



**CHINABANK**  
Since 1920

**CHINA BANKING CORPORATION**

**Investors Presentation**

**Financial Performance  
FY2019**

# China Bank Profile

## Who we are

- ✓ Long history as one of the oldest privately owned banks, established in 1920
- ✓ Publicly-listed since 1927 on the Manila Stock Exchange
- ✓ Strong presence in the entrepreneur, middle market and business segments
- ✓ Longest relationship with Chinese-Filipinos, serving up to the 4<sup>th</sup> generation

Company Identifiers (Bloomberg/Reuters)	CHIB.PM/CHIB.PS
Stock Price as of Dec 31, 2019	25.05
52 week range (L-H)	24.75 – 29.40
Market Cap as of Dec 31, 2019(Php mm)	67,282
Market Cap as of Dec 31, 2019(US\$ mm)	1,324

## From a niche Filipino-Chinese entrepreneurs



### FIRST CREDIT LINE IN 1949

"My relationship with the Bank has always been special to me."

- **HENRY SY SR.**  
Founder of SM



### AIDED DMCI IN CRITICAL TIMES

"China Bank is not like other banks."

- **DAVID M. CONSUNJI**  
DMCI



### PHP500,000 CLEAN LOAN IN 1956

"I have great affection for China Bank."

- **JOHN GOKONGWEI**  
JG Summit



## To the new generation of Tycoons



# China Bank Profile

Where we are



**ASSETS**  
**962 Bn**

**# 5**



**NET LOANS**  
**569 Bn**

**# 5**



**DEPOSITS**  
**775 Bn**

**# 5**

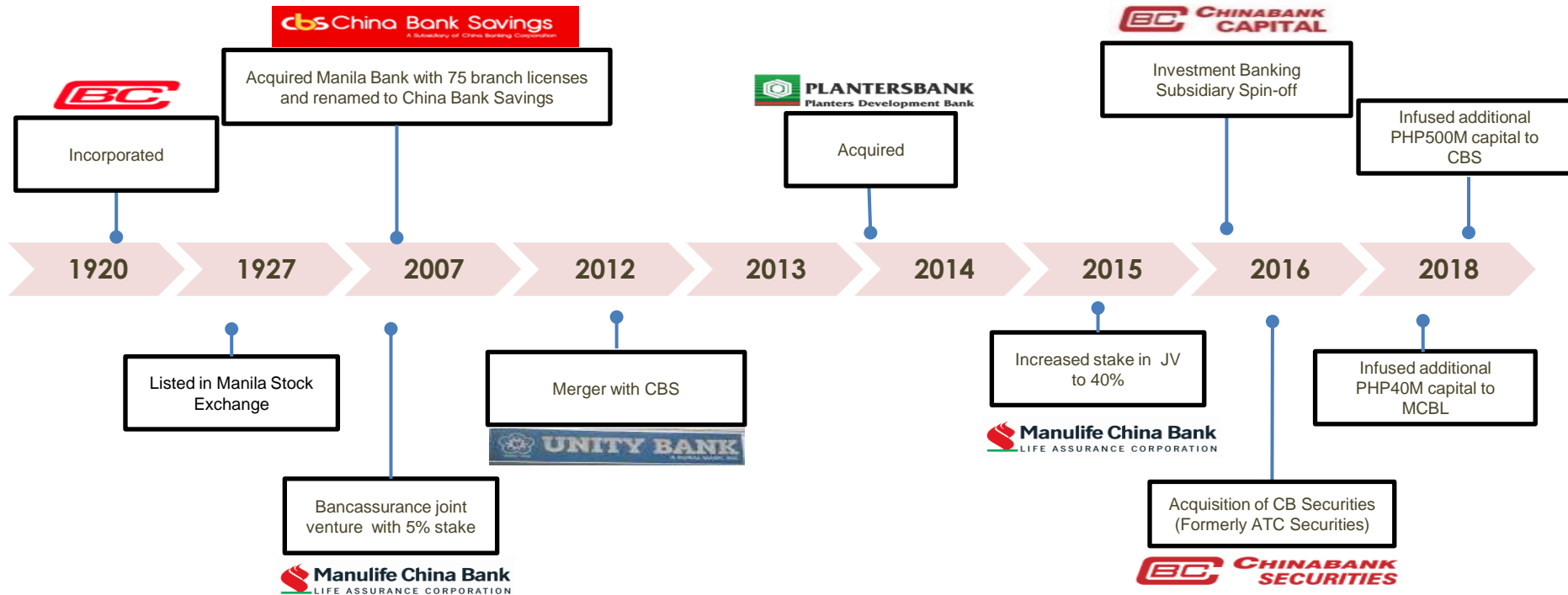


**EQUITY**  
**96 Bn**

**# 7**

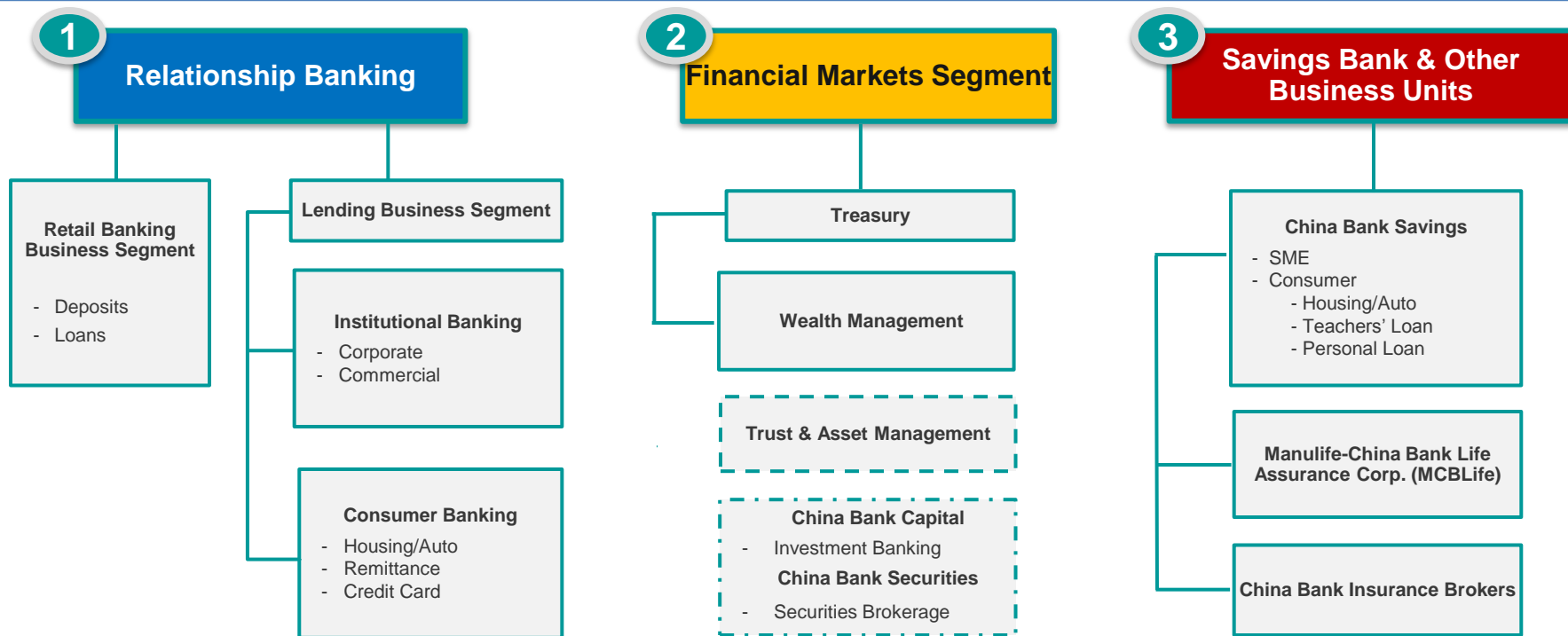
# China Bank Profile

## Major Milestones



# China Bank Profile

## Full Service Platform



# Key Investment Highlights



- 1 Strong Brand Franchise and Solid Track Record**
- 2 Compelling Growth Story**
- 3 Strong Support from Shareholders and Synergies with the SM Group**
- 4 Experienced and Competent Management Team**
- 5 Best Practice in Governance**

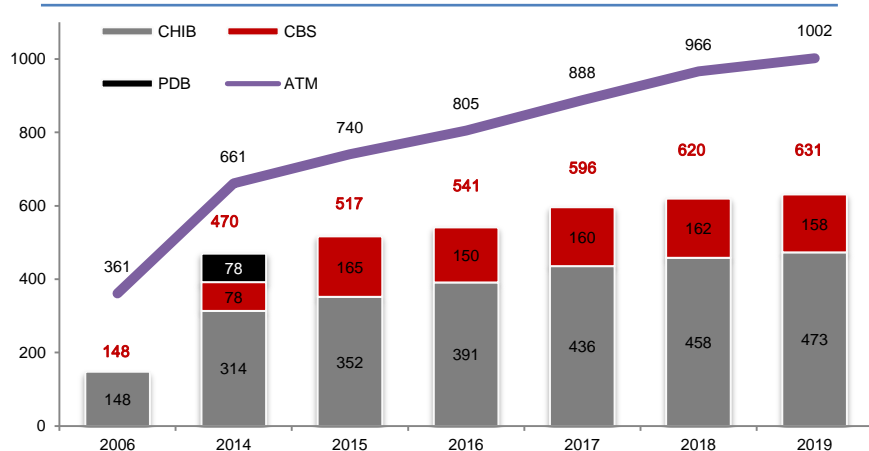
# 1 Strong Brand Franchise and Solid Track Record

- ✓ Loyal and highly valuable customer base
- ✓ Strong presence in entrepreneur segments
- ✓ Multi-generational relationships
- ✓ Agile and entrepreneurial mindset



