



14 August 2020

**PHILIPPINE STOCK EXCHANGE, INC.**

Disclosure Department  
6F PSE Tower One Bonifacio High Street  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue Bonifacio Global City  
Taguig City

**Attention: MS. JANET A. ENCARNACION**  
Head - Disclosure Department

**PHILIPPINE DEALING & EXCHANGE CORP.**

Philippine Dealing System Holdings Corp. &  
Subsidiaries 29th Floor, BDO Equitable Tower  
8751 Paseo de Roxas, Makati City, 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 June 30, 2020 filed with the Securities and Exchange Commission (SEC).

For your information and guidance.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read "A Escucha".

**ALEXANDER C. ESCUCHA**  
Senior Vice President & Head  
Investor & Corporate Relations Group

**CHINA BANKING CORPORATION**

8745 Paseo de Roxas corner Villar Street, Makati City, Philippines  
Tel. No. 885-5555 • Fax No. 815-3169 • [www.chinabank.ph](http://www.chinabank.ph)

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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
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(Company's Full Name)

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

Patrick D. Cheng

(Contact Person)

8885-5555

(Company Telephone Number)

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Month Day  
(Fiscal Year)

17 - Q

(Form Type)

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Month Day  
(Annual Meeting)

(Secondary License Type, If Applicable)

Corporate Governance and Finance Dept.

(Department Requiring this document)

(Amended Articles Number/Section)

1,893

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document ID

Cashier

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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 June 30, 2020
2. Commission identification number 443
3. BIR Tax Identification No. 000-444-210-000

**CHINA BANKING CORPORATION**

4. Exact name of issuer as specified in its charter

**PHILIPPINES**

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

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

7. Address of registrant's principal office Postal Code
8. Issuer's telephone number, including area code (02) 8885-5555
9. Former name, former address and former fiscal year, if changed since last report N/A
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
<b><u>COMMON</u></b>	<b><u>2,685,899,812</u></b>	

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

Yes ☒ No ☐

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

**PHILIPPINE STOCK EXCHANGE**

**COMMON**

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

## PART I FINANCIAL INFORMATION

### Item 1. Financial Statements.

Attached are the following:

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

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

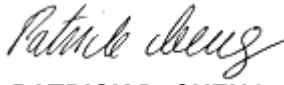
Annex IX:	Management's Discussion
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## PART II OTHER INFORMATION

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 .....	<b><u>CHINA BANKING CORPORATION</u></b>
Principal Financial/Accounting Officer/Controller .....	 <b><u>PATRICK D. CHENG</u></b>
Signature and Title .....	<u>Chief Finance Officer</u>
Date.....	<u>August 13, 2020</u>

## 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 June 30, 2020 and for the six-month periods ended June 30, 2020 and 2019 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, 2019.

The accounting policies adopted are consistent with those of the previous financial year except for the following new amendments and improvements to Philippine Financial Reporting Standards (PFRS), PAS and Philippine Interpretation which became effective as of January 1, 2020. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

- Amendments to PFRS 3, *Definition of a Business*.
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*.

The comparative period June 30, 2019 was restated to consider the impact of the adoption of PFRS 16 *Leases*, which was effective January 1, 2019. The effect on the June 30, 2019 income statement follows:

Increase in Interest Expense on Lease Payable	₱135,039
Increase in Depreciation Expense	329,186
Decrease in Occupancy Cost	(433,950)
<b>Net decrease in Net Income</b>	<b>₱30,275</b>

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

	June 30, 2020	December 31, 2019	Increase (Decrease)
<b>Assets</b>			
Cash and Other Cash Items	13,403,364	16,839,755	(3,436,391)
Due from Other banks	22,444,321	9,900,642	12,543,679
Interbank Loans Receivable and Securities Purchased under Resale Agreements	10,318,153	17,036,460	(6,718,307)
Financial Assets at Fair Value through Profit or Loss	9,264,161	18,500,111	(9,235,950)
Financial Assets at Fair Value through Other Comprehensive Income	16,272,262	26,133,360	(9,861,098)
Investment Securities at Amortized Cost	187,614,617	168,202,728	19,411,889
Accrued Interest Receivable	8,670,616	7,158,494	1,512,122

Investments in Associates	860,414	704,169	156,245
Deferred Tax Assets	4,632,685	3,370,949	1,261,736
<b>Liabilities</b>			
Bills Payable	48,809,362	33,381,406	15,427,956
Manager's Checks	2,278,030	1,998,678	279,352
Income Tax Payable	881,128	540,662	340,466
Accrued Interest and Other Expenses	4,614,697	4,121,302	493,396
Derivative Liabilities	1,753,087	1,036,052	717,035
Derivative Contracts Designated as Hedges	629,465	51,949	577,516
Other Liabilities	14,442,955	11,014,701	3,428,254
	<b>June 30,</b>	<b>June 30,</b>	<b>Increase</b>
	<b>2020</b>	<b>2019</b>	<b>(Decrease)</b>
<b>Income</b>			
Interest on Financial Assets at FVPL	364,145	300,147	63,998
Trading and Securities Gain (Loss)	2,749,363	484,203	2,265,160
Gain on disposal of investment securities at amortized cost	12,284	401,506	(389,222)
Service charges, fees and commissions	1,259,902	1,549,323	(289,421)
Foreign exchange gain- net	3,773	(180,706)	184,479
Income from asset acquired	98,643	330,522	(231,878)
Miscellaneous	624,748	779,334	(154,586)
<b>Expense</b>			
Interest expense on Deposit Liabilities	6,082,522	10,296,615	(4,214,093)
Interest expense on Bills payable and other borrowings	1,772,127	1,067,222	704,905
Interest expense on Lease Payable	120,762	135,039	(14,277)
Taxes and licenses	2,103,910	1,587,257	516,653
Provision for impairment and credit losses	4,757,602	337,963	4,419,639
Repairs and maintenance	59,191	75,524	(16,333)

- d. **Changes in Estimates of Amounts Reported.** There were no changes in estimates of amounts reported in prior interim periods of current financial year or in estimates of amounts reported in prior financial years.
- e. **Issuances, Repurchases, and Repayments of Debt and Equity Securities.** There were no issuances, repurchases and repayments of debt and equity securities made by the issuer.
- f. **Segment Information.** Operating businesses are recognized and managed separately according to the nature of business served, with each segment representing a strategic business unit. The Bank's comparative revenues and expenses by business segments are shown in Annex VII.
- g. **Dividends.** At the annual stockholders meeting held on June 18, 2020, the stockholders approved the declaration of ₱1.00 per share cash dividends. Cash dividend was paid on July 17, 2020.
- h. **Effect of Changes in the Composition of the Enterprise during the Interim Period.** There were no changes in the composition of the issuer including business combinations, acquisitions, or disposal of subsidiaries and long term investments, restructuring, and discontinuing operations during the period.
- i. **Changes in Contingent Liabilities or Contingent Assets.** There are various outstanding commitments and contingent liabilities but management does not anticipate any material losses as a result of these transactions.
- j. **Material Contingencies and Any Other Events.** There are no material contingencies and other events or transactions that are material to an understanding of the current interim period.

