Clark Gateway Commercial Complex  
Velasquez St., San Francisco  
Mabalacat, Pampanga

### **Corpus Christi**

Corpus Christi School, Tomas Saco St.  
Macasandig, Cagayan de Oro City

# CHINA BANK OFF-BRANCH ATM DIRECTORY

## Davao Adventist Hospital

Km. 7 McArthur Highway  
Bangkal, Davao City

## Davao Metro Shuttle

Pereyras Terminal 1, Magugpo West  
Tagum City

## Dipolog Center Mall

138 Rizal Ave., Dipolog City

## DIPSSCOR

DIPSSCOR Bldg., International Port of  
Davao, Sasa Wharf, Km10, Sasa  
Davao City

## DLSU-Dasmariñas

College of Engineering, DLSU  
Dasmariñas, Cavite

## DLSU-Health Science Campus

De La Salle University Health  
Campus, Inc., Congressional Rd.  
Dasmariñas, Cavite

## DLSU-MAC

MAC Building, DLSU Medical Center  
Compound, Congressional Rd.  
Dasmariñas, Cavite

## Eagle Ridge Country Club

Club House, Brgy. Javalera  
Gen. Trias, Cavite

## ECCO Building

Fil-Am Friendship Highway  
Brgy. Anunas, Angeles City, Pampanga

## Friendship Supermarket Munoz NE

T. Delos Santos St., Science City of  
Muñoz, Nueva Ecija

## Gaisano-Bulua

Bulua St., Cagayan de Oro City

## Gaisano-Iligan

Gaisano Citi Super Mall  
Roxas Ave., Iligan City

## Gaisano-Lapu-Lapu City

Gaisano Mactan Mall  
Pusok, Lapu-Lapu City, Cebu

## Gaisano Mall-Bajada Davao

Gaisano Mall of Davao  
J.P. Laurel Ave., Bajada, Davao City

## Gaisano Mall-Cagayan de Oro

Atrium Gaisano Mall, Corrales  
Extension cor. C.M. Recto Ave.  
Cagayan de Oro City

## Gaisano Mall-Talisay

Gaisano Fiesta Mall, Tabunok  
Talisay, Cebu City

## Gaisano-Masbate

Quezon St., Crossing, Masbate City

## Gaisano-Puerto

Sayre Highway, Puerto  
Cagayan de Oro City

## Galeria Victoria

J.P. Rizal St., Balanga, Bataan

## Good Samaritan Hospital

Burgos Ave., Cabanatuan City

## Grosvenor Square

Josefa St., Angeles City

## Holy Angel University 2

Holy Angel University Student's Center  
Sto. Rosario St., Angeles City  
Pampanga

