CHINABANK
Since 1920

16 May 2022

**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. ALEXANDRA D. TOM WONG**
Officer-in-Charge, Disclosure Department

**PHILIPPINE DEALING & EXCHANGE CORP.**
Philippine Dealing System Holdings Corp. &
Subsidiaries 29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City, 1227 Telephone
No: 884-4446

**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, 2022 filed with the Securities and Exchange Commission (SEC).

Thank you.

Very truly yours,

Gerald Florentino

**GERALD O. FLORENTINO**
First Vice President & Head
Investor & Corporate Relations
Group

**CHINA BANKING CORPORATION**
8745 Paseo de Roxas corner Villar Street, Makati City,
Philippines Tel. No. 885-5555 • www.chinabank.ph

# COVER SHEET

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|---|---|---|---|---|---|---|---|---|---|---|

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)

| 0 | 3 | | 3 | 1 |
|---|---|---|---|---|

*Month* *Day*
(Fiscal Year)

| 1 | 7 | - | 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)

**1,871**

Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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, 2022**

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 |
|---|---|---|
| **COMMON** | **2,691,288,212** | |

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

    Yes [**X**] 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 [**X**] No [ ]

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

    Yes [**X**] 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 …………………………………………………............ **CHINA BANKING CORPORATION**

Principal Financial/Accounting Officer/Controller …………….. **PATRICK D. CHENG**

Signature and Title ………………………………………………. Chief Finance Officer

Date……………………………………………………………….. May 16, 2022

## Part I – Financial Information

### Item 1. Financial Statements

a. **Accounting Policies and Methods of Computation**. The accompanying interim condensed consolidated financial statements of China Banking Corporation (the Parent Company) and Subsidiaries (collectively referred to as the Group) as of March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with the Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

   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, 2021 which have been prepared in accordance with PFRS.

b. **Seasonality or Cyclicality 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, 2022 | December 31, 2021 | Increase (Decrease) |
|---|---|---|---|
| **Assets** | | | |
| Cash and Other Cash Items | 13,778,966 | 16,024,863 | (2,245,896) |
| Due from Bangko Sentral ng Pilipinas | 85,386,300 | 124,283,115 | (38,896,816) |
| Interbank Loans Receivable and Securities Purchased under Resale Agreements | 44,444,565 | 36,559,224 | 7,885,341 |
| Financial Assets at Fair Value through Profit or Loss | 8,492,382 | 7,209,667 | 1,282,715 |
| Derivative Contracts Designated as Hedges | 3,605,640 | 1,139,233 | 2,466,407 |
| Investment Securities at Amortized Cost | 279,468,850 | 242,353,729 | 37,115,121 |
| Other Assets | 7,337,524 | 6,464,385 | 873,139 |
| **Liabilities** | | | |
| Bills Payable | 55,184,667 | 65,806,274 | (10,621,608) |
| Income Tax Payable | 1,576,414 | 785,091 | 791,324 |
| Accrued Interest and Other Expenses | 5,701,792 | 4,745,861 | 955,932 |
| Derivative Liabilities | 469,177 | 998,721 | (529,544) |
| Derivative Contracts Designated as Hedges | – | 162,399 | (162,399) |
| Deferred Tax Liabilities | 1,017,928 | 798,212 | 219,716 |

| | March 31, 2022 | March 31, 2021 | Increase (Decrease) |
|---|---|---|---|
| **Income** | | | |
| Interest on Loans and receivables | 9,149,560 | 8,275,230 | 874,330 |
| Interest on Investment securities at amortized cost and at FVOCI | 3,066,139 | 2,370,781 | 695,358 |
| Interest on Financial Assets at FVPL | 130,591 | 217,054 | (86,463) |
| Interest on Due from BSP and other banks and SPURA | 287,378 | 497,284 | (209,906) |
| Service charges, fees and commissions | 689,796 | 584,344 | 105,452 |
| Trading and securities gain | 337,921 | 916,159 | (578,238) |
| Gain on disposal of investment securities at amortized cost | – | 1,270,831 | (1,270,831) |
| Gain on sale of investment properties | 127,277 | 19,568 | 107,709 |
| Foreign exchange gain- net | 87,907 | 198,564 | (110,658) |
| Trust fee income | 112,274 | 92,359 | 19,915 |
| Gain on asset foreclosure and dacion transactions | 15,685 | 37,583 | (21,897) |
| Miscellaneous | 341,059 | 285,972 | 55,086 |

| Expense | | | |
|---|---|---|---|
| Interest expense on Deposit Liabilities | 1,239,668 | 1,452,419 | (212,751) |
| Interest expense on Bills payable and other borrowings | 587,788 | 521,889 | 65,899 |
| Interest expense on Lease Payable | 43,749 | 52,053 | (8,304) |
| Taxes and licenses | 848,592 | 1,051,204 | (202,612) |
| Provision for impairment and credit losses | 779,699 | 2,217,756 | (1,438,058) |
| Entertainment, amusement and recreation | 70,556 | 78,675 | (8,119) |
| Miscellaneous | 1,187,887 | 1,374,971 | (187,084) |
| Provision for income tax | 1,090,547 | 748,841 | 341,706 |

d. **Changes in Estimates of Amounts Reported.**

*Critical Management Judgments in Applying Accounting Policies*
In the process of applying the Group's accounting policies, management has made the following judgments that are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, apart from those involving estimation resulting from the Group's reassessment as a response to COVID-19 pandemic, which have the most significant effect on the amounts recognized in the financial statements. Among those significant judgements applied for the three months ended March 31, 2022 and 2021 are discussed below:

*Going Concern Assumption*
The accompanying interim condensed consolidated financial statements have been prepared under the going-concern assumption. In arriving at this assumption, the Group 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 twelve (12) months from the date of this report.

Since this Covid-19 pandemic can continue to have a significant impact on the Group's business, results of operations, financial condition and cash flows, the Group will monitor new developments of this pandemic and determine whether these will have an impact on the Group's assumption to operate as a going-concern entity.

*Key Sources of Estimation Uncertainty*
Since March 2020, measures imposed by the government in response to the pandemic, such as the implementation of stringent social distancing and community quarantines, have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve. As of this reporting date, the implementation of these public health protocols and its impact to businesses and industries vary across regions throughout the country. The Group continues to assess financial reporting considerations related to these circumstances.

*Expected Credit Losses on Loans and Other Receivables, Financial Assets at Amortized Cost and Financial Assets at FVOCI*
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 Group'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 Group's expected credit loss models.

With respect to the continuing impact of COVID-19 pandemic, the Group has reasonably estimated the level of ECL as of this reporting date and will ensure that the varying extent of the pandemic's impact to credit risk and ECL will remain to be incorporated in the upcoming reporting periods, as the country continues to deal with this public health crisis. The Group has captured all relevant and supportable information (which includes incorporating management overlays and adjustments such as credit reviews of specific borrowers) in estimating its ECL allowance and related provisions as of and for this reporting period, respectively.

In view of the government moratorium on loan payments, the Group considered how the availment of the borrowers and counterparties will affect the stage classification of the financial assets. In particular, the Group assessed how the availment of the mandatory grace period, together with other relevant information about the borrower (e.g., impact of the pandemic to its industry and operations, potential cash flow pressures affecting the borrower's capacity to pay amounts becoming due), will affect assessment of significant increase in credit risk (SICR) and default. Based on these assessments, in the absence of indicators of impairment or SICR since initial recognition, exposures to borrowers and counterparties who availed of the mandatory grace period as provided for by law are classified as stage 1. The same assessment also applies to exposures with borrowers and counterparties who re-negotiated payment terms with the Group.

Also, the Group utilized the revised or modified cash flows (after considering the government moratorium on loan payments and renegotiation of financial assets) as exposure at default (EAD) in calculating allowance for credit losses.

For probabilities of default (PD), these have been updated with information after considering the impact of the pandemic to current market conditions as well as expectations about future economic conditions (i.e., forward-looking information).

Lastly, the Group has updated all available collateral information in order to incorporate the impact of the pandemic, to the extent possible, in calculating loss given default (LGD) as of the reporting period.

Provision for impairment and credit losses for the three months ended March 31, 2022 and March 31, 2021 amounted to ₱779.7 million and ₱2.2 billion, respectively.

The Group 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, 2022 and on the nature of the Group's loan portfolio whose majority pertains to commercial and corporate loans with retail and consumer loans comprising only a small portion of the total loan portfolio.

The Group will continue to assess the current market conditions and forecasts of future economic conditions, and its impact to the aforementioned ECL components (i.e., EAD, PD, LGD), in order to update the ECL on a timely basis in the upcoming reporting periods.

e. **Issuances, Repurchases, and Repayments of Debt and Equity Securities.**
There were no issuances, repurchases and repayments of debt and equity securities made by the issuer.

f. **Segment Information.** Operating businesses are recognized and managed separately according to the nature of business served, with each segment representing a strategic business unit. The Bank's comparative revenues and expenses by business segments are shown in Annex VII.

g. **Dividends.** At the annual stockholders meeting held on May 5, 2022, the stockholders approved the declaration of ₱1.00 per share regular dividend and an additional ₱0.50 per share special dividend, sets May 20, 2022 as the date of record. Cash dividends will be paid on June 3, 2022.