#### Sale of Investment Securities at Amortized Cost

The Parent Company sold the following investment securities at amortized cost in 2020 and 2019 (figures in ₱millions):

During the six months ended	Reason for selling	Carrying amount	Gain on sale
June 30, 2020	A highly probable change in regulations with a potentially adverse impact to the financial assets' contractual cash flows	<b>₱507</b>	<b>₱12</b>
June 30, 2019	A change in the funding profile of the Parent Company	4,820	358
	An increase in the financial assets' credit risk due to political uncertainty affecting the sovereign issuer's environment	1,145	44
		5,965	402

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.** There were no material changes in the financial disclosure of the Group during the interim period.
- l. **Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.**

#### Centennial Stock Grant

In light of the Bank's 100th anniversary, the Board of Directors approved on August 5, 2020 a Centennial Stock Grant Plan to issue common shares to eligible grantees.

The Board also approved to delegate to the President, Chief Operating Officer and Chief Finance Officer the authority to prepare and approve the comprehensive plan consistent with the Board approval, apply for and comply with the requirements of the regulatory agencies, and perform other actions necessary in connection with the approval.

The Centennial Stock Grant Plan shall be subject to the approval and ratification of the stockholders on October 1, 2020, and the approval of the relevant regulatory agencies.

- m. **Material commitment for capital expenditures.** The Bank expects to incur capital expenditures related to the opening of new branches and technology-related investments. Funding will be sourced internally.
- n. **Fair Value Measurement.** The Group has assets and liabilities in the consolidated balance sheets that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated balance sheet at the end of each financial reporting period. These include financial assets and liabilities at FVPL and 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 receivables and accrued interest receivable* - The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

*Debt securities* - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

*Equity securities* - For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities, 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, returned checks and other cash items (RCOCI) and other financial assets included in other assets* - Quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities.

*Derivative instruments (included under FVPL)* - 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 not 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 June 30, 2020 and December 31, 2019, except for the following financial instruments, the carrying values of the Group's financial assets and liabilities as reflected in the balance sheets and related notes approximate their respective fair values:

	June 30, 2020		December 31, 2019 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Financial Assets at Amortized Cost				
Government bonds	<b>₱131,801,608</b>	<b>₱142,529,248</b>	₱116,859,352	₱115,600,451
Private bonds	<b>55,813,009</b>	<b>56,914,984</b>	51,343,376	52,569,793
Loans and receivables				
Corporate and commercial loans	<b>466,184,359</b>	<b>483,448,074</b>	458,007,221	449,343,219
Consumer loans	<b>101,711,050</b>	<b>102,143,257</b>	100,104,341	105,846,151
Trade-related loans	<b>12,433,781</b>	<b>12,991,974</b>	10,766,453	11,267,769
Others	<b>40,113</b>	<b>43,740</b>	41,148	47,780
Sales contracts receivable	<b>1,064,831</b>	<b>1,126,620</b>	1,124,275	1,200,426
Deposit liabilities	<b>365,684,006</b>	<b>361,547,319</b>	363,600,383	358,540,409
Bonds Payable	<b>37,358,035</b>	<b>37,953,992</b>	37,394,398	37,980,269



As of June 30, 2020 and December 31, 2019, the fair value hierarchy of the Group's assets and liabilities are presented below:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Financial assets at FVPL				
Held-for-trading				
Government bonds	627,517	368,338	-	995,855
Treasury notes	-	1,689,652	-	1,689,652
Treasury bills		1,220,151	-	1,220,151
Private bonds	2,705,483	12,151	-	2,717,634
Quoted equity shares	1,195,479		-	1,195,479
Derivative assets	-	1,445,391	-	1,445,391
Financial Assets at FVOCI				
Government bonds	10,186,432	2,039,500	-	12,225,932
Quoted private bonds	3,404,968		-	3,404,968
Quoted equity shares	622,997		-	622,997
	18,742,876	6,775,183	-	25,518,059
Financial liabilities at FVPL				
Derivative liabilities		1,753,087		1,753,087
Derivative contracts designated as hedges	-	629,465	-	629,465
	-	2,382,552	-	2,382,552
<b>Fair values of assets carried at amortized cost/cost</b>				
Investment securities at amortized cost				
Government bonds	142,529,248	-	-	142,529,248
Private bonds	56,914,984	-	-	56,914,984
Loans and receivables				
Corporate and commercial loans	-	-	483,448,074	483,448,074
Consumer loans	-	-	102,143,257	102,143,257
Trade-related loans	-	-	12,991,974	12,991,974
Others	-	-	43,740	43,740
Sales contracts receivable	-	-	1,126,620	1,126,620
Investment properties				
Land	-	-	5,239,934	5,239,934
Buildings and improvements	-	-	2,789,736	2,789,736
	199,444,232	-	607,783,335	807,227,567
<b>Fair values of liabilities carried at amortized cost</b>				
Deposit liabilities	-	-	361,547,319	361,547,319
Bonds Payable	-	-	37,953,992	37,953,992
	-	-	399,501,311	399,501,311

	December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Financial assets at FVPL				
Held-for-trading				
Government bonds	P5,087,179	P3,363,947	P-	P8,451,126
Treasury notes	385,269	720,983	-	1,106,252
Treasury bills	388	594,963	-	595,351
Private bonds	556,570	-	-	556,570
Quoted equity shares	2,299,970	-	-	2,299,970
Derivative assets	-	299,926	-	299,926
FVOCI financial assets				
Government bonds	29,258,609	10,934,809	-	40,193,418
Quoted private bonds	8,213,921	-	-	8,213,921
Quoted equity shares	111,470	-	-	111,470
	P42,067,871	P12,695,531	P-	P54,763,402
Financial liabilities at FVPL				
Derivative liabilities	P-	P1,036,052		P1,036,052
Derivative contracts designated as hedges		51,949		51,949
	P-	P1,088,001		P1,088,001

**Fair values of assets carried at**

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

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

#### Transactions with Retirement Plans

Income earned by the Group from managing the retirement plans amounted to P24.20 million, and P24.40 million for the six-month periods ended June 30, 2020 and 2019. 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:

	June 30, 2020	December 31, 2019 (Audited)
<b>Balance Sheet</b>		
Deposit in banks	P9,214	P52,757
Financial assets at FVOCI	1,146,163	1,367,210
Total market value	1,146,163	1,367,210
Number of shares held	54,579	54,688
	<b>Six Months Ended June 30 2020</b>	<b>2019</b>
<b>Income Statement</b>		
Dividend income	P54,579	P48,030
Interest income	210	15,114

Financial Assets at Fair Value through Other Comprehensive Income represent shares of stock of the Parent Company. Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

#### Remunerations of Directors and other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the ManCom to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	<b>Six Months Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term employee benefits	<b>P91,500</b>	<b>P110,392</b>
Post-employment benefits	<b>1,287</b>	<b>2,697</b>

Members of the BOD are entitled to a per diem for attendance at each meeting of the Board or of any committees and to four percent (4.00%) of the Parent Company's net earnings, with certain deductions in accordance with BSP regulation. Non-executive directors do not receive any performance-related compensation. Directors' remuneration covers all Parent Company's Board activities and membership of committees and subsidiary companies.

The Group also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables below.

#### Other Related Party Transactions

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

June 30, 2020			
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
<b>Significant Investor</b>			
Loans and receivables		<b>2,345,300</b>	These are secured loans with interest rate of 5.25% and maturity of 5. years; collateral includes shares of stocks with fair value of ₱5.1 billion.
Issuances	—		
Repayments	—		
Deposit liabilities		<b>1,680</b>	These are checking accounts with annual average rate of 0.13%.
Deposits	<b>184</b>		
Withdrawals	—		
<b>Associates</b>			
Deposit Liabilities		<b>394,091</b>	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	<b>145,439</b>		
Withdrawals	<b>(51,886)</b>		
<b>Key Management Personnel</b>			
Loans		<b>86</b>	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%;Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuance	<b>217</b>		
Repayments	<b>(557)</b>		
Deposit Liabilities		<b>44,534</b>	These are checking, savings and time deposit account with annual average interest rates ranging from 0.25% to 1.00%
Deposits	<b>73,038</b>		
Withdrawals	<b>(55,513)</b>		
<b>Other Related Parties</b>			
Deposit Liabilities		<b>167,403</b>	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposit	<b>8,501,730</b>		
Withdrawals	<b>(8,502,412)</b>		

December 31, 2019 (Audited)			
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
<b>Significant Investor</b>			
Loans		<b>₱2,345,300</b>	Partially secured Loans with interest rate of 2 - 5.12% and maturity of two to seven years.
Issuances	<b>₱—</b>		
Repayments	<b>(4,421,200)</b>		
Deposit Liabilities		<b>1,496</b>	These are checking accounts with annual average rate of 0.13%.
Deposit	<b>1,123</b>		
Withdrawals	—		
<b>Associates</b>			
Deposit Liabilities		<b>300,620</b>	These are savings accounts with annual average interest rates ranging from
Deposit	<b>666,996</b>		

Category	December 31, 2019 (Audited)		
	Amount / Volume	Outstanding Balance	Terms and Conditions
Withdrawals	(532,748)		0.25% to 1.00%.
Key Management Personnel			
Loans		427	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%;Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuances	—		
Repayments	(61)		
Deposit Liabilities		78,763	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	255,582		
Withdrawals	(257,836)		
Other Related Parties			
Deposit Liabilities		389,714	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposit	22,632,109		
Withdrawals	(22,523,755)		

Other related parties pertain to subsidiaries of the significant investor.

Interest income earned and interest expense incurred from the above loans and deposit liabilities, respectively, for the six-month periods ended June 30, 2020 and June 30, 2019 are presented below:

	Significant Investor		Associate	
	June 30		June 30	
	2020	2019	2020	2019
Interest income	<b>P23,453</b>	P23,477	<b>P—</b>	P—
Interest expense	<b>1</b>	1	<b>337</b>	371

	Key Management Personnel		Other Related Parties	
	June 30		June 30	
	2020	2019	2020	2019
Interest income	<b>P3</b>	P5	<b>P—</b>	P—
Interest expense	<b>30</b>	12	<b>143</b>	81

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		
	June 30, 2020	December 31, 2019	Nature, Terms and Conditions
<b>Balance Sheet</b>			
Accounts receivable	<b>P2,357</b>	P1,144	This pertains to various expenses advanced by CBC in behalf of CBSI
Security deposits	<b>2,270</b>	2,270	This pertains to the rental deposits with CBSI and CBCC for office space leased out to the Parent Company
Accounts payable	<b>14,408</b>	12,941	This pertains to various unpaid rental to CBSI

	Subsidiaries		
	June 30, 2020	June 30, 2019	Nature, Terms and Conditions
<b>Income Statement</b>			
Miscellaneous income	<b>P900</b>	P900	Human resources functions provided by the Parent Company to its subsidiaries such as recruitment and placement, training and development, salary and benefits development, systems and research, and employee benefits. Under the agreement between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee
Occupancy cost	<b>5,498</b>	12,304	Certain units of the condominium owned by CBSI are being leased to the Parent Company for a term of five years, with no escalation clause
Miscellaneous expense	<b>105,762</b>	104,009	This pertains to the computer and general

Subsidiaries		
June 30, 2020	June 30, 2019	Nature, Terms and Conditions
		banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements

- p. **Impact of COVID-19 Pandemic.** On March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon. The ECQ was originally set to last until April 12, 2020 but, upon the recommendation of the Inter-Agency Task Force on Emerging Infectious Disease, President Duterte extended it until April 30, 2020. On May 1, 2020, it was further extended until May 15 but only on selected places considered high-risk. On May 12, 2020, a modified ECQ (MECQ) was imposed on Metro Manila and selected provinces effective May 16 until May 31. Meanwhile, other areas transitioned to general community quarantine (GCQ) starting May 16. On June 1, Metro Manila and selected provinces were downgraded to GCQ, while the rest of the country was placed under modified GCQ. On August 4, Metro Manila, and the provinces of Laguna, Cavite, Rizal, and Bulacan reverted back to modified ECQ amid the rising number of COVID-19 positive cases. The MECQ will last until August 18. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

#### *Going Concern Assumption*

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

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

#### *Impairment of Non-financial Assets*

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

#### *Fair Value Measurement*

In measuring the fair value of financial instruments, the Bank considers prices and inputs which incorporate the recent volatility in the market caused by the COVID-19 pandemic. The overall decline in market values has a significant impact on the Bank's financial assets.

