



15 May 2020

PHILIPPINE STOCK EXCHANGE, INC.

Disclosure Department
6F PSE Tower One Bonifacio High Street
28th Street corner 5th Avenue, Bonifacio Global City
Taguig City

ATTENTION: **MS. JANET A. ENCARNACION**
Head – Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.

Philippine Dealing System Holdings Corp. & Subsidiaries
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City
Telephone Number: 8884-4446

ATTENTION: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head – Issuer Compliance and Disclosure Department

Mesdames:

We are pleased to furnish your good office with a copy of our SEC Form 17-Q as of March 31, 2020 filed with the Securities and Exchange Commission (SEC).

For your information and guidance.

Thank you.

Respectfully yours,

ALEXANDER C. ESCUCHA
Corporate Information Officer

COVER SHEET

4	4	3													
---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

SEC Registration Number

C	H	I	N	A		B	A	N	K	I	N	G		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B
S	I	D	I	A	R	I	E	S																								

(Company's Full Name)

8	7	4	5		P	a	s	e	o		d	e		R	o	x	a	s		c	o	r	n	e	r		V	i	l	l	a	r
					S	t	r	e	e	t	s	,		M	a	k	a	t	i		C	i	t	y								

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

Patrick D. Cheng

(Contact Person)

8885-5555

(Company Telephone Number)

03	31
----	----

Month Day
(Fiscal Year)

17 - Q

(Form Type)

--	--

Month Day
(Annual Meeting)

--

(Secondary License Type, If Applicable)

Corporate Governance and Finance Dept.

(Department Requiring this document)

--

(Amended Articles Number/Section)

1,894

Total No. of Stockholders

Total Amount of Borrowings	

Domestic

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

LCU

--	--	--	--	--	--	--	--	--	--

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

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

1. For the quarter period ended March 31, 2020
2. Commission identification number 443
3. BIR Tax Identification No.. 000-444-210-000

CHINA BANKING CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

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

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

7. Address of registrant's principal office Postal Code
8. Issuer's telephone number, including area code (02) 8885-5555
9. Former name, former address and former fiscal year, if changed since last report NA
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes ☒ No ☐

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

PHILIPPINE STOCK EXCHANGE

COMMON

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached are the following:

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

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

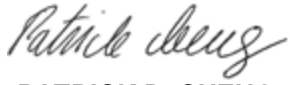
Annex IX:	Management's Discussion
-----------	-------------------------

PART II OTHER INFORMATION

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

SIGNATURES

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

Issuer	<u>CHINA BANKING CORPORATION</u>
Principal Financial/Accounting Officer/Controller	 <u>PATRICK D. CHENG</u>
Signature and Title	<u>Chief Finance Officer</u>
Date.....	<u>May 15, 2020</u>

Part I – Financial Information

Item 1. Financial Statements

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as of December 31, 2019. The accounting policies adopted are consistent with those of the previous financial year.

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

	March 31, 2020	December 31, 2019	Increase (Decrease)
Assets			
Cash and Other Cash Items	14,537,632	16,839,755	(2,302,123)
Due from Bangko Sentral ng Pilipinas	78,277,751	100,174,398	(21,896,648)
Due from Other banks	24,628,705	9,900,642	14,728,063
Interbank Loans Receivable and Securities			
Purchased under Resale Agreements	4,151,094	17,036,460	(12,885,366)
Financial Assets at Fair Value through Profit or Loss	6,699,599	18,500,111	(11,800,512)
Financial Assets at Fair Value through Other Comprehensive Income	62,848,939	26,133,360	36,715,579
Accrued Interest Receivable	6,284,900	7,158,494	(873,594)
Liabilities			
Bills Payable	44,477,689	33,381,406	11,096,283
Manager's Checks	1,331,548	1,998,678	(667,130)
Income Tax Payable	864,575	540,662	323,913
Accrued Interest and Other Expenses	4,980,969	4,121,302	859,667
Derivative Liabilities	1,447,305	1,036,052	411,253
Derivative Liabilities Designated as Hedges	576,807	51,949	524,858
	March 31, 2020	March 31, 2019	Increase (Decrease)
Income			
Interest on Financial Assets at FVPL	225,174	123,081	102,093
Interest on Due from BSP and other banks	302,248	245,291	56,956
Trading and Securities Gain (Loss)	(166,167)	175,274	(341,441)
Foreign Exchange Gain (Loss) - net	127,068	(74,252)	201,320
Expense			
Interest on Deposit Liabilities	3,307,884	4,987,904	(1,680,020)
Bills payable and other borrowings	903,918	470,170	433,748
Compensation and fringe benefits	1,646,413	1,443,510	202,903
Taxes and licenses	1,006,008	872,845	133,162
Occupancy costs	414,927	489,606	(74,679)
Provision for impairment and credit losses	412,451	273,356	139,095

Miscellaneous	1,692,590	987,566	705,024
Provision for Income Tax	603,800	288,554	315,246

- d. **Changes in Estimates of Amounts Reported.** There were no changes in estimates of amounts reported in prior interim periods of current financial year or in estimates of amounts reported in prior financial years.
- e. **Issuances, Repurchases, and Repayments of Debt and Equity Securities.** There were no issuances, repurchases and repayments of debt and equity securities made by the issuer.
- f. **Segment Information.** Operating businesses are recognized and managed separately according to the nature of business served, with each segment representing a strategic business unit. The Bank's comparative revenues and expenses by business segments are shown in Annex VII.
- g. **Dividends.** No dividends were declared during the period.
- h. **Effect of Changes in the Composition of the Enterprise during the Interim Period.** There were no changes in the composition of the issuer including business combinations, acquisitions, or disposal of subsidiaries and long term investments, restructuring, and discontinuing operations during the period.
- i. **Changes in Contingent Liabilities or Contingent Assets.** There are various outstanding commitments and contingent liabilities but management does not anticipate any material losses as a result of these transactions.
- j. **Material Contingencies and Any Other Events.** There are no material contingencies and other events or transactions that are material to an understanding of the current interim period.
- k. **Financial Risk Disclosure.** There were no material changes in the financial disclosure of the Group during the interim period.
- l. **Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.** There were no material events subsequent to the end of the interim period that have been reflected in the financial statements for the period.
- m. **Material commitment for capital expenditures.** The Bank expects to incur capital expenditures related to the ongoing branch expansion plan and technology-related investments. Funding will be sourced internally.
- n. **Fair Value Measurement.** As of March 31, 2020 and December 31, 2019, except for the following financial instruments, the carrying values of the Group's financial assets and liabilities as reflected in the balance sheets and related notes approximate their respective fair values:

	March 31, 2020		December 31, 2019 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial Assets at Amortized Cost				
Government bonds	₱119,477,999	₱138,307,184	₱116,859,352	₱115,600,451
Private bonds	53,761,923	53,780,979	51,343,376	52,569,793
Loans and receivables				
Corporate and commercial loans	469,155,818	451,744,276	458,007,221	449,343,219
Consumer loans	101,705,188	101,267,344	100,104,341	105,846,151
Trade-related loans	12,297,368	12,629,790	10,766,453	11,267,769
Others	586,671	591,237	41,148	47,780

	March 31, 2020		December 31, 2019 (Audited)	
Sales contracts receivable	1,074,054	1,058,773	1,124,275	1,200,426
Deposit liabilities	375,207,445	369,177,015	363,600,383	358,540,409
Bonds Payable	37,442,314	37,915,402	37,394,398	37,980,269

As of March 31, 2020 and December 31, 2019, the fair value hierarchy of the Group's assets and liabilities are presented below:

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	-	-	-	-
Treasury notes	-	-	-	-
Treasury bills		1,441,945	-	1,441,945
Private bonds	2,718,116		-	2,718,116
Quoted equity shares	1,104,898		-	1,104,898
Derivative assets	-	1,434,640	-	1,434,640
Financial Assets at FVOCI				
Government bonds	22,261,912	36,555,343	-	58,817,255
Quoted private bonds	3,416,080		-	3,416,080
Quoted equity shares	597,239		-	597,239
	30,098,245	39,431,928	-	69,530,173
Financial liabilities at FVPL				
Derivative liabilities		1,447,305		1,447,305
Derivative liabilities designated as hedges	-	576,807	-	576,807
	-	2,024,112	-	2,024,112
Fair values of assets carried at amortized cost/cost				
Investment securities at amortized cost				
Government bonds	138,307,184	-	-	138,307,184
Private bonds	54,684,408	-	-	54,684,408
Loans and receivables				
Corporate and commercial loans	-	-	451,744,276	451,744,276
Consumer loans	-	-	101,267,344	101,267,344
Trade-related loans	-	-	12,629,790	12,629,790
Others	-	-	591,237	591,237
Sales contracts receivable	-	-	1,058,773	1,058,773
Investment properties				
Land	-	-	5,223,219	5,223,219
Buildings and improvements	-	-	2,742,365	2,742,365
	192,991,592	-	575,257,004	767,345,167
Fair values of liabilities carried at amortized cost				
Deposit liabilities	-	-	369,177,015	369,177,015
Bonds Payable	-	-	37,915,402	37,915,402
	-	-	407,092,417	407,092,417

	December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	₱5,087,179	₱3,363,947	₱-	₱8,451,126
Treasury notes	-	2,386,226	-	2,386,226
Treasury bills	-	1,378,137	-	1,378,137
Private bonds	4,372,734	-	-	4,372,734
Quoted equity shares	1,243,938	-	-	1,243,938
Derivative assets	-	667,950	-	667,950
FVOCI financial assets				
Government bonds	3,977,446	18,563,070	-	22,540,516
Quoted private bonds	2,953,271	-	-	2,953,271
Quoted equity shares	621,208	-	-	621,208
	₱9,969,698	₱7,709,725	₱-	₱17,679,423

	December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVPL				
Derivative liabilities	P–	P1,036,052		P1,036,052
Derivative liabilities designated as hedges		51,949		51,949
	P–	P1,088,001		P1,088,001
Fair values of assets carried at amortized cost				
Investment securities at amortized cost				
Government bonds	P115,600,451	P–		P115,600,451
Private bonds	52,569,793	–		52,569,793
Loans and receivables				
Corporate and commercial loans	–	–	449,343,219	449,343,219
Consumer loans	–	–	105,846,151	105,846,151
Trade-related loans	–	–	11,267,769	11,267,769
Others	–	–	47,780	47,780
Sales contracts receivable	–	–	1,200,426	1,200,426
Investment properties				
Land	–	–	5,199,926	5,199,926
Buildings and improvements	–	–	2,819,400	2,819,400
	P162,964,314	P–	P498,910,912	P661,875,227
Fair values of liabilities carried at amortized cost				
Deposit liabilities	P–	P–	P358,540,409	P358,540,409
Bonds Payable	–	–	37,980,269	37,980,269
	P–	P–	P396,520,678	P396,520,678

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

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

Category	March 31, 2020		
	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans and receivables		2,345,300	These are secured loans with interest rate of 5.25% and maturity of 5. years; collateral includes shares of stocks with fair value of P5.1 billion.
Issuances	–		
Repayments	–		
Deposit liabilities		1,623	These are checking accounts with annual average rate of 0.13%.
Deposits	127		
Withdrawals	–		
Associates			
Deposit Liabilities		249,329	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	661		
Withdrawals	(51,870)		
Key Management Personnel			
Loans		418	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%;Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuance	217		
Repayments	(226)		
Deposit Liabilities		33,782	These are checking, savings and time deposit account with annual average interest rates ranging from 0.25% to 1.00%
Deposits	47,647		
Withdrawals	(40,874)		
Other Related Parties			
Deposit Liabilities		204,972	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposit	5,035,096		
Withdrawals	(4,998,209)		

Category	December 31, 2019 (Audited)		
	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans		P2,345,300	Partially secured Loans with interest rate of 2 - 5.12% and maturity of two to seven years.
Issuances	P-		
Repayments	(4,421,200)		
Deposit Liabilities		1,496	These are checking accounts with annual average rate of 0.13%.
Deposit	1,123		
Withdrawals	-		
Associates			
Deposit Liabilities		300,620	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	666,996		
Withdrawals	(532,748)		
Key Management Personnel			
Loans		427	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%; Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuances	-		
Repayments	(61)		
Deposit Liabilities		78,763	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	255,582		
Withdrawals	(257,836)		
Other Related Parties			
Deposit Liabilities		389,714	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposit	22,632,109		
Withdrawals	(22,523,755)		

Other related parties pertain to subsidiaries of the significant investor.