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.**
*Cash Dividends from China Bank Insurance Brokers, Inc. (CIBI)* On March 1, 2022, the Bank received ₱50 million cash dividends from China Bank Insurance Brokers, Inc. (CIBI).

*Centennial Stock Grant.* The Group issued the stock grants to all eligible employees on September 1, 2021 in relation to its Centennial Stock Grant Plan. This resulted in an increase in the Parent Company's 'Capital stock' and 'Capital paid in excess of par value' totaling ₱132.02 million as of the grant date.

*Sale of Investment Securities at Amortized Cost*
The Group did not sell any investment securities at amortized cost in 2022. In 2021, the Parent Company sold investment securities at amortized cost resulting to a gain of ₱1.27 billion. These disposals in the investment securities at amortized cost are consistent with the portfolios' business models with respect to the conditions and reasons for which the disposals were made.

k. **Financial Risk Disclosure**. 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 inherent 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 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 CBSI, 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 severity of risk, materiality, and regulations are primary considerations in determining 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 processes. 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 Oversight Committee (ROC) the formulation and supervision of the risk management process which includes, among others, determining the appropriate risk mitigating strategies and operating principles, adoption of industry standards, development of risk metrics, monitoring of key risk indicators, and the imposition of risk parameters. The ROC is composed of three members of the BOD, all of whom are independent directors.

The Risk Management Group (RMG) is the operating unit of the ROC primarily responsible for the implementation of the risk management strategies approved by the Board of Directors. 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 monitoring of material risks ensuring that the Parent Company, in its transactions and dealings, engages only in risk-taking activities duly approved by the ROC. The RMG also ensures that relevant information is accurately and completely captured on a timely basis in the management reporting system of the Parent Company. The RMG is headed by the Chief Risk Officer (CRO) who reports the results of risk measurements to the ROC.

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 reports to the ROC and is a resource of the Management Committee (ManCom), Credit Committee (CreCom), Asset-Liability Committee (ALCO), Operations Committee (OpsCom) and Technology Steering Committee (TSC). 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 RMG's function, particularly, that of the CRO, as well as the Board's risk oversight responsibilities are articulated under BSP Circular No. 971, Guidelines on Risk Governance.

The key risk indicators were formulated on the basis of the financial risks faced by the Parent Company. These 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), Maximum Cumulative Outflow (MCO) and Earnings-at-Risk (EAR) 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 industry, customer and geographic risks is included in the discussion with the ROC. A comprehensive risk report is presented to the BOD on a periodic basis for an overall assessment of the level of risks taken by the Parent Company. On the other hand, the Chief Audit Executive 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.

*Risk Mitigation*
The Parent Company uses derivatives to manage exposures to 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 and frontline 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 ROC and ManCom.

The Operational Risk Assessment Program and IT Risk Frameworks require the Parent Company to undergo periodic operational risk assessment and for all business units & allied businesses to conduct risk and control self-assessments. These enable determination of priority risk areas, assessment of mitigating controls in place, and institutionalization of additional measures to ensure both a controlled operating environment and proper handling of IT risk exposures. RMG maintains and updates 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 Group 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 the Maximum Cumulative Outflow and Earnings-at-Risk reports from the Asset and Liability Management (ALM) system. It was implemented in 2013 and was upgraded in 2018 to a new version which includes modules for calculating Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). 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 Parent Company uses Historical Simulation VaR approach for all treasury traded instruments, including fixed income bonds, foreign exchange swaps and forwards, IRS and equity securities. Market risk exposures are measured and monitored through reports from the Market Risk Management System which has been implemented in 2018 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 commercials 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 June 2, 2021, the BOD approved the 2021 ICAAP document for submission to the BSP. There were no changes made in the Priority Risk Areas of the Parent Company and the approved trigger events for the review of Capital Ratios MAT and Priority Risks. Pertinent activities emphasizing the Bank's response to the COVID19 pandemic, however, were included in this submission.

The Parent Company submitted its annually-updated ICAAP document, in compliance with BSP requirements on June 28, 2021. The document disclosed that the Parent Company has an appropriate level of internal capital relative to the Group's risk profile.

For this submission, 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 includes 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.

*Group's Response to the COVID-19 Pandemic*
The COVID-19 pandemic has impacted all types of businesses and the banking sector is among the severely hit, at least operationally. As the National Government imposed stringent quarantine measures and mobility becomes limited, being part of the sector essential to the economy, the need for the Group to quickly adapt to the rapidly changing business climate becomes apparent. In spite of the exceedingly challenging situation, the Group continued to open its doors to serve the public while looking after the health, safety, and well-being of the workers including service personnel and customers.

The Group developed "The New Normal Work Force and Work Management Plan for the COVID-19 Pandemic". The plan is designed to provide general direction and guidance in sustaining the operations of the Group while we manage and exert effort to reduce exposure to COVID-19. In place are team rotation work schedules, work from home arrangements, mandatory health and safety measures, and case management protocols which are all included in the Group's Work Management Plan. In addition, the buddy branch system was implemented in the branches and split office operations were established for the head office units to ensure uninterrupted services even with the extension of community quarantine particularly in the NCR.

The Group continued to implement all its market limits and triggers without changes even with the reduced trading hours in the market and shorter working hours of the Group during the Enhanced Community Quarantine. The Financial Markets Segment also issued guidance on work-from-home setup during this period for its trading personnel. Under this setup, for control purposes, Deal limits of Sales Traders were reduced to zero in the Treasury system to automatically require supervisor authorization of any transaction facilitated offsite.

In view of the heightened credit risk arising from the COVID 19- pandemic, the Group responded by issuing several credit bulletins in 2020 on the changes in credit granting and lending other credit risk management policies. This includes, among others, the implementation of guidelines to comply with the provisions of the Bayanihan to Heal as One Act, the Bayanihan to Recover as One Act, and the tightening of credit approval requirements for new loans and new credit facilities both to new and existing clients. Special Approving Authority was also delegated by the Board to selected senior officers with regards to further extension of credit line expiry. In addition, there were also guidelines on post-ECQ collection, policies for managing loans affected by the Covid-19 crisis, and procedures for the availment of the regulatory relief measure stated in BSP memoranda No. M-2020-008 (Regulatory Relief for BSFIs Affected by the Corona Virus Disease 2019) and M-2020-032 (Amendments to M-2020-008).

In 2021, as the economy slowly recovered from the pandemic, the approval requirements for grant of new loans/new facilities were gradually relaxed. A new process was temporarily adopted for consumer loans to address the slowdown in the processing of mortgage registration by the Registry of Deeds as a result of the lockdowns. In addition, guidelines were issued regarding the booking of modified loans to comply with the provisions under BSP Memo M-2020-061 (Supervisory Expectations on the Measurement of Expected Credit Losses and the Treatment of Regulatory Relief Measures Granted Amid the Novel Coronavirus Disease 2019 (COVID-19) Pandemic). Recognizing the possible benefits of the FIST Act, guidelines for the transfer or disposal of non-performing assets under its IRR and according to the issuances of the BSP for its implementation were also disseminated.

RMG also continued to run approximations of the increase in NPL under Base, Moderate, and Severe scenarios and presented the results to the Risk Oversight Committee. The assumptions were modified to take into account the improving economic condition and the fact that the borrowers severely affected by the pandemic have already been identified and booked as non-performing. The condition of accounts that were restructured or with terms modification continued to be monitored and those with high risk rating were considered in the NPL approximations.

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, except as disclosed in Item G.

m. **Material commitment for capital expenditures.** The Bank expects to incur capital expenditures related to technology-related investments. Funding will be sourced internally.

n. **Fair Value Measurement**. The Group has assets and liabilities in the Group 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 balance sheet at the end of each financial reporting period. These include financial assets and liabilities at FVTPL and financial assets at FVOCI.

The methods and assumptions used by the Group in estimating the fair values of the financial instruments follow:

*Cash and other cash items, due from BSP and other banks, interbank loans receivable and SPURA 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, remeasurement to their fair values is not material to the financial statements.

*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, 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 financial assets.

*Derivative instruments (included under FVTPL and designated as hedges)* – Fair values are estimated based on discounted cash flows, using prevailing interest rate differential and spot exchange rates.

*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.

*Bonds payable and Bills payable* – Unless quoted market prices are readily available, 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.