## Jenra Mall

Jenra Grand Mall, Sto. Rosario St.  
Angeles City, Pampanga

## Jollibee Mabalacat

McArthur Highway  
Brgy. San Francisco  
Mabalacat City, Pampanga

## KCC Mall-General Santos

J. Catolico Sr. Ave.  
General Santos City, South Cotabato

## KCC Mall de Zamboanga

Gov. Camins, Camino Nuevo  
Zamboanga City

## KMSCI

Kidapawan Medical Specialist  
Center, Inc., Sudapin, Kidapawan City

## La Nueva-Minglanilla

La Nueva Supermart, Poblacion  
Minglanilla, Cebu

## La Nueva Supermart

G.Y. Dela Serna St.  
Lapu-Lapu, Cebu City

## LB Supermarket-Zamboanga

Veteran's Ave. Extension  
Zamboanga City

## LCC Peñaranda

LCC Supermarket, Peñaranda  
cor. Rizal St., Legazpi City

## Lee Hypermarket

Valencia Rd., Bagacay  
Dumaguete City, Negros Oriental

## Lee Super Plaza

M. Perdices cor. San Jose St.  
Dumaguete City, Negros Oriental

## Lim Ket Kai Mall

Lim Ket Kai Drive  
Cagayan de Oro City

## Lopue's East Center

Burgos St. cor. Carlos Hilado National  
Highway, Bacolod City

## Lorma Hospital

Lorma Hospital, San Fernando City  
La Union

## Lotus Central Mall

Nueno Ave., Imus, Cavite

## MAAP

Kamaya Point Road, Mariveles, Bataan

## Mactan Marina Mall

MEPZ 1, Lapu-Lapu City

## Magic Mall

Alexander St., Poblacion  
Urdaneta City, Pangasinan

## Magic Starmall

Romulo Blvd., Brgy. Cut-Cut 1  
Tarlac City

## Malolos

Graceland Mall, BSU Grounds  
McArthur Highway, Guinhawa  
Malolos City, Bulacan

## Malta Hospital Toril

McArthur Highway, Toril, Davao

## Maria Reyna Hospital

T.J. Hayes St., Cagayan De Oro

## Mariton Grocery

Buntun, Tuguegarao City  
Cagayan Valley

## Mariton Grocery Don Domingo

Don Domingo, Tuguegarao City

## Market City

Market City Bldg., Bus Terminal  
Agora, Cagayan de Oro City

## Marquee Mall 1

Don Bonifacio Rd., Angeles City  
Pampanga

## Matina Town Square

Strip Bldg., Matina Town Center  
McArthur Highway, Matina, Davao

## MCIA-Domestic Check-In Area

Airport Rd., Lapu-Lapu City, Cebu

## MCIA-Domestic Departure hall

Airport Rd., Lapu-Lapu City, Cebu

## Mindanao Sanitarium and Hospital

Tibanga Highway, Iligan City

## MJS Hospital

Montilla Blvd., Butuan City

## Nagaland E-Mall

P. Diaz cor. Elias Angeles Sts.  
San Francisco, Naga City

## Nepo Mall-Angeles

Doña Teresa Ave. cor. St. Joseph St.  
Nepo Mart Complex, Angeles City

## Nepo Mall-Dagupan

Arellano St., Dagupan City

## Northside Doctors Hospital

Bantay, Vigan, Ilocos Sur

## Notre Dame Hospital

Notre Dame de Chartres Hospital  
No. 25 General Luna Rd., Baguio City

## Nueva Ecija Doctors

Nueva Ecija Doctors Hospital  
Maharlika Highway, Cabanatuan City  
Nueva Ecija

## Nuvali Solenad 2

Solenad 2 Nuvali, Sta. Rosa-Tagaytay  
Road, Sta. Rosa, Laguna

## Nuvali Solenad 3 Bldg. B

Bldg. B, Solenad 3 Nuvali, Sta. Rosa-  
Tagaytay Road, Sta. Rosa, Laguna

## Nuvali Solenad Hawkers Market

Hawkers Market, Solenad 3 Nuvali  
Sta. Rosa-Tagaytay Road, Sta. Rosa  
Laguna

## Ocean Adventure

Camayan Wharf, West Ilanin Forest  
Area, Subic Bay Freeport Zone

## Orchard Golf and Country Club

Gate 2, The Orchard Golf and  
Country Club, Aguinaldo Highway  
Dasmariñas, Cavite

## OSPA-Farmers' Medical Center

Ormoc Sugarcane Planters Association  
- Farmers Medical Center  
Ormoc City, Leyte