- ✓ Sustainable and profitable niche client relationships

## Rapid Network Expansion since 2007



Source: Company filings

## Very Good Credit Ratings

Moody's

- Investment grade credit rating of **"Baa2"** from May 2017
- Same level as the Philippine sovereign rating and at par with the country's top 3 biggest banks
- Affirmed in December 2019

FitchRatings

- Upgraded IDR in Sept 2016 to **"BB+"** from **"BB"** and its viability rating to **"bb+"** from **"bb"** (stable outlook)
- Affirmed in November 2019

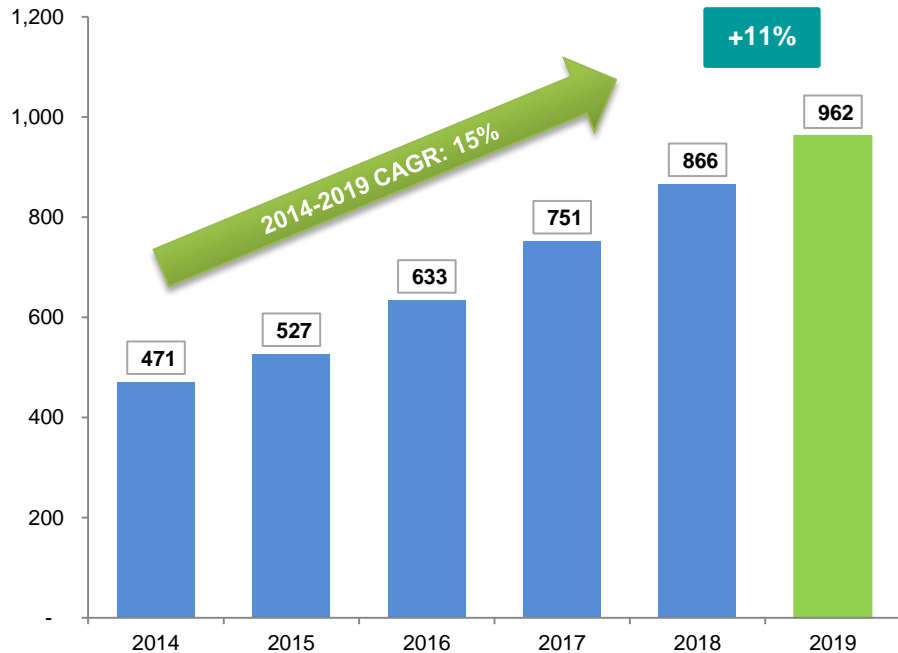
PhilRatings  
PHILIPPINE RATING SERVICES CORPORATION

- Received an Issuer Rating of PRS Aaa in 2019

## 2 Compelling Growth Story

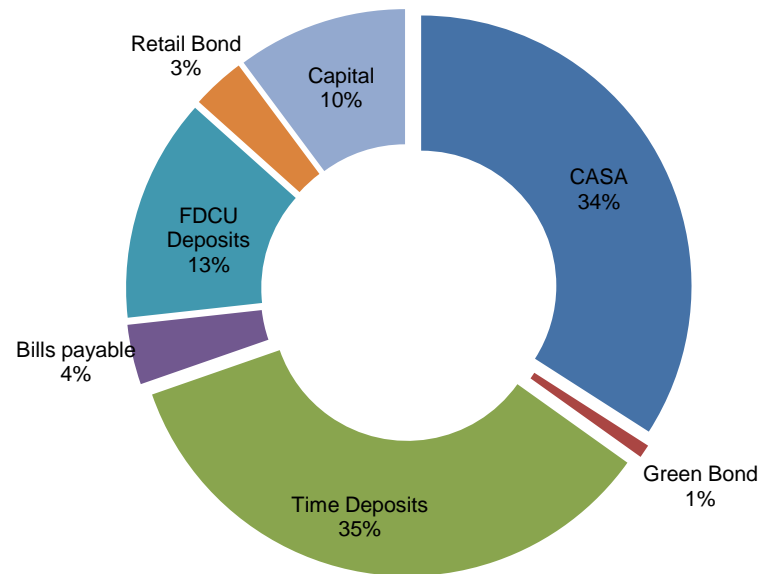
### Solid Balance Sheet with Sustainable Growth

Total Assets (PHP in Bn)



### Supported by Diversified Funding Base

Funding Profile as of Dec-2019(%)

