

14 November 2022

PHILIPPINE STOCK EXCHANGE, INC.

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

ATTENTION: **MS. ALEXANDRA D. TOM WONG**
Officer-in-Charge – Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.

Philippine Dealing System Holdings Corp. & Subsidiaries
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City
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 September 30, 2022 filed with the Securities and Exchange Commission (SEC).

For your information and guidance. Thank you.

Respectfully yours,



GERALD O. FLORENTINO
Corporate Information Officer

COVER SHEET

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SEC Registration Number

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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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(Annual Meeting)

(Secondary License Type, If Applicable)

Corporate Governance and Finance Dept.

(Department Requiring this document)

(Amended Articles Number/Section)

1,879

Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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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 September 30, 2022
2. Commission identification number 443
3. BIR Tax Identification No.. 000-444-210-000

CHINA BANKING CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

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

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

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

Title of each Class	Number of shares of common stock Outstanding	Amount of debt outstanding
<u>COMMON</u>	<u>2,691,288,212</u>	

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

Yes No

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

PHILIPPINE STOCK EXCHANGE **COMMON**

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached are the following:

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

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


- Annex IX: Management's Discussion

PART II OTHER INFORMATION

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

SIGNATURES

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

Issuer	<u>CHINA BANKING CORPORATION</u>
Principal Financial/Accounting Officer/Controller	 <u>PATRICK D. CHENG</u>
Signature and Title	<u>Chief Finance Officer</u>
Date.....	<u>November 14, 2022</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 September 30, 2022 and for the nine-month periods ended September 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 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:

	September 30, 2022	December 31, 2021	Increase (Decrease)
Assets			
Cash and Other Cash Items	11,608,923	16,024,863	(4,415,940)
Due from Bangko Sentral ng Pilipinas	92,202,640	124,283,115	(32,080,475)
Due from Other banks	13,784,581	10,694,312	3,090,270
Interbank Loans Receivable and Securities Purchased under Resale Agreements	50,694,143	36,559,224	14,134,919
Financial Assets at Fair Value through Profit or Loss	12,486,472	7,209,667	5,276,805
Derivative Contracts Designated as Hedges	6,847,379	1,139,233	5,708,146
Financial Assets at Fair Value through Other Comprehensive Income	37,307,639	28,672,240	8,635,399
Investment Securities at Amortized Cost	334,021,131	242,353,729	91,667,402
Loans and Receivables - net	675,665,708	609,006,732	66,658,976
Investments in Associates	923,177	796,519	126,658
Bank Premises, Furniture, Fixtures and Equipment - net	9,118,297	8,232,859	885,438
Deferred Tax Assets	5,890,169	4,624,981	1,265,187
Other Assets	7,171,729	6,464,385	707,343
Liabilities			
Deposit Liabilities	1,001,418,430	862,859,898	138,558,533
Income Tax Payable	1,894,312	785,091	1,109,221
Accrued Interest and Other Expenses	5,290,247	544,386	705,428
Derivative Liabilities	1,995,758	998,721	997,037
Derivative Contracts Designated as Hedges	-	162,399	(162,399)
	September 30, 2022	September 30, 2021	Increase (Decrease)
Income			
Interest on Loans and receivables	28,647,617	25,564,929	3,082,688
Interest on Investment securities at amortized cost and at FVOCI	10,334,990	6,703,668	3,631,322
Interest on Financial Assets at FVPL	339,131	583,711	(244,580)
Interest on Due from BSP and other banks and SPURA	1,229,748	1,482,702	(252,955)
Service charges, fees and commissions	2,326,941	1,930,717	396,224
Gain on disposal/redemption of investment securities at AC	1,923	3,061,379	(3,059,456)
Gain on sale of investment properties	388,154	292,564	95,590

Foreign exchange gain- net	(734,200)	341,167	(1,075,368)
Gain on asset foreclosure and dacion transactions	95,567	74,786	20,781
Share in net income of associates	174,633	(7,683)	182,316
Miscellaneous	4,777,605	856,310	3,921,294
Expense			
Interest expense on Deposit Liabilities	4,870,262	3,920,367	949,894
Interest expense on Bills payable and other borrowings	1,823,268	1,495,826	327,442
Interest expense on Lease Payable	127,225	149,776	(22,551)
Occupancy cost	1,540,203	1,337,749	202,454
Taxes and licenses	3,614,566	2,748,438	866,129
Transportation and traveling	350,073	256,603	93,469
Professional fees, marketing and other related services	541,618	467,653	73,965
Entertainment, amusement and recreation	389,466	331,845	57,621
Repairs and maintenance	143,160	121,693	21,467

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 nine months ended September 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 nine months ended September 30, 2022 and September 30, 2021 amounted to ₱6.9 billion and ₱6.5 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 September 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, except as disclosed in item L
- 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 Parent Company disposed of an investment security measured at amortized cost in 2022, resulting to a gain of ₱1.9 million, after the issuer exercised its redemption option. For the nine months ended September 30, 2021, the Parent Company sold investment securities at amortized cost resulting to a gain of ₱3.06 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 commercial banks to determine their minimum required capital relative to their business risk exposures. In this regard, the Board approved the engagement of the services of a consultant to assist in the bank-wide implementation and embedding of the ICAAP, as provided for under Pillar 2 of Basel II and BSP Circular No. 639.