## Our Lady of the Pillar

Tamsui Ave., Bayan Luma, Imus, Cavite

## Pacific Mall

Landco Business Park, F. Imperial St.  
cor. Circumferential Road, Legazpi City

## Pacific Mall 2

Pacific Mall Bldg., Landco Business  
Park, F. Imperial St., Legazpi City

## Pangasinan Medical Center

Nable St., Dagupan City, Pangasinan

## Pavilion Mall

Bldg. A, Pavilion Mall, Km. 35  
Brgy. San Antonio, Biñan, Laguna

## PLT College

PLT Bldg., Dumlao Blvd.  
Bayombong, Nueva Vizcaya

## Porta Vaga Mall

Along Session Road, Baguio City  
Benguet

## CHINA BANK OFF-BRANCH ATM DIRECTORY

### Prince Mall of Baybay

Andres Bonifacio & Manuel L. Quezon Sts., Baybay City, Leyte

### Puregold - Dau

Cosco Bldg., McArthur Highway  
Dau, Mabalacat, Pampanga

### Quickmart Daraga

Rizal St., Daraga, Albay

### Robinsons Calasiao

San Miguel, Calasiao, Pangasinan

### Robinsons General Santos

Jose Catolico Sr. Ave.  
Lagao, General Santos City

### Robinsons Tagum

National Highway, Brgy. Magugpo  
Tagum, Davao del Norte

### Royce Hotel

Manuel Roxas St.  
cor. Ninoy Aquino Ave., CSEZ

### RPGMC Tuguegarao

Enrile Blvd., Carig, Tuguegarao City  
Cagayan

### SAMULCO

Sta. Ana Multi Purpose Cooperative  
Bldg. 1, Monteverde St., Davao City

### San Fernandino Hospital

MacArthur Highway, Dolores  
San Fernando City, Pampanga

### Save Wise-Pozorrubio

Savewise Bldg., Caballero St.  
Brgy. Cablong, Pozorrubio, Pangasinan

### Shopwise-Cebu

N. Bacalso Ave., Basak  
San Nicolas, Cebu City

### Shopwise-San Pedro

Along National Highway  
Brgy. Landayan, Pacita, San Pedro

### Skyrise Realty

Skyrise IT Bldg., Gorordo Ave.  
cor. N. Escario St., Cebu City

### SM City Bacolod

Bldg. A, SM City Bacolod  
Reclamation Area, Bacolod City

### SM City Baguio

Luneta Hill, Upper Session Road  
Baguio City, Benguet

### SM City Baliwag

DRT Highway, Brgy. Pagala  
Baliwag, Bulacan

### SM City Batangas

Pallocan West, Batangas City

### SM City Batangas 2

Pallocan West, Batangas City

### SM City Cabanatuan

Maharlika Highway, Cabanatuan

### SM City Cagayan De Oro

Masterson Ave.  
SM City Cagayan de Oro

### SM City Calamba 1

National Rd., Brgy. Real  
Calamba City, Laguna

### SM City Calamba 2

National Rd., Brgy. Real  
Calamba City, Laguna

### SM City Calamba 3

National Rd., Brgy. Real  
Calamba City, Laguna

### SM City Cauayan

San Fermin, Cauayan, Isabela

### SM City Clark

M. Roxas St., CSEZ  
Angeles City, Pampanga

### SM City Dasmariñas 2

Governor's Drive, Brgy. Sampalok  
Dasmariñas, Cavite

### SM City Davao

Quimpo Blvd., Ecoland Subd.  
Brgy. Matina, Davao City

### SM City General Santos

cor. Santiago Blvd. &  
San Miguel St., Brgy. Lagao  
General Santos City, South Cotabato

### SM City Lipa

Ayala Highway, Lipa City

### SM City Marilao

MacArthur Highway, Marilao, Bulacan

### SM City Tarlac

McArthur Highway  
San Roque, Tarlac City

### SM Lanang Premier

J.P. Laurel Ave., Brgy. San Antonio,  
Agdao District, Davao City

### SM Marketmall

Congressional Ave., Dasmariñas  
Bagong Bayan, Dasmariñas, Cavite

### SM Supercenter Molino

Molino Rd., Brgy. Molino 4  
Bacoar, Cavite

### SOCSARGEN County Hospital

Bula-Lagao Road cor. L. Arradaza St.  
General Santos City

### South Town Centre Talisay

South Gate Mall, Tabunok  
Talisay, Cebu

### Southway Mall

cor. Gov. Lim, Purisima and  
Magno Sts., Zamboanga City

### Sta. Rosa Hospital

RSBS Blvd., Balibago  
City of Sta. Rosa, Laguna

### Super Metro Carcar

N. Bacalso Ave., Carcar City, Cebu

### Target Mall 1

Sta. Rosa Commercial Complex  
Brgy. Balibago, Sta. Rosa, Laguna

### Target Mall 2

Sta. Rosa Commercial Complex  
Brgy. Balibago, Sta. Rosa, Laguna

### The District Dasmariñas

Molino-Paliparan Road  
Dasmariñas, Cavite

### The District Imus

Aguinaldo Highway cor. Daang Hari  
Road, Brgy. Anabu II-D, Imus, Cavite

### Union Christian College

Widdoes St., Brgy. II  
San Fernando City, La Union

### University of Baguio

Assumption Road  
Baguio City, Benguet

### University of Bohol

Along Ma. Clara St., Tagbilaran City

### University of Perpetual Help - Biñan

Doctor Jose Tamayo Medical Bldg.  
University of Perpetual Help Biñan  
Brgy. Sto. Niño, Biñan, Laguna

### University of San Carlos

University Bldg., P. del Rosario St.  
Cebu City

### USJR Basak Cebu

University of San Jose-Recoletos Basak  
N. Bacalso Ave., Basak Pardo  
Cebu City

