CHINABANK
Since 1920

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

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

Mesdames:

We are pleased to furnish your good office with a copy of our SEC Form 17-Q as of June 30, 2022 filed with the Securities and Exchange Commission (SEC).

For your information and guidance. Thank you.

Respectfully yours,

Gerald Florentino

GERALD O. FLORENTINO
Corporate Information Officer

COVER SHEET

4 4 3

SEC Registration Number

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

(Company's Full Name)

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

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

Patrick D. Cheng
(Contact Person)

8885-5555
(Company Telephone Number)

0 6 **3 0**
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)

Total Amount of Borrowings

1,877
Total No. of Stockholders

Domestic

Foreign

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 **June 30, 2022**

2. Commission identification number **443**

3. BIR Tax Identification No.. **000-444-210-000**

4. **CHINA BANKING CORPORATION**
   Exact name of issuer as specified in its charter

5. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **CHINA BANK BUILDING 8745 PASEO DE ROXAS COR. VILLAR STS., MAKATI CITY** **1226**
   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………………………………………………………………..	August 12, 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 June 30, 2022 and for the six-month periods ended June 30, 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:

	June 30, 2022	December 31, 2021	Increase (Decrease)
Assets			
Cash and Other Cash Items	13,901,617	16,024,863	(2,123,245)
Due from Bangko Sentral ng Pilipinas	106,988,500	124,283,115	(17,294,615)
Due from Other banks	12,373,667	10,694,312	1,679,355
Financial Assets at Fair Value through Profit or Loss	12,193,818	7,209,667	4,984,151
Derivative Contracts Designated as Hedges	4,994,491	1,139,233	3,855,258
Investment Securities at Amortized Cost	292,647,399	242,353,729	50,293,669
Accrued Interest Receivable	9,121,054	7,616,692	1,504,362
Liabilities			
Bills Payable	57,877,044	65,806,274	(7,929,230)
Manager's Checks	2,119,502	1,854,606	264,896
Income Tax Payable	1,630,545	785,091	845,455
Accrued Interest and Other Expenses	5,451,289	4,745,861	705,428
Derivative Contracts Designated as Hedges	–	162,399	(162,399)
Other Liabilities	17,580,904	12,712,087	4,868,817

	June 30, 2022	June 30, 2021	Increase (Decrease)
Income			
Interest on Loans and receivables	18,542,689	16,743,086	1,799,603
Interest on Investment securities at amortized cost and at FVOCI	6,480,404	4,549,924	1,930,480
Interest on Financial Assets at FVPL	237,035	384,150	(147,116)
Interest on Due from BSP and other banks and SPURA	607,565	1,038,818	(431,253)
Service charges, fees and commissions	1,506,458	1,241,905	264,553
Trading and securities gain	595,796	940,614	(344,818)
Gain on disposal of investment securities at amortized cost	–	2,499,264	(2,499,264)
Gain on sale of investment properties	237,283	144,501	92,782
Foreign exchange gain- net	(150,663)	261,196	(411,859)
Gain on asset foreclosure and dacion transactions	15,628	42,830	(27,201)
Share in net income of associates	122,856	(14,264)	137,119
Miscellaneous	668,225	593,799	74,426

Expense			
Interest expense on Bills payable and other borrowings	1,151,638	982,748	168,889
Interest expense on Lease Payable	85,442	101,909	(16,467)
Occupancy cost	1,035,650	903,945	131,705
Provision for impairment and credit losses	1,656,636	5,365,670	(3,709,034)
Transportation and traveling	191,891	143,966	47,926
Professional fees, marketing and other related services	334,640	260,813	73,826
Entertainment, amusement and recreation	219,798	198,683	21,115
Repairs and maintenance	77,777	66,092	11,686
Miscellaneous	2,054,048	1,861,296	192,752
Provision for income tax	2,349,251	1,072,791	1,276,461

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 judgments applied for the six months ended June 30, 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 in 2020, 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 since the COVID-19 pandemic.

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 six months ended June 30, 2022 and June 30, 2021 amounted to ₱1.7 billion and ₱5.4 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 June 30, 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 were 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. For the six months ended June 30, 2021, the Parent Company sold investment securities at amortized cost resulting to a gain of ₱2.5 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 1, 2022, the BOD approved the 2022 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. However, the pertinent activities emphasizing the Bank's response to the COVID19 pandemic that, however, were included in last year's submission were updated.

The Parent Company submitted its annually-updated ICAAP document, in compliance with BSP requirements on June 29, 2022. 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.

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

m. **Material commitment for capital expenditures.** The Bank expects to incur capital expenditures related to 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 June 30, 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:

	June 30, 2022		**December 31, 2021 (Audited)**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial Assets at Amortized Cost				
Government bonds	**₱166,067,083**	**₱159,181,845**	₱120,586,399	₱122,959,933
Private bonds	**126,580,316**	**122,402,539**	121,767,330	143,693,145
Loans and receivables				
Corporate and commercial loans	**509,565,488**	**493,289,378**	476,742,179	474,629,406
Consumer loans	**131,279,581**	**130,776,746**	119,942,290	120,952,674
Trade-related loans	**14,069,634**	**14,235,143**	12,208,008	12,382,913
Others	**130,186**	**137,975**	114,255	121,352
Sales contracts receivable	**1,128,017**	**1,228,653**	1,101,891	1,210,464
Financial Liabilities				
Time deposit liabilities	**356,633,915**	**350,776,249**	307,650,145	303,288,548
Bills payable	**57,877,044**	**56,621,207**	65,806,274	64,358,633
Bonds payable	**43,142,303**	**42,951,926**	42,473,558	42,249,623