On 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.**

Maturity of the P30 Billion Peso Fixed Rate Bonds. On October 22, 2022, previously issued P15 billion peso fixed rate bonds matured. This bond bears a fixed coupon rate of 2.75% per annum, payable quarterly.

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 September 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:

	September 30, 2022		December 31, 2021 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial Assets at Amortized Cost				
Government bonds	₱201,947,167	₱192,081,437	₱120,586,399	₱122,959,933
Private bonds	132,073,963	126,164,156	121,767,330	143,693,145
Loans and receivables				
Corporate and commercial loans	518,828,776	502,150,253	476,742,179	474,629,406
Consumer loans	140,662,674	140,256,076	119,942,290	120,952,674
Trade-related loans	16,053,706	16,188,226	12,208,008	12,382,913
Others	120,552	128,421	114,255	121,352
Sales contracts receivable	1,131,648	1,250,655	1,101,891	1,210,464
Financial Liabilities				
Time deposit liabilities	419,781,040	395,587,472	307,650,145	303,288,548
Bills payable	71,168,352	69,796,612	65,806,274	64,358,633
Bonds payable	43,725,367	43,170,712	42,473,558	42,249,623

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

	September 30, 2022			Total
	Level 1	Level 2	Level 3	

	September 30, 2022			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	P430,287	P1,016,317	P-	P1,446,604
Treasury notes	-	707,110	-	707,110
Treasury bills	-	2,269,927	-	2,269,927
Private bonds	845,858	1,560,965	-	2,406,823
Quoted equity shares	1,043,813	-	-	1,043,813
Financial Assets designated at FVTPL	-	152,567	-	152,567
Derivatives with Positive Fair Value Held for Trading	-	4,459,629	-	4,459,629
Derivatives with Positive Fair Value Held for Hedging	-	6,847,379	-	6,847,379
Financial Assets at FVOCI				
Government bonds	7,614,147	12,809,560	-	20,423,707
Quoted private bonds	16,238,509	-	-	16,238,509
Quoted equity shares	627,058	-	-	627,058
	P26,799,672	P29,823,454	P-	P56,623,126
Financial liabilities at FVPL				
Derivative liabilities	P-	P1,995,758	P-	P1,995,758
Derivative contracts designated as hedges	-	-	-	-
	P-	P1,995,758	P-	P1,995,758
Fair values of assets carried at amortized cost/cost				
Investment securities at amortized cost				
Government bonds	P192,081,437	P-	P-	P192,081,437
Private bonds	71,813,605	-	54,350,551	126,164,156
Loans and receivables				
Corporate and commercial loans	-	-	502,150,253	502,150,253
Consumer loans	-	-	140,256,076	140,256,076
Trade-related loans	-	-	16,188,226	16,188,226
Others	-	-	128,421	128,421
Sales contracts receivable	-	-	1,250,655	1,250,655
Investment properties				
Land	-	-	7,273,013	7,273,013
Buildings and improvements	-	-	2,379,495	2,379,495
	P263,895,042	P-	P723,976,690	P987,871,732
Fair values of liabilities carried at amortized cost				
Time deposit liabilities	P-	P-	P395,587,472	P395,587,472
Bills payable	-	-	69,796,612	69,796,612
Bonds payable	-	-	43,170,712	43,170,712
	P-	P-	P508,554,796	P508,554,796

	December 31, 2021 (Audited)			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Financial assets at FVTPL				
Held-for-trading				
Government bonds	P156,736	P23,173	P-	P179,909
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
	P19,898,275	P17,104,500	P-	P37,002,775
Financial liabilities at FVPL				
Derivative liabilities	P-	P998,721	-	P998,721
Derivative contracts designated as hedges	-	162,399	-	162,399

	December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
	P–	P1,161,120		P1,161,120
Fair values of assets carried at amortized cost				
Investment securities at amortized cost				
Government bonds	P122,959,933	P–	P–	P122,959,933
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
	P194,169,499	P–	P689,248,244	P883,417,743
Fair values of liabilities carried at amortized cost				
Time deposit liabilities	P–	P–	P303,288,548	P303,288,548
Bills payable	–	–	64,358,633	64,358,633
Bonds payable	–	–	42,249,623	42,249,623
	P–	P–	P409,896,804	P409,896,804

- 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 P40.05 million and P36.81 million for the nine-month periods ended September 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:

	September 30, 2022	December 31, 2021 (Audited)
Balance Sheet		
Deposit in banks	P30,275	P4,207
Financial assets at FVTPL	1,383,583	1,419,060
Total market value	1,383,583	1,419,060
Number of shares held	54,579	54,579
Income Statement		
Dividend income	P54,579	P54,579
Interest income	18	35

Other Related Party Transactions

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

September 30, 2022			
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans and receivables		8,336,250	Secured with shares of stocks of other banks, with interest ranging from 4% to 4.18% and residual maturity ranging from 1.96 to 6.15 years. General loan loss provision of ₱ 4.52 million.
Issuances	–		
Repayments	(4,350)		
Deposit liabilities			– These are checking accounts with annual average rate of 0.13%.
Deposits	105		
Withdrawals	(2,582)		
Subsidiaries			
Deposit Liabilities		468,914	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	247,484		
Withdrawals	(282,907)		
Associates			
Deposit Liabilities		105,881	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	2,732		
Withdrawals	(153,438)		
Key Management Personnel			
Loans		3,385	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	28		
Repayments	(666)		
Deposit Liabilities		28,576	These are checking, savings and time deposit account with annual average interest rates ranging from 0.13% to 1.00%
Deposits	353,771		
Withdrawals	(354,827)		
Other Related Parties			
Loans		49,569,057	Secured and Unsecured Loans with interest rate ranging from 2.25 % to 9.69% and with residual maturity ranging from 0.03 to 10.12 years. Allowance for credit losses amounting to ₱20.85 million and general loan loss provision of ₱310.8 million.
Issuances	5,501,195		
Repayments	(3,546,914)		
Deposit Liabilities		484,699	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	838,122		
Withdrawals	(514,286)		