As of March 31, 2022 and December 31, 2021, 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, 2022** | | **December 31, 2021 (Audited)** | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Financial Assets at Amortized Cost | | | | |
| Government bonds | **₱157,639,898** | **₱154,826,260** | ₱120,586,399 | ₱122,959,933 |
| Private bonds | **121,828,952** | **123,137,821** | 121,767,330 | 143,693,145 |
| Loans and receivables | | | | |
| Corporate and commercial loans | **482,708,551** | **470,133,058** | 476,742,179 | 474,629,406 |
| Consumer loans | **122,804,449** | **123,006,531** | 119,942,290 | 120,952,674 |
| Trade-related loans | **10,041,565** | **10,225,548** | 12,208,008 | 12,382,913 |
| Others | **126,246** | **131,727** | 114,255 | 121,352 |
| Sales contracts receivable | **1,111,531** | **1,217,081** | 1,101,891 | 1,210,464 |
| **Financial Liabilities** | | | | |
| Time deposit liabilities | **315,275,682** | **310,945,156** | 307,650,145 | 303,288,548 |
| Bills payable | **55,184,667** | **53,981,538** | 65,806,274 | 64,358,633 |
| Bonds payable | **42,619,938** | **42,315,224** | 42,473,558 | 42,249,623 |

As of March 31, 2022 and December 31, 2021, the fair value hierarchy of the Group's assets and liabilities are presented below:

| | **March 31, 2022** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Recurring fair value measurements** | | | | |
| Financial assets at FVPL | | | | |
| Held-for-trading | | | | |
| Government bonds | **₱682,642** | **₱245,989** | **₱–** | **₱928,631** |
| Treasury notes | **–** | **379,615** | **–** | **379,615** |
| Treasury bills | **–** | **2,690,358** | **–** | **2,690,358** |
| Private bonds | **1,046,269** | **1,553,343** | **–** | **2,599,612** |
| Quoted equity shares | **1,083,602** | **–** | **–** | **1,083,602** |
| Financial Assets designated at FVTPL | **151,439** | **–** | **–** | **151,439** |
| Derivatives with Positive Fair Value Held for Trading | **–** | **659,125** | **–** | **659,125** |

| | March 31, 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Derivatives with Positive Fair Value Held for Hedging | **–** | **3,605,640** | **–** | **3,605,640** |
| Financial Assets at FVOCI | | | | |
| Government bonds | **6,710,763** | **11,203,795** | **–** | **17,914,558** |
| Quoted private bonds | **10,319,907** | **–** | **–** | **10,319,907** |
| Quoted equity shares | **669,514** | **–** | **–** | **669,514** |
| | **₱20,664,136** | **₱20,337,865** | **₱–** | **₱41,002,001** |
| Financial liabilities at FVPL | | | | |
| Derivative liabilities | **₱–** | **₱ 469,177** | **₱–** | **₱469,177** |
| Derivative contracts designated as hedges | **–** | **–** | **–** | **–** |
| | **₱–** | **₱ 469,177** | **₱–** | **₱469,177** |
| **Fair values of assets carried at amortized cost/cost** | | | | |
| Investment securities at amortized cost | | | | |
| Government bonds | **₱154,826,260** | **₱–** | **₱–** | **₱154,826,260** |
| Private bonds | **67,127,564** | **–** | **56,010,257** | **123,137,821** |
| Loans and receivables | | | | |
| Corporate and commercial loans | **–** | **–** | **470,133,058** | **470,133,058** |
| Consumer loans | **–** | **–** | **123,006,531** | **123,006,531** |
| Trade-related loans | **–** | **–** | **10,225,548** | **10,225,548** |
| Others | **–** | **–** | **131,727** | **131,727** |
| Sales contracts receivable | **–** | **–** | **1,217,081** | **1,217,081** |
| Investment properties | | | | |
| Land | **–** | **–** | **7,274,662** | **7,274,662** |
| Buildings and improvements | **–** | **–** | **2,021,086** | **2,021,086** |
| | **₱221,953,824** | **₱–** | **₱670,019,950** | **₱891,973,774** |
| **Fair values of liabilities carried at amortized cost** | | | | |
| Time deposit liabilities | **₱–** | **₱–** | **₱310,945,156** | **₱310,945,156** |
| Bills payable | | | **53,981,538** | **53,981,538** |
| Bonds payable | **–** | **–** | **42,315,224** | **42,315,224** |
| | **₱–** | **₱–** | **₱407,241,918** | **₱407,241,918** |

| | December 31, 2021 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Recurring fair value measurements** | | | | |
| Financial assets at FVTPL | | | | |
| Held-for-trading | | | | |
| Government bonds | ₱156,736 | ₱23,173 | ₱– | ₱179,909 |
| Treasury notes | – | 58,684 | – | 58,684 |
| Treasury bills | – | 1,790,306 | – | 1,790,306 |
| Private bonds | 1,334,070 | 1,550,793 | – | 2,884,863 |
| Quoted equity shares | 1,063,897 | – | – | 1,063,897 |
| Financial Assets designated at FVTPL | 151,209 | – | – | 151,209 |
| Derivative assets | – | 1,080,799 | – | 1,080,799 |
| Derivative contract designated as hedge | – | 1,139,233 | – | 1,139,233 |
| FVOCI financial assets | | | | |
| Government bonds | 6,251,539 | 11,461,512 | – | 17,713,051 |
| Quoted private bonds | 10,305,710 | – | – | 10,305,710 |
| Quoted equity shares | 635,114 | – | – | 635,114 |
| | ₱19,898,275 | ₱17,104,500 | ₱– | ₱37,002,775 |
| Financial liabilities at FVPL | | | | |
| Derivative liabilities | ₱– | ₱998,721 | | ₱998,721 |
| Derivative contracts designated as hedges | | 162,399 | | 162,399 |
| | ₱– | ₱1,161,120 | | ₱1,161,120 |
| **Fair values of assets carried at amortized cost** | | | | |
| Investment securities at amortized cost | | | | |
| Government bonds | ₱122,959,933 | ₱– | ₱– | ₱122,959,933 |
| Private bonds | 71,209,566 | – | 72,483,579 | 143,693,145 |
| Loans and receivables | | | | |
| Corporate and commercial loans | – | – | 474,629,406 | 474,629,406 |
| Consumer loans | – | – | 120,952,674 | 120,952,674 |
| Trade-related loans | – | – | 12,382,913 | 12,382,913 |

| | December 31, 2021 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Others | – | – | 121,352 | 121,352 |
| Sales contracts receivable | – | – | 1,210,464 | 1,210,464 |
| Investment properties | | | | |
| Land | – | – | 5,074,992 | 5,074,992 |
| Buildings and improvements | – | – | 2,392,864 | 2,392,864 |
| | ₱194,169,499 | ₱– | ₱689,248,244 | ₱883,417,743 |
| **Fair values of liabilities carried at amortized cost** | | | | |
| Time deposit liabilities | ₱– | ₱– | ₱303,288,548 | ₱303,288,548 |
| Bills payable | – | – | 64,358,633 | 64,358,633 |
| Bonds payable | – | – | 42,249,623 | 42,249,623 |
| | ₱– | ₱– | ₱409,896,804 | ₱409,896,804 |

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

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company 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 Parent Company from such services amounted to ₱12.87 million and ₱12.49 million for the three-month periods ended March 31, 2022 and 2021, respectively. The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Trust Investment Committee (TIC) of the Parent Company. The members of the TIC are directors and key management personnel of the Parent Company.

Transactions with related party retirement plan follow:

| | **March 31, 2022** | December 31, 2021 (Audited) |
|---|---|---|
| **Balance Sheet** | | |
| Deposit in banks | **₱28,534** | ₱4,207 |
| Financial assets at FVTPL | **1,473,639** | 1,419,060 |
| Total market value | **1,473,639** | 1,419,060 |
| Number of shares held | **54,579** | 54,579 |

| | **Three Months Ended March 31** | |
|---|---|---|
| | **2022** | 2021 |
| **Income Statement** | | |
| Dividend income | **₱54,579** | ₱54,579 |
| Interest income | **6** | 13 |

Other Related Party Transactions

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

| | March 31, 2022 | | |
|---|---|---|---|
| **Category** | **Amount / Volume** | **Outstanding Balance** | **Terms and Conditions** |
| **Significant Investor** | | | |
| Loans and receivables | | **8,340,600** | Secured with shares of stocks of other banks, with interest ranging from 4% to 4.18% and residual maturity ranging from 2.45 to 6.65 years. General loan loss provision of ₱ 2.22 million. |
| Issuances | – | | |
| Repayments | – | | |
| Deposit liabilities | | **3,063** | These are checking accounts with annual average rate of 0.13%. |
| Deposits | **587** | | |