Interest income earned and interest expense incurred from the above loans and deposit liabilities, respectively, for the three-month periods ended March 31, 2020 and March 31, 2019 are presented below:

	Significant Investor		Associate	
	March 31		March 31	
	2020	2019	2020	2019
Interest income	P11,727	P11,738	P-	P-
Interest expense	-	-	174	143

	Key Management Personnel		Other Related Parties	
	March 31		March 31	
	2020	2019	2020	2019
Interest income	P6	P2	P-	P-
Interest expense	16	4	57	32

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

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

	Subsidiaries		Nature, Terms and Conditions
	March 31, 2020	December 31, 2019	
Balance Sheet			
Accounts receivable	P1,632	P1,144	This pertains to various expenses advanced by CBC in behalf of CBSI
Security deposits	2,270	2,270	This pertains to the rental deposits with CBSI and CBCC for office space leased out to the Parent Company
Accounts payable	13,068	12,941	This pertains to various unpaid rental to CBSI

	Subsidiaries		Nature, Terms and Conditions
	March 31, 2020	March 31, 2019	
Income Statement			
Miscellaneous income	P450	P450	Human resources functions provided by the Parent Company to its subsidiaries such as

		Subsidiaries	
	March 31, 2020	March 31, 2019	Nature, Terms and Conditions
Occupancy cost	2,741	5,003	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
Miscellaneous expense	33,633	17,824	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 This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements

- p. **Impact of COVID-19 Pandemic.** On March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon. The ECQ was originally set to last until April 12, 2020 but, upon the recommendation of the Inter-Agency Task Force on Emerging Infectious Disease, President Duterte extended it until April 30, 2020. On May 1, 2020, the ECQ was further extended until May 15 but only on selected places considered high-risk. On May 12, 2020 a modified ECQ was imposed on Metro Manila and selected provinces effective May 16 until May 31. Meanwhile, other areas will transition to being under a general community quarantine or having no lockdown at all starting May 16. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

Going Concern Assumption

The accompanying interim condensed consolidated financial statements have been prepared under the going-concern assumption. In arriving at this assumption, the Bank currently believes that it has adequate liquidity and capital buffers, and business plans to continue to operate the business and mitigate the risks associated with COVID-19 pandemic for the next 12 months from the date of this report.

Also, the Bank anticipates that this pandemic will have a significant impact on the Bank's business, results of operations, financial condition and cash flows. The Bank will continue to monitor new developments of this pandemic and determine whether these will have an impact on the assumption of the Bank to operate as a going-concern entity.

Impairment of Non-financial Assets

With the outbreak of COVID-19 pandemic, the Bank assesses whether its nonfinancial assets are affected and may be impaired. In the case of the impairment assessment of goodwill and branch licenses, the Bank believes that the extent of the long-term impact of the pandemic cannot be reasonably ascertained as of the reporting period. The Bank will continue to monitor the situation until such time that the Bank can reasonably estimate the impact of this pandemic in the cash flow projections and other inputs used in estimating the recoverable amount of the cash-generating unit (CGU) to which the goodwill and branch licenses relate. Where the recoverable amount is less than carrying amount of the CGU, an impairment loss will be recognized by the Bank.

Fair Value Measurement

In measuring the fair value of financial instruments, the Bank considers prices and inputs which incorporate the recent volatility in the market caused by the COVID-19

pandemic. The overall decline in market values has a significant impact on the Bank's financial assets.

Expected Credit Losses

Provision for impairment and credit losses totaled P412 million, 51% higher on the back of sustained loan build-up and impact of the COVID-19 outbreak and Luzon-wide Enhanced Community Quarantine (ECQ).

In estimating the amount of expected credit losses (ECL) for financial assets at each reporting date, judgment and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Bank's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes; and
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Bank's expected credit loss models.

The Bank assessed that the level of ECL derived using the judgment and estimates in the aforementioned areas is reasonable based on the circumstances as of March 31, 2020 and the nature of the Bank's loan portfolio whose majority pertains to commercial and corporate loans with retail and consumer loans comprising only a small portion (less than 20%) of the total loan portfolio.

Impact of the COVID-19 Pandemic to ECL

While the Bank has reasonably estimated the level of ECL as of this reporting period, the Bank expects that the actual impact to credit risk and ECL of the pandemic and of the government support measures will only be fully incorporated in the upcoming reporting periods, as the country continue to deal with this public health crisis and assess the impact to the economy as a whole. With the surge of confirmed COVID-19 cases and with the implementation of the community quarantine happening only in early March 2020, the Bank nonetheless captured all relevant and supportable information (which includes incorporating management overlays and adjustments such as credit reviews of specific borrowers) in estimating its ECL and provisions as of and for this reporting period, respectively.

The nature and extent of the actual impact of COVID-19 to the Bank's allowance for credit losses will be determined once reasonable and supportable information about current market conditions and forecasts of future economic conditions become fully available. In particular, the Bank will take the following into consideration in assessing the level of allowance for probable losses:

- a) The impact of the disruptions caused by the pandemic and of the government support measures (e.g., grace period for payments) in assessing significant increase in credit risk and defaults;
- b) The potential increase in the probabilities of default (PDs) of borrowers, particularly those in vulnerable industries which include transportation and consumer products;
- c) The effect of the existing market conditions to the value of collaterals and potential recoveries.