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

December 31, 2021 (Audited)			
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
Withdrawals	(294,090)		rates ranging from 0.25% to 1.00%.
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 nine-month periods ended September 30, 2022 and September 30, 2021 are presented below:

	Significant Investor		Associate	
	September 30			
	2022	2021	2022	2021
Interest income	₱255,488	₱130,218	₱-	₱-
Interest expense	2	2	873	2,372

	Key Management Personnel		Other Related Parties	
	September 30			
	2022	2021	2022	2021
Interest income	₱130	₱77	₱1,983,669	₱1,966,546
Interest expense	22	25	659	519

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		
	September 30, 2022	December 31, 2021	Nature, Terms and Conditions
Balance Sheet			
Accounts receivable	₱32,542	₱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		
	September 30, 2022	September 30, 2021	Nature, Terms and Conditions
Income Statement			
Trust fee income	₱808	₱148	Trust Fee earned by Parent Company from CBCC
Rent income	2,383	2,270	Rent Income from CBCC
Miscellaneous income	2,138	2,138	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	27,776	33,320	Certain units of the condominium owned by CBSI are being leased to the Parent

		Subsidiaries	
	September 30, 2022	September 30, 2021	Nature, Terms and Conditions
Deferred charges	2,751	6,232	Company for a term of five years, with no escalation clause.
Information technology	205,058	172,442	Arranger fees paid by the Parent Company to CBCC for the issuance of its fixed rate bonds
Miscellaneous expense	576	1,260	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements.
			Commission for brokerage

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Annex I

(Amounts in thousands)

	September 2022	December 2021
	Unaudited	Audited
ASSETS		
Cash and Other Cash Items	P 11,608,923	16,024,863
Due from Bangko Sentral ng Pilipinas	92,202,640	124,283,115
Due from Other banks	13,784,581	10,694,312
Interbank Loans Receivable and Securities Purchased under Resale Agreements	50,694,143	36,559,224
Financial Assets at Fair Value through Profit or Loss	12,486,472	7,209,667
Derivative Contracts Designated as Hedges	6,847,379	1,139,233
Financial Assets at Fair Value through Other Comprehensive Income	37,307,639	28,672,240
Investment Securities at Amortized Cost	334,021,131	242,353,729
Loans and Receivables - net	675,665,708	609,006,732
Accrued Interest Receivable	7,914,485	7,616,692
Investments in Associates	923,177	796,519
Bank Premises, Furniture, Fixtures and Equipment - net	9,118,297	8,232,859
Investment Properties	3,977,860	3,993,338
Deferred Tax Assets	5,890,169	4,624,981
Intangible Assets	3,788,027	3,807,889
Goodwill	839,748	839,748
Other Assets	7,171,729	6,464,385
	P 1,274,242,108	1,112,319,526
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	264,483,624	252,324,966
Savings	317,153,766	302,884,786
Time	419,781,040	307,650,145
	1,001,418,430	862,859,898
Bills Payable	71,168,352	65,806,274
Bonds Payable	43,725,367	42,473,558
Manager's Checks	1,874,450	1,854,606
Income Tax Payable	1,894,312	785,091
Accrued Interest and Other Expenses	5,290,247	4,745,861
Derivative Liabilities	1,995,758	998,721
Derivative Liabilities Designated as Hedges	-	162,399
Deferred Tax Liabilities	795,214	798,212
Other Liabilities	13,546,173	12,712,087
	1,141,708,302	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	3,697,798	3,730,687
Surplus	80,879,743	70,205,517
Net Unrealized Gains (Losses) on Financial Assets at FVOCI	(3,369,535)	81,200
Remeasurement Gain on Defined Benefit Asset	(25,298)	(30,490)
Remeasurement on Life Insurance Reserve of Associate	59,620	(14,028)
Cumulative translation adjustment	476,836	17,604
Cash Flow Hedge Reserve	6,639,465	976,835
	132,472,268	119,080,964
Non-controlling Interest	61,538	41,856
	132,533,805	119,122,820
	P 1,274,242,108	1,112,319,526

CHINA BANKING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

	September 2022	December 2021
	Unaudited	Audited
CONTINGENT ACCOUNTS		
Unused commercial letters of credit	16,232,372	12,971,604
Committed Credit Lines	2,186,125	12,765,975
Outstanding guarantees Issued	527,891	1,274,727
Inward bills for collection	7,615,940	1,229,608
Outward bills for collection	54,348	18,336
IRS receivable	94,506,875	83,669,379
Spot exchange bought	5,475,179	1,347,052
Spot exchange sold	6,931,226	1,653,448
Forward exchange bought	98,742,553	35,113,101
Forward exchange sold	49,658,876	22,898,059
Trust department accounts	215,296,303	223,398,641
Credit card Lines	17,485,874	14,320,597
Late deposits/payments received	114,015	46,125
Deficiency claims receivable	280,353	281,780
Standby credit commitment	5,003,021	3,565,978
Others	10,125	105,768
	520,121,074	414,660,177