| | March 31, 2022 | | |
|---|---|---|---|
| **Category** | **Amount / Volume** | **Outstanding Balance** | **Terms and Conditions** |
| Withdrawals | – | | |
| **Subsidiaries** | | | These are checking accounts with annual average rate ranging from 0.13% to 1.00%. |
| Deposit Liabilities | | **488,576** | |
| Deposit | **54,728** | | |
| Withdrawals | **(70,488)** | | |
| **Associates** | | | |
| Deposit Liabilities | | **476,000** | These are checking accounts with annual average rate ranging from 0.13% to 1.00%. |
| Deposit | **219,483** | | |
| Withdrawals | **(70)** | | |
| **Key Management Personnel** | | | |
| Loans | | **4,029** | Unsecured officer's accounts from credit card with interest of 2% maturing within 1 year and OEL accounts with interest rate ranging from 4% to 5%, with remaining maturity between 0.63 and 0.76 years and unsecured employee loans with interest rate of 5% maturing in 7.61 years. |
| Issuance | **592** | | |
| Repayments | **(587)** | | |
| Deposit Liabilities | | **15,651** | These are checking, savings and time deposit account with annual average interest rates ranging from 0.13% to 1.00% |
| Deposits | **137,559** | | |
| Withdrawals | **(151,541)** | | |
| **Other Related Parties** | | | |
| Loans | | **48,422,646** | Secured and unsecured loans with interest rate ranging from 2.25% to 9.69% with remaining maturity between 0.03 years and 18.89 years. Allowance for credit losses amounting to ₱21.18 million and general loan loss provision of ₱ 385 million. |
| Issuances | **2,415,161** | | |
| Repayments | **(1,607,290)** | | |
| Deposit Liabilities | | **621,016** | These are checking accounts with annual average rate ranging from 0.13% to 1.00%. |
| Deposit | **1,764,876** | | |
| Withdrawals | **(1,304,724)** | | |

| | December 31, 2021 (Audited) | | |
|---|---|---|---|
| Category | Amount / Volume | Outstanding Balance | Terms and Conditions |
| Significant Investor | | | |
| Loans | | ₱8,340,600 | Secured with shares of stocks, with interest rate ranging from 4% to 4.18% with remaining maturity between 2.72 years and 6.91 years. Allowance for probable losses to Secured with shares of stocks, with interest rate ranging from 4% to 4.18% with remaining maturity between 2.72 years and 6.91 years. Allowance for probable losses to ₱2.4 million. |
| Issuances | 6,000,000 | | |
| Repayments | (2,350) | | |
| Deposit Liabilities | | 2,477 | These are checking accounts with annual average rate of 0.13%. |
| Deposit | 496 | | |
| Withdrawals | (1) | | |
| Associates | | | |
| Deposit Liabilities | | 256,587 | These are checking accounts with annual average rate of 0.13%. |
| Deposit | 541,470 | | |
| Withdrawals | (324,277) | | |
| Key Management Personnel | | | |
| Loans | | 4,024 | Unsecured officer's accounts from credit card with interest of 2% maturing within 1 year and OEL accounts with interest rate ranging from 4% to 5%, with remaining maturity between 0.63 and 0.76 years and unsecured employee loans with interest rate of 5% maturing in 7.61 years. |
| Issuances | 3,876 | | |
| Repayments | (1,584) | | |
| Deposit Liabilities | | 29,632 | These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%. |
| Deposit | 229,407 | | |
| Withdrawals | (294,090) | | |
| Other Related Parties | | | |
| Loans | | 47,614,775 | Secured and unsecured loans with interest rate ranging from 2.25% to 9.69% with remaining maturity between 3 days and 19.14 years. Allowance for probable losses amounted to Secured and unsecured loans with interest rate ranging from 2.25% to 9.69% with remaining maturity between 3 days and 19.14 years. Allowance for probable |
| Issuances | 20,297,184 | | |
| Repayments | (16,595,015) | | |

| Category | December 31, 2021 (Audited) Amount / Volume | Outstanding Balance | Terms and Conditions |
|---|---|---|---|
| | | | losses amounted to ₱21.78 million |
| Deposit Liabilities | | 160,864 | These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%. |
| Deposit | 9,566,217 | | |
| Withdrawals | (11,092,240) | | |

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, 2022 and March 31, 2021 are presented below:

| | **Significant Investor** | | **Associate** | |
|---|---|---|---|---|
| | March 31 | | | |
| | **2022** | 2021 | **2022** | 2021 |
| Interest income | **₱85,206** | ₱23,430 | **₱–** | ₱– |
| Interest expense | **1** | 1 | **349** | 762 |

| | **Key Management Personnel** | | **Other Related Parties** | |
|---|---|---|---|---|
| | March 31 | | | |
| | **2022** | 2021 | **2022** | 2021 |
| Interest income | **₱56** | ₱8 | **₱561,549** | ₱617,400 |
| Interest expense | **344** | 317 | **185** | 300 |

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

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

| | **Subsidiaries** | | |
|---|---|---|---|
| | **March 31, 2022** | December 31, 2021 | **Nature, Terms and Conditions** |
| **Balance Sheet** | | | |
| Accounts receivable | **₱55,278** | ₱50,450 | This pertains to various expenses advanced by CBC in behalf of various subsidiaries |
| Security deposits | **10,420** | 10,420 | This pertains to the rental deposits with CBSI and CBCC for office space leased out to the Parent Company |

| | **Subsidiaries** | | |
|---|---|---|---|
| | **March 31, 2022** | March 31, 2021 | **Nature, Terms and Conditions** |
| **Income Statement** | | | |
| Trust fee income | **₱408** | ₱25 | Trust Fee earned by Parent Company from CBCC |
| Rent income | **794** | 757 | Rent Income from CBCC |
| Miscellaneous income | **713** | 713 | Certain functions provided by the Parent Company to its subsidiaries such as accounting, human resources, audit, treasury operations, administrative, corporate marketing, and financial control services. Under the agreement between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee. |
| Occupancy cost | **9,143** | 7,962 | 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. |
| Deferred charges | **4,505** | 7,934 | Arranger fees paid by the Parent Company to CBCC for the issuance of its fixed rate bonds |
| Information technology | **66,901** | 54,082 | This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements. |
| Miscellaneous expense | **–** | 736 | Commission for brokerage |

**CHINA BANKING CORPORATION**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** **ANNEX I**
*(Amounts in thousands)*

| | | March 2022 | December 2021 |
|---|---|---|---|
| | | Unaudited | Audited |
| **ASSETS** | | | |
| Cash and Other Cash Items | P | 13,778,966 | 16,024,863 |
| Due from Bangko Sentral ng Pilipinas | | 85,386,300 | 124,283,115 |
| Due from Other banks | | 9,850,867 | 10,694,312 |
| Interbank Loans Receivable and Securities Purchased under Resale Agreements | | 44,444,565 | 36,559,224 |
| Financial Assets at Fair Value through Profit or Loss | | 8,492,382 | 7,209,667 |
| Derivative Contracts Designated as Hedges | | 3,605,640 | 1,139,233 |
| Financial Assets at Fair Value through Other Comprehensive Income | | 28,937,220 | 28,672,240 |
| Investment Securities at Amortized Cost | | 279,468,850 | 242,353,729 |
| Loans and Receivables - net | | 615,680,810 | 609,006,732 |
| Accrued Interest Receivable | | 7,167,748 | 7,616,692 |
| Investments in Associates | | 796,519 | 796,519 |
| Bank Premises, Furniture, Fixtures and Equipment - net | | 8,029,823 | 8,232,859 |
| Investment Properties | | 4,106,794 | 3,993,338 |
| Deferred Tax Assets | | 4,950,056 | 4,624,981 |
| Intangible Assets | | 3,789,541 | 3,807,889 |
| Goodwill | | 839,748 | 839,748 |
| Other Assets | | 7,337,524 | 6,464,385 |
| | P | 1,126,663,355 | 1,112,319,526 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| **Deposit Liabilities** | | | |
| Demand | | 255,905,469 | 252,324,966 |
| Savings | | 308,097,992 | 302,884,786 |
| Time | | 315,275,682 | 307,650,145 |
| | | 879,279,143 | 862,859,898 |
| Bills Payable | | 55,184,667 | 65,806,274 |
| Bonds Payable | | 42,619,938 | 42,473,558 |
| Manager's Checks | | 1,802,606 | 1,854,606 |
| Income Tax Payable | | 1,576,414 | 785,091 |
| Accrued Interest and Other Expenses | | 5,701,792 | 4,745,861 |
| Derivative Liabilities | | 469,177 | 998,721 |
| Derivative Liabilities Designated as Hedges | | - | 162,399 |
| Deferred Tax Liabilities | | 1,017,928 | 798,212 |
| Other Liabilities | | 13,660,876 | 12,712,087 |
| | | 1,001,312,541 | 993,196,706 |
| **Equity** | | | |
| **Equity Attributable to Equity Holders of the Parent Company** | | | |
| **Capital Stock** | | | |
| Common Stock - P10 par value | | | |
| Authorized - 3,300,000,000 shares | | | |
| Issued - 2,691,288,212 shares | | 26,912,882 | 26,912,882 |
| Capital paid in excess of par value | | 17,200,758 | 17,200,758 |
| Surplus Reserves | | 3,812,787 | 3,730,687 |
| Surplus | | 75,011,285 | 70,205,517 |
| Net Unrealized Gains (Losses) on Financial Assets at FVOCI | | (1,215,680) | 81,200 |
| Remeasurement Gain on Defined Benefit Asset | | (31,860) | (30,490) |
| Remeasurement on Life Insurance Reserve of Associate | | (14,028) | (14,028) |
| Cumulative translation adjustment | | 20,892 | 17,604 |
| Cash Flow Hedge Reserve | | 3,605,640 | 976,835 |
| | | 125,302,675 | 119,080,964 |
| Non-controlling Interest | | 48,138 | 41,856 |
| | | 125,350,814 | 119,122,820 |
| | P | 1,126,663,355 | 1,112,319,526 |