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ANNEX I

(Amounts in thousands)

		March 2020	December 2019
		Unaudited	Audited
ASSETS			
Cash and Other Cash Items	P	14,537,632	16,839,755
Due from Bangko Sentral ng Pilipinas		78,277,751	100,174,398
Due from Other banks		24,628,705	9,900,642
Interbank Loans Receivable and Securities Purchased under Resale Agreements		4,151,094	17,036,460
Financial Assets at Fair Value through Profit or Loss		6,699,599	18,500,111
Financial Assets at Fair Value through Other Comprehensive Income		62,848,939	26,133,360
Investment Securities at Amortized Cost		173,239,922	168,202,728
Loans and Receivables - net		583,745,045	568,919,164
Accrued Interest Receivable		6,284,900	7,158,494
Investments in Associates		744,755	704,169
Bank Premises, Furniture, Fixtures and Equipment - net		9,002,951	9,155,234
Investment Properties		4,315,088	4,337,184
Deferred Tax Assets		3,474,063	3,370,949
Intangible Assets		4,033,649	4,066,078
Goodwill		839,748	839,748
Other Assets		7,400,889	6,887,506
	P	984,224,732	962,225,980
LIABILITIES AND EQUITY			
Liabilities			
Deposit Liabilities			
Demand		191,141,902	186,955,056
Savings		218,239,728	224,872,421
Time		375,207,445	363,600,383
		784,589,076	775,427,861
Bills Payable		44,477,689	33,381,406
Bonds Payable		37,442,314	37,394,398
Manager's Checks		1,331,548	1,998,678
Income Tax Payable		864,575	540,662
Accrued Interest and Other Expenses		4,980,969	4,121,302
Derivative Liabilities		1,447,305	1,036,052
Derivative Liabilities Designated as Hedges		576,807	51,949
Deferred Tax Liabilities		1,084,742	1,083,378
Other Liabilities		10,625,020	11,014,701
		887,420,046	866,050,387
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital Stock			
Common Stock - P10 par value			
Authorized - 3,300,000,000 shares			
Issued - 2,685,899,812 shares		26,858,998	26,858,998
Capital paid in excess of par value		17,122,626	17,122,626
Surplus Reserves		3,655,379	3,598,275
Surplus		50,719,058	48,558,760
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		(646,983)	417,576
Remeasurement Gain on Defined Benefit Asset		(371,863)	(368,531)
Remeasurement on Life Insurance Reserve of Associate		19,767	20,655
Cumulative translation adjustment		8,518	6,835
Cash Flow Hedge Reserve		(576,807)	(51,949)
		96,788,694	96,163,243
Non-controlling Interest		15,993	12,351
		96,804,686	96,175,594
	P	984,224,732	962,225,981

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

	March 2020	December 2019
	Unaudited	Audited
CONTINGENT ACCOUNTS		
Unused commercial letters of credit	16,141,068	18,227,610
Committed Credit Lines	79,259,691	46,506,112
Outstanding guarantees Issued	738,276	1,022,261
Inward bills for collection	3,740,933	4,423,799
Outward bills for collection	45,531	88,197
IRS receivable	26,746,800	26,523,850
Spot exchange bought	8,428,889	10,896,547
Spot exchange sold	8,412,447	11,965,938
Forward exchange bought	31,819,875	30,941,342
Forward exchange sold	16,402,642	18,229,910
Trust department accounts	173,781,130	169,339,175
Credit card Lines	11,552,929	11,048,767
Late deposits/payments received	88,793	525,953
Deficiency claims receivable	285,110	285,745
Standby credit commitment	3,724,548	2,200,316
Others	545	37,114
	381,169,209	352,262,635

CHINA BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Quarters Ended March 2020 and 2019
(Amounts in thousands)

ANNEX II

		MARCH 2020	MARCH 2019
INTEREST INCOME			
Loans and receivables	P	9,171,654	8,692,990
Investment securities at amortized cost and at FVOCI		2,439,585	2,325,433
Financial Assets at FVPL		225,174	123,081
Due from BSP and other banks and SPURA		302,248	245,291
		12,138,661	11,386,795
INTEREST EXPENSES			
Deposit liabilities		3,307,884	4,987,904
Bills payable and other borrowings		903,918	470,170
		4,211,802	5,458,074
NET INTEREST INCOME			
		7,926,859	5,928,721
Trading and securities gain/(loss)		(166,167)	175,274
Service charges, fees and commissions		753,195	769,168
Foreign exchange gain- net		127,068	(74,252)
Income from asset acquired		76,097	81,060
Miscellaneous		359,916	343,158
TOTAL OPERATING INCOME			
		9,076,967	7,223,128
Compensation and fringe benefits		1,646,413	1,443,510
Taxes and licenses		1,006,008	872,845
Occupancy costs		414,927	489,606
Depreciation and amortization		478,690	442,518
Provision for impairment and credit losses		412,451	273,356
Insurance		489,311	456,836
Repairs and maintenance		37,598	37,197
Entertainment, amusement and recreation		75,224	70,721
Miscellaneous		1,692,590	987,566
TOTAL OPERATING EXPENSES			
		6,253,210	5,074,155
INCOME BEFORE INCOME TAX			
		2,823,757	2,148,973
PROVISION FOR INCOME TAX			
		603,800	288,554
NET INCOME			
	P	2,219,957	1,860,420
Attributable to:			
Equity holders of the parent		2,217,402	1,858,283
Non-controlling Interest		2,555	2,136
	P	2,219,957	1,860,420
Earnings Per Share			
a. Basic		0.83	0.69
b. Diluted *		0.83	0.69
Net Income		2,217,402	1,858,283
Weighted Ave. Number of Common Shares			
Outstanding		2,685,900	2,685,900

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

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Quarters Ended March 2020 and 2019
(Amounts in thousands)