### Walmart-Cabanatuan

Brgy. Dicarma, Maharlika Highway  
Cabanatuan, Nueva Ecija

### Walmart-Calamba

Walter Mart Center, Real St.  
Brgy. Real, Calamba, Laguna

### Walmart-Carmona

Macaria Business Center, Governor's  
Drive, Mabuhay, Carmona, Cavite

### Walmart-Dasmariñas

Barrio Burool Aguinaldo Highway  
Dasmariñas, Cavite

### Walmart-Gen. Trias

Governor's Drive, Gen. Trias, Cavite

### Walmart-San Fernando

Brgy. San Agustin, McArthur Highway  
San Fernando, Pampanga

### Walmart-Sta. Rosa 1

Walmart Center  
Balibago Rd., Sta. Rosa, Laguna

### Walmart-Sta. Rosa 2

Walmart Center  
Balibago Rd., Sta. Rosa, Laguna

### Walmart-Sta. Rosa Bel Air

Sta. Rosa-Tagaytay Rd.  
Laguna Bel Air, Sta. Rosa, Laguna

### Walmart-Tagaytay

Silang Junction Road, Tagaytay -  
Nasugbu Highway

### Walmart-Tanauan

J. P. Laurel National Highway  
Brgy. Darasa, Tanauan, Batangas City

### Wesleyan University

Wesleyan University of the Philippines  
Mabini Ext., Cabanatuan City  
Nueva Ecija

### WNU STI University

Burgos cor. Hilado Sts., Bacolod City  
Negros Occidental

### Xavier University

Library Annex, Xavier University  
Corrales Ave., Cagayan De Oro City  
Misamis Oriental

### Yubenco Starmall

Yubengco Starmall, MCLL Highway  
Putik, Zamboanga City

### Yu-Yu Café & Dessert Shop Tagum

National Highway cor. Quirante II St.  
Magugpo, Poblacion, Tagum City

### Zamboanga Peninsula Medical Center

MCLL Putik Highway  
Putik, Zamboanga City

## BUSINESS OFFICES

### CONSUMER BANKING CENTERS

#### CBG BACOLOD CENTER

China Bank - Bacolod Araneta  
2/F CBC Bldg., Araneta St.  
Bacolod City  
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Fax No.: (034) 435-0647  
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Center Head: **Jasmin Mae E. De Las Alas**

#### CBG BATANGAS CENTER

China Bank - Batangas City Branch  
3/F CBC Bldg., P. Burgos St.  
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Fax No.: (02) 520-6161  
Email: egricardo@chinabank.ph  
Center Head: **Evelyn G. Ricardo**

#### CBG CABANATUAN CENTER

China Bank - Cabanatuan, Maharlika Branch  
2/F CBC Bldg., Brgy. Dicarma, Maharlika Highway  
Cabanatuan City, Nueva Ecija  
Tel. No.: (044) 600-1575  
Fax No.: (044) 464-0099  
Email: ergatdula@chinabank.ph  
Contact Person: **Emilie R. Gatdula**

#### CBG CAGAYAN DE ORO CENTER

China Bank - Cagayan de Oro-Lapasan Branch  
2/F CBC Bldg., C.M. Recto Ave.  
Lapasan, Cagayan de Oro  
Tel. Nos.: (08822) 72-81-95 / (088) 856-1326  
Fax Nos.: (088) 856-2409 / (088) 856-1325  
Email: rdmatela@chinabank.ph  
Center Head: **Rhea D. Matela**

#### CBG CEBU CENTER

China Bank - Cebu Business Branch  
2/F CBC Corporate Center, Samar Loop  
cor. Panay Road, Cebu Business Park, Cebu City  
Tel. Nos.: (032) 416-1606; (032) 346-4448  
(032) 416-1915; (032) 239-3733  
Fax No.: (032) 346-4450  
Email: khltan@chinabank.ph  
Center Head: **Kinard Hutchinson L. Tan**

#### CBG DAGUPAN CENTER

China Bank - Dagupan-Perez Branch  
Siapno Bldg., Perez Boulevard  
Dagupan City  
Tel. No.: (075) 522-8471  
Fax No.: (075) 522-8472  
Email: mbfernandez@chinabank.ph  
Center Head: **Michael B. Fernandez**