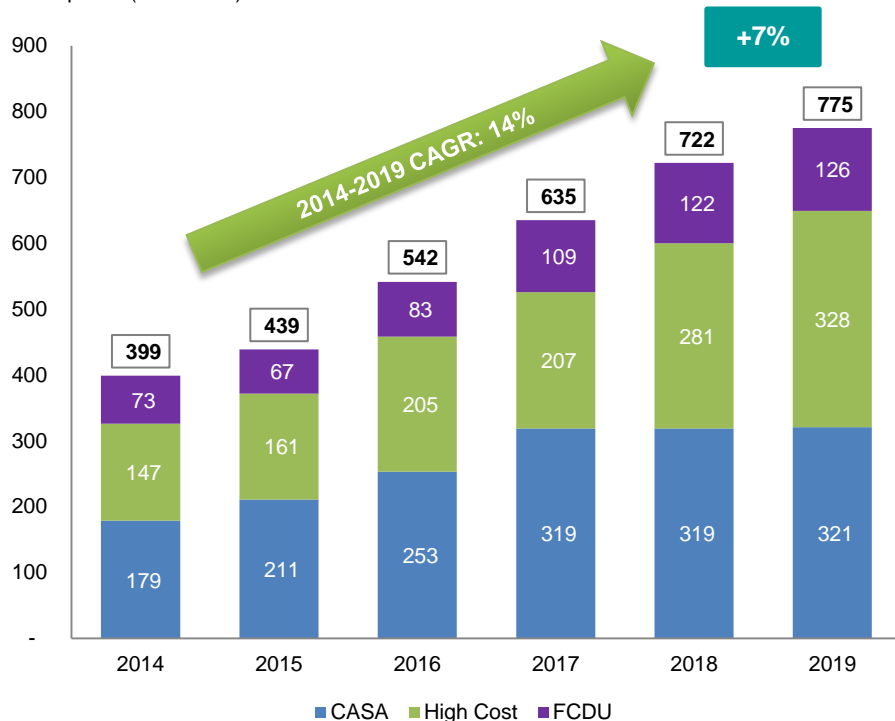




## 2 Compelling Growth Story

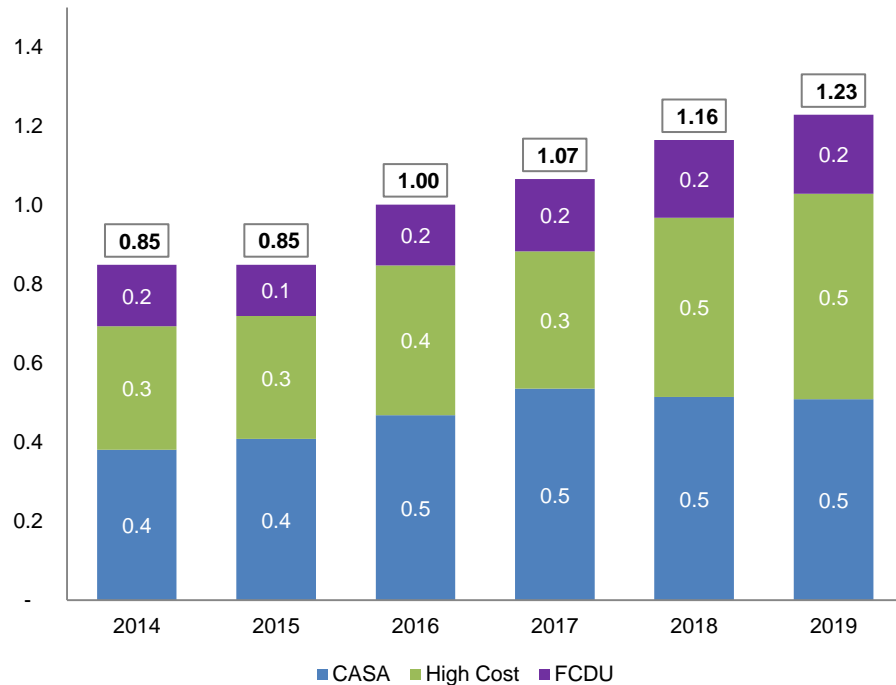
### Strong Retail Base

Deposits (PHP in Bn)



### Improving Deposits per Branch Despite the Expansion

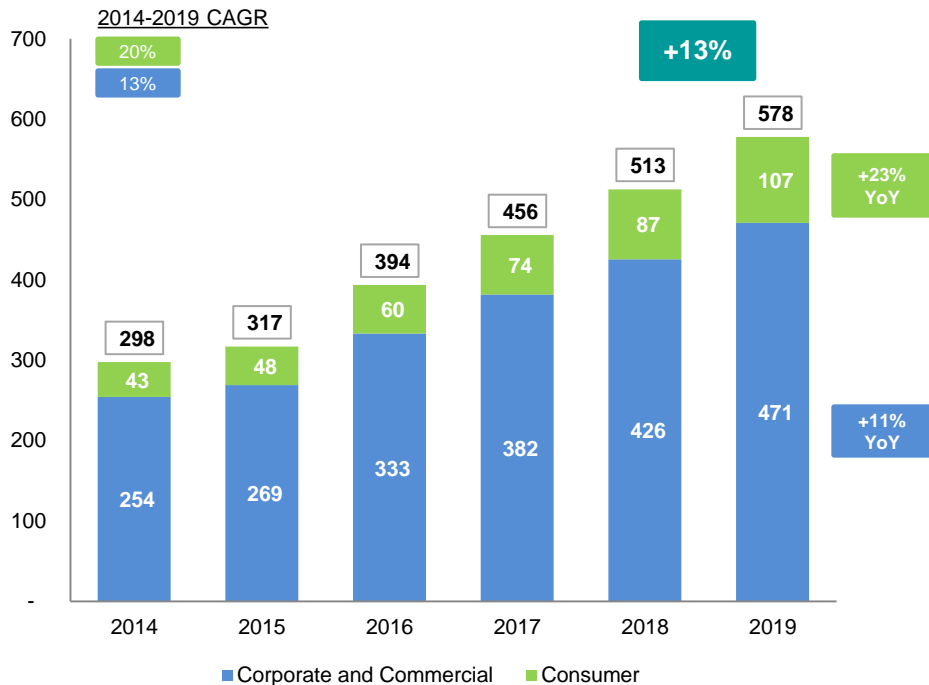
Deposits per branch (PHP in Bn)