**CHINA BANKING CORPORATION**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
*(Amounts in thousands)*

| | March 2022 Unaudited | December 2021 Audited |
|---|---|---|
| **CONTINGENT ACCOUNTS** | | |
| Unused commercial letters of credit | 16,043,396 | 12,971,604 |
| Committed Credit Lines | 4,406,778 | 12,765,975 |
| Outstanding guarantees Issued | 1,052,449 | 1,274,727 |
| Inward bills for collection | 1,962,528 | 1,229,608 |
| Outward bills for collection | 61,691 | 18,336 |
| IRS receivable | 84,353,140 | 83,669,379 |
| Spot exchange bought | 8,842,938 | 1,347,052 |
| Spot exchange sold | 7,401,057 | 1,653,448 |
| Forward exchange bought | 32,675,513 | 35,113,101 |
| Forward exchange sold | 34,165,433 | 22,898,059 |
| Trust department accounts | 226,895,637 | 223,398,641 |
| Credit card Lines | 15,153,960 | 14,320,597 |
| Late deposits/payments received | 55,449 | 46,125 |
| Deficiency claims receivable | 281,305 | 281,780 |
| Standby credit commitment | 4,448,998 | 3,565,978 |
| Others | 314,882 | 105,768 |
| | 438,115,150 | 414,660,177 |

**CHINA BANKING CORPORATION AND SUBSIDIARIES** **ANNEX II**
**CONSOLIDATED STATEMENTS OF INCOME**
*(Amounts in thousands)*

| | | MARCH 2022 | MARCH 2021 |
|---|---|---|---|
| **INTEREST INCOME** | | | |
| Loans and receivables | P | 9,149,560 | 8,275,230 |
| Investment securities at amortized cost and at FVOCI | | 3,066,139 | 2,370,781 |
| Financial Assets at FVPL | | 130,591 | 217,054 |
| Due from BSP and other banks and SPURA | | 287,378 | 497,284 |
| | | 12,633,668 | 11,360,349 |
| **INTEREST EXPENSES** | | | |
| Deposit liabilities | | 1,239,668 | 1,452,419 |
| Bills payable and other borrowings | | 587,788 | 521,889 |
| Lease Payable | | 43,749 | 52,053 |
| | | 1,871,205 | 2,026,361 |
| **NET INTEREST INCOME** | | **10,762,463** | **9,333,988** |
| Service charges, fees and commissions | | 689,796 | 584,344 |
| Trading and securities gain - net | | 337,921 | 916,159 |
| Gain on disposal of investment securities at AC | | - | 1,270,831 |
| Gain on sale of investment properties | | 127,277 | 19,568 |
| Foreign exchange gain - net | | 87,907 | 198,564 |
| Trust fee income | | 112,274 | 92,359 |
| Gain on asset foreclosure and dacion transactions | | 15,685 | 37,583 |
| Miscellaneous | | 341,059 | 285,972 |
| **TOTAL OPERATING INCOME** | | **12,474,382** | **12,739,367** |
| Compensation and fringe benefits | | 1,860,554 | 1,931,423 |
| Occupancy cost | | 471,025 | 489,583 |
| Taxes and licenses | | 848,592 | 1,051,204 |
| Insurance | | 543,806 | 520,306 |
| Depreciation and amortization | | 424,798 | 454,654 |
| Provision for impairment and credit losses | | 779,699 | 2,217,756 |
| Transportation and traveling | | 77,483 | 65,510 |
| Professional fees, marketing and other related services | | 136,687 | 134,043 |
| Entertainment, amusement and recreation | | 70,556 | 78,675 |
| Stationery, supplies and postage | | 53,537 | 59,149 |
| Repairs and maintenance | | 34,003 | 34,331 |
| Miscellaneous | | 1,187,887 | 1,374,971 |
| **TOTAL OPERATING EXPENSES** | | **6,488,627** | **8,411,605** |
| **INCOME BEFORE INCOME TAX** | | **5,985,755** | **4,327,762** |
| **PROVISION FOR INCOME TAX** | | 1,090,547 | 748,841 |
| **NET INCOME** | **P** | **4,895,208** | **3,578,920** |
| Attributable to: | | | |
| Equity holders of the parent | | 4,887,868 | 3,573,742 |
| Non-controlling Interest | | 7,341 | 5,179 |
| | **P** | **4,895,208** | **3,578,920** |
| **Earnings Per Share** | | | |
| a. Basic | | 1.82 | 1.33 |
| b. Diluted * | | 1.82 | 1.33 |
| Net Income | | 4,887,868 | 3,573,742 |
| Weighted Ave. Number of Common Shares Outstanding | | 2,687,696 | 2,685,900 |
| | | 2,687,696 | 2,691,288 |

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

**CHINA BANKING CORPORATION** **ANNEX III**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(Amounts in thousands)*

| | MARCH 2022 | MARCH 2021 |
|---|---|---|
| **Net Income** | **4,895,208** | **3,578,920** |
| **Other Comprehensive Income (Loss):** | | |
| *Items that recycle to profit or loss in subsequent periods:* | | |
| Changes in fair value of debt financial assets at FVOCI: | | |
| Fair value gain(loss) for the year, net of tax | **(1,331,109)** | **745,878** |
| Gains taken to profit or loss | **(1,445)** | **(976,516)** |
| Gain on cash flow hedges | **2,628,806** | **242,866** |
| Cumulative translation adjustment | **3,260** | **7,037** |
| *Items that do not recycle to profit or loss in subsequent periods:* | | |
| Changes in fair value of equity financial assets at FVOCI: | | |
| Fair value gain for the year, net of tax | **34,642** | **38,833** |
| Remeasurement loss on defined benefit asset or liability | **(1,372)** | **-** |
| **Other Comprehensive Income for the year** | **1,332,782** | **58,099** |
| **Total Comprehensive Income for the year** | **6,227,991** | **3,637,019** |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Parent Company | **6,221,710** | **3,632,507** |
| Non-controlling Interest | **6,280** | **4,512** |
| | **6,227,991** | **3,637,019** |

**CHINA BANKING CORPORATION**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(Amounts in thousands)*

**ANNEX IV**

| | Capital Stock | Capital Paid in Excess of Par Value | Other equity - Stock grant | 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, 2021** | **26,912,882** | **17,200,758** | **-** | **-** | **3,730,687** | **70,205,517** | **81,200** | **(30,490)** | **(14,028)** | **976,835** | **17,604** | **119,080,965** | **41,858** | **119,122,823** |
| Total comprehensive income for the year | | **-** | **-** | **-** | **-** | **4,887,868** | **(1,296,881)** | **(1,370)** | **-** | **2,628,806** | **3,288** | **6,221,710** | **6,280** | **6,227,991** |
| Retained Earnings, appropriated | | | | | **82,099** | **(82,099)** | **-** | **-** | **-** | | **-** | **-** | **-** | **-** |
| **Balance at March 31, 2022** | **26,912,882** | **17,200,758** | **-** | **-** | **3,812,787** | **75,011,285** | **(1,215,680)** | **(31,860)** | **(14,028)** | **3,605,640** | **20,892** | **125,302,675** | **48,138** | **125,350,814** |
| | | | | | | | | | | | | | | |
| **Balance at December 31, 2020** | 26,858,998 | 17,122,626 | 140,924 | - | 2,874,004 | 58,659,768 | 294,115 | (426,996) | (45,903) | (521,209) | 5,536 | 104,961,862 | 23,502 | 104,985,365 |
| Total comprehensive income for the year | - | - | - | - | - | 3,573,742 | (191,114) | - | - | 242,866 | 7,013 | 3,632,507 | 4,512 | 3,637,019 |
| Retained Earnings, appropriated | | | | | **(16,375)** | **16,375** | | | | | | - | | - |
| **Balance at March 31, 2021** | **26,858,998** | **17,122,626** | **140,924** | **-** | **2,857,629** | **62,249,884** | **103,001** | **(426,996)** | **(45,903)** | **(278,342)** | **12,548** | **108,594,369** | **28,014** | **108,622,383** |

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**CHINA BANKING CORPORATION** **ANNEX V**