As of June 30, 2022 and December 31, 2021, the fair value hierarchy of the Group's assets and liabilities are presented below:

	June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	**₱414,942**	**₱51,231**	**₱–**	**₱466,173**
Treasury notes	**–**	**169,197**	**–**	**169,197**
Treasury bills	**–**	**5,717,057**	**–**	**5,717,057**
Private bonds	**836,735**	**1,556,506**	**–**	**2,393,241**
Quoted equity shares	**1,081,461**	**–**	**–**	**1,081,461**
Financial Assets designated at FVTPL	**–**	**151,786**	**–**	**151,786**
Derivatives with Positive Fair Value Held for Trading	**–**	**2,214,903**	**–**	**2,214,903**
Derivatives with Positive Fair Value Held for Hedging	**–**	**4,994,491**	**–**	**4,994,491**
Financial Assets at FVOCI				
Government bonds	**6,678,325**	**11,943,433**	**–**	**18,621,758**
Quoted private bonds	**11,642,544**	**–**	**–**	**11,642,544**

	June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Quoted equity shares	**646,119**	**–**	**–**	**646,119**
	₱21,300,126	**₱26,798,604**	**₱–**	**₱48,098,730**
Financial liabilities at FVPL				
Derivative liabilities	**₱–**	**₱1,072,894**	**₱–**	**₱1,072,894**
Derivative contracts designated as hedges	**–**	**–**	**–**	**–**
	₱–	**₱1,072,894**	**₱–**	**₱1,072,894**
Fair values of assets carried at amortized cost/cost				
Investment securities at amortized cost				
Government bonds	**₱159,181,845**	**₱–**	**₱–**	**₱159,181,845**
Private bonds	**68,646,659**	**–**	**53,755,880**	**122,402,539**
Loans and receivables				
Corporate and commercial loans	**–**	**–**	**493,289,378**	**493,289,378**
Consumer loans	**–**	**–**	**130,776,746**	**130,776,746**
Trade-related loans	**–**	**–**	**14,235,143**	**14,235,143**
Others	**–**	**–**	**137,975**	**137,975**
Sales contracts receivable	**–**	**–**	**1,228,653**	**1,228,653**
Investment properties				
Land	**–**	**–**	**7,099,149**	**7,099,149**
Buildings and improvements	**–**	**–**	**2,311,002**	**2,311,002**
	₱227,828,504	**₱–**	**₱702,833,926**	**₱930,662,430**
Fair values of liabilities carried at amortized cost				
Time deposit liabilities	**₱–**	**₱–**	**₱350,776,249**	**₱350,776,249**
Bills payable			**56,621,207**	**56,621,207**
Bonds payable	**–**	**–**	**42,951,926**	**42,951,926**
	₱–	**₱–**	**₱450,349,382**	**₱450,349,382**

	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
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				

	December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
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 ₱26.27 million and ₱23.77 million for the six-month periods ended June 30, 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:

	June 30, 2022	December 31, 2021 (Audited)
Balance Sheet		
Deposit in banks	**₱511**	₱4,207
Financial assets at FVTPL	**1,468,181**	1,419,060
Total market value	**1,468,181**	1,419,060
Number of shares held	**54,579**	54,579

	Six Months Ended June 30	
	2022	2021
Income Statement		
Dividend income	**₱54,579**	₱54,579
Interest income	**9**	23

Other Related Party Transactions

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

	June 30, 2022		
Category	**Amount / Volume**	**Outstanding Balance**	**Terms and Conditions**
Significant Investor			
Loans and receivables		**8,338,600**	Secured with shares of stocks of other banks, with interest ranging from 4% to 4.18% and residual maturity ranging from 2.22 to 6.41 years. General loan loss provision of ₱ 3.71 million.
Issuances	–		
Repayments	**(2,000)**		
Deposit liabilities		**3,077**	These are checking accounts with annual average rate of 0.13%.
Deposits	**600**		
Withdrawals	–		
Subsidiaries			
Deposit Liabilities		**509,215**	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	**193,158**		
Withdrawals	**(188,279)**		
Associates			
Deposit Liabilities		**475,135**	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	**219,835**		
Withdrawals	**(1,287)**		

Category	June 30, 2022 Amount / Volume	Outstanding Balance	Terms and Conditions
Key Management Personnel			
Loans		**3,674**	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 0.13 and 0.26 years. Peso loans with average interest rate of 5% and average term of 8 years.
Issuance	**544**		
Repayments	**(894)**		
Deposit Liabilities		**20,875**	These are checking, savings and time deposit account with annual average interest rates ranging from 0.13% to 1.00%
Deposits	**245,201**		
Withdrawals	**(253,958)**		
Other Related Parties			
Loans		**48,668,126**	Secured and Unsecured Loans with interest rate ranging from 2.00 % to 9.69% and with residual maturity ranging from 0.01 to 9.39 years. Allowance for credit losses amounting to ₱17.7 million and general loan loss provision of ₱239.5 million.
Issuances	**2,854,822**		
Repayments	**(1,801,470)**		
Deposit Liabilities		**587,110**	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	**1,933,127**		
Withdrawals	**(1,506,881)**		

Category	December 31, 2021 (Audited) 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 losses amounted to ₱21.78 million
Issuances	20,297,184		
Repayments	(16,595,015)		
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 six-month periods ended June 30, 2022 and June 30, 2021 are presented below:

	Significant Investor		Associate	
	June 30			
	2022	2021	**2022**	2021
Interest income	**₱170,372**	₱86,859	**₱–**	₱–
Interest expense	**2**	1	**702**	1,619