### *Expected Credit Losses*

Provision for impairment and credit losses totaled P4.76 billion. In estimating the amount of expected credit losses (ECL) for financial assets at each reporting date, judgment and estimates by management are required in determining the following:

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

The Bank assessed that the level of ECL derived using the judgment and estimates in the aforementioned areas is reasonable based on the circumstances as of June 30, 2020 (such as the Bank's sustained loan build-up and the impact of the COVID-19 outbreak and Luzon-wide Enhanced Community Quarantine) and the nature of the Bank's loan portfolio whose majority pertains to commercial and corporate loans with retail and consumer loans comprising only a small portion (less than 20%) of the total loan portfolio.

### *Impact of the COVID-19 Pandemic to ECL*

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

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

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

**CHINA BANKING CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Annex I

(Amounts in thousands)

		June 2020	December 2019
		Unaudited	Audited
<b>ASSETS</b>			
Cash and Other Cash Items	P	13,403,364	16,839,755
Due from Bangko Sentral ng Pilipinas		104,071,991	100,174,398
Due from Other banks		22,444,321	9,900,642
Interbank Loans Receivable and Securities Purchased under Resale Agreements		10,318,153	17,036,460
Financial Assets at Fair Value through Profit or Loss		9,264,161	18,500,111
Financial Assets at Fair Value through Other Comprehensive Income		16,272,262	26,133,360
Investment Securities at Amortized Cost		187,614,617	168,202,728
Loans and Receivables - net		580,369,304	568,919,164
Accrued Interest Receivable		8,670,616	7,158,494
Investments in Associates		860,414	704,169
Bank Premises, Furniture, Fixtures and Equipment - net		8,662,782	9,155,234
Investment Properties		4,250,214	4,337,184
Deferred Tax Assets		4,632,685	3,370,949
Intangible Assets		3,999,851	4,066,078
Goodwill		839,748	839,748
Other Assets		6,610,094	6,887,506
	P	982,284,577	962,225,980
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Deposit Liabilities</b>			
Demand		192,666,649	186,955,056
Savings		214,323,035	224,872,421
Time		365,684,006	363,600,383
		772,673,691	775,427,861
Bills Payable		48,809,362	33,381,406
Bonds Payable		37,358,035	37,394,398
Manager's Checks		2,278,030	1,998,678
Income Tax Payable		881,128	540,662
Accrued Interest and Other Expenses		4,614,697	4,121,302
Derivative Liabilities		1,753,087	1,036,052
Derivative Contracts Designated as Hedges		629,465	51,949
Deferred Tax Liabilities		1,086,685	1,083,378
Other Liabilities		14,442,955	11,014,701
		884,527,134	866,050,387
<b>Equity</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
<b>Capital Stock</b>			
Common Stock - P10 par value			
Authorized - 3,300,000,000 shares			
Issued - 2,685,899,812 shares		26,858,998	26,858,998
Capital paid in excess of par value		17,122,626	17,122,626
Surplus Reserves		3,185,186	3,598,275
Surplus		51,503,563	48,558,760
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		81,717	417,576
Remeasurement Gain on Defined Benefit Asset		(361,640)	(368,531)
Remeasurement on Life Insurance Reserve of Associate		(5,603)	20,655
Cumulative translation adjustment		(15,349)	6,835
Cash Flow Hedge Reserve		(629,465)	(51,949)
		97,740,032	96,163,243
Non-controlling Interest		17,411	12,351
		97,757,443	96,175,594
	P	982,284,577	962,225,981

**CHINA BANKING CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in thousands)

	June 2020	December 2019
	Unaudited	Audited
<b>CONTINGENT ACCOUNTS</b>		
Unused commercial letters of credit	14,514,485	18,227,610
Committed Credit Lines	31,027,691	46,506,112
Outstanding guarantees Issued	998,470	1,022,261
Inward bills for collection	3,628,752	4,423,799
Outward bills for collection	41,311	88,197
IRS receivable	26,513,300	26,523,850
Spot exchange bought	6,592,411	10,896,547
Spot exchange sold	10,205,714	11,965,938
Forward exchange bought	29,528,247	30,941,342
Forward exchange sold	19,275,179	18,229,910
Trust department accounts	183,605,835	169,339,175
Credit card Lines	11,816,187	11,048,767
Late deposits/payments received	311,985	525,953
Deficiency claims receivable	284,635	285,745
Standby credit commitment	3,378,375	2,200,316
Others	4,259	37,114
	<b>341,726,836</b>	<b>352,262,635</b>



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

Annex II

		For the Semester ended June 30		For the Quarter Ended June 30	
		2020	2019	2020	2019
<b>INTEREST INCOME</b>					
Loans and receivables	P	18,294,693	17,480,240	9,123,039	8,787,250
Investment securities at amortized cost and at FVOCI		5,025,929	4,824,224	2,586,345	2,498,792
Financial Assets at FVPL		364,145	300,147	138,971	177,066
Due from BSP and other banks and SPURA		522,073	502,330	219,826	257,039
		24,206,841	23,106,942	12,068,180	11,720,147
<b>INTEREST EXPENSES</b>					
Deposit liabilities		6,082,522	10,296,615	2,774,637	5,308,711
Bills payable and other borrowings		1,772,127	1,067,222	929,857	597,053
Lease Payable		120,762	135,039	59,114	82,455
		7,975,411	11,498,876	3,763,609	5,988,219
<b>NET INTEREST INCOME</b>		<b>16,231,430</b>	<b>11,608,066</b>	<b>8,304,572</b>	<b>5,731,928</b>
Trading and securities gain/(loss)		2,749,363	484,203	2,927,814	308,929
Gain on disposal of investment securities at amortized cost		12,284	401,506	0	401,506
Service charges, fees and commissions		1,259,902	1,549,323	506,707	780,155
Foreign exchange gain- net		3,773	(180,706)	(123,295)	(106,454)
Income from asset acquired		98,643	330,522	22,546	249,462
Miscellaneous		624,748	779,334	264,833	436,176
<b>TOTAL OPERATING INCOME</b>		<b>20,980,144</b>	<b>14,972,248</b>	<b>11,903,177</b>	<b>7,801,704</b>
Compensation and fringe benefits		3,294,955	3,326,813	1,648,542	1,883,303
Taxes and licenses		2,103,910	1,587,257	1,097,903	714,412
Occupancy costs		844,723	878,392	429,796	388,786
Depreciation and amortization		953,432	962,907	474,742	520,389
Provision for impairment and credit losses		4,757,602	337,963	4,345,152	64,607
Insurance		990,664	914,476	501,353	457,640
Repairs and maintenance		59,191	75,524	21,593	38,327
Entertainment, amusement and recreation		179,454	189,416	104,231	118,695
Miscellaneous		1,976,840	1,958,455	284,251	1,023,473
<b>TOTAL OPERATING EXPENSES</b>		<b>15,160,772</b>	<b>10,231,203</b>	<b>8,907,562</b>	<b>5,209,632</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>5,819,373</b>	<b>4,741,045</b>	<b>2,995,615</b>	<b>2,592,071</b>
<b>PROVISION FOR INCOME TAX</b>		<b>598,306</b>	<b>551,080</b>	<b>(5,494)</b>	<b>262,526</b>
<b>NET INCOME</b>	<b>P</b>	<b>5,221,067</b>	<b>4,189,965</b>	<b>3,001,108</b>	<b>2,329,545</b>
Attributable to:					
Equity holders of the parent		5,217,614	4,186,322	3,000,212	2,328,038
Non-controlling Interest		3,452	3,644	897	1,507
	<b>P</b>	<b>5,221,067</b>	<b>4,189,965</b>	<b>3,001,108</b>	<b>2,329,545</b>
<b>Earnings Per Share</b>					
a. Basic		1.94	1.56	1.12	0.87
b. Diluted *		1.94	1.56	1.12	0.87
Net Income		5,217,614	4,186,322	3,000,212	2,328,038
Weighted Ave. Number of Common Shares Outstanding		2,685,900	2,685,900	2,685,900	2,685,900