ANNEX III

	MARCH 2020	MARCH 2019
Net Income	2,219,957	1,860,420
Other Comprehensive Income (Loss):		
<i>Items that recycle to profit or loss in subsequent periods:</i>		
Net unrealized gain (loss) on financial assets at FVOCI		
Fair value gain(loss) for the year, net of tax	(1,017,054)	425,171
Gains taken to profit or loss	(47,492)	(12,384)
Share in Other Comprehensive Income of Associate:		
Net Unrealized Gain on financial assets at FVOCI	1,044	-
Gain (loss) on Cash Flow Hedge	(524,858)	-
Cumulative translation adjustment	1,715	91,467
<i>Items that do not recycle to profit or loss in subsequent periods:</i>		
Remeasurement gain on defined benefit asset or liability	(3,332)	(102,768)
Remeasurement loss on life insurance reserves	(887)	-
Other Comprehensive Income for the year	(1,590,865)	401,485
Total Comprehensive Income for the year	629,092	2,261,905
Total comprehensive income attributable to:		
Equity holders of the Parent Company	625,450	2,257,952
Non-controlling Interest	3,642	3,953
	629,092	2,261,905

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

ANNEX IV

	Capital Stock	Capital Paid in Excess of Par Value	Stock dividend Distributable	Surplus Reserves	Surplus Free	Net unrealized gains (losses) on FVOCI	Remeasurement gain on defined benefit asset or liability	Remeasurement on life insurance reserve of an associate	Cash Flow Hedge Reserve	Cumulative Translation Adjustment	Total	Minority Interest	Total Equity
Balance at December 31, 2019	26,858,998	17,122,626	-	3,598,275	48,558,760	417,576	(368,531)	20,655	(51,949)	6,835	96,163,244	12,351	96,175,595
Total comprehensive income for the year				-	2,217,402	(1,064,559)	(3,332)	(887)	(524,858)	1,684	625,450	3,642	629,092
Retained Earnings, appropriated				57,104	(57,104)	-	-	-		-	-	-	-
Balance at March 31, 2020	26,858,998	17,122,626	-	3,655,379	50,719,058	(646,983)	(371,863)	19,767	(576,807)	8,518	96,788,694	15,993	96,804,687
Balance at December 31, 2018	26,858,998	17,122,626		4,031,008	40,497,256	(702,509)	117,047	19,154		(91,699)	87,851,881	4,708	87,856,589
Total comprehensive income for the year					1,858,283	410,946	(102,424)			91,147	2,257,952	3,953	2,261,905
Retained Earnings, appropriated				(195,085)	195,085						-		-
Other adjustments					115,827						115,827		115,827
Balance at March 31, 2019	26,858,998	17,122,626	-	3,835,923	42,666,451	(291,563)	14,623	19,154		(552)	90,225,660	8,661	90,234,321

CHINA BANKING CORPORATION
STATEMENTS OF CASH FLOWS
For the periods ended

ANNEX V

	MARCH		MARCH	
	2020		2019	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	2,823,757	P	2,148,973
Adjustment to reconcile income before income tax to net cash provided operations:				
Provision for impairment and credit losses		412,451		273,356
Depreciation and amortization		478,690		320,035
Trading Gain/Loss on FVOCI		(1,064,559)		410,946
Income from assets acquired		(76,097)		(81,060)
Operating income before changes in operating assets and liabilities		2,574,242		3,072,250
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Financial assets at FVPL		11,800,512		(1,027,830)
Loans and receivables		(15,238,332)		(2,077,221)
Other assets		452,743		408,433
Increase (decrease) in the amounts of:				
Deposit liabilities		9,161,215		(1,904,763)
Manager's checks		(667,130)		(12,283)
Accrued interest and other expenses		859,667		443,337
Other liabilities		546,430		1,570,992
Net cash provided by operations		9,489,346		472,915
Income taxes paid		(381,637)		(283,958)
Net cash provided by operating activities		9,107,709		188,957
CASH FLOWS FROM INVESTING ACTIVITIES				
Net additions to bank premises, furniture, fixtures and equipment		(326,407)		(2,591,887)
Proceeds from sale of investment properties		35,555		38,636
Adjustment of minority interest		1,087		1,817
Additional investment of an associate		-		(40,000)
Decrease (increase) in equity investments		(40,586)		(32,375)
Decrease (increase) in the amounts of:				
Financial Assets at FVOCI		(36,715,579)		(3,289,257)
Investments at Amortized Cost		(5,037,195)		(20,580,409)
Net cash provided by (used in) investing activities		(42,083,124)		(26,493,475)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in bills payable		11,096,283		24,224,849
Bonds Payable		47,916		-
Cash Flow Hedge Reserve		(524,858)		
Net cash provided by financing activities		10,619,341		24,224,849
NET INCREASE IN CASH AND CASH EQUIVALENTS		(22,356,074)		(2,079,669)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		16,839,755		15,639,474
Due from Bangko Sentral ng Pilipinas		100,174,398		101,889,773
Due from Other banks		9,900,642		9,455,447
Interbank loans receivable and securities purchased under resale agreements		17,036,460		11,998,040
		143,951,255		138,982,734
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		14,537,632		11,219,548
Due from Bangko Sentral ng Pilipinas		78,277,751		116,357,825
Due from Other banks		24,628,705		9,325,693
Interbank loans receivable and securities purchased under resale agreements		4,151,094		
	P	121,595,182	P	136,903,066
Balance at beginning of year		70,775,804		39,826,532
Cash flows during the year				
Proceeds	48,020,611		127,735,330	
Settlement	(36,897,076)	11,123,535	(114,234,806)	13,500,524
Non-cash changes				
Foreign exchange movement	(20,528)		(4,236,058)	
Amortization of transaction cost	41,192	20,664	14,960,383	10,724,325
Balance as of March 31		81,920,003		64,051,381