#### CBG DAVAO CENTER

China Bank - Davao-Recto Branch  
2/F CBC Bldg., C.M. Recto  
cor. J. Rizal Sts., Davao City  
Tel. Nos.: (082) 226-2103/ (082) 221-4163  
(082) 222-5761  
Fax No.: (082) 222-5021  
Email: rcsanchez@chinabank.ph  
Center Head: **Renato C. Sanchez II**

#### CBG ILOILO CENTER

China Bank - Iloilo-Rizal Branch  
2/F CBC Bldg., Rizal cor. Gomez Sts.  
Brgy. Ortiz, Iloilo City  
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#### CBG PAMPANGA CENTER

China Bank - San Fernando Branch  
2/F CBC Bldg., V. Tiomico St.  
Sto. Rosario Poblacion, San Fernando City  
Pampanga  
Tel. Nos.: (045) 961-5344; (045) 961-0467  
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Center Head: **Verna G. Guintu**

### WEALTH MANAGEMENT GROUP

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### WEALTH MANAGEMENT OFFSITE OFFICES

#### GREENHILLS OFFICE

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#### BINONDO OFFICE

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#### KALOOKAN OFFICE

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#### QUEZON CITY OFFICE

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**Ma. Luisa B. Tan**  
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#### ALABANG OFFICE

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**Claire L. Ramirez**  
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#### SAN FERNANDO OFFICE

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**Ma. Cristina D. Puno**  
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#### BACOLOD OFFICE

2/F CBC Bldg., Bacolod Araneta Branch  
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Bacolod City

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#### CEBU OFFICE

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**Rosemarie T. Guingona**  
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#### DAVAO OFFICE

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**Mc Queen Benigno-Jamora**  
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## SUBSIDIARIES AND AFFILIATES



**China Bank Savings, Inc. (CBS)** began operations on September 8, 2008 following the acquisition of Manila Bank by China Bank in 2007. Subsequent mergers with Unity Bank and Planters Development Bank have bolstered CBS' position as a leading thrift bank in the industry. With 157 branches nationwide and a strong platform for retail banking, auto, housing, DepEd, and enterprise finance, CBS is able to service the growing needs of the broader consumer and Small and Medium Enterprise (SME) market. It is committed to promoting financial inclusiveness, and uplifting the quality of life of consumers and entrepreneurs in line with its personalized brand of service.

VGP Center, 6772 Ayala Ave.  
Makati City 1226, Philippines  
Tel. No.: (632) 988-9555  
[www.cbs.com.ph](http://www.cbs.com.ph)

### BOARD OF DIRECTORS

#### Chairman

Ricardo R. Chua

#### Vice Chair

Nancy D. Yang

#### President

Alberto Emilio V. Ramos

#### Independent Directors

Roberto F. Kuan

Margarita L. San Juan

Alberto S. Yao

#### Directors

Alexander C. Escucha

Rosemarie C. Gan

Jose Lim Osmeña Jr.

William C. Whang

Ramon R. Zamora

*(resigned effective January 1, 2017)*

#### Corporate Secretary

Edgar D. Dumlao



*(L-R) Jose Lim Osmeña Jr., William C. Whang, Rosemarie C. Gan, Roberto F. Kuan, Ricardo R. Chua, Alberto S. Yao, Nancy D. Yang, Ramon R. Zamora, Alexander C. Escucha, and Alberto Emilio V. Ramos.*





**China Bank Capital Corporation** is the investment house subsidiary of China Bank. The investment house aims to provide clients with a wide range of services that include debt and equity capital raising and underwriting, project finance, mergers and acquisitions, and financial advisory services to all public and private companies. China Bank Capital Corporation has acted as issue manager, arranger and underwriter in various landmark deals.

#### **BOARD OF DIRECTORS**

##### **Chairman**

Ricardo R. Chua

##### **President**

Romeo D. Uyan, Jr.

##### **Independent Directors**

Robert F. Kuan  
Alberto S. Yao

##### **Directors**

Alberto Emilio V. Ramos  
William C. Whang

##### **Corporate Secretary**

Divine Grace F. Dagoy

28F BDO Equitable Tower  
8751 Paseo de Roxas,  
Makati City

Tel. No.: (632) 885-5009

Fax No.: (632) 556-6712



**China Bank Securities Corporation** is a wholly owned subsidiary of China Bank's investment banking arm China Bank Capital Corporation. The stock brokerage house enables China Bank Capital to do Initial Public Offerings (IPOs) and list these IPO shares in the Philippine Stock Exchange. China Bank Group's clients stand to benefit with access to the stock brokerage service for equities-related transactions.