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

**CHINA BANKING CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Annex III

(Amounts in thousands)

	For the Semester Ended June 30		For the Quarter Ended June 30	
	2020	2019	2020	2019
<b>Net Income</b>	<b>5,221,067</b>	<b>4,189,965</b>	<b>2,486,113</b>	<b>1,995,703</b>
<b>Other Comprehensive Income (Loss):</b>				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Net unrealized gain (loss) on financial assets at FVOCI				
Fair value gain(loss) for the year, net of tax	2,399,228	595,349	3,416,282	170,178
Gains taken to profit or loss	(2,836,455)	(85,665)	(2,788,962)	(73,281)
Share in Other Comprehensive Income of Associate:				
Net Unrealized Gain on financial assets at FVOCI	103,017	161,778	101,973	161,778
Gain (loss) on Cash Flow Hedge	(577,516)	-	(709)	-
Cumulative translation adjustment	(22,226)	109,896	(23,940)	18,429
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Remeasurement gain on defined benefit asset or liability	6,891	(158,000)	10,222	(55,232)
Remeasurement loss on life insurance reserves	(26,258)	(19,154)	(25,370)	(19,154)
<b>Other Comprehensive Income for the year</b>	<b>(953,319)</b>	<b>604,205</b>	<b>689,496</b>	<b>397,805</b>
<b>Total Comprehensive Income for the year</b>	<b>4,267,748</b>	<b>4,794,170</b>	<b>3,175,611</b>	<b>2,393,507</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Parent Company	4,262,688	4,788,551	3,689,187	2,725,684
Non-controlling Interest	5,060	5,619	1,418	1,667
	<b>4,267,748</b>	<b>4,794,170</b>	<b>3,175,611</b>	<b>2,393,507</b>

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

Annex IV

	Capital Stock	Capital Paid in Excess of Par Value	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
<b>Balance at December 31, 2019</b>	26,858,998	17,122,626	3,598,275	48,558,760	417,576	(368,531)	20,655	(51,949)	6,835	96,163,244	12,351	96,175,595
Total comprehensive income for the year			-	5,217,614	(335,859)	6,891	(26,258)	(577,516)	(22,184)	4,262,688	5,060	4,267,748
Retained Earnings, appropriated			(413,088)	413,088	-	-	-		-	-	-	-
Cash Dividends - P1.00 per share				(2,685,900)						(2,685,900)	-	(2,685,900)
<b>Balance at June 30, 2020</b>	<b>26,858,998</b>	<b>17,122,626</b>	<b>3,185,186</b>	<b>51,503,563</b>	<b>81,717</b>	<b>(361,640)</b>	<b>(5,603)</b>	<b>(629,465)</b>	<b>(15,349)</b>	<b>97,740,032</b>	<b>17,411</b>	<b>97,757,443</b>
<b>Balance at December 31, 2018</b>	26,858,998	17,122,626	4,031,008	40,497,256	(702,509)	117,047	19,154	-	(91,699)	87,851,880	4,708	87,856,588
Total comprehensive income for the year				4,186,322	669,233	(157,656)	(19,154)	-	109,806	4,788,551	5,619	4,794,170
Retained Earnings, appropriated			(158,871)	158,871						-		-
Other adjustments				(16,811)						(16,811)		(16,811)
Cash Dividends - P0.88 per share				(2,363,592)						(2,363,592)		(2,363,592)
<b>Balance at June 30, 2019</b>	<b>26,858,998</b>	<b>17,122,626</b>	<b>3,872,137</b>	<b>42,462,045</b>	<b>(33,277)</b>	<b>(40,609)</b>	<b>-</b>		<b>18,107</b>	<b>90,260,028</b>	<b>10,327</b>	<b>90,270,355</b>