**STATEMENTS OF CASH FLOWS**

**For the periods ended**

| | | MARCH 2022 | | MARCH 2021 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | | P 5,985,755 | | P 4,327,762 |
| Adjustment to reconcile income before income tax to net cash provided operations: | | | | |
| Provision for impairment and credit losses | | 779,699 | | 2,217,756 |
| Depreciation and amortization | | 424,798 | | 454,654 |
| Amortization of transaction costs on bonds payable | | 36,237 | | 314,258 |
| Realized gain on financial assets at FVOCI and investment securities at amortized cost | | (1,445) | | (2,247,347) |
| Gain on sale of investment properties | | (127,277) | | (19,568) |
| Gain on asset foreclosures and dacion transactions | | (15,685) | | (37,583) |
| **Operating income before changes in operating assets and liabilities** | | **7,082,082** | | **5,009,933** |
| Changes in operating assets and liabilities: | | | | |
| Decrease (increase) in the amounts of: | | | | |
| Financial assets at FVPL | | (1,974,658) | | 4,141,378 |
| Loans and receivables | | (7,700,981) | | (720,405) |
| Other assets | | (1,162,092) | | 1,243,130 |
| Increase (decrease) in the amounts of: | | | | |
| Deposit liabilities | | 16,419,246 | | (18,597,224) |
| Manager's checks | | (52,000) | | (37,759) |
| Accrued interest and other expenses | | 955,931 | | 1,056,780 |
| Other liabilities | | 769,312 | | (1,151,696) |
| Net cash provided by operations | | **14,336,839** | | **(9,055,863)** |
| Income taxes paid | | (403,784) | | (548,070) |
| **Net cash provided by operating activities** | | **13,933,055** | | **(9,603,933)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisitions of/Additions to: | | | | |
| Net additions to bank premises, furniture, fixtures and equipment | | (87,454) | | (41,433) |
| Investment securities at amortized cost | | (37,650,334) | | 16,762,735 |
| Financial assets at fair value through other comprehensive income | | (1,860,310) | | (41,607,549) |
| Proceeds from sale of: | | | | |
| Investment securities at amortized cost | | - | | 16,234,021 |
| Financial assets at fair value through other comprehensive income | | 1,487,009 | | 37,417,033 |
| Investment properties | | 79,101 | | 57,169 |
| Bank premises, furniture, fixtures and equipment | | 79,728 | | - |
| Proceeds from maturity of: | | | | |
| Investment securities at amortized cost | | 698,361 | | 1,074,862 |
| **Net cash provided by (used in) investing activities** | | **(37,253,900)** | | **29,896,837** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Availments of bills payable | | 86,104,991 | | 44,310,470 |
| Payments of bills payable | | (96,726,599) | | (51,779,470) |
| Proceeds from issuance of bonds payable | | - | | 20,167,487 |
| Maturity of bonds payable | | - | | (30,000,000) |
| Dividends from equity investments | | - | | 40,000 |
| Payments of principal portion lease liabilities | | (158,363) | | (243,094) |
| **Net cash provided by financing activities** | | **(10,779,971)** | | **(17,504,607)** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **-34,100,816** | | **2,788,297** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | | | |
| Cash and other cash items | | 16,024,863 | | 15,984,210 |
| Due from Bangko Sentral ng Pilipinas | | 124,283,115 | | 152,156,449 |
| Due from Other banks | | 10,694,312 | | 18,228,721 |
| Interbank loans receivable and securities purchased under resale agreements | | 36,559,224 | | 18,290,851 |
| | | **187,561,514** | | **204,660,231** |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | | | |
| Cash and other cash items | | 13,778,966 | | 12,253,638 |
| Due from Bangko Sentral ng Pilipinas | | 85,386,300 | | 160,186,572 |
| Due from Other banks | | 9,850,867 | | 11,825,004 |
| Interbank loans receivable and securities purchased under resale agreements | | 44,444,565 | | 23,183,314 |
| | | **P 153,460,698** | | **P 207,448,529** |
| **RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES** | | | | |
| **Balance at beginning of year** | | 108,279,832 | | 75,721,529 |
| **Cash flows during the year** | | | | |
| Proceeds | 85,221,920 | | 64,125,523 | |
| Settlement | (96,726,599) | | (81,779,470) | |
| Maturity | - | (11,504,679) | - | (17,653,946) |
| **Non−cash changes** | | | | |
| Foreign exchange movement | 1,065,688 | | 260,787 | |
| Amortization of transaction cost | (36,237) | 1,029,451 | (146,771) | 114,015 |
| **Balance as of March 31** | | **97,804,604** | | **58,181,597** |

**China Banking Corporation**
**Aging of Loans and Receivables**
**March 31, 2022**

**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 | **631,451,362** | 612,728,017 | 8,401,526 | 1,070,207 | 2,473,327 | 6,319,594 | **18,264,654** | 458,691 |
| Less: Allow for Probable Losses & Unamotized Discount | 15,770,552 | | | | | | | |
| **Net Loans and Receivables** | **615,680,810** | | | | | | | |
| Accounts Receivables | **3,142,778** | **2,243,843** | 21,296 | 96,036 | 52,366 | 253,636 | **423,334** | 475,601 |
| Less:Allowance for Probable Losses | 607,811 | | | | | | | |
| **Net Accounts Receivables** | **2,534,966** | | | | | | | |
| Accrued Interest Receivables | **7,634,673** | 7,634,673 | | | | | | |
| Less:Allowance for Probable Losses | 466,925 | | | | | | | |
| **Net Accrued Interest Receivables** | **7,167,748** | | | | | | | |

## 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;

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 and remittance transactions; and

d. Others – handles other services including but not limited to trust and investment management services, wealth management services to high net-worth customers, 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, 2022:

CHINABANK

**PROFITABILITY REPORT BY BUSINESS SEGMENT**
**FOR THE PERIOD ENDING MARCH 31, 2022**
**CONSOLIDATED**
***(Amounts in thousands of Pesos)***

| | LENDING BUSINESS | RETAIL BANKING BUSINESS | FINANCIAL MARKETS | OTHER BUSINESS & SUPPORT UNITS AND SUBSIDIARIES | BANKWIDE |
|---|---|---|---|---|---|
| Net interest income | 7,402,621 | 574,317 | 1,264,770 | 1,520,754 | 10,762,463 |
| Third Party Intersegment | (4,072,443) | 4,494,976 | (498,902) | 76,368 | - |
| Net Interest Income after Intersegment Transactions | 3,330,179 | 5,069,293 | 765,869 | 1,597,122 | 10,762,463 |
| Other Operating Income | 295,402 | 587,217 | 490,305 | 338,995 | 1,711,919 |
| Total Revenue | 3,625,581 | 5,656,511 | 1,256,173 | 1,936,117 | 12,474,382 |
| Other Operating expense | (816,613) | (2,906,313) | (503,729) | (1,482,274) | (5,708,928) |
| Income before Provisions and Taxes | 2,808,968 | 2,750,198 | 752,445 | 453,843 | 6,765,454 |
| Provision for Impairment and Credit Losses | (476,109) | (6,931) | 33,426 | (330,085) | (779,699) |
| Income before Income Tax | 2,332,859 | 2,743,267 | 785,871 | 123,758 | 5,985,755 |
| Provision for Income Tax | (282,435) | (404,413) | (262,843) | (140,857) | (1,090,547) |
| **Net Income** | **2,050,425** | **2,338,854** | **523,028** | **(17,099)** | **4,895,208** |
| **Total Assets** | **509,000,053** | **621,490,583** | **340,472,604** | **(344,299,885)** | **1,126,663,355** |
| **Total Liabilities** | **2,078,547** | **664,987,595** | **238,415,633** | **95,830,766** | **1,001,312,541** |
| **Depreciation & Amortization** | **13,293** | **300,530** | **7,045** | **103,930** | **424,798** |
| **Capital Expenditures** | **8,712** | **29,260** | **4,828** | **90,851** | **133,651** |

**ANNEX VIII**

## Financial Soundness Indicators

| ***PROFITABILITY (%)*** | ***Jan – Mar 2022*** | *Jan – Mar 2021* |
|---|---|---|
| Return on Average Equity | **16.02** | 13.39 |
| Return on Average Assets | **1.75** | 1.40 |
| Net Interest Margin | **4.35** | 4.23 |
| Cost to income ratio | **46** | 49 |
| | | |
| ***LIQUIDITY (%)*** | ***Mar 2022*** | *Dec 2021* |
| Liquid Assets to Total Assets | **42** | 42 |
| Loans to Deposit Ratio | **70** | 71 |
| | | |
| ***ASSET QUALITY (%)*** | ***Mar 2022*** | *Dec 2021* |
| Gross Non-Performing Loans Ratio | **2.4** | 2.5 |
| Non-performing Loan (NPL) Cover | **121** | 116 |
| | | |
| ***SOLVENCY (x)*** | ***Mar 2022*** | *Dec 2021* |
| Debt to Equity Ratio | **8.0** | 8.3 |
| Asset to Equity Ratio | **9.0** | 9.3 |
| Interest Coverage Ratio | **4.2** | 3.1* |
| | | |
| ***CAPITAL ADEQUACY (%)*** | ***Mar 2022*** | *Dec 2021* |
| CET 1 / Tier 1 Ratio | **15.45** | 14.92 |
| Total CAR | **16.28** | 15.75 |

**for Jan - Mar 2022*

## Definition of Ratios

Profitability Ratios:

| | | |
|---|---|---|
| Return on Average Equity | - | Net Income after Income Tax / Average Total Equity |
| Return on Average Assets | - | Net Income after Income Tax / Average Total Assets |
| Net Interest Margin | - | Net Interest Income / Average Interest Earning Assets |
| Cost-to-Income Ratio | - | Operating Expenses excl Provision for Impairment & Credit Losses / Total Operating Income |