	Key Management Personnel		Other Related Parties	
	June 30			
	2022	2021	**2022**	2021
Interest income	**₱93**	₱27	**₱1,153,131**	₱1,333,657
Interest expense	**13**	15	**172**	118

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, 2022	December 31, 2021	**Nature, Terms and Conditions**
Balance Sheet			
Accounts receivable	**₱3,498**	₱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		
	June 30, 2022	June 30, 2021	**Nature, Terms and Conditions**
Income Statement			
Trust fee income	**₱606**	₱65	Trust Fee earned by Parent Company from CBCC
Rent income	**1,589**	1,513	Rent Income from CBCC
Miscellaneous income	**1,425**	1,425	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	**18,363**	24,144	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	**3,631**	7,086	Arranger fees paid by the Parent Company to CBCC for the issuance of its fixed rate bonds
Information technology	**131,703**	105,762	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements.
Miscellaneous expense	**785**	736	Commission for brokerage

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

		June 2022 Unaudited	December 2021 Audited
ASSETS			
Cash and Other Cash Items	P	13,901,617	16,024,863
Due from Bangko Sentral ng Pilipinas		106,988,500	124,283,115
Due from Other banks		12,373,667	10,694,312
Interbank Loans Receivable and Securities Purchased under Resale Agreements		35,560,741	36,559,224
Financial Assets at Fair Value through Profit or Loss		12,193,818	7,209,667
Derivative Contracts Designated as Hedges		4,994,491	1,139,233
Financial Assets at Fair Value through Other Comprehensive Income		30,928,785	28,672,240
Investment Securities at Amortized Cost		292,647,399	242,353,729
Loans and Receivables - net		655,044,890	609,006,732
Accrued Interest Receivable		9,121,054	7,616,692
Investments in Associates		814,614	796,519
Bank Premises, Furniture, Fixtures and Equipment - net		7,946,467	8,232,859
Investment Properties		4,014,102	3,993,338
Deferred Tax Assets		4,922,070	4,624,981
Intangible Assets		3,777,184	3,807,889
Goodwill		839,748	839,748
Other Assets		6,111,391	6,464,385
	P	1,202,180,539	1,112,319,526
LIABILITIES AND EQUITY			
Liabilities			
Deposit Liabilities			
Demand		272,152,703	252,324,966
Savings		316,495,048	302,884,786
Time		356,633,915	307,650,145
		945,281,667	862,859,898
Bills Payable		57,877,044	65,806,274
Bonds Payable		43,142,303	42,473,558
Manager's Checks		2,119,502	1,854,606
Income Tax Payable		1,630,545	785,091
Accrued Interest and Other Expenses		5,451,289	4,745,861
Derivative Liabilities		1,072,894	998,721
Derivative Liabilities Designated as Hedges		-	162,399
Deferred Tax Liabilities		795,807	798,212
Other Liabilities		17,580,904	12,712,087
		1,074,951,954	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		3,998,525	3,730,687
Surplus		75,983,227	70,205,517
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		(2,113,574)	81,200
Remeasurement Gain on Defined Benefit Asset		(25,298)	(30,490)
Remeasurement on Life Insurance Reserve of Associate		18,944	(14,028)
Cumulative translation adjustment		203,948	17,604
Cash Flow Hedge Reserve		4,994,491	976,835
		127,173,902	119,080,964
Non-controlling Interest		54,683	41,856
		127,228,585	119,122,820
	P	1,202,180,539	1,112,319,526

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

	June 2022 Unaudited	December 2021 Audited
CONTINGENT ACCOUNTS		
Unused commercial letters of credit	18,423,303	12,971,604
Committed Credit Lines	2,186,125	12,765,975
Outstanding guarantees Issued	818,929	1,274,727
Inward bills for collection	5,014,126	1,229,608
Outward bills for collection	44,456	18,336
IRS receivable	89,399,800	83,669,379
Spot exchange bought	4,699,185	1,347,052
Spot exchange sold	8,076,323	1,653,448
Forward exchange bought	62,620,151	35,113,101
Forward exchange sold	38,919,404	22,898,059
Trust department accounts	220,900,698	223,398,641
Credit card Lines	16,367,201	14,320,597
Late deposits/payments received	102,562	46,125
Deficiency claims receivable	280,829	281,780
Standby credit commitment	4,622,434	3,565,978
Others	4,734	105,768
	472,480,261	414,660,177