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

Annex II

		For the Three Quarters Ended Sept 30		For the Quarter Ended Sept 30	
		2022	2021	2022	2021
INTEREST INCOME					
Loans and receivables	P	28,647,617	25,564,929	10,104,928	8,821,843
Investment securities at amortized cost and at FVOCI		10,334,990	6,703,668	3,854,585	2,153,743
Financial Assets at FVPL		339,131	583,711	102,097	199,561
Due from BSP and other banks and SPURA		1,229,748	1,482,702	622,183	443,885
		40,551,486	34,335,010	14,683,793	11,619,032
INTEREST EXPENSES					
Deposit liabilities		4,870,262	3,920,367	2,231,301	1,195,089
Bills payable and other borrowings		1,823,268	1,495,826	671,630	513,078
Lease Payable		127,225	149,776	41,783	47,867
		6,820,754	5,565,969	2,944,714	1,756,034
NET INTEREST INCOME					
		33,730,732	28,769,041	11,739,079	9,862,997
Service charges, fees and commissions		2,326,941	1,930,717	820,483	688,813
Trading and securities gain - net		889,820	929,413	294,024	(11,201)
Gain on disposal/redemption of investment securities at AC		1,923	3,061,379	1,923	562,115
Gain on sale of investment properties		388,154	292,564	150,872	148,064
Foreign exchange gain - net		(734,200)	341,167	(583,537)	79,971
Trust fee income		346,800	350,112	123,024	128,461
Gain on asset foreclosure and dacion transactions		95,567	74,786	79,939	31,956
Share in net income of associates		174,633	(7,683)	51,778	6,581
Miscellaneous		4,777,605	856,310	4,109,380	262,511
TOTAL OPERATING INCOME					
		41,997,975	36,597,808	16,786,964	11,760,268
Compensation and fringe benefits		5,865,974	5,751,743	2,419,711	1,947,702
Occupancy cost		1,540,203	1,337,749	504,552	433,804
Taxes and licenses		3,614,566	2,748,438	1,901,846	886,421
Insurance		1,681,623	1,536,608	596,675	504,951
Depreciation and amortization		1,259,210	1,348,739	415,848	441,664
Provision for impairment and credit losses		6,942,256	6,505,351	5,285,620	1,139,681
Transportation and traveling		350,073	256,603	158,181	112,638
Professional fees, marketing and other related services		541,618	467,653	206,978	206,839
Entertainment, amusement and recreation		389,466	331,845	169,667	133,161
Stationery, supplies and postage		158,503	148,003	51,579	45,369
Repairs and maintenance		143,160	121,693	65,383	55,602
Miscellaneous		2,436,836	2,599,683	382,788	738,387
TOTAL OPERATING EXPENSES					
		24,923,489	23,154,106	12,158,829	6,646,219
INCOME BEFORE INCOME TAX					
		17,074,486	13,443,702	4,628,133	5,114,048
PROVISION FOR INCOME TAX					
		2,374,700	2,265,148	25,449	1,192,357
NET INCOME					
	P	14,699,786	11,178,554	4,602,685	3,921,691
Attributable to:					
Equity holders of the parent		14,678,270	11,165,855	4,595,790	3,916,559
Non-controlling Interest		21,517	12,699	6,896	5,133
	P	14,699,786	11,178,554	4,602,685	3,921,691
Earnings Per Share					
a. Basic		5.45	4.15	1.71	1.46
b. Diluted *		5.45	4.15	1.71	1.46
Net Income		14,678,270	11,165,855	4,595,790	3,916,559
Weighted Ave. Number of Common Shares Outstanding		2,691,288	2,691,288	2,691,288	2,691,288
* 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 Three Quarters Ended Sept 30		For the Quarter Ended Sept 30	
	2022	2021	2022	2021
Net Income	14,699,786	11,178,554	4,602,685	3,921,691
Other Comprehensive Income (Loss):				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Changes in fair value of debt financial assets at FVOCI:				
Fair value gain(loss) for the year, net of tax	(3,315,552)	955,092	(1,251,855)	(109,731)
Gains taken to profit or loss	(3,465)	(994,196)	(1,732)	(10,639)
Share in Other Comprehensive Income of Associate:				
Net Unrealized Gain on financial assets at FVOCI	(126,316)	(69,507)	16,108	20,207
Gain on cash flow hedges	5,662,630	450,817	1,644,974	70,335
Cumulative translation adjustment	460,050	94,864	273,426	80,634
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Changes in fair value of equity financial assets at FVOCI:				
Fair value gain for the year, net of tax	(8,057)	86,085	(19,062)	36,081
Remeasurement loss on defined benefit asset or liability	(3,022)	(21,185)	(8,212)	-
Remeasurement loss on life insurance reserves	81,860	(1,055)	48,888	11,121
Other Comprehensive Income for the year	2,748,128	500,915	702,535	98,008
Total Comprehensive Income for the year	17,447,915	11,679,469	5,305,220	4,019,698
Total comprehensive income attributable to:				
Equity holders of the Parent Company	17,428,235	11,667,496	5,298,366	4,014,624
Non-controlling Interest	19,679	11,973	6,855	5,075
	17,447,915	11,679,469	5,305,220	4,019,698