Liquidity Ratios:

| | | |
|---|---|---|
| Liquid Assets to Total Assets | - | Total Liquid Assets / Total Assets |
| Loans to Deposit Ratio | - | Loans (Net) / Deposit Liabilities |

Asset Quality Ratios:

| | | |
|---|---|---|
| Gross NPL Ratio | - | Gross Non-Performing Loans / Gross Loans |
| Non-Performing Loan (NPL) Cover | - | Total Allowance for Impairment & Credit Losses on Receivables from Customers plus Retained Earnings Appropriated for Gen. Loan Loss Provision / Gross Non-Performing Loans |

Solvency Ratios:

| | | |
|---|---|---|
| Debt to Equity Ratio | - | Total Liabilities / Total Equity |
| Asset to Equity Ratio | - | Total Assets / Total Equity |
| Interest Coverage Ratio | - | Net Income Before Tax and Interest Expense / Interest Expense |

Capital Adequacy Ratio:

| | | |
|---|---|---|
| Capital to Risk Assets Ratio | - | BSP prescribed formula: |
| CET 1 CAR | - | CET 1 Capital / Total Risk Weighted Assets |
| Tier 1 CAR | - | Tier 1 Capital / Total Risk Weighted Assets |
| Total CAR | - | Total Qualifying Capital / Total Risk Weighted Assets |

**ANNEX IX**

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

### Financial Highlights (Consolidated)

| *In Million Pesos* | ***Jan – Mar 2022*** | *Jan – Mar 2021* |
|---|---|---|
| Gross Revenues | **14,346** | 14,766 |
| Gross Expenses | **9,450** | 11,187 |
| Net Income | **4,895** | 3,579 |

| *In Million Pesos* | ***Mar 2022*** | *Dec 2021* |
|---|---|---|
| Total Resources | **1,126,663** | 1,112,320 |
| Loan Portfolio (Net) | **615,681** | 609,007 |
| Total Deposits | **879,279** | 862,860 |
| Equity | **125,351** | 119,123 |

### Key Performance Indicators

| *PROFITABILITY (%)* | ***Jan – Mar 2022*** | *Jan – Mar 2021* |
|---|---|---|
| Return on Average Equity | **16.02** | 13.39 |
| Return on Average Assets | **1.75** | 1.40 |
| Net Interest Margin | **4.35** | 4.23 |
| Cost to income ratio | **46** | 49 |
| | | |
| *LIQUIDITY (%)* | ***Mar 2022*** | *Dec 2021* |
| Liquid Assets to Total Assets | **42** | 42 |
| Loans to Deposit Ratio | **70** | 71 |
| | | |
| *ASSET QUALITY (%)* | ***Mar 2022*** | *Dec 2021* |
| Gross NPL Ratio | **2.4** | 2.5 |
| Non-performing Loan (NPL) Cover | **121** | 116 |
| | | |
| *SOLVENCY* | ***Mar 2022*** | *Dec 2021* |
| Debt to Equity Ratio | **8.0** | 8.3 |
| Asset to Equity Ratio | **9.0** | 9.3 |
| Interest Coverage Ratio | **4.2** | 3.1* |
| | | |
| *CAPITAL ADEQUACY (%)* | ***Mar 2022*** | *Dec 2021* |
| CET 1 / Tier 1 Ratio | **15.45** | 14.92 |
| Total CAR | **16.28** | 15.75 |

**for Jan - Mar 2022*

## Economic Environment

US GDP contracted by 1.4% in 1Q 2022 due to increased imports as businesses rebuild their inventory and due to lower government spending. Investment spending modestly increased by 2.3% while personal consumption decelerated to 2.7%. Core inflation was above-target at 5.2% as of March 2022, prompting the US Fed to raise federal funds rate by an aggregate of 75 bps to 0.75% to 1.00% as of May.

Meanwhile, according to the IMF, the impact of the conflict between Russia and Ukraine may flow through three main channels: 1) inflation due to higher commodity prices; 2) disrupted trade, supply chain and remittances; and 3) reduced business confidence and higher investor uncertainty.

The Philippine economy expanded by 8.3% boosted mainly by the strong recovery in household consumption (+10.1%) and partially by a low base. On the production side, all three main sectors recorded improvements: agriculture (+0.2%), industry (10.4%) and services (8.6%). Inflation rate for the month of April increased to 4.9% from 4.0% in March due to faster price increases of food, electricity and domestic petroleum.

The Monetary Board maintained the policy rate at 2.00%, as well as the reserve requirement at 12%. Gov. Diokno said that the BSP may consider a rate hike in June.

As of February, the combined assets of the UK/B & TB industries expanded 6.9% year-on-year to P20.4 trillion. Deposits grew 8.1% to P15.8 trillion, while loans increased 5.7% to P10.3 trillion. Gross NPL ratio went up to 4.4% from 4.1% as of end-2021, while NPL cover dropped to 87% from 89%.

## Results of Operation

**Analysis of Consolidated Statements of Income (unaudited)**
**For the period ended March 31, 2022 and March 31, 2021**

China Bank reported a 36.8% growth in net income to P4.9 billion in the first quarter of 2022 from P3.6 billion in the same period last year. The improved profitability yielded a higher return on equity of 16.02% and better return on assets of 1.75%.

**Total interest income** increased 11.2% to P12.6 billion from P11.4 billion due to higher volume of earning assets. I**nterest income from loans and receivables** increased by 10.6% to P9.1 billion on the back year-on-year loans expansion. Similarly, **interest income from investment securities at amortized cost and at FVOCI** increased by 29.3% from larger securities portfolio. Meanwhile, **interest income from financial assets at FVPL** recorded a 39.8% drop to P130.6 million because of lower volume of FVPL securities holdings year-on-year. **Interest income from due from BSP and other banks and SPURA** decreased 42.2% to P287.4 million due to lower placements with the BSP and correspondent banks.

**Total interest expense** amounted to P1.9 billion, P155.2 million or 7.7% lower than last year as **interest expense on deposit liabilities** dropped by P212.8 million or 14.6% to P1.2 billion because of the continued improvement in the volume of checking and savings account (CASA) deposits and steady funding cost. Meanwhile, **interest expense on bills payable and other borrowings** increased by 12.6% to P587.8 million due to volume-related growth year-on-year. **Lease payable** was down 16.0% to P43.7 million due to lower balance of outstanding lease liability.

**Net interest income** rose 15.3% year-on-year to P10.8 billion mainly due to sustained growth in core business and lower interest expense. **Net interest margin** further improved to 4.35% from 4.23% in the same period last year.

The Bank recognized **provisions for impairment and credit losses** amounting to P779.7 million, down P1.4 billion or 64.8%, on the back of an improved macro-economic outlook.

The 63.1% drop in **trading and securities gains** and absence of **gain on disposal of investment securities at amortized cost** resulted in a 49.7% drop in total **non-interest income** to P1.7 billion. Nevertheless, core non-interest income still improved by 12.8% *versus* same period last year. **Service charges, fees, and commissions** increased 18.0% to P689.8 million from the upswing in deposits-related and other transactional fees**. Foreign exchange gain** decreased by 55.7% to P87.9 million because of the month-to-month movement in the Peso-Dollar exchange rate. The upturn in sales of foreclosed assets resulted in a 6.5x growth in **gain on sale of investment properties** to P127.3 million, but movements in the fair value of investment properties resulted in a 58.3% decline in **gain on asset foreclosure & *dacion* transaction** to P15.7 million. **Trust fee income** rose 21.6% to P112.3 million with the steady growth in trust department accounts. **Miscellaneous income** totaled P341.1 million, up 19.3% from the recovery of charged-off assets.

The Bank reported a 7.8% decline in **operating expenses** (excluding provision for impairment and credit losses) to P5.7 billion amid prudent cost management. **Taxes and licenses** were down 19.3% to P848.6 million mainly from lower volume-related costs. **Depreciation & amortization** decreased 6.6% to P424.8 million mainly due to lower depreciation expenses on bank premises, furniture & fixtures, right-of-use assets, and investment properties. **Transportation and travelling** increased 18.3% to P77.5 million mainly from higher fuel costs. **Entertainment, amusement & recreation, stationery, supplies & postage,** and **miscellaneous expenses** posted decreases by 10.3% to P70.6 million, by 9.5% to P53.5 million, and by 13.6% to P1.2 billion, respectively, due to lower marketing- and selling-related expenses and other operating costs. Consolidated **cost-to-income ratio** further improved to 46% from 49% in the same period last year.

## Financial Condition

**Analysis of Consolidated Statement of Financial Condition**
**As of March 31, 2022 (unaudited) and December 31, 2021 (audited)**

**Assets** totaled P1.1 trillion, P14.3 billion higher than year-end 2021.

**Cash and other cash items** dropped 14.0% to P13.8 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from BSP and due from other banks** recorded decreases by P38.9 billion and P843.4 million, respectively, from the lower outstanding placements with the BSP and deposits with correspondent banks. **Interbank loans receivable and securities purchased under resale agreements** increased by 21.6% from higher overnight placements with other banks and the BSP.