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

		For the Semester Ended June 30		For the Quarter Ended June 30	
		2022	**2021**	**2022**	**2021**
INTEREST INCOME					
Loans and receivables	P	18,542,689	16,743,086	9,393,129	8,467,856
Investment securities at amortized cost and at FVOCI		6,480,404	4,549,924	3,414,265	2,179,144
Financial Assets at FVPL		237,035	384,150	106,443	167,096
Due from BSP and other banks and SPURA		607,565	1,038,818	320,187	541,534
		25,867,693	22,715,978	13,234,024	11,355,630
INTEREST EXPENSES					
Deposit liabilities		2,638,960	2,725,278	1,399,292	1,272,858
Bills payable and other borrowings		1,151,638	982,748	563,850	460,859
Lease Payable		85,442	101,909	41,693	49,856
		3,876,040	3,809,935	2,004,835	1,783,574
NET INTEREST INCOME		**21,991,653**	**18,906,044**	**11,229,189**	**9,572,056**
Service charges, fees and commissions		1,506,458	1,241,905	816,662	657,561
Trading and securities gain - net		595,796	940,614	257,875	24,456
Gain on disposal of investment securities at AC		-	2,499,264	-	1,228,433
Gain on sale of investment properties		237,283	144,501	110,006	124,933
Foreign exchange gain - net		(150,663)	261,196	(238,570)	62,632
Trust fee income		223,776	221,651	111,502	129,293
Gain on asset foreclosure and dacion transactions		15,628	42,830	(57)	5,247
Share in net income of associates		122,856	(14,264)	122,856	(14,264)
Miscellaneous		668,225	593,799	327,166	307,826
TOTAL OPERATING INCOME		**25,211,011**	**24,837,541**	**12,736,630**	**12,098,174**
Compensation and fringe benefits		3,446,263	3,804,040	1,585,709	1,872,618
Occupancy cost		1,035,650	903,945	564,625	414,362
Taxes and licenses		1,712,720	1,862,017	864,128	810,813
Insurance		1,084,948	1,031,657	541,143	511,351
Depreciation and amortization		843,362	907,074	418,564	452,420
Provision for impairment and credit losses		1,656,636	5,365,670	876,938	3,147,914
Transportation and traveling		191,891	143,966	114,408	78,455
Professional fees, marketing and other related services		334,640	260,813	197,953	126,770
Entertainment, amusement and recreation		219,798	198,683	149,242	120,009
Stationery, supplies and postage		106,924	102,634	53,387	43,485
Repairs and maintenance		77,777	66,092	43,774	31,761
Miscellaneous		2,054,048	1,861,296	866,161	486,325
TOTAL OPERATING EXPENSES		**12,764,659**	**16,507,887**	**6,276,033**	**8,096,282**
INCOME BEFORE INCOME TAX		**12,446,352**	**8,329,653**	**6,460,596**	**4,001,891**
PROVISION FOR INCOME TAX		2,349,251	1,072,791	1,258,704	323,949
NET INCOME	**P**	**10,097,101**	**7,256,863**	**5,201,891**	**3,677,941**
Attributable to:					
Equity holders of the parent		10,082,480	7,249,297	5,194,612	3,675,555
Non-controlling Interest		14,621	7,566	7,280	2,387
	P	**10,097,101**	**7,256,863**	**5,201,891**	**3,677,941**
Earnings Per Share					
a. Basic		3.75	2.70	1.93	1.37
b. Diluted *		3.75	2.70	1.93	1.37
Net Income		10,082,480	7,249,297	5,194,612	3,675,555
Weighted Ave. Number of Common Shares Outstanding		2,691,288	2,685,900	2,691,288	2,685,900
* Same as basic earnings per share. No preferred shares, convertible bonds and stock warrants issued.		2,691,288	2,691,288		

CHINA BANKING CORPORATION **Annex III**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

	For the Semester Ended June 30		For the Quarter Ended June 30	
	2022	2021	2022	2021
Net Income	10,097,101	7,256,863	5,201,891	3,677,941
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	(2,063,697)	1,064,824	(732,588)	318,946
Gains taken to profit or loss	(1,732)	(983,557)	(287)	(7,041)
Share in Other Comprehensive Income of Associate:				
Net Unrealized Gain on financial assets at FVOCI	(142,424)	(89,713)	(142,424)	(89,713)
Gain on cash flow hedges	4,017,656	380,481	1,388,851	137,615
Cumulative translation adjustment	186,624	14,230	183,364	7,193
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	11,005	50,004	(23,637)	11,171
Remeasurement loss on defined benefit asset or liability	5,190	(21,185)	6,562	(21,185)
Remeasurement loss on life insurance reserves	32,972	(12,177)	32,972	(12,177)
Other Comprehensive Income for the year	2,045,593	402,907	712,811	344,809
Total Comprehensive Income for the year	12,142,694	7,659,770	5,914,702	4,022,750
Total comprehensive income attributable to:				
Equity holders of the Parent Company	12,129,870	7,652,872	5,908,159	4,020,365
Non-controlling Interest	12,824	6,898	6,544	2,386
	12,142,694	7,659,770	5,914,702	4,022,750

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 Grants	Surplus Reserves	Surplus Free	Net unrealized gains (losses) on FVOCI	Remeasurement gain (loss) on defined benefit asset or liability	Remeasurement gain (loss) on life insurance reserve of an associate	Cash Flow Hedge Reserve	Cumulative Translation Adjustment	Total Equity	Non-Controlling 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		**-**	**-**	**-**	**10,082,480**	**(2,194,774)**	**5,192**	**32,972**	**4,017,656**	**186,344**	**12,129,870**	**12,824**	**12,142,694**
Retained Earnings, appropriated				**267,838**	**(267,838)**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
Cash Dividends - P1.50 per share					**(4,036,932)**						**(4,036,932)**	**-**	**(4,036,932)**
Balance at June 30, 2022	**26,912,882**	**17,200,758**	**-**	**3,998,525**	**75,983,227**	**(2,113,574)**	**(25,298)**	**18,944**	**4,994,491**	**203,948**	**127,173,902**	**54,683**	**127,228,585**
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	-	-	-	-	7,249,297	41,989	(20,944)	(12,177)	380,481	14,226	7,652,872	6,898	7,659,770
Retained Earnings, appropriated				62,109	(62,109)						-		-
Cash Dividends - P1.00 per share					(2,685,900)						(2,685,900)		(2,685,900)
Balance at June 30, 2021	26,858,998	17,122,626	140,924	2,936,113	63,161,056	336,104	(447,940)	(58,079)	(140,727)	19,762	109,928,835	30,400	109,959,235