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	-	-	-	-	14,678,270	(3,450,736)	5,192	73,648	5,662,630	459,232	17,428,235	19,679	17,447,915
Retained Earnings, appropriated	-	-	-	(32,889)	32,889	-	-	-	-	-	-	-	-
Cash Dividends - P1.50 per share	-	-	-	-	(4,036,932)	-	-	-	-	-	(4,036,932)	-	(4,036,932)
Balance at September 30, 2022	26,912,882	17,200,758	-	3,697,798	80,879,744	(3,369,535)	(25,298)	59,620	6,639,465	476,836	132,472,268	61,538	132,533,806
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	-	-	-	-	11,165,856	(21,945)	(20,944)	(1,055)	450,817	94,768	11,667,496	11,973	11,679,469
Stock grants issued	53,884	78,132	(140,924)	-	(507,428)	-	-	-	-	-	(8,908)	-	(8,908)
Retained Earnings, appropriated	-	-	-	507,428	(507,428)	-	-	-	-	-	-	-	-
Cash Dividends - P1.00 per share	-	-	-	-	(2,685,900)	-	-	-	-	-	(2,685,900)	-	(2,685,900)
Balance at September 30, 2021	26,912,882	17,200,758	-	3,381,431	66,632,296	272,170	(447,940)	(46,958)	(70,392)	100,304	113,934,551	35,475	113,970,026

CHINA BANKING CORPORATION
STATEMENTS OF CASH FLOWS
For the periods ended

Annex V

	SEPTEMBER		SEPTEMBER	
	2022		2021	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	17,074,486	P	13,443,702
Adjustment to reconcile income before income tax to net cash provided operations:				
Provision for impairment and credit losses		6,942,256		6,505,351
Depreciation and amortization		1,259,210		1,348,739
Amortization of transaction costs on bonds payable		108,151		296,109
Realized gain on financial assets at FVOCI and investment securities at amortized cost		(5,387)		(4,055,575)
Share in net loss (income) of an associate		(174,633)		7,683
Gain on sale of investment properties		(388,154)		(292,564)
Gain on asset foreclosures and dacion transactions		(95,567)		(74,786)
Operating income before changes in operating assets and liabilities		24,720,361		17,178,658
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Financial assets at FVPL		(4,442,167)		(5,120,496)
Loans and receivables		(72,517,916)		(41,392,720)
Other assets		(686,658)		2,631,516
Increase (decrease) in the amounts of:				
Deposit liabilities		138,558,533		14,245,825
Manager's checks		19,844		392,137
Accrued interest and other expenses		544,386		835,282
Other liabilities		257,378		(550,669)
Net cash provided by operations		86,453,761		(11,780,468)
Income taxes paid		(2,533,488)		(1,774,507)
Net cash provided by operating activities		83,920,273		(13,554,976)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of/Additions to:				
Net additions to bank premises, furniture, fixtures and equipment		(423,992)		(326,651)
Dividends from equity investments		-		-
Investment securities at amortized cost		(143,750,114)		(117,016,637)
Financial assets at fair value through other comprehensive income		(12,550,791)		(48,179,910)
Proceeds from sale of:				
Investment securities at amortized cost		-		35,201,988
Financial assets at fair value through other comprehensive income		594,438		47,004,752
Investment properties		508,361		339,281
Bank premises, furniture, fixtures and equipment		510,587		-
Proceeds from maturity of:				
Investment securities at amortized cost		50,890,197		96,033,475
Net cash provided by (used in) investing activities		(104,221,314)		13,056,298
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of bills payable		304,211,530		131,664,559
Payments of bills payable		(298,849,452)		(127,862,951)
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		(295,330)		(319,053)
Net cash provided by financing activities		1,029,815		(8,962,923)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(19,271,227)		(9,461,601)
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		11,608,923		12,390,447
Due from Bangko Sentral ng Pilipinas		92,202,640		139,682,547
Due from Other banks		13,784,581		8,614,632
Interbank loans receivable and securities purchased under resale agreements		50,694,143		34,511,003
	P	168,290,287	P	195,198,630

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	294,387,662	-	-	294,387,662
Settlement/payment	(298,849,452)	-	(422,555)	(299,272,007)
Non-cash changes				
Additions	-	-	281,377	281,377
Amortization	-	108,151	127,225	235,376
Foreign exchange movement	9,823,867	1,143,658	-	10,967,525
Balance as of September 30	71,168,352	43,725,367	2,832,065	117,725,783

	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	130,578,593	20,000,000		150,578,593
Settlement/payment	(127,862,951)	(30,000,000)	(468,829)	(158,331,780)
Non-cash changes				
Additions				-
Amortization		(455,251)	149,776	(305,475)
Foreign exchange movement	1,085,966	446,191		1,532,158
Balance as of September 30	27,457,460	42,056,618	2,676,950	72,191,027

	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	695,661,018	678,564,853	7,796,768	1,044,414	1,119,809	6,810,968	16,771,960	324,206
Less: Allow for Probable Losses & Unamortized Discount	19,995,310							
Net Loans and Receivables	675,665,708							
Accounts Receivables	3,009,744	2,274,781	9,842	27,084	45,241	110,244	192,412	542,551
Less: Allowance for Probable Losses	670,685							
Net Accounts Receivables	2,339,059							
Accrued Interest Receivables	9,262,779	9,262,779						
Less: Allowance for Probable Losses	1,348,294							
Net Accrued Interest Receivables	7,914,484							

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 September 30, 2022:



**PROFITABILITY REPORT BY BUSINESS SEGMENT
FOR THE PERIOD ENDING SEPTEMBER 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	18,803,558	3,799,781	1,361,645	4,705,331	5,060,416	33,730,732
Third Party Intersegment	(12,318,623)	(1,342,886)	13,919,307	(543,896)	286,098	-
Net Interest Income after Intersegment Transactions	6,484,935	2,456,895	15,280,952	4,161,436	5,346,514	33,730,732
Other Operating Income	4,363,395	382,886	2,068,476	211,296	1,241,189	8,267,243
Total Revenue	10,848,330	2,839,781	17,349,428	4,372,732	6,587,704	41,997,975
Other Operating expense	(2,427,061)	(1,273,863)	(9,083,585)	(1,761,573)	(3,435,150)	(17,981,233)
Income before Provisions and Taxes	8,421,269	1,565,918	8,265,843	2,611,158	3,152,553	24,016,742
Provision for Impairment and Credit Losses	(6,409,367)	137,498	356,132	58,549	(1,085,068)	(6,942,256)
Income before Income Tax	2,011,902	1,703,416	8,621,975	2,669,707	2,067,486	17,074,486
Provision for Income Tax	(178,756)	(29,774)	(745,406)	(996,543)	(424,221)	(2,374,700)
Net Income	1,833,146	1,673,642	7,876,569	1,673,164	1,643,265	14,699,786
Total Assets	479,955,098	72,914,743	656,532,890	414,309,465	(349,470,088)	1,274,242,108
Total Liabilities	12,420,034	1,412,425	681,686,592	388,885,094	57,304,157	1,141,708,302
Depreciation & Amortization	8,928	29,629	891,274	20,718	308,661	1,259,210
Capital Expenditures	31,013	16,659	100,384	14,690	331,542	494,288

Financial Soundness Indicators

<i>PROFITABILITY (%)</i>	<u>Jan – Sep 2022</u>	<u>Jan – Sep 2021</u>
Return on Average Equity	15.58	13.63
Return on Average Assets	1.64	1.45
Net Interest Margin	4.25	4.18
Cost to Income Ratio	43	45
<i>LIQUIDITY (%)</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
Liquid Assets to Total Assets	44	42
Loans to Deposit Ratio	67	71
<i>ASSET QUALITY (%)</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
Gross Non-Performing Loans Ratio	2.0	2.5
Non-performing Loan (NPL) Cover	161	116
<i>SOLVENCY (x)</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
Debt to Equity Ratio	8.6	8.3
Asset to Equity Ratio	9.6	9.3
Interest Coverage Ratio	3.5	3.4*
<i>CAPITAL ADEQUACY (%)</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
CET 1 / Tier 1 Ratio	14.90	14.92
Total Capital Adequacy Ratio (CAR)	15.74	15.75

*for Jan-Sep 2021

Definition of Ratios

Profitability Ratios:

Return on Average Equity	-	$\frac{\text{Net Income after Income Tax}}{\text{Average Total Equity}}$
Return on Average Assets	-	$\frac{\text{Net Income after Income Tax}}{\text{Average Total Assets}}$
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	-	$\frac{\text{Gross Non-Performing Loans}}{\text{Gross Loans}}$
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 CAR	-	$\frac{\text{CET 1 Capital}}{\text{Total Risk Weighted Assets}}$
Tier 1 CAR	-	$\frac{\text{Tier 1 Capital}}{\text{Total Risk Weighted Assets}}$
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>Jan – Sep 2022</u>	<u>Jan – Sep 2021</u>
Gross Revenues	48,819	42,164
Gross Expenses	34,119	30,985
Net Income	14,700	11,179

<i>In Million Pesos</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
Total Resources	1,274,242	1,112,320
Loan Portfolio (Net)	675,666	609,007
Total Deposits	1,001,418	862,860
Equity	132,534	119,123

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

Key Performance Indicators

<i>PROFITABILITY (%)</i>	<u>Jan – Sep 2022</u>	<u>Jan – Sep 2021</u>
Return on Average Equity	15.58	13.63
Return on Average Assets	1.64	1.45
Net Interest Margin	4.25	4.18
Cost to Income Ratio	43	45
<i>LIQUIDITY (%)</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
Liquid Assets to Total Assets	44	42
Loans to Deposit Ratio	67	71
<i>ASSET QUALITY (%)</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
Gross NPL Ratio	2.0	2.5
NPL Cover	161	116
<i>SOLVENCY (x)</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
Debt to Equity Ratio	8.6	8.3
Asset to Equity Ratio	9.6	9.3
Interest Coverage Ratio	3.5	3.4*
<i>CAPITAL ADEQUACY (%)</i>	<u>Sep 2022</u>	<u>Dec 2021</u>
CET 1 / Tier 1 Ratio	14.90	14.92
Total CAR	15.74	15.75

**for Jan-Sep 2021*

Economic Environment

3Q US GDP increased by 2.6% versus the preceding quarter, following two consecutive quarters of contraction in 2022. The recovery was mainly on the back of higher net exports and consumption spending, both of which would likely weaken in the coming quarters due to higher interest rates and elevated inflation (at 6.2% in September 2022). In November 2022, the US Fed delivered its fourth 75-bp rate hike for the year, bringing the federal funds rate target range to 3.75%-4.00%.