## 2 Compelling Growth Story

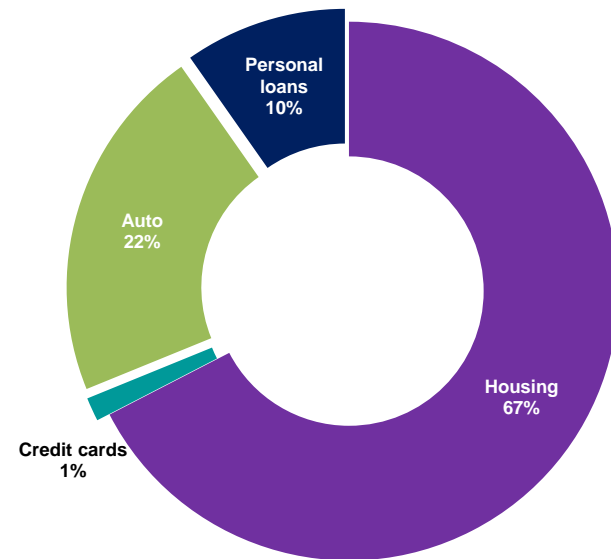
### Healthy Loan Growth

Gross Loans (PHP in Bn)



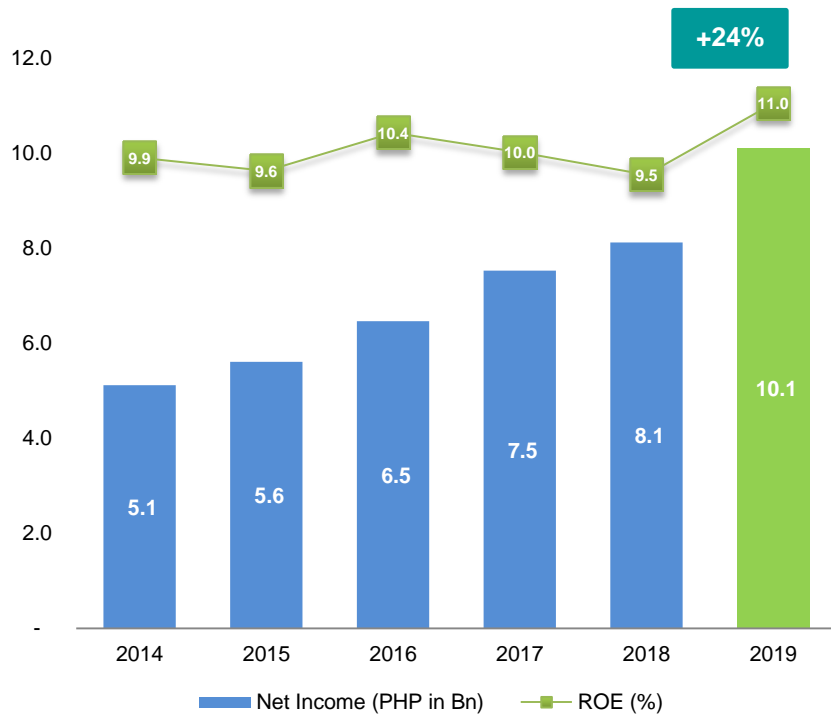
### More Room to Grow in the Consumer Segment