-

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

		JUNE 2022		JUNE 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	12,446,352	P	8,329,653
Adjustment to reconcile income before income tax to net cash provided operations:				
Provision for impairment and credit losses		1,656,636		5,365,670
Depreciation and amortization		843,362		907,074
Amortization of transaction costs on bonds payable		72,472		285,426
Realized gain on financial assets at FVOCI and investment securities at amortized cost		(1,732)		(3,482,821)
Share in net loss (income) of an associate		(122,856)		14,264
Gain on sale of investment properties		(237,283)		(144,501)
Gain on asset foreclosures and dacion transactions		(15,628)		(42,830)
Operating income before changes in operating assets and liabilities		**14,641,323**		**11,231,936**
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Financial assets at FVPL		(5,072,377)		(5,674,558)
Loans and receivables		(47,867,828)		(25,052,741)
Other assets		225,036		2,840,461
Increase (decrease) in the amounts of:				
Deposit liabilities		82,421,770		(8,286,972)
Manager's checks		264,896		672,055
Accrued interest and other expenses		705,428		1,007,274
Other liabilities		9,462,952		(750,919)
Net cash provided by operations		**54,781,199**		**(24,013,464)**
Income taxes paid		(1,803,604)		(1,292,611)
Net cash provided by operating activities		**52,977,595**		**(25,306,075)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of/Additions to:				
Net additions to bank premises, furniture, fixtures and equipment		(232,404)		(181,497)
Investment securities at amortized cost		(50,865,645)		(27,601,169)
Financial assets at fair value through other comprehensive income		(4,827,161)		(44,573,440)
Proceeds from sale of:				
Investment securities at amortized cost		-		29,943,578
Financial assets at fair value through other comprehensive income		519,998		47,311,203
Investment properties		163,403		228,464
Bank premises, furniture, fixtures and equipment		203,170		-
Proceeds from maturity of:				
Investment securities at amortized cost		745,135		1,421,513
Net cash provided by (used in) investing activities		**(54,293,505)**		**6,548,652**
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of bills payable		191,701,486		99,959,393
Payments of bills payable		(204,752,627)		(96,497,075)
Proceeds from issuance of bonds payable		-		20,200,422
Maturity of bonds payable		-		(30,000,000)
Payments of cash dividends		(4,036,932)		(2,685,900)
Dividends from equity investments		-		40,000
Payments of principal portion lease liabilities		(333,005)		(262,944)
Net cash provided by financing activities		**(17,421,079)**		**(9,246,104)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(18,736,989)**		**(28,003,527)**
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		13,901,617		11,948,287
Due from Bangko Sentral ng Pilipinas		106,988,500		126,766,994
Due from Other banks		12,373,667		11,857,472
Interbank loans receivable and securities purchased under resale agreements		35,560,741		26,083,950
	P	**168,824,525**	**P**	**176,656,704**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022			
	Bills Payable	**Bonds Payable**	**Lease Liability**	**Total**
Balance at beginning of year	65,806,274	42,473,558	2,846,018	111,125,850
Cash flows during the year				
Proceeds	191,701,486	-	-	191,701,486
Settlement/payment	(204,752,627)	-	(418,447)	(205,171,074)
Non-cash changes				
Additions	-	-	74,992	74,992
Amortization	-	72,472	85,442	157,914
Foreign exchange movement	5,121,911	596,274	-	5,718,185
Balance as of June 30	57,877,044	43,142,303	2,588,005	103,607,352

	2021			
	Bills Payable	Bonds Payable	Lease Liability	Total
Balance at beginning of year	23,655,851	52,065,678	2,996,003	78,717,532
Cash flows during the year				
Proceeds	99,959,393	20,200,422		120,159,815
Settlement/payment	(96,497,075)	(30,000,000)	(364,853)	(126,861,928)
Non-cash changes				
Additions			5,255	5,255
Amortization		285,426	101,909	387,335
Foreign exchange movement	283,438	(494,908)		(211,470)
Balance as of June 30	27,401,607	42,056,618	2,738,314	72,196,539

China Banking Corporation
Aging of Loans and Receivables
June 30, 2022

	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	**672,617,293**	654,664,501	9,496,309	1,107,800	1,485,891	5,443,353	17,533,353	419,439
Less: Allow for Probable Losses & Unamotized Discount	17,572,403							
Net Loans and Receivables	**655,044,890**							
Accounts Receivables	**2,608,785**	1,829,609	7,143	48,612	34,678	127,869	218,302	560,874
Less:Allowance for Probable Losses	606,176							
Net Accounts Receivables	**2,002,609**							
Accrued Interest Receivables	**9,595,218**	9,595,218						
Less:Allowance for Probable Losses	474,164							
Net Accrued Interest Receivables	**9,121,054**							

ANNEX VII

CHINA BANKING CORPORATION
PROFITABILITY REPORT BY BUSINESS SEGMENT

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) **Institutional Banking** - principally handles lending, trade finance and corollary banking products and services offered to corporate and institutional customers as well as selected middle market clients.

b) **Consumer Banking** - principally handles home loans, contract-to-sell receivables, loans to developers, auto loans and credit cards for individual and/or corporate customers.

c) **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;

d) **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

e) **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, cash management services 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, 2022:

CHINABANK

PROFITABILITY REPORT BY BUSINESS SEGMENT
FOR THE PERIOD ENDING JUNE 30, 2022
CONSOLIDATED
(Amounts in thousands of Pesos)