Philippine GDP grew by 7.6% in the third quarter, above market expectations and slightly faster than the revised 2Q 2022 growth of 7.5%. On the expenditure side, growth was driven by sustained household consumption (+8.0%) amid increased spending on restaurant and hotels, food items and transportation. Gross capital formation went up 21.7% while government spending was nearly flat and net exports contracted at a slower pace. Meanwhile, on the production side, the increase was led by the services sector (+9.1%), followed by industry (+5.8%) and agriculture (+2.2%).

Inflation rate was recorded at 6.9% in September and 7.7% in October mainly due to higher food prices amid supply disruptions caused by weather-related calamities. This brought the year-to-date inflation rate to 5.4%, above the government's 2.0% to 4.0% target. In step with the US Fed, the BSP Monetary Board adjusted its policy rate upwards by an aggregate of 175 bps in the third quarter alone to arrest rising inflation and to somehow defend the weakening peso against the US dollar. The BSP policy rate is currently at 4.25%.

As of September 2022, the combined assets of the UK/B & TB industries expanded 9.5% year-on-year to P21.7 trillion. Deposits grew 6.7% to P16.5 trillion, while loans increased 11.0% to P11.2 trillion. Gross NPL ratio went down to 3.5% from 4.6% last year, while NPL cover rose to 104% from 86%.

Results of Operation

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

China Bank reported P 14.7 billion in **net income** for the first nine months, up 31.5% from last year. The strong income performance translated to a better **return on equity** and **return on assets** at 15.58% and 1.64%, respectively.

Total interest income increased 18.1% to P40.6 billion from P34.3 billion with the growth in earning assets. **Interest income from loans and receivables** was up 12.1% to P28.6 billion on the back of year-on-year loan portfolio expansion. Likewise, **interest income from investment securities at amortized cost and at FVOCI** recorded a 54.2% increase to P10.3 billion, arising from the higher securities volume year-on-year. Meanwhile, **interest income from financial assets at FVPL** decreased 41.9% to P339.1 million from the 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 17.1% drop to P1.2 billion due to smaller placements with the BSP and correspondent banks.

With the rising interest rate environment, **total interest expense** amounted to P6.8 billion, P1.3 billion or 22.5% higher than last year as **interest expense on deposit liabilities** increased by 24.2%. **Interest expense on bills payable and other borrowings** increased by P327.4 million to P1.8 billion due to volume-related growth year-on-year. **Interest on lease payable** was down 15.1% because of lower balance of outstanding lease liability.

The Bank's **net interest income** rose 17.2% to P33.7 billion and resulted in an improved **net interest margin** of 4.25% from 4.18% last year.

Total **provisions for impairment and credit losses** amounted to P6.9 billion, up 6.7% from the P6.5 billion seen in the same period last year.

Total **non-interest income** grew 5.6% to P8.3 billion, supported by the continued recovery in core revenue streams, offsetting the decrease in **trading and securities gain**, minimal **gain on disposal of investment securities at amortized cost and foreign exchange loss** of P734.2 million because of the month-to-month movement in the Peso-Dollar exchange rate. **Service charges, fees, and commissions** were up 20.5% to P2.3 billion due to higher deposit-related fees. The improvement in sales volume of foreclosed properties resulted in a 32.7% growth in **gain on sale of investment properties** and 27.8% growth in **gain on asset foreclosure and dacion transactions** to P388.2 million and P95.6 million, respectively. **Share in net income of associates** increased significantly to P174.6 million because of the improved profitability of the bancassurance joint venture, MCBLife. **Miscellaneous income** totaled P4.8 billion, up P3.9 billion year-on-year primarily due to one-off gain and higher bancassurance income.

Operating expenses increased by 8.0% partly due to persistent inflation and a weakening peso which further pushed up transaction-related costs and technology spend. **Occupancy** was up 15.1% to P1.5 billion due to the increase in regular rent expenses. **Taxes and licenses** increased 31.5% to P3.6 billion mainly from higher revenue-related taxes. **Insurance** increased 9.4% to P1.7 billion with the increase in PDIC premium payments. **Depreciation and amortization** decreased by 6.6% to P1.3 billion mainly due to lower depreciation expense on bank premises, furniture and fixtures, right-of-use assets and investment properties. **Transportation and travelling** increased 36.4% to P350.1 million mainly from higher fuel costs. **Professional fees, marketing and other related services; entertainment, amusement and recreation; and repairs and maintenance** rose by 15.8%, 17.4%, 17.6%, respectively, from higher business development, marketing and technology-related expenses. **Miscellaneous expenses** dropped by 6.3% to P2.4 billion.

Consolidated **cost-to-income ratio** improved at 43% from 45% in the same period last year.

Financial Condition

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

Assets reached P1.3 trillion in September 2022, up 14.6%, on the back of continuous build-up in earning assets.

Cash and other cash items fell 27.6% to P11.6 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from BSP** decreased by P32.1 billion or 25.8% with the smaller placements with the BSP. Meanwhile, **Due from other banks and interbank loans receivable and securities purchased under resale agreements** increased by 28.9% and 38.7%, respectively arising from deposits with correspondent banks and higher volume of overnight placements with the BSP.

Financial assets at fair value through profit or loss (FVPL) climbed 73.2% or P5.3 billion to P12.5 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 30.1% to P37.3 billion and 37.8% to P334.0 billion, respectively, due to the build-up in said securities volume. **Derivative contracts designated as hedges** against certain contracts and liabilities grew 6.0x to P6.8 billion due to positive fair value adjustments. The Bank's securities portfolio accounted for 31% of consolidated resources.