China Banking Corporation
Aging of Loans and Receivables
MARCH 31, 2020

ANNEX VI

	Total	Current	90 days or less	91 to 180 days	181 days to 1 year	More than 1 year	Total Past Due	Items in Litigation
Loans and Receivables	592,294,182	561,843,240	6,950,873	2,194,696	2,184,466	3,324,946	14,654,982	1,022,199
Less: Allow for Probable Losses & Unamortized Discount	8,549,136							
Net Loans and Receivables	583,745,046							
Accounts Receivables	2,534,705	1,081,693	1,288,338	82,912	15,364	124,142	1,510,758	347,032
Less: Allowance for Probable Losses	(341,711)							
Net Accounts Receivables	2,876,416							
Accrued Interest Receivables	6,562,063	6,562,063						
Less: Allowance for Probable Losses	277,164							
Net Accrued Interest Receivables	6,284,899							

CHINA BANKING CORPORATION

PROFITABILITY REPORT BY BUSINESS SEGMENT

ANNEX VII

Segment Report

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

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

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

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

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

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

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

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

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

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

The following tables present relevant information regarding business segments as of March 31, 2020:



**PROFITABILITY REPORT BY BUSINESS SEGMENT
FOR THE PERIOD ENDING MARCH 31, 2020
CONSOLIDATED
(Amounts in thousands of Pesos)**

	LENDING BUSINESS	RETAIL BANKING BUSINESS	FINANCIAL MARKETS	OTHER BUSINESS & SUPPORT UNITS	BANKWIDE
Net interest income	6,580,311	(684,623)	928,053	1,103,118	7,926,859
Third Party Intersegment	(4,537,698)	4,519,553	86,251	(68,107)	-
Net Interest Income after Intersegment Transactions	2,042,613	3,834,930	1,014,305	1,035,012	7,926,859
Other Operating Income	213,388	662,557	(59,996)	334,160	1,150,108
Total Revenue	2,256,000	4,497,486	954,309	1,369,172	9,076,967
Other Operating expense	(1,025,830)	(3,028,419)	(475,083)	(1,723,878)	(6,253,210)
Income before income tax	1,230,170	1,469,067	479,226	(354,707)	2,823,757
Income tax provision	(34,055)	(108,299)	(371,114)	(90,332)	(603,800)
Net Income	1,196,115	1,360,768	108,112	(445,039)	2,219,957
Total Assets	448,545,048	503,782,554	258,134,335	(226,237,205)	984,224,732
Total Liabilities	4,504,880	569,039,105	137,122,756	176,753,305	887,420,046
Depreciation & Amortization	34,833	272,513	45,704	125,640	478,690
Provision for impairment and credit losses	178,361	170,594	(37,110)	100,606	412,451
Capital Expenditures	10,535	12,448	892	55,869	79,744

Financial Soundness Indicators

<i>PROFITABILITY (%)</i>	<i><u>Jan – Mar 2020</u></i>	<i><u>Jan – Mar 2019</u></i>
Return on Assets	0.92	0.85
Return on Equity	9.15	8.38
Net Interest Margin	3.82	3.32
Cost-to-income ratio	64	66
<i>LIQUIDITY (%)</i>	<i><u>Mar 2020</u></i>	<i><u>Dec 2019</u></i>
Liquid Assets to Total Assets	37	37
Loans to Deposit Ratio	74	73
<i>ASSET QUALITY (%)</i>	<i><u>Mar 2020</u></i>	<i><u>Dec 2019</u></i>
Gross Non-Performing Loans Ratio	1.7	1.5
Non-performing Loan (NPL) Cover	109	129
<i>SOLVENCY</i>	<i><u>Mar 2020</u></i>	<i><u>Dec 2019</u></i>
Debt-to-Equity Ratio	9.2	9.0
Asset-to-Equity Ratio	10.2	10.0
Interest Coverage Ratio	1.7	1.4*
<i>CAPITAL ADEQUACY (%)</i>	<i><u>Mar 2020</u></i>	<i><u>Dec 2019</u></i>
CET 1 / Tier 1 Ratio	12.14	12.76
Total CAR	13.02	13.67

*for Jan-Mar 2019

Definition of Ratios

Profitability Ratios:

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

Liquidity Ratios:

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

Asset Quality Ratios:

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

Solvency Ratios:

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

Capital Adequacy Ratio:

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

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

Financial Highlights (Consolidated)

<i>In Million Pesos</i>	<u><i>Jan – Mar 2020</i></u>	<u><i>Jan – Mar 2019</i></u>
Gross Revenues	13,289	12,681
Gross Expenses	11,069	10,821
Net Income	2,220	1,860

<i>In Million Pesos</i>	<u><i>Mar 2020</i></u>	<u><i>Dec 2019</i></u>
Total Resources	984,225	962,226
Loan Portfolio (Net)	583,745	568,919
Total Deposits	784,589	775,428
Equity	96,805	96,176

Key Performance Indicators

<i>PROFITABILITY (%)</i>	<u><i>Jan – Mar 2020</i></u>	<u><i>Jan – Mar 2019</i></u>
Return on Assets	0.92	0.85
Return on Equity	9.15	8.38
Net Interest Margin	3.82	3.32
Cost-to-income ratio	64	66
<i>LIQUIDITY (%)</i>	<u><i>Mar 2020</i></u>	<u><i>Dec 2019</i></u>
Liquid Assets to Total Assets	37	37
Loans to Deposit Ratio	74	73
<i>ASSET QUALITY (%)</i>	<u><i>Mar 2020</i></u>	<u><i>Dec 2019</i></u>
Gross Non-Performing Loans Ratio	1.7	1.5
Non-performing Loan (NPL) Cover	109	129
<i>SOLVENCY</i>	<u><i>Mar 2020</i></u>	<u><i>Dec 2019</i></u>
Debt-to-Equity Ratio	9.2	9.0
Asset-to-Equity Ratio	10.2	10.0
Interest Coverage Ratio	1.7	1.4*
<i>CAPITAL ADEQUACY (%)</i>	<u><i>Mar 2020</i></u>	<u><i>Dec 2019</i></u>
CET 1 / Tier 1 Ratio	12.14	12.76
Total CAR	13.02	13.67

*for Jan-Mar 2019

Economic Environment

Global economic activity dramatically weakened during the first quarter of the year as the containment measures to address the pandemic restricted the movement of people and commerce. As an early response against the foreseen economic fallout, the US Fed slashed policy rates to near-zero levels (0.00% to 0.25%) and rolled out an unlimited bond-buying program in March. In spite of this, US GDP still contracted by 4.8% in the first quarter mainly due to the pronounced slowdown in personal consumption, investments, and trade. China, on the other hand, recorded its first contraction since 1992 at 6.8%, following large-scale factory shutdowns and community quarantines. As economies slowed down, oil prices collapsed on weaker demand and even plunged to the negative territory in April despite the record deal to cut oil supply by 10%.