	INSTITUTIONAL BANKING	CONSUMER BANKING	RETAIL BANKING BUSINESS	FINANCIAL MARKETS	OTHER BUSINESS & SUPPORT UNITS AND SUBSIDIARIES	BANKWIDE
Net interest income	12,250,338	2,554,342	1,127,068	2,815,722	3,244,183	21,991,653
Third Party Intersegment	(7,598,258)	(759,639)	9,040,017	(839,891)	157,772	-
Net Interest Income after Intersegment Transactions	4,652,080	1,794,703	10,167,085	1,975,830	3,401,955	21,991,653
Other Operating Income	352,705	195,637	1,281,487	596,050	793,480	3,219,358
Total Revenue	5,004,784	1,990,340	11,448,572	2,571,880	4,195,435	25,211,011
Other Operating expense	(947,073)	(828,196)	(6,060,915)	(1,076,690)	(2,195,149)	(11,108,023)
Income before Provisions and Taxes	4,057,712	1,162,144	5,387,657	1,495,190	2,000,286	14,102,988
Provision for Impairment and Credit Losses	(1,129,853)	(28,863)	113,947	53,206	(665,072)	(1,656,636)
Income before Income Tax	2,927,858	1,133,281	5,501,603	1,548,396	1,335,214	12,446,352
Provision for Income Tax	(499,797)	(56,056)	(933,111)	(581,744)	(278,543)	(2,349,251)
Net Income	**2,428,061**	**1,077,224**	**4,568,493**	**966,652**	**1,056,671**	**10,097,101**
Total Assets	**469,907,939**	**71,084,825**	**645,234,210**	**373,709,648**	**(357,756,083)**	**1,202,180,539**
Total Liabilities	**12,288,226**	**1,311,306**	**687,399,432**	**288,081,217**	**85,871,773**	**1,074,951,954**
Depreciation & Amortization	**5,914**	**20,465**	**597,844**	**13,921**	**205,218**	**843,362**
Capital Expenditures	**19,273**	**14,613**	**62,365**	**9,369**	**160,341**	**265,961**

ANNEX VIII

Financial Soundness Indicators

PROFITABILITY (%)	***Jan – June 2022***	*Jan – June 2021*
Return on Average Equity	**16.39**	13.43
Return on Average Assets	**1.75**	1.42
Net Interest Margin	**4.28**	4.25
Cost to Income Ratio	**44**	45
LIQUIDITY (%)	***June 2022***	*Dec 2021*
Liquid Assets to Total Assets	**42**	42
Loans to Deposit Ratio	**69**	71
ASSET QUALITY (%)	***June 2022***	*Dec 2021*
Gross Non-Performing Loans Ratio	**2.3**	2.5
Non-performing Loan (NPL) Cover	**128**	116
SOLVENCY (x)	***June 2022***	*Dec 2021*
Debt to Equity Ratio	**8.4**	8.3
Asset to Equity Ratio	**9.4**	9.3
Interest Coverage Ratio	**4.2**	3.2*
CAPITAL ADEQUACY (%)	***June 2022***	*Dec 2021*
CET 1 / Tier 1 Ratio	**14.83**	14.92
Total Capital Adequacy Ratio (CAR)	**15.67**	15.75

**for Jan-June 2021*

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
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 – June 2022***	*Jan – June 2021*
Gross Revenues	**29,087**	28,647
Gross Expenses	**18,990**	21,391
Net Income	**10,097**	7,257

In Million Pesos	***June 2022***	*Dec 2021*
Total Resources	**1,202,181**	1,112,320
Loan Portfolio (Net)	**655,045**	609,007
Total Deposits	**945,282**	862,860
Equity	**127,229**	119,123

**Due to rounding, numbers presented in the tables may not add up precisely to the totals provided*

Key Performance Indicators

PROFITABILITY (%)	***Jan – June 2022***	*Jan – June 2021*
Return on Average Equity	**16.39**	13.43
Return on Average Assets	**1.75**	1.42
Net Interest Margin	**4.28**	4.25
Cost to Income Ratio	**44**	45
LIQUIDITY (%)	***June 2022***	*Dec 2021*
Liquid Assets to Total Assets	**42**	42
Loans to Deposit Ratio	**69**	71
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Gross NPL Ratio	**2.3**	2.5
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SOLVENCY (x)	***June 2022***	*Dec 2021*
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Asset to Equity Ratio	**9.4**	9.3
Interest Coverage Ratio	**4.2**	3.2*
CAPITAL ADEQUACY (%)	***June 2022***	*Dec 2021*
CET 1 / Tier 1 Ratio	**14.83**	14.92
Total CAR	**15.67**	15.75

**for Jan-June 2021*

Economic Environment

2Q US GDP contracted by 0.9% versus the preceding quarter, recording its second straight quarter of decline following the -1.6% in 1Q. The contraction was driven by the declines in gross private domestic investment and government spending, as well as the slowdown in household consumption. Against a backdrop of surging inflation, the US Fed imposed a series of rate hikes since March, the most stringent of which was the back-to-back 75-bp increases in June and July. The series of tightening brought the federal funds rate to 2.25% to 2.50% as of July 2022, the highest since late-2018. Meanwhile, China's GDP inched up 0.4% year-on-year in 2Q amid the implementation of harsh lockdowns to control the spike of new Covid-19 cases.

The Philippine economy expanded by 7.4% year-on-year in 2Q, below market expectations but still in line with the government's 7.0% to 8.0% target in 2022. On the expenditure side, the growth was led by strong household consumption (+9%) and construction (+16%), while on the production side, the increase was led by the services sector (+9%) as industry decelerated to 6% (from 10% in 1Q) and agriculture remained flat.

Inflation rate breached the 6%-mark in June (6.1%) and July (6.4%) mainly driven by faster price increases of food items. This brought the year-to-date inflation rate to 4.7%, above the government's 2.0% to 4.0% target. In response to rising inflation, the BSP Monetary Board adjusted its policy rate upwards by 25 bps each in May and June and administered its most aggressive tightening move since the adoption of interest rate corridor system in 2016 by way of a 75-bp off-cycle rate hike in July. The BSP policy rate is currently at 3.25%.