Consumer Loans Breakdown as of Dec-2019

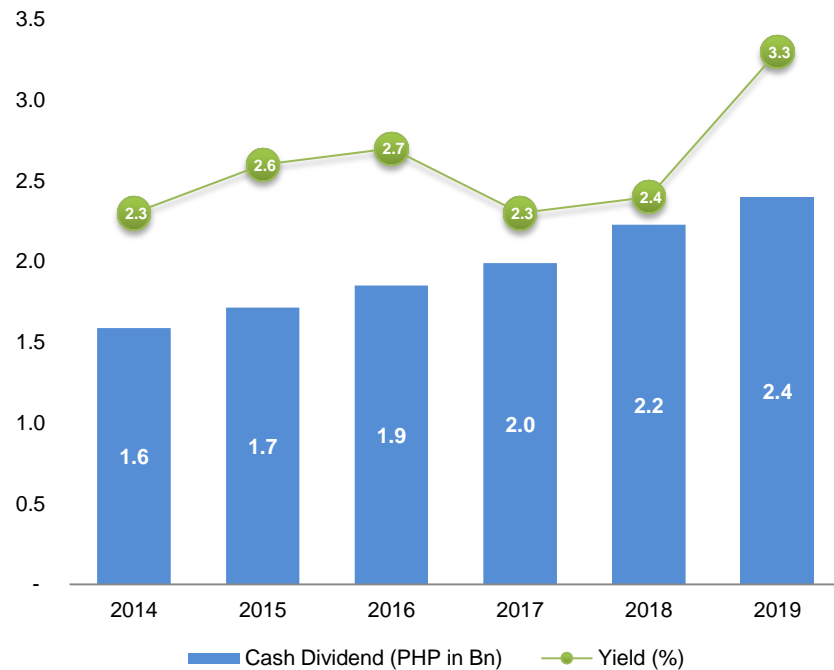


## 2 Compelling Growth Story

### Sustained Profitability



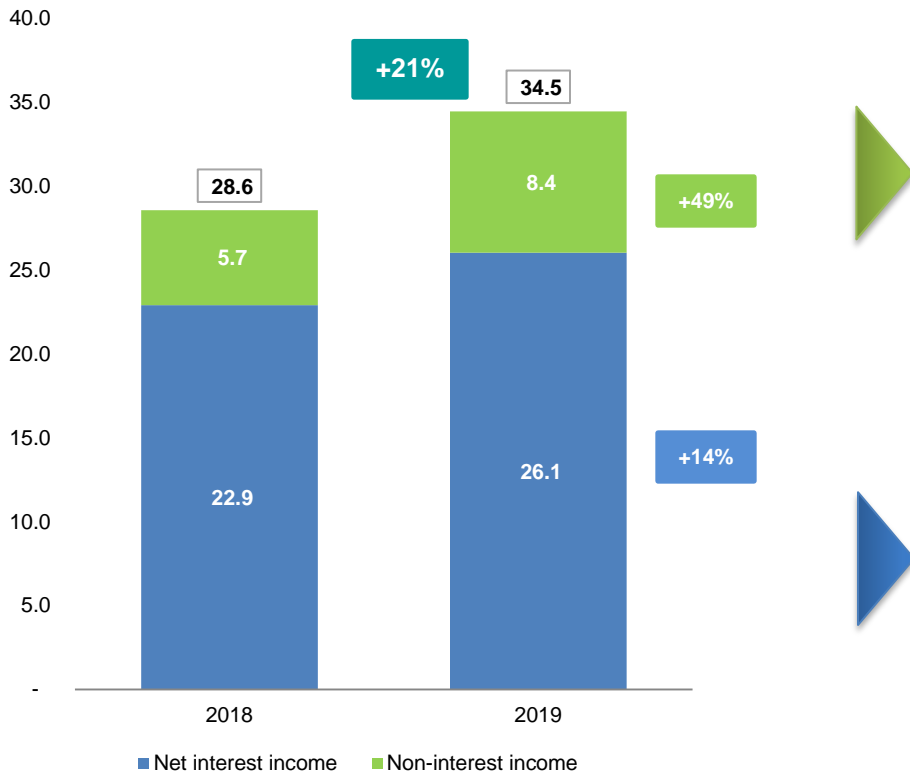
### Enable us to increase Dividend Payout and Yield



## 2 Compelling Growth Story

### Sustainable Revenue Growth

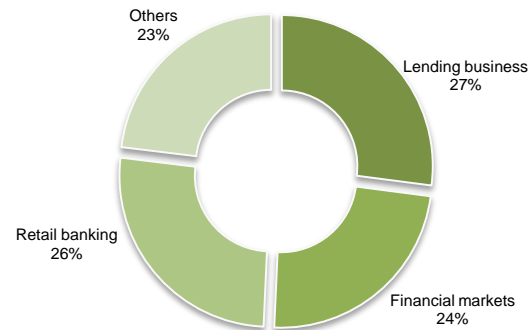
Total Operating Income (PHP in Bn)



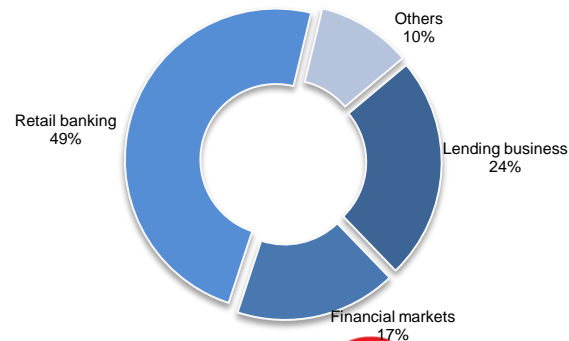
Source: Company filings. Financial data as of December 31, 2019 unless otherwise noted.