#### **BOARD OF DIRECTORS**

##### **Chairman**

Ricardo R. Chua

##### **Vice Chairman**

Romeo D. Uyan Jr.

##### **President**

Peter M. Mutuc

##### **Independent Directors**

Roberto F. Kuan  
Alberto S. Yao

28F BDO Equitable Tower  
8751 Paseo de Roxas,  
Makati City  
Tel. No. (632) 885-5839



*(L - R) Alberto Emilio V. Ramos, Roberto F. Kuan, Ricardo R. Chua, Alberto S. Yao, William C. Whang and Romeo D. Uyan, Jr.*

## SUBSIDIARIES AND AFFILIATES



**Manulife China Bank Life Assurance Corporation**, established on March 23, 2007, is a strategic alliance between Manulife Philippines and China Bank, providing a wide range of innovative insurance products and services to China Bank customers. The bancassurance partnership was established to provide China Bank clients holistic life, health, and wealth solutions to meet their evolving needs. In 2014, China Bank raised its equity stake in Manulife China Bank Life to 40%.

**Robert D. Wyld**  
President and Chief Executive Officer

24/F LKG Tower, 6801 Ayala Ave.  
Makati City 1226 Philippines  
Tel. No.: (632) 884-5433  
Fax No.: (632) 845-0980  
Customer Care Line: (632) 884-7000  
E-mail : phcustomercare@manulife.com  
www.manulife-chinabank.com.ph

### **CHINABANK INSURANCE BROKERS, INC.**

**Chinabank Insurance Brokers, Inc. (CIBI)** is a wholly-owned subsidiary of the Bank established on November 3, 1998 as a full service insurance brokerage. It provides direct insurance broking for retail and corporate customers, with a wide and comprehensive range of plans for life and non-life insurance. The life insurance retail products include Whole Life, Endowment, Investment-Linked, Education, Term and Life Protection with Hospitalization and Critical Illness Cover. Under the Non-Life insurance category, programs for residential, personal, corporate and industrial clients are available, with insurance coverages such as Property, Motor, Marine, Accident and Liability.

**Julieta P. Guanlao**  
President

8/F VGP Center, 6772 Ayala Ave.  
Makati City 1226, Philippines  
Tel. No.: (632) 885-5555  
VGP Center: (632) 751-6000

### **CHINABANK PROPERTIES AND COMPUTER CENTER, INC.**

**CBC Properties and Computer Center, Inc. (PCCI )** was created on April 14, 1982 to provide computer-related services solely to the China Bank group. It manages the Bank's electronic banking and e-commerce requirements, including sourcing, developing and maintaining software and hardware, financial systems, access devices and networks to foster the safety and soundness of China Bank's technology infrastructure and keep its processing capabilities in top shape.

**Phillip M. Tan**  
General Manager

**Editha N. Young**  
Chief Technology Officer

4/F & 15/F China Bank Building  
8745 Paseo de Roxas cor. Villar St.  
Makati City 1226, Philippines  
Tel. Nos.: (632) 885-5555; 885-5053  
885-5060; 885-5051; 885-5052  
Fax No.: (632) 885-5047; 885-9458

## PRODUCTS AND SERVICES

### DEPOSITS & RELATED SERVICES

Peso Deposits

Checking

- ChinaCheck Plus

Savings

- Passbook Savings
- ATM Savings
- MoneyPlus Savings
- SSS Pensioner's Account

Time

- Regular Time Deposit
- Diamond Savings

Foreign Currency Deposits (USD, Euro and Yuan)

- Savings
- Time

Manager's/Gift Check/Demand Draft

Safety Deposit Box

Direct Deposit Facility for US Pensioner

Night Depository Services

Cash Delivery and Deposit Pick-up Services

Out-of-town Checks

### LOANS & CREDIT FACILITIES

Corporate Loans and Commercial Loans

Loan Syndication

Factoring Receivables

Special Lending Programs

- BSP Rediscounting
- Industrial Guarantee Loan Fund
- Environmental Development Program
- Sustainable Logistics Development
- Industrial and Large Projects

Guarantee Programs

Consumer Loans

- HomePlus Real Estate Loans
- Contract to Sell Financing
- AutoPlus Vehicle Loans

Credit Cards

- China Bank Prime Mastercard
- China Bank Platinum Mastercard
- China Bank World Mastercard