As of June 2022, the combined assets of the UK/B & TB industries expanded 7.6% year-on-year to P21.0 trillion. Deposits grew 7.3% to P16.2 trillion, while loans increased 9.4% to P10.9 trillion. Gross NPL ratio went down to 3.7% from 4.6% last year, while NPL cover rose to 98% from 84%.

Results of Operation

Analysis of Consolidated Statements of Income (unaudited)
For the period ended June 30, 2022 and June 30, 2021

China Bank posted a P10.1 billion **net income** in the first semester of 2022, up 39.1% compared to the same period last year, driven mainly by higher net interest income and core fee income, as well as lower provisions. The strong income performance translated to a better return on equity and return on assets at 16.39% and 1.75%, respectively.

Total interest income increased 13.9% to P25.9 billion from P22.7 billion with the growth in earning assets. **Interest income from loans and receivables** was up 10.7% to P18.5 billion on the back of a robust loan portfolio expansion. Likewise, **interest income from investment securities at amortized cost and at FVOCI** recorded a 42.4% increase to P6.5 billion, arising from the higher securities volume year-on-year. Meanwhile, **interest income from financial assets at FVPL** decreased 38.3% to P237.0 million due to lower volume of FVPL securities portfolio on a year-on-year basis. Furthermore, **interest income from due from BSP and other banks and SPURA** registered a 41.5% drop to P607.6 million because of the smaller placements with the BSP and correspondent banks.

Total interest expense increased by 1.7% to P3.9 billion due to slightly higher funding cost. **Interest expense on bills payable and other borrowings** increased by P168.9 million to P1.2 billion due to volume-related growth year-on-year. **Lease payable** was down 16.2% because of lower balance of outstanding lease liability.

With the stronger top line revenues and relatively steady movement in interest expense, the Bank's **net interest income** rose 16.3% to P22.0 billion and led to an improved net interest margin of 4.28% from 4.25% last year.

The Bank recognized P1.7 billion in **provision for impairment and credit losses,** down 69.1%year-on-year from P5.4 billion due to improving asset quality and positive economic outlook.

Total **non-interest income** for the period ended at P3.2 billion, down 45.7% primarily from the P344.8 million decrease in **trading and securities gain**, the absence of **gain on disposal of investment securities at amortized cost**, and a **foreign exchange loss** of P150.7 million arising from the month-to-month movement in the Peso-Dollar exchange rate. Nevertheless, core fee income (excluding gains from trading, disposal of investment securities at amortized cost, and foreign exchange) increased 24.4% year-on-year, driven mainly by double-digit improvements in transactions-based revenues, income from sale of acquired assets, and bancassurance commissions. **Service charges, fees, and commissions** grew 21.3% to P1.5 billion due to the growth in deposits, loans, and other transactions-based fees. Higher sales of foreclosed properties resulted in a 64.2% growth in **gain on disposal of investment properties** to P237.3 million while movements in the fair value resulted in a 63.5% decline in **gain on asset foreclosure and *dacion* transactions** to P15.6 million. **Share in net income of associate** rebounded from a loss of P14.3 million last year to P122.9 million in the first half due to improved profitability of the bancassurance joint venture, MCBLife. **Miscellaneous income** totaled P668.2 million, up 12.5% mainly from higher bancassurance commissions and recovery of charged-off assets.

Efficiency enhancements and prudent cost management kept operating expenses under control at P11.1 billion. **Compensation and fringe benefits** was down 9.4% to P3.4 billion while, **occupancy cost** was up 14.6% to P1.0 billion due to higher expenses related to rent, utility, and security services.**Taxes and licenses** were down 8.0% to P1.7 billion mainly from lower volume-related taxes. **Insurance** grew 5.2% to P1.1 billion due to the year-on-year build-up in deposits pushing up the cost of PDIC insurance. **Depreciation and amortization** decreased 7.0% to P843.4 million mainly due to lower depreciation expense on bank premises, furniture and fixtures, right-of-use assets and investment properties. **Transportation and travelling** increased 33.3% to P191.9 million mainly from higher fuel costs. **Professional fees, marketing and other related services** and **entertainment, amusement and recreation** rose by 28.3% to P334.6 million and by 10.6% to P219.8 million, respectively, due to higher management and marketing-related costs. **Repairs and maintenance** was up 17.7% to P77.8 million with the continued technology upgrades and investments in our distribution network. **Miscellaneous expenses** increased by 10.4% to P2.1 billion mainly from larger information technology-related expenses undertaken during the period.

Consolidated **cost-to-income ratio** improved at 44% from 45% in the same period last year.

Financial Condition

Analysis of Consolidated Statement of Financial Condition
As of June 30, 2022 (unaudited) and December 31, 2021 (audited)

China Bank's consolidated **assets** were recorded at P1.2 trillion as of June 2022, 8.1% higher than year-end 2021.

Cash and other cash items fell 13.2% to P13.9 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from BSP** decreased by P17.3 billion or 13.9% with the drop in placements with the BSP. **Due from other banks** increased by P1.7 billion or 15.7% arising from deposits with correspondent banks.

Financial assets at fair value through profit or loss (FVPL) climbed 69.1% or P5.0 billion to P12.2 billion with the growth in fixed income assets. Similarly**, financial assets at fair value through other comprehensive income (FVOCI)** and **investment securities at amortized cost** increased by 7.9% to P30.9 billion and 20.8% to P292.6 billion, respectively, due to the build-up in said securities volume. **Derivative contracts designated as hedges** against certain contracts and liabilities grew 4.4x to P5.0 billion due to positive fair value adjustments. The Bank's securities portfolio accounted for 28% of consolidated resources.

Gross loans expanded 7.7% to P672.6 billion on the back of significant expansions in both business and consumer loans. **Net loans** ended at P655.0 billion.