**CHINA BANKING CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the periods ended

**Annex V**

	<b>JUNE</b>		<b>JUNE</b>	
	<b>2020</b>		<b>2019</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	<b>P</b>	5,819,373	<b>P</b>	4,741,045
Adjustment to reconcile income before income tax to net cash provided operations:				
Provision for impairment and credit losses		4,757,602		337,963
Depreciation and amortization		953,432		962,907
Amortization of transaction costs on bonds payable		(36,364)		-
Securities gain on financial assets at FVOCI and investment securities at amortized cost		(2,848,739)		(487,171)
Share in net losses of an associate		(75,047)		(84,032)
Gain on sale of investment properties		(88,821)		(89,590)
Gain on asset foreclosure and dacion transactions		(9,822)		(240,932)
<b>Operating income before changes in operating assets and liabilities</b>		<b>8,471,614</b>		<b>5,140,190</b>
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Financial assets at FVPL		9,235,950		(3,085,491)
Loans and receivables		(16,207,742)		(20,123,532)
Other assets		(2,103,739)		(1,025,901)
Increase (decrease) in the amounts of:				
Deposit liabilities		(2,754,170)		28,013,738
Manager's checks		279,352		27,733
Accrued interest and other expenses		493,396		412,198
Other liabilities		5,010,524		4,698,228
Net cash provided by operations		<b>2,425,186</b>		<b>14,057,164</b>
Income taxes paid		(1,516,270)		(1,233,854)
<b>Net cash provided by operating activities</b>		<b>908,916</b>		<b>12,823,310</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of/Additions to:				
Net additions to bank premises, furniture, fixtures and equipment		(460,980)		(3,297,764)
Equity investments		-		(40,000)
Investment securities at amortized cost		(22,693,183)		(29,963,505)
Financial assets at fair value through other comprehensive income		(30,256,027)		(7,932,077)
Proceeds from sale of:				
Investment securities at amortized cost		529,034		6,389,749
Financial assets at fair value through other comprehensive income		42,953,580		5,528,250
Investment properties		86,354		126,568
Proceeds from maturity of:				
Investment securities at amortized cost		2,764,545		7,383,675
<b>Net cash provided by (used in) investing activities</b>		<b>(7,076,678)</b>		<b>(21,805,104)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availments of bills payable		94,047,067		204,017,745
Payments of bills payable		(78,619,110)		(203,558,703)
Proceeds from issuance of bonds payable		-		7,686,000
Payments of cash dividends		(2,685,900)		(2,363,592)
Payments of principal portion lease liabilities		(287,720)		(267,124)
<b>Net cash provided by financing activities</b>		<b>12,454,337</b>		<b>5,514,326</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6,286,575</b>		<b>(3,467,468)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
Cash and other cash items		16,839,755		15,639,474
Due from Bangko Sentral ng Pilipinas		100,174,398		101,889,773
Due from Other banks		9,900,642		9,455,447
Interbank loans receivable and securities purchased under resale agreements		17,036,460		11,998,040
		<b>143,951,255</b>		<b>138,982,734</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
Cash and other cash items		13,403,364		11,904,914
Due from Bangko Sentral ng Pilipinas		104,071,991		100,369,095
Due from Other banks		22,444,321		10,644,793
Interbank loans receivable and securities purchased under resale agreements		10,318,153		12,596,465
	<b>P</b>	<b>150,237,830</b>	<b>P</b>	<b>135,515,266</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>				
Interest paid		8,883,955		11,346,909
Interest received		22,694,719		22,536,600
<b>RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES</b>				
<b>Balance at beginning of year</b>		70,775,804		39,826,532
<b>Cash flows during the year</b>				
Proceeds	94,487,502		194,359,911	
Settlement	(78,619,110)	15,868,392	(203,558,703)	(9,198,792)
<b>Non-cash changes</b>				
Foreign exchange movement	(560,721)		(5,022,752)	
Amortization of transaction cost	83,922	(476,800)	14,680,585	9,657,834
<b>Balance as of June 30</b>		<b>86,167,397</b>		<b>40,285,574</b>

**China Banking Corporation**  
**Aging of Loans and Receivables**  
**June 30, 2020**

## Annex VI

	Total	Current	90 days or less	91 to 180 days	181 days to 1 year	More than 1 year	Total Past Due	Items in Litigation
Loans and Receivables	592,651,723	578,884,360	4,393,193	2,572,878	2,410,216	3,370,801	12,747,088	1,020,276
Less: Allow for Probable Losses & Unamortized Discount	12,282,420							
<b>Net Loans and Receivables</b>	<b>580,369,304</b>							
Accounts Receivables	2,894,671	1,532,014	794,579	79,215	25,586	134,785	1,034,166	328,491
Less: Allowance for Probable Losses	(149,478)							
<b>Net Accounts Receivables</b>	<b>3,044,149</b>							
Accrued Interest Receivables	8,947,780	8,947,780						
Less: Allowance for Probable Losses	277,163							
<b>Net Accrued Interest Receivables</b>	<b>8,670,616</b>							

# CHINA BANKING CORPORATION

## PROFITABILITY REPORT BY BUSINESS SEGMENT

### Annex VII

#### Segment Report

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

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

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

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

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

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

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

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

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

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

The following tables present relevant information regarding business segments as of June 30, 2020:



**PROFITABILITY REPORT BY BUSINESS SEGMENT  
FOR THE PERIOD ENDING JUNE 30, 2020**

**CONSOLIDATED**

*(Amounts in thousands of Pesos)*

	LENDING BUSINESS	RETAIL BANKING BUSINESS	FINANCIAL MARKETS	OTHER BUSINESS & SUPPORT UNITS AND SUBSIDIARIES	BANKWIDE
Net interest income	13,235,481	(1,026,985)	2,032,775	1,990,158	16,231,430
Third Party Intersegment	(9,323,230)	9,269,355	158,422	(104,547)	-
Net Interest Income after Intersegment Transactions	3,912,251	8,242,370	2,191,198	1,885,611	16,231,430
Other Operating Income	384,796	1,092,695	2,728,354	542,870	4,748,714
Total Revenue	4,297,047	9,335,065	4,919,552	2,428,481	20,980,144
Operating Expenses	(1,686,842)	(5,023,955)	(1,071,702)	(2,620,671)	(10,403,170)
Income before provisions and tax	2,610,205	4,311,110	3,847,849	(192,190)	10,576,975
Provision for impairment and credit losses	(4,084,582)	(370,684)	(46,598)	(255,738)	(4,757,602)
Provision for income tax	105,611	-	(701,722)	(2,195)	(598,306)
<b>Net Income</b>	<b>(1,368,766)</b>	<b>3,940,426</b>	<b>3,099,530</b>	<b>(450,124)</b>	<b>5,221,067</b>
<b>Total Assets</b>	<b>447,206,942</b>	<b>514,275,691</b>	<b>259,737,915</b>	<b>(238,935,971)</b>	<b>982,284,577</b>
<b>Total Liabilities</b>	<b>15,217,258</b>	<b>578,903,623</b>	<b>127,968,752</b>	<b>162,437,501</b>	<b>884,527,134</b>
<b>Depreciation &amp; Amortization</b>	<b>31,134</b>	<b>672,955</b>	<b>23,292</b>	<b>226,050</b>	<b>953,432</b>
<b>Capital Expenditures</b>	<b>11,653</b>	<b>20,176</b>	<b>1,761</b>	<b>82,188</b>	<b>115,778</b>

## Financial Soundness Indicators

<i>PROFITABILITY (%)</i>	<b><u>Jan – June 2020</u></b>	<b><u>Jan – June 2019</u></b>
Return on Average Equity	<b>10.64</b>	9.38
Return on Average Assets	<b>1.07</b>	0.95
Cost-to-Income Ratio	<b>50</b>	66
Net Interest Margin	<b>3.84</b>	3.16
<i>LIQUIDITY (%)</i>	<b><u>June 2020</u></b>	<b><u>Dec 2019</u></b>
Liquid Assets to Total Assets	<b>37</b>	37
Loans to Deposit Ratio	<b>75</b>	73
<i>ASSET QUALITY (%)</i>	<b><u>June 2020</u></b>	<b><u>Dec 2019</u></b>
Gross NPL Ratio	<b>1.6</b>	1.5
Non-performing Loan (NPL) Cover	<b>146</b>	129
<i>SOLVENCY</i>	<b><u>June 2020</u></b>	<b><u>Dec 2019</u></b>
Debt to Equity Ratio	<b>9.0</b>	9.0
Asset to Equity Ratio	<b>10.0</b>	10.0
Interest Coverage Ratio	<b>1.7</b>	1.4*
<i>CAPITAL ADEQUACY (%)</i>	<b><u>June 2020</u></b>	<b><u>Dec 2019</u></b>
CET 1 / Tier 1 Ratio	<b>12.84</b>	12.76
Total CAR	<b>13.75</b>	13.67