### INTERNATIONAL BANKING

#### PRODUCTS & SERVICES

Import and Export Financing

Foreign and Domestic Commercial Letters of Credit

Standby Letters of Credit

Collection of Clean and Documentary Bills

Bank Guaranty (Shipside Bond)

Purchase and Sale of Foreign Exchange

Travel Funds

Servicing of Foreign Loans and Investments

Trade Inquiry

Trust Receipt Facility

Correspondent Banking Services

### INVESTMENT BANKING SERVICES

Debt Financing

- Bonds
- Syndicated Loan
- Corporate Notes
- Structured Loan

Equity Financing

- Initial Public Offering (Common Shares)
- Follow On Offering (Common Shares)
- Preferred Shares
- Convertible/Exchangeable Shares

Project Finance

Mergers & Acquisition / Financial Advisory / Corporate Restructuring/ Valuation/ Securitization

### OVERSEAS KABABAYAN SERVICES

- China Bank On-Time Remittance
- Overseas Kababayan Savings Account (OKS) Account
- China Bank Money Transfer

### TRUST SERVICES

Unit Investment Trust Funds

- China Bank Money Market Fund
- China Bank Institutional Money Market Fund
- China Bank Short-Term Fund
- China Bank Intermediate Fixed Income Fund
- China Bank GS Fund
- China Bank Balanced Fund
- China Bank Equity Fund
- China Bank High Dividend Equity Fund
- China Bank Dollar Fund

Wealth Management

- Investment Management Arrangement
- Personal Management Trust

Corporate Trust Services

- Escrow Services
- Employee Benefit Plan
- Collecting and Paying Agency
- Loan / Paying Agency

### TREASURY SERVICES

Peso-Denominated Government and Corporate Bond Issues

Dollar-Denominated Government and Corporate Bond Issues

Foreign Exchange

- Spot, Forward and Swaps

Derivatives

- Interest Rate and Cross Currency Swaps

### INSURANCE PRODUCTS

Bancassurance

- Protection
  - MCBL Legacy Protect 100
  - Base Protect / Base Protect Plus
- Education
  - MCBL Invest
- Health
  - MCBL Health Choice
- Wealth
  - Platinum Invest Elite
  - MCBL Enrich Max
  - MCBL Affluence Income
- Retirement
  - MCBL Enrich
  - MCBL Invest
- Term Insurance

Group Life Insurance

Non-Life Insurance

- Fire Insurance
  - Residential
  - Commercial
    - Industrial All-Risk Insurance
    - Commercial All-Risk Insurance
    - Condominium Insurance
  - Trust Receipts
- Motor Car Insurance
  - Individual
  - Fleet Program
- Marine Insurance
  - Hull Insurance
  - Cargo Insurance
- Engineering Insurance
  - Contractors All-Risk Insurance
  - Electronic Equipment Insurance
  - Erectors All-Risk Insurance
  - Machinery Breakdown Insurance
  - Equipment Floater

- Liability Insurance

- Comprehensive General Liability Insurance
- Product Liability Insurance
- Professional Indemnity Insurance
- Directors and Officers Liability Insurance

- Crime Insurance

- Money, Security & Payroll Insurance
- Fidelity Insurance
- Cyber Crime Insurance
- Kidnap and Ransom Insurance

- Bonds

- Surety Bonds
  - Bidders bond
  - Surety / Downpayment bond
  - Performance bond
  - Warranty Bond
  - Heirs Bond
- Fidelity Bonds

- Employee Benefit

- Group Personal Accident Insurance
- Group Life Insurance
- HMO
- Travel Insurance

### PAYMENT & SETTLEMENT SERVICES

Electronic Banking Channels

- China Bank Automated Teller Machine (ATM)
- China Bank TellerPhone
- China Bank Online
- Cash Accept Machine
- Point-Of-Sale (POS)

### CASH MANAGEMENT SOLUTIONS

**Delivery Channel**

China Bank Online

**Liquidity Management**

Account Balance & Transaction Reporting

Sure Sweep

POS Cash-out

**Disbursement**

Check Write Plus Manager's Check (Outsourced)

Check Write Plus Corporate Check (Outsourced)

Check Write Plus (Software)

Corporate Inter-Bank Fund Transfer (Corporate IBFT)

TellerCard Payroll Crediting

ChinaPay (Payroll Software)