Stronger demand for business and consumer loans led to a 11.6% increase in **gross loans** to P696.9 billion. **Net Loans** reached P675.7 billion.

Investment in associates increased by 15.9% to P923.2 million mainly due to higher net income contribution from the Bank's affiliate, MCBLife. **Bank premises, furniture, fixture and equipment** increased by 10.8% to P9.1 billion due to additions during the year. **Deferred tax asset** increased by P1.3 billion to P5.9 billion with the booking of additional provision for impairment and credit losses. **Other assets** increased by 10.9% to P7.2 billion due to additional miscellaneous assets.

On the liabilities side, **total deposits** breached the trillion-mark, up by 16.1% from Dec-end 2021. The combined low-cost demand and savings deposits increased by P26.4 billion to P581.6 billion, accounting for 58% of total deposits. **Bills payable** increased by 8.1% to P71.2 billion from higher interbank borrowings. **Income tax payable** doubled to P1.9 billion, due to additional regular corporate income tax payable for the period. **Accrued interest and other expenses** were 11.5% larger at P5.3 billion because of interest payable accruals. **Derivative liabilities** increased by P997.0 million to P2.0 billion arising from the change in the mark-to-market rates. The 6.6% increase in **other liabilities** can be attributed to the higher accounts and acceptances payable, among others.

Total equity reached to P132.5 billion, higher than last year's P119.1 billion mainly from the P10.7 billion or 15.2% increase in **surplus**. **Net unrealized gains on financial assets at FVOCI** dropped by P3.5 billion arising from the mark-to-market revaluation of the Bank's FVOCI securities. **Remeasurement gain on defined benefit asset** was at (P25.3) million from (P30.5) million due to changes in actuarial assumptions. **Remeasurement on life insurance reserve of an associate** saw a P73.6 million rebound to P59.6 million due to the revaluation of legal policy reserves of the Bank's affiliate, MCBLife. Meanwhile, **cumulative translation adjustment** increased by P459.2 million and **cash flow hedge reserve** climbed P5.7 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 14.90% and 15.74%, respectively.

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

The Bank recorded **total comprehensive income** of P17.4 billion during the first nine months of the year, a 49.4% or P5.8 billion increase from the P11.7 billion recorded last year mainly from net income uptick and gains on cash flow hedge.

Key Performance Indicators

Profitability

CHIB posted a 31.5% increase in net income to P14.7 billion for the first nine months of the year on the back of higher top line revenues and strong core fee income. Profit growth resulted in an improved ROE of 15.58% and ROA of 1.64%. Cost-to-income ratio improved to 43% from 45%, while net interest margin was slightly higher at 4.25% from 4.18% last year.

Liquidity

The Bank's liquidity ratio increased to 44% from 42% as of year-end 2022.

Asset Quality

Gross non-performing loans (NPL) ratio was at 2.0%, 140 bps better versus same period last year. Meanwhile, NPL cover remained sufficient and above industry at 161%.

Solvency Ratios

Debt-to-equity and asset-to-equity ratios for the first nine months was recorded at 8.6 and 9.6, respectively. Interest coverage ratio for the period inched up to 3.5.

Capitalization

China Bank's capital base stood at P132.5 billion. CET 1 / Tier 1 CAR and Total CAR ratios were registered at 14.90% and 15.74%, respectively, both well above the minimum regulatory requirements. The Bank's capital is largely comprised of CET 1/ Tier 1 (core) capital.

Corporate Developments

In October, China Bank's Easy Tax Filing & Payment Solution (Easy Tax) was recognized as the Best Regtech project at the PAY360 Awards of UK-based The Payment Association, the largest community in payments. Regtech, also known as regulatory technology, is a class of software applications for managing regulatory compliance to help businesses comply with regulations efficiently and less expensively. Easy Tax is the first and only automated collection facility in the country specifically for real estate developers. Since its launch in 2018, Easy Tax has been helping the Bank's clients to streamline the process and shorten the turn-around-time for tax document processing, resulting in significant cost savings. Earlier this year, Easy Tax and China Bank's Direct Debit Arrangement (DDA) were named Best Digital Business Banking Initiative for Business Customers during the Asian Banking & Finance (ABF) Retail Banking Awards 2022.

In September, the Chartered Financial Analyst (CFA) Society of the Philippines recognized China Bank for providing the best risk-based returns on a consistent basis over a five-year period. China Bank Dollar Fund, for the sixth time since 2016, and China Bank Intermediate Fixed-Income Fund, for the first time, won CFA's Best Managed Fund of the Year awards in their respective categories.

Meanwhile, as a testament to China Bank's commitment to the welfare of its employees, the negotiation for the 27th collective bargaining agreement with the CBC Employee's Association has commenced.

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-Sep '22	Jan-Dec '21	Jan-Sep '21
Net Income	79	92	64
Total Assets	553	569	545

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

(In Mn Pesos)	Jan-Sep '22	Jan-Dec '21	Jan-Sep '21
Net Income	9	10	31
Total Assets	105	112	136

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

(In Mn Pesos)	Jan-Sep '22	Jan-Dec '21	Jan-Sep '21
Net Income	1,173	986	628
Total Assets	117,529	95,752	94,472

- **China Bank Capital Corporation**

(In Mn Pesos)	Jan-Sep '22	Jan-Dec '21	Jan-Sep '21
Net Income	246	295	202
Total Assets	3,275	2,798	3,025