\*for Jan-June 2019



## Definition of Ratios

### Profitability Ratios:

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

### Liquidity Ratios:

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

### Asset Quality Ratios:

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

### Solvency Ratios:

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

### Capital Adequacy Ratio:

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

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

### Financial Highlights (Consolidated)

<i>In Million Pesos</i>	<u><b>Jan – June 2020</b></u>	<u><b>Jan – Jun 2019</b></u>
Gross Revenues	<b>28,956</b>	26,471
Gross Expenses	<b>23,735</b>	22,281
Net Income	<b>5,221</b>	4,190

<i>In Million Pesos</i>	<u><b>June 2020</b></u>	<u><b>Dec 2019</b></u>
Total Resources	<b>982,285</b>	962,226
Loan Portfolio (Net)	<b>580,369</b>	568,919
Total Deposits	<b>772,674</b>	775,428
Equity	<b>97,757</b>	96,176

### Key Performance Indicators

<i>PROFITABILITY (%)</i>	<u><b>Jan – June 2020</b></u>	<u><b>Jan – June 2019</b></u>
Return on Average Equity	<b>10.64</b>	9.38
Return on Average Assets	<b>1.07</b>	0.95
Cost-to-Income Ratio	<b>50</b>	66
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Interest Coverage Ratio	<b>1.7</b>	1.4*
<i>CAPITAL ADEQUACY (%)</i>	<u><b>June 2020</b></u>	<u><b>Dec 2019</b></u>
CET 1 / Tier 1 Ratio	<b>12.84</b>	12.76
Total CAR	<b>13.75</b>	13.67

\*for Jan-June 2019

## **Economic Environment**

US GDP plunged to a historic low of -32.9% in 2Q, reflecting the impact of lockdown measures to contain the spread of COVID-19. Despite the government's financial assistance, consumption contracted by 35%. The US Fed maintained policy rates at near-zero levels (0% to 0.25%) in July to sustain the pick-up in economic activity and employment. On the other hand, China rebounded to a 3.2% GDP growth in 2Q from 6.8% contraction in 1Q, owing to fiscal & monetary stimulus and exports recovery.

The Philippines slipped into a technical recession as it recorded a 16.5% GDP contraction in 2Q. Consumption, which accounts for about 70% of gross expenditures, dropped 15.5% due to large declines in restaurant, hotel, and transport spending. Inflation for the quarter settled at 2.3%, lower than 1Q's 2.7%. Unemployment rate rose to 17.7% in April, while remittances decreased 6.4% in Jan-May 2020, following the repatriation and deferment of employment of overseas Filipinos due to the pandemic.

Investments spending slumped 53.5% as infrastructure projects were temporarily discontinued during the lockdown. Meanwhile, government spending grew 22.1% from the financial assistance and wage subsidy to vulnerable sectors. According to the Department of Finance, the government's fiscal and monetary war chest against the pandemic amounts to P1.7 trillion or 9.1% of GDP.

The Monetary Board slashed policy rate to 2.25% and further reduced reserve requirement ratio by 200 bps to 12%.

The combined assets of the UK/B & TB industries expanded 10% year-on-year to P18.5 trillion in May. While loans growth slowed to 9% with the tighter credit standards during the pandemic, deposits accelerated to 12%. Gross NPL ratio went up to 2.4%, while NPL cover was steady at 98%. The UK/B industry remained well-capitalized with total CAR ratios of 15.37% (solo) and 16.04% (consolidated) in December 2019.

## Results of Operation

### Analysis of Consolidated Statements of Income (unaudited) For the period ended June 30, 2020 and June 30, 2019

China Bank continued its strong performance in the first half of 2020, posting a **net income** of P5.2 billion which brought the earnings higher by 24.6%. This translated to a return on equity of 10.64% and return on assets of 1.07%.

**Total interest income** increased 4.8% to P24.2 billion from P23.1 billion due to the higher volume of earning assets. **Interest income from financial assets at FVPL** recorded a 21.3% increase to P364.1 million from the build-up in securities holdings.

**Total interest expense** amounted to P8.0 billion, P3.5 billion or 30.6% lower than last year as **interest expenses on deposit liabilities** decreased 40.9% to P6.1 billion driven by the decline in funding cost. **Interest expenses on bills payable and other borrowings** was P704.9 million higher at P1.8 billion due to the increase in alternative funding sources, including the peso retail bonds issued in July 2019. **Lease payable** was 10.6% lower at P120.8 million from PFRS-16 related adjustments.

As a result, **net interest income** expanded by 39.8% to P16.2 billion, with **net interest margin** improving to 3.84% from 3.16%.

**Provision for impairment and credit losses** totaled P4.8 billion, up significantly from the P338.0 million last year to cushion against the potential impact of COVID-19 pandemic and community quarantine measures on our loan portfolio.

Total **non-interest income** rose 41.2% to P4.7 billion mainly attributable to stronger **trading and securities gain** of P2.8 billion as the Bank was able to capture market opportunities in the 2<sup>nd</sup> quarter of the year. **Service charges, fees, and commissions** decreased 18.7% to P1.3 billion from lower transaction volume and waiver of some fees during the community quarantine. Also, **income from assets acquired** was down by 70.2% to P98.6 million because of lower sales volume of foreclosed properties. Meanwhile, **foreign exchange gain** recovered to P3.8 million from a loss of P180.7 million because of the month-to-month movement in the Peso-Dollar exchange rate. **Miscellaneous income** totaled P624.7 million down 19.8% from P 779.3 million due to lower bancassurance and other transaction-related revenues.

**Operating expenses** (excluding provision for impairment and credit losses) increased 5.2% to P10.4 billion. **Taxes and licenses** were up 32.6% to P2.1 billion mainly from higher volume-related taxes. **Insurance** increased 8.3% to P990.7 million with the increase in PDIC premium payments. **Repairs and maintenance** were 21.6% lower at P59.2 million from lower expenses in technology platform upgrades & developments for the period. **Entertainment, amusement and recreation** decreased 5.3% to P179.5 million from the drop in marketing- and selling-related expenses.