On the domestic front, the Philippine economy slightly shrank by 0.2%, substantially lower than market expectations, mainly due the impact of the Enhanced Community Quarantine (ECQ) in Luzon which accounts for more than 70% of GDP. The temporary stoppage of non-essential business operations led to a notable deceleration in household consumption which only inched up by 0.2% vis-à-vis the 5% to 6% average growth pace in 2019. Capital formation also declined by 18.3% as infrastructure spending stalled.

To mitigate the impact of the abrupt economic slowdown, the *Bayanihan to Heal as One Act (Bayanihan Act)* was signed into law last March 25, which allowed the President to realign funds into severely affected sectors. According to the latest report by the Department of Finance, the combined value of the government's fiscal and monetary war chest against COVID-19 has reached P1.45 trillion or 7.8% of GDP, including the P205-billion subsidy program for 18 million low-income families under the *Bayanihan Act* and the additional liquidity of P520 billion from BSP's planned purchases of government securities and lower interest rates & reserve requirements. The BSP Monetary Board slashed policy rates by 125 bps to 2.75% and cut the RR by 200 bps to 12%.

The combined assets of the UK/B & TB industries expanded 8.9% year-on-year to P18.3 trillion in March. Loans (+11.0%) and deposits (+10.2%) growth recovered, which brought the loans-to-deposit ratio to 74%. Gross NPL ratio went up to 2.24%, while NPL cover declined to 87%. The UK/B industry remained well-capitalized with total CAR ratios of 15.37% (solo) and 16.04% (conso) in Dec 2019, which were above the regulatory minimum.

Results of Operation

Analysis of Consolidated Statements of Income

For the period ended March 31, 2020 (unaudited) and March 31, 2019 (unaudited)

The Bank recorded a 19.3% hike in **net income** to P2.2 billion for the first quarter of 2020 from the P1.9 billion posted in the same period last year driven by sustained growth of its core businesses. **Return on equity** was recorded at 9.15%, while **return on assets** was at 0.92%.

Total interest income increased 6.6% to P12.1 billion from P11.4 billion. **Interest income from loans and receivables** was up 5.5% to P9.2 billion from P8.7 billion from the year-on-year expansion in loan portfolio. **Interest income from financial assets at FVPL** recorded an 82.9% increase to P225.2 million from the build-up in securities holdings. Furthermore, **interest income from due from BSP and other banks and SPURA** was 23.2% higher at P302.2 million because of the growth in placements with correspondent banks.

Total interest expense amounted to P4.2 billion, P1.2 billion or 22.8% lower than last year as **interest expenses on deposit liabilities** decreased 33.7% to P3.3 billion due to lower cost of funds for the quarter. Meanwhile, **interest expenses on bills payable and other borrowings** was P433.7 million higher due to volume-related growth and PFRS-16 related adjustments.

Net interest income for the quarter jumped 33.7% to P7.9 billion. The Bank's **net interest margin** improved to 3.82% from 3.32% due to the growth in earning assets, as well as lower funding costs.

Provision for impairment and credit losses totaled P412.5 million, 50.9% more as the Bank reassessed its provisioning in view of the possible impact of the COVID-19 pandemic and the Luzon-wide ECQ.

Total **non-interest income** decreased 11.1% to P1.2 billion mainly from the P166.2 million **trading and securities loss** during the quarter due to weaker market conditions and lower trading opportunities amid the global pandemic. **Income from assets acquired** dropped 6.1% to P76.1 million because of smaller sales volume of foreclosed properties. Meanwhile, **foreign exchange gain** grew by P201.3 million to P127.1 million from P74.3 million loss given the favorable environment in the Peso-Dollar exchange.

Operating expenses surged 21.7% to P5.84 billion from higher manpower, marketing- and information technology-related expenses. **Compensation and fringe benefits** increased 14.1% to P1.6 billion from the increase in human resource complement and accrual of salary increases. **Taxes and licenses** were up 15.3% to P1.0 billion due to higher gross receipts, documentary stamp, and volume-related taxes. **Occupancy costs** fell 15.3% to P414.9 million due to PFRS-16 related adjustments. **Insurance**, which includes PDIC premium payments, recorded a 7.1% increase with the upward swing in deposits. **Depreciation and amortization** was 8.2% higher at P478.7 million due to continued investments in business expansion and technology platform upgrades, as well as PFRS-16 related adjustments. **Entertainment, amusement and recreation** increased 6.4% to P75.2 million from the accrual of marketing-related expenses. Meanwhile, **miscellaneous expenses** rose by 71.4% to P1.7 billion primarily from higher information technology-related expenses and provision for additional costs related to the Luzon-wide ECQ, among others.

Financial Condition

Analysis of Consolidated Statement of Financial Condition As of March 31, 2020 (unaudited) and December 31, 2019 (audited)

Total assets recorded a P22.0 billion increase to P984.2 billion.

Cash and other cash items fell 13.7% to P14.5 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from Bangko Sentral ng Pilipinas** was 21.9% lower to P78.3 billion due to the reduction in reserve requirement by the end of March, as well as the smaller overnight placements with the BSP. **Interbank loans receivable and securities purchased under resale agreements** also dropped by 75.6% to P4.2 billion with lower placements with correspondent banks. Meanwhile, **due from other banks** increased by P14.7 billion to P24.6 billion with the growth in deposits with other banks.