### Well-diversified Revenue Stream

Non-interest Income Breakdown as of Dec-2019



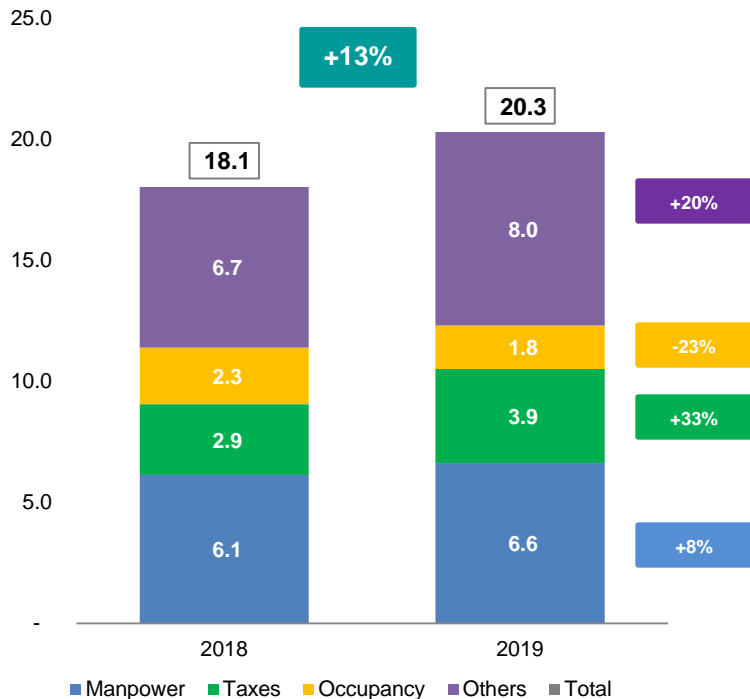
Net interest Income Breakdown as of Dec-2019



## 2 Compelling Growth Story

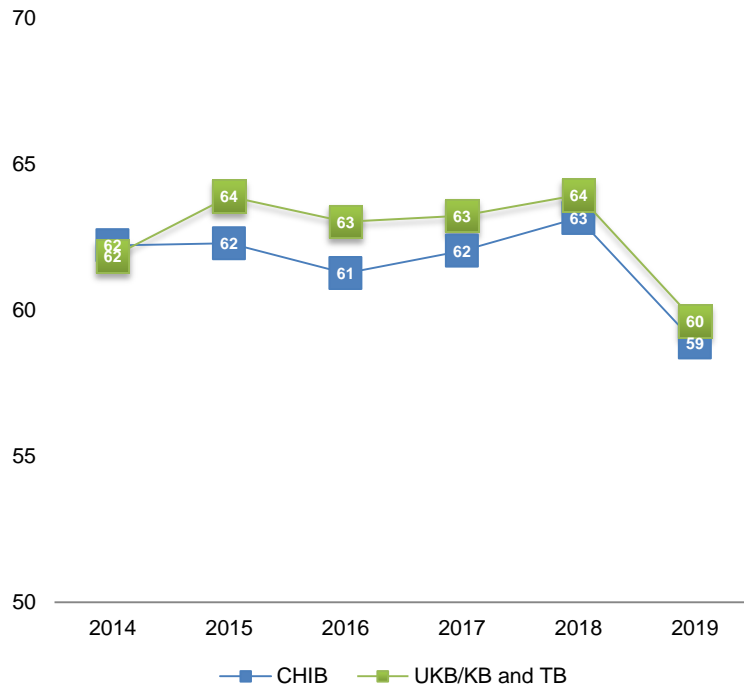
### Opportunity to Reduce Costs

Operating Expenses ex provisions (PHP in Bn)



### And Further Drive Efficiency

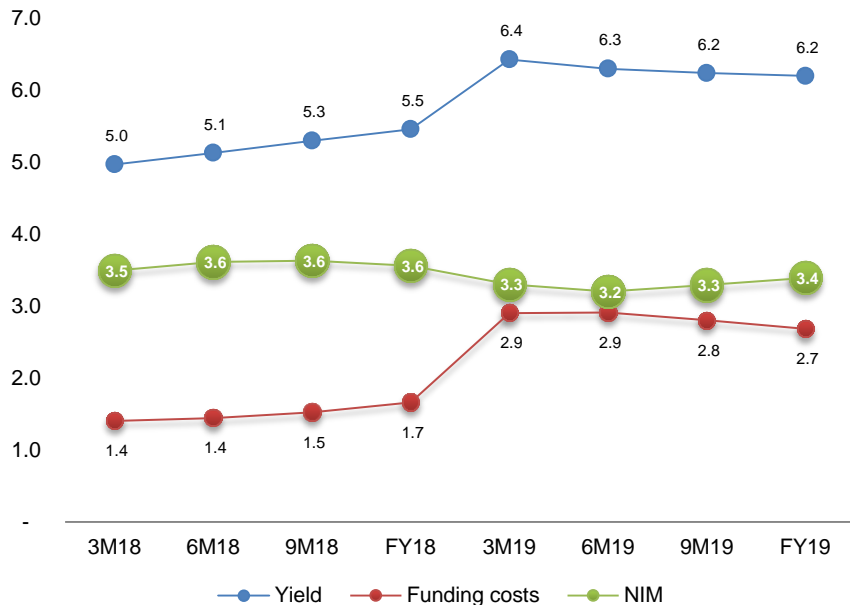
Cost-to-income (%)