**Total investment securities** amounted to P320.5 billion, up 14.7%. **Financial assets at fair value through profit or loss (FVPL)** and **investment securities at amortized cost** climbed 17.8% and 15.3% with the growth in securities volume as of March. **Derivative contracts designated as hedges** grew 3.2x to P3.6 billion due to fair value adjustments in the interest rate swap (IRS) contracts used as hedging instruments against time deposits. The Bank's securities portfolio accounted for 28% of consolidated resources.

The Bank's liquidity ratio was steady at 42%.

**Gross loan portfolio** was at P632.4 billion, up P8.0 billion versus the P624.3 billion as of year-end 2021. **Net loans** stood at P615.7 billion.

**Accrued interest receivable** decreased by 5.9% to P7.2 billion because of timing difference in the receipt of interest earned. **Deferred tax assets** increased by P325.1 million to P5.0 billion with the booking of provision for impairment and credit losses during the period. **Other assets** were up by 13.5% to P7.3 billion because of higher prepaid expenses and other assets, among others.

On the liabilities side, **total deposits** were recorded at P879.3 billion; of which, 64% were accounted for by demand and savings account (CASA) deposits. **Bills payable** decreased by 16.1% to P55.2 billion from smaller interbank borrowings. **Income tax payable** doubled to P1.6 billion mainly from regular corporate income tax payable for the period. **Accrued interest and other expenses** were 20.1% larger at P5.7 billion arising from other expense accruals. Change in the mark-to-market rates resulted in a decrease in **derivative liabilities and derivative contracts designated as hedges** by P529.5 million and P162.4 million, respectively. The 27.5% increase in **deferred tax liabilities** was attributable to the savings bank subsidiary. **Other liabilities** increased by P948.8 million or 7.5% to P13.7 billion due to higher accounts and acceptances payable, among others.

**Total equity** reached to P125.4 billion, 5.2% higher than the P119.1 billion posted as of December 2021 mainly from the P4.8 billion increase in **surplus**. **Net unrealized gains on financial assets at FVOCI** dropped by P1.3 billion to (P1.2 billion) because of mark-to-market revaluation of the Bank's FVOCI securities. Meanwhile, **cumulative translation adjustment** grew by P3.3 million due to exchange rate difference arising from the translation of income and expenses to its presentation currency. **Cashflow hedge reserve** improved by P2.6 billion from year-end due to favorable mark-to-market rates.

The Bank's Common Equity Tier 1 (CET 1/ Tier 1) ratio and total CAR were computed at 15.45% and 16.28%, respectively.

**Total Comprehensive Income**
**For the period ended March 31, 2022 and March 31, 2021**

The Bank recorded **total comprehensive income** of P6.2 billion during the first quarter of the year, a P2.6 billion or 71.2% increase from the P3.6 billion recorded same period last year mainly from increase in net income and gains on cash flow hedge which offset the net unrealized loss on financial assets at FVOCI.

## Key Performance Indicators

**Profitability**
CHIB recorded a 36.8% jump in net income to P4.9 billion in the first quarter of the year from P3.6 billion last year. The improved profitability, driven by sustained core business growth, yielded a higher return on equity of 16.02% and a better return on assets of 1.75%. Consolidated cost-to-income ratio further improved to 46% from 49% from same period last year. Net interest margin was better at 4.35% because of higher volume of earning assets and lower cost of funds.

**Liquidity**
The Bank's liquidity ratio remained steady at 42%.

**Asset Quality**
Asset quality remained healthy as NPL ratio settled at 2.4%. Consolidated NPL coverage ratio was at 121%, with a corresponding NPL coverage of 140% for the Parent Bank.

**Solvency Ratios**
Debt-to-equity and asset-to-equity ratios for the first quarter was recorded at 8.0 and 9.0, respectively. Interest coverage ratio for the period stood at 4.2 as against 3.1 in the first quarter of 2021.

**Capitalization**
China Bank's capital base was at P125.4 billion as of March 2022. CET 1 / Tier 1 CAR and Total CAR ratios were registered at 15.45% and 16.28%, respectively, both well above the minimum regulatory requirements. The Bank's capital is largely comprised of CET 1/ Tier 1 (core) capital.

**Corporate Developments**

At its annual stockholders' meeting held virtually on May 5, 2022, China Bank declared P1.00/share regular dividend and an additional P0.50/share special dividend, reflecting the Bank's confidence in its underlying strength and future prospects. The total cash dividends of P4.04 billion is 50% higher compared to the P2.69 billion dividends paid last year and translates to a better cash dividend yield of 5.6% based on the Bank's closing price of P26.70 as of May 4. The cash dividends represent 27% of the full-year 2021 net income of P15.1 billion.

In the same meeting, the incumbent members of the Board were also re-elected: Hans T. Sy as Chairman, Gilbert U. Dee as Vice-Chairman; William C. Whang, Peter S. Dee, Joaquin T. Dee, Harley T. Sy, Herbert T. Sy, and Jose T. Sio as directors; and Margarita L. San Juan, Philip S.L. Tsai, Claire Ann T. Yap, and Genero V. Lapez as independent directors. Ricardo R. Chua remains as advisor to the Board.

China Bank and its investment banking arm China Bank Capital were among the best institutions recognized at The Asset Triple A Sustainable Capital Markets Country and Regional Awards 2021. China Bank won the coveted title of *Best Bank in the Philippines*. China Bank Capital won *Best Bond Adviser - Domestic* for the 6th year in a row and was also recognized for arranging six of the best deals in the country in 2021: *Best New Bond* for the D&L Industries P5 billion fixed rate retail bond; *Best IPO* for Monde Nissin's P48.6 billion IPO; *Best REIT* for RL Commercial REIT P23.5 billion IPO; *Best Green Bond (Corporate)* for AC Energy Corporation US$400 million fixed-for-life green notes; *Best Corporate Bond* for Petron Corporation US$550 million senior perpetual capital securities; and *Best Bond* for Globe Telecom US$600 million resettable senior unsecured perpetual capital securities

At the 17th PDS Annual Awards of the Philippine Dealing System Holdings Corp. and Subsidiaries (PDS) Group, China Bank won the *Cesar E.A. Virata Award (Bank Category)*, the highest distinction that the PDS Group bestows on a partner bank, for its excellence in trading, distribution, settlement, origination, underwriting, and market making activities in the past year. Similarly, China Bank Capital was named *Top Corporate Issue Manager/Arranger (Investment House Category)* for arranging the most number of listed corporate securities—13 out of the 16 corporate retail bonds that were issued in the local market, of which two were sole mandates, and participated in a wide range of transactions spanning sovereign issuances, bank bonds, and US Dollar securities. The Bank was likewise recognized for its outstanding performance in several categories in 2021: *Top Brokering Participant for Retail Transactions*, *Top 2 Fixed Income Dealing Participant*, *Top 3 Corporate Securities Market Maker*, and *Top 3 Fixed Income Brokering Participant*.

The Bank also was listed by Financial Times as one of the top 500 high-growth companies in the Asia Pacific region in 2022, the only bank among the 15 Philippine companies in the list. One criterion is that revenue growth must be organic or internally generated. The Asia-Pacific High-Growth Companies 2022, compiled by British newspaper Financial Times in partnership with research provider Statista, is a list of the 500 companies in the Asia-Pacific region that achieved the highest percentage growth in revenues between 2017 and 2020.

In April, the Bank completed the retrofitting and interior design of its Mega Tower Extension Office in Mandaluyong City which will house almost 800 employees who comprise at least 30% of employees assigned in the head and main offices in Makati CBD. The establishment of the new office is an affirmation of the Bank's commitment to protecting employees' health and safety by decreasing population density in the main offices, thereby reducing the risk of workplace infection, decentralizing the operations of head office units, and enhancing business continuity amid the threat of future outbreaks and disruptions.

## 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 9% of the total consolidated resources.

- **China Bank Insurance Brokers, Inc.**

| (In Mn Pesos) | **Jan-Mar '22** | Jan-Dec '21 | Jan-Mar '21 |
|---|---|---|---|
| Net Income | 22 | 92 | 17 |
| Total Assets | 577 | 569 | 498 |

- **CBC Properties & Computer Center, Inc.**

| (In Mn Pesos) | **Jan-Mar '22** | Jan-Dec '21 | Jan-Mar '21 |
|---|---|---|---|
| Net Income | 11 | 10 | 13 |
| Total Assets | 130 | 112 | 119 |

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

| (In Mn Pesos) | **Jan-Mar '22** | Jan-Dec '21 | Jan-Mar '21 |
|---|---|---|---|
| Net Income | 354 | 986 | 195 |
| Total Assets | 98,707 | 95,752 | 96,592 |

- **China Bank Capital Corporation**

| (In Mn Pesos) | **Jan-Mar '22** | Jan-Dec '21 | Jan-Mar '21 |
|---|---|---|---|
| Net Income | 75 | 295 | 87 |
| Total Assets | 3,154 | 2,798 | 2,688 |