Accrued interest receivable increased by 19.8% to P9.1 billion because of timing difference in the receipt of interest earned. **Deferred tax assets** increased by 6.4% to P4.9 billion with the booking of additional provision for impairment and credit losses. **Other assets** decreased by 5.5% to P6.1 billion from lower accounts receivables, among others.

On the liabilities side, **total deposits** was recorded at P945.3 billion. The combined volume of demand and savings deposits increased by P33.4 billion or 6.0% to P588.6 billion, accounting for 62% of total deposits. **Bills payable** decreased by 12.0% to P57.9 billion from smaller interbank borrowings. **Manager's checks** increased by 14.3% to P2.1 billion as the volume of outstanding checks for negotiation grew year-to-date. **Income tax payable** doubled to P1.6 billion mainly due to regular corporate income tax payable for the period. **Accrued interest and other expenses** were 14.9% larger at P5.5 billion because of other expense accruals. Change in mark-to-market rates resulted in varied movements in **derivative liabilities** which increased by P74.2 million to P1.1 billion and in **derivative liabilities designated as hedges** which decreased by P162.4 million. **Other liabilities** increased 38.3% attributable to higher accounts and acceptances payable, among others.

Total equity reached P127.2 billion, 6.8% higher than P119.1 billion as at end-2021 mainly from the P5.8 billion or 8.2% increase in **surplus** from higher retained earnings. **Surplus reserves** also recorded a 7.2% increase to P4.0 billion due to the appropriation of retained earnings. **Net unrealized gains on financial assets at FVOCI** dropped by P2.2 billion arising from the mark-to-market revaluation of the Bank's FVOCI securities. **Remeasurement gain on defined benefit asset** was lower at (P25.3) million due to changes in actuarial assumptions. **Remeasurement on life insurance reserve of an associate** saw a P33.0 million rebound to P18.9 million due to the revaluation of legal policy reserves of the Bank's affiliate, MCBLife. **Cumulative translation adjustment** increased by P186.3 million, and **cash flow hedge reserve** climbed P4.0 billion 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 14.83% and 15.67%, respectively.

Total Comprehensive Income
For the period ended June 30, 2022 and June 30, 2021

The Bank recorded **total comprehensive income** of P12.1 billion during the first semester of the year, a 58.5% or P4.5 billion increase from the P7.7 billion recorded in the same period last year mainly from net income uptick and gains on cash flow hedges.

Key Performance Indicators

Profitability

CHIB posted a 39.1% increase in net income to P10.1 billion for the first half of 2022 on the back of robust NII growth, core fee income increase, as well as lower provisions. Profit growth resulted in an improved ROE of 16.39% and ROA of 1.75%. Cost-to-income ratio improved to 44% from 45%, while net interest margin was slightly higher at 4.28% from 4.25% last year.

Liquidity

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

Asset Quality

Gross non-performing loans (NPL) ratio was at 2.3%, 120 bps lower *versus* last year and better than industry average. Meanwhile, NPL cover remained sufficient and above industry at 128%. The Parent Bank recorded a 148% NPL cover.

Solvency Ratios

Debt-to-equity and asset-to-equity ratios for the first half was recorded at 8.4 and 9.4, respectively. Interest coverage ratio for the period was at 4.2.

Capitalization

China Bank's capital base stood at P127.2 billion. CET 1 / Tier 1 CAR and Total CAR ratios were registered at 14.83% and 15.67%, respectively, both well above the minimum regulatory requirements. The Bank's capital is largely comprised of CET 1/ Tier 1 (core) capital.

Corporate Developments

Moody's Investors Service affirmed China Banking Corporation's (China Bank) credit rating on the back of its strong capitalization and profitability. Deposit and issuer credit ratings remained at Baa2, a notch above the minimum investment grade, with stable outlook. The international credit watcher cited stable capitalization and profitability, which support business expansion, and sound liquidity as China Bank's credit strengths.

"The improvement in profitability for the period was driven by higher NIM (net interest margin), which increased to 4.3% for the three months that ended March 2022 from 4.2% a year earlier. The improvement in NIM was largely because of the low interest and easy liquidity environment, which led to a significant reduction in funding costs," the Moody's report stated.

In May, China Bank launched China Bank START, a mobile phone app that makes it convenient, easy, and affordable for non-China Bank customers to open a new China Bank account without having to visit a branch. Accounts opened via China Bank START can be used to transfer and receive funds, reload (mobile, game, or toll credits), pay bills, and more via China Bank Mobile App.

In June, China Bank Capital's stock brokerage subsidiary, China Bank Securities, launched ChinaBankSec Online, a digital stock trading platform for buying and selling of stocks listed in the Philippine Stock Exchange. The platform provides round-the-clock online access and up-to-date information on PSE stocks, enabling users to directly place or cancel orders, queue orders during off-trading hours, and view transactions and market movements in real time. It also features tools such as user-set parameters for automatic trading, price consensus from analysts, and a market sentiment meter.

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 '22**	Jan-Dec '21	Jan-June '21
Net Income	54	92	45
Total Assets	530	569	562

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

(In Mn Pesos)	**Jan-June '22**	Jan-Dec '21	Jan-June '21
Net Income	11	10	26
Total Assets	136	112	123

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

(In Mn Pesos)	**Jan-June '22**	Jan-Dec '21	Jan-June '21
Net Income	771	986	329
Total Assets	110,281	95,752	97,787

- **China Bank Capital Corporation**

(In Mn Pesos)	**Jan-June '22**	Jan-Dec '21	Jan-June '21
Net Income	179	295	140
Total Assets	4,250	2,798	2,736