Payroll Processing

Automatic Crediting Arrangement (ACA)

eGovernment Payments (powered by BancNet):

- BIR eFPS Online Tax Payments
- SSS Monthly Contribution and Loan Payment
- Philhealth Monthly Contribution
- Pag-IBIG Monthly Contribution and Loan Payments

**Receivables**

Corporate Automatic Debit Arrangement (ADA)

Check Depot (Post-Dated Check Warehousing)

Bills Pay Plus

- Over-the-Counter
- ATM
- Internet
- Mobile
- Phone
- BancNet Bills Pay ATM

China Debit Point-of-Sale (POS) (Powered by BancNet)

Automatic Debit Arrangement (ADA)

eGovernment Collection

- SSS Sickness / Maternity / Employee's Compensation (SSS SMEC)

Settlement Solution

- SCCP Broker's Solution

## INVESTORS INFORMATION

### ANNUAL STOCKHOLDERS' MEETING

May 4, 2017, Thursday, 4:00 p.m.  
Penthouse, China Bank Building  
8745 Paseo de Roxas cor. Villar St.  
Makati City 1226, Philippines

### SHAREHOLDER SERVICES

For inquiries or concerns regarding dividend payments, account status, change of address or lost or damaged stock certificates, please get in touch with:

#### Stocks and External Relations

Office of the Corporate Secretary  
China Banking Corporation  
11/F China Bank Building  
8745 Paseo de Roxas cor. Villar St.  
Makati City 1226, Philippines

Contact persons:

**Atty. Julius L. Danas/Atty. Angeli Anne L. Gumpal**  
**Jaime G. Dela Cruz/Mark Timothy C. Gonzales**

Tel. No.: (+632) 885-5133  
Fax No.: (+632) 885-5135  
Email: [jldanas@chinabank.ph](mailto:jldanas@chinabank.ph)  
[aalgumpal@chinabank.ph](mailto:aalgumpal@chinabank.ph)  
[ocsstocks@chinabank.ph](mailto:ocsstocks@chinabank.ph)

#### Stock Transfer Service, Inc.

Unit 34-D Rufino Pacific Tower  
6784 Ayala Ave.  
Makati City 1226, Philippines

Contact persons:

**Antonio M. Laviña**  
**Ricardo D. Regala, Jr.**

Tel. Nos.: (+632) 403-2410; 403-2412; 403-9853  
Fax No.: (+632) 403-2414

We welcome letters or all such communications on matters pertaining to the management of the Bank, stockholders' rights, or any other bank-related issues of importance. Stockholders who wish to communicate with any or all of the members of the China Bank Board of Directors may send letters to:

#### Atty. Corazon I. Morando

Vice President and Corporate Secretary  
China Banking Corporation  
11/F China Bank Building  
8745 Paseo de Roxas cor. Villar St.  
Makati City 1226, Philippines  
Email: [ocsstocks@chinabank.ph](mailto:ocsstocks@chinabank.ph)

### INVESTOR INQUIRIES

We welcome inquiries from investors, analysts, and the financial community. For information about the developments at China Bank, please contact:

#### Alexander C. Escucha

Senior Vice President and Head  
Investor & Corporate Relations Group  
China Banking Corporation  
28/F BDO Equitable Tower  
8751 Paseo de Roxas  
Makati City 1226, Philippines  
Tel. No.: (+632) 885-5609  
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Website: [www.chinabank.ph](http://www.chinabank.ph)

### CUSTOMER INFORMATION

We welcome inquiries from customers and other stakeholders. Please contact:

#### Customer Contact Center

Customer Experience Management Division  
China Bank Tellerphone (Available 7AM-10PM daily)  
Hotline # **(632) 88-55-888**  
Domestic Toll-Free #s:  
**1-800-1888-5888 (PLDT)**  
**1-800-3888-5888 (Digitel)**

Fax No.: (632) 519-0143  
Email: [online@chinabank.ph](mailto:online@chinabank.ph)

Facebook Page:  
[www.facebook.com/chinabank.ph](http://www.facebook.com/chinabank.ph)

Twitter Page:  
[www.twitter.com/chinabankph](http://www.twitter.com/chinabankph)

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Makati City 1226, Philippines

## GRI REFERENCE CLAIM

This material (China Bank 2016 Annual Report) references the specific disclosures below following aspects of the GRI Standards, as discussed in the Environmental, Social and Governance (ESG) section of the report.

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