Total investment securities amounted to P242.8 billion, up 14.1%. The build-up in securities volume raised the portfolio of **financial assets at fair value through other comprehensive income (FVOCI)** by P36.7 billion or 140.5% to P62.8 billion. **Financial assets at fair value through profit or loss (FVPL)** posted an P11.8 billion or 63.8% decrease to P6.7 billion due to lower volume of fixed income assets. The Bank's securities portfolio accounted for 25% of assets, higher than 22% at 2019-end.

Net loans stood at P583.7 billion, up P14.8 billion from the growth in demand across all customers segments.

Accrued interest receivable amounted to P6.3 billion, down 12.2% from the drop in interbank loans and SPURA and FVPL securities. **Investment in associates** increased 5.8% to P744.8 million from higher income contribution of the Bank's affiliate, MCBLife. **Other assets** increased by P513.4 million or 7.5% mainly from higher accounts receivables.

Total deposits ended at P784.6 billion, of which demand and savings deposits totaled P409.4 billion. **Bills payable** increased by 33.2% to P44.5 billion with the growth in interbank borrowings. **Manager's checks** declined 33.4% to P1.3 billion because of lower demand from branch customers. **Income tax payable** increased to P864.6 million due to higher income subject to regular corporate income tax for the period. **Accrued interest and other expenses** were 20.9% larger at P5.0 billion from the booking of accruals and payroll expenses. Higher volume of currency swaps resulted increases in **derivative liabilities** and **derivative liabilities designated as hedges** by P411.3 million and P524.9 million, respectively.

Total equity reached P96.8 billion and was driven by the 4.4% increase in **surplus**. **Net unrealized loss on FVOCI** amounted to P647.0 million from a gain of P417.6 million because of the mark-to-market revaluation of the Bank's FVOCI securities. **Cumulative translation adjustment** improved 24.6% to P8.5 million due to exchange rate difference arising from the conversion of income and expenses related to foreign currency-denominated positions to base currency.

The Bank's **Common Equity Tier 1 (CET 1 / Tier 1) ratio** and **total CAR** were computed at 12.14% and 13.02%, respectively; well above the minimum regulatory requirement.

Total Comprehensive Income

For the period ended March 31, 2020 and March 31, 2019

The Bank recorded **total comprehensive income** of P629.1 million in the first quarter, a P1.6 billion drop from the P2.3 billion recorded in the same period last year mainly from the P1.1 billion net unrealized loss on FVOCI.

Key Performance Indicators

Profitability

The Bank posted a net income of P2.2 billion resulting in 9.15% ROE and 0.92% ROA. Cost-to-income ratio improved to 64% from 66% even as the Bank continued to invest in technology upgrades and human resource development. Net interest margin improved to 3.82% from 3.32% due to the increase in earning assets and lower cost of funds.

Liquidity

The ratio of liquid assets to total assets remained steady at 37%.

Asset Quality

Gross NPL ratio slightly increased to 1.7% from 1.5% as of 2019-end. Consolidated NPL cover was at 109% with the Parent's settling at 159%

Solvency Ratios

Debt-to-equity ratio was recorded at 9.2 versus 9.0; asset-to-equity ratio was at 10.2 from 10.0. Interest coverage ratio for the period stood at 1.7 as against 1.4 in 1Q 2019.

Capitalization

China Bank's CET 1 / Tier 1 CAR and total CAR ratios were computed at 12.14% and 13.02%, respectively. The Bank's capital is largely comprised of CET 1 / Tier 1 (core) capital.

Corporate Developments

The year 2020 marks the 100th anniversary of China Bank. With the theme "Celebrating the Past, Embracing the Future", China Bank commemorates this important milestone by preserving its legacy while moving forward to better serve its stakeholders.

The Bank kicked off its celebration with the restoration and retrofitting of the Binondo Business Center which, when completed, will be marked as a heritage site. The new building will house the China Bank Museum which will be accompanied by a mobile app for alternative access by the public. On the digital space and social media, the Bank released its centennial ad that tells the story of China Bank's founding and how its core values remain despite the changing times. The Bank also joined the Chinese New Year motorcade around Chinatown and launched two deposit promos. Other activities are lined-up for the centennial celebration, including merchandising, events, and the publishing of an updated coffee table book.

Amid the outbreak of the 2019 Corona Virus Disease (COVID-19) and the implementation of ECQ throughout Luzon, China Bank has braved the frontlines to continue providing customers and other stakeholders with vital financial & banking services, while ensuring a safe working environment for its employees.

Aside from adopting the *Bayanihan Act*, which, among others, mandates a nationwide 30-day moratorium on loan payments, the Bank also implemented measures to protect the interests of its stakeholders, including paying employees' salaries in full during the ECQ, establishing work-from-home setups, providing employees with temporary accommodation and transportation arrangements, giving financial assistance to agency personnel, waiving certain fees including inter-bank fund transfers via InstaPay and PesoNet, ensuring the availability of digital banking channels, and increasing ATM withdrawal limits.

In spite of the health crisis, the Bank has continued to move forward on its digital banking initiatives. In April, the Board of Directors appointed Manuel Tagaza as the Head of the Digital Banking Group. In 2019, the Bank engaged tech giant Microsoft for digital advisory service and development of the Bank's digital transformation strategy.

Subsidiaries

The Bank's subsidiaries include China Bank Insurance Brokers, Inc., CBC Properties and Computer Center, Inc., China Bank Savings, Inc., and China Bank Capital Corporation. These subsidiaries comprised about 10% of the total consolidated resources.

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

(In Mn Pesos)	<i>Jan-Mar '20</i>	<i>Jan-Dec '19</i>	<i>Jan-Mar '19</i>
Net Income	31	87	16
Total Assets	460	591	758

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

(In Mn Pesos)	<i>Jan-Mar '20</i>	<i>Jan-Dec '19</i>	<i>Jan-Mar '19</i>
Net Income	149	370	97
Total Assets	94,791	102,686	95,512

- **China Bank Capital Corporation**

(In Mn Pesos)	<i>Jan-Mar '20</i>	<i>Jan-Dec '19</i>	<i>Jan-Mar '19</i>
Net Income	11	342	55
Total Assets	2,406	2,429	2,090