Consolidated **cost-to-income ratio** significantly improved to 50% from 66%.

## Financial Condition

### Analysis of Consolidated Statement of Financial Condition As of June 30, 2020 (unaudited) and December 31, 2019 (audited)

**Total assets** recorded a P20.1 billion increase to P982.3 billion from P 962.2 billion.

**Cash and other cash items** fell 20.4% to P13.4 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from other banks** increased by P12.5 billion to P22.4 billion from the increase in deposits with correspondent banks. Meanwhile, **interbank loans receivable and securities purchased under resale agreements** decreased by 39.4% to P10.3 billion from lower placements with the BSP.

**Financial assets at fair value through profit or loss (FVPL)** and **financial assets at fair value through other comprehensive income (FVOCI)** posted decreases by P9.2 billion and P9.9 billion, respectively arising from the Bank's securities disposal during the period. **Investment securities at amortized cost** increased P19.4 billion or 11.5% to P187.6 billion with the growth in fixed income assets.

The Bank's liquidity ratio was steady at 37% level.

**Gross loan portfolio** was at P592.7 billion, up P15 billion as the Bank continued to provide credit across market segments. **Net loans** stood at P580.4 billion.

**Accrued interest receivable** increased by 21.1% to P8.7 billion from P7.2 billion from higher volume of earning assets. **Investment in associates** increased 22.2% to P860.4 million from additional contribution from the Bank's affiliate MCBLife. **Bank premises, furniture, fixture, and equipment** decreased by P492.5 million or 5.4% to P8.7 billion due to PFRS-16 related adjustments. **Deferred tax assets** were up 37.4% to P4.6 billion, with the booking of additional provision for impairment and credit losses.

On the liabilities side, **total deposits** were recorded at P772.7 billion, of which demand and savings deposits totaled P407.0 billion for a CASA ratio of 53%. **Bills payable** increased by 46.2% to P48.8 billion with the growth in interbank borrowings. **Manager's checks** grew 14.0% to 2.3 billion due to the increase in outstanding checks for negotiation. **Income tax payable** was at P881.1 million, P340.5 million higher due to higher regular corporate income tax payable for the period. **Accrued interest and other expenses** were 12.0% larger at P4.6 billion because of the setup of accruals and payroll expenses. Higher volume of currency swaps resulted in increases in **derivative liabilities** and **derivative liabilities designated as hedges** by P717.0 million and P577.5 million, respectively. **Other liabilities** increased by P3.4 billion to P14.4 billion due to PFRS-16 related adjustments.

**Total equity** reached P97.8 billion. **Net unrealized gain on financial assets at FVOCI** amounted to P81.7 million from P417.6 million in December arising from the mark-to-market revaluation of the Bank's FVOCI securities. Meanwhile, **remeasurement gain on life insurance reserve of associate** saw a P26.3 million drop to (P5.6) million from the revaluation of legal policy reserves of the Bank's affiliate, MCBLife. **Cumulative translation adjustment** was down by P22.2 million due to exchange rate difference arising from the conversion of income and expenses related to foreign currency-denominated positions to base currency.

The Bank's **Common Equity Tier 1 (CET 1/ Tier 1) ratio** and **total CAR** were computed at 12.84% and 13.75%, respectively.

## **Total Comprehensive Income**

### **For the period ended June 30, 2020 and June 30, 2019**

The Bank recorded **total comprehensive income** of P4.3 billion during the first semester of the year, an 11.0% decrease from the P4.8 billion recorded last year mainly from the booking of net unrealized loss on financial assets at FVOCI and losses on cash hedge flow.

## **Key Performance Indicators**

### **Profitability**

CHIB posted a net income of P5.2 billion resulting in 10.64% ROE and 1.07% ROA. Cost-to-income ratio significantly improved to 50% from 66%. Net interest margin improved to 3.84% from 3.16% due to the increase in earning assets and lower cost of funds.

### **Liquidity**

The Bank's liquidity ratio (the ratio of liquid assets to total assets) remained at 37%.

### **Asset Quality**

Asset quality remained healthy amid the loans growth, with a gross NPL ratio of 1.6% from 1.5% in December 2019. Consolidated NPL cover was at 146% with the Parent's settling at 228%

### **Solvency Ratios**

Debt-to-equity and asset-to-equity ratios for the first semester were recorded at 9.0 and 10.0, respectively. Interest coverage ratio for the period stood at 1.7 as against 1.4 in first half of 2019

### **Capitalization**

China Bank's CET 1 / Tier 1 CAR and total CAR ratios were computed at 12.84% and 13.75%, respectively. The Bank's capital is largely comprised of CET 1 / Tier 1 (core) capital.

## **Corporate Developments**

At its annual stockholders' meeting conducted virtually on June 18, China Bank declared a P1.00 cash dividend per share for a total of P2.68 billion, 14% higher than the previous year. This was equivalent to a cash dividend yield of 4.9% based on the Bank's closing price of P20.25 as of June 18, 2020.

At the same stockholders' meeting, Hans T. Sy and Gilbert U. Dee were re-elected chairman and vice chairman of the Board, respectively. The incumbent directors were also re-elected: William C. Whang, Peter S. Dee, Joaquin T. Dee, Harley T. Sy, Herbert T. Sy, Jose T. Sio; and independent directors Alberto S. Yao, Margarita L. San Juan, and Philip S.L. Tsai. The slot for the 12th director, also the 4th independent director, is vacant with the passing of Angeline Ann H. Hwang on April 11, 2020.

On August 5, the Board of Directors approved a Centennial Stock Grant Plan wherein the consolidated Bank's regular employees will be given 100 China Bank shares for every year of service, subject to the approval of regulatory agencies.

The Bank will hold a special stockholders' meeting on October 1, 2020 to approve and ratify the Centennial Stock Grant, as well as to elect a new independent director.

## Subsidiaries

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

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

(In Mn Pesos)	Jan-June '20	Jan-Dec '19	Jan-June '19
Net Income	27	57	40
Total Assets	485	494	536

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

(In Mn Pesos)	Jan-June '20	Jan-Dec '19	Jan-June '19
Net Income	23	18	16
Total Assets	112	97	68

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

(In Mn Pesos)	Jan-June '20	Jan-Dec '19	Jan-June '19
Net Income	207	370	180
Total Assets	97,117	102,686	97,678

- **China Bank Capital Corporation**

(In Mn Pesos)	Jan-June '20	Jan-Dec '19	Jan-June '19
Net Income	30	342	102
Total Assets	2,452	2,429	2,102