## 2 Compelling Growth Story

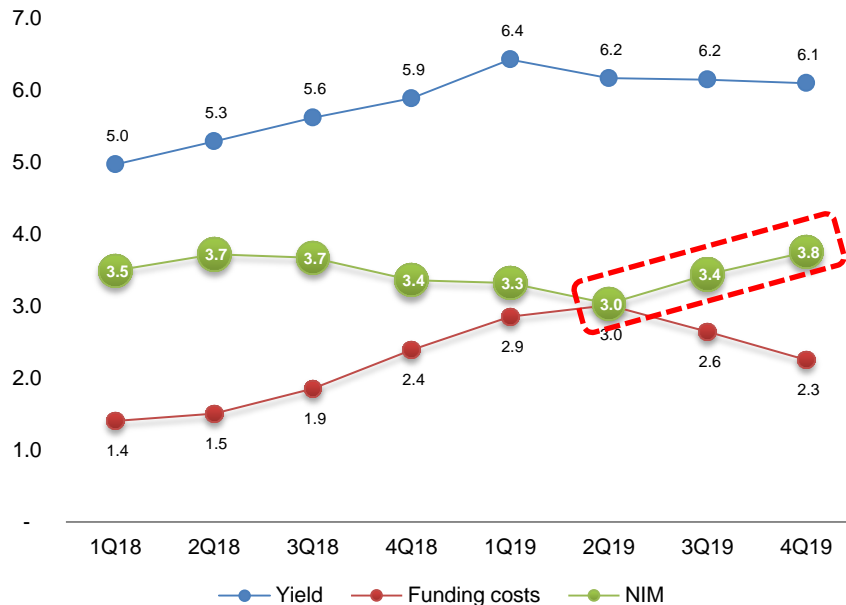
### Margins to Improve as Interest Rates and RRR Go Down

Cumulative (In Percentage)



### Q-on-Q Performance Showing Recovery

Quarter-on-Quarter (In Percentage)

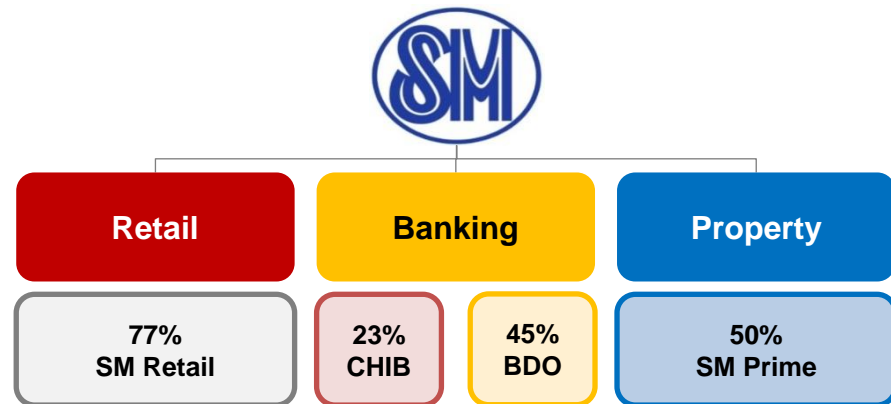


3

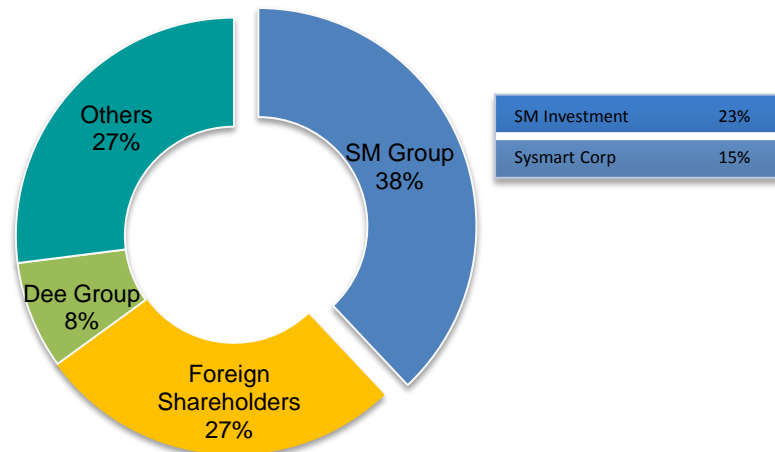
# Strong Support from Shareholders and Synergies with the SM Group

China Bank benefits from being part of one of the largest and most diversified conglomerates in the Philippines

## Snapshot of SM Group Business Lines



## Current Shareholdings



## Distinct Benefits for China Bank



Access to the SM Group's ecosystem of merchants, suppliers and contractors to promote the Bank's products



53 branches and 130 ATMs in SM Group's shopping malls, SaveMore, CityMall and Alfamart locations

4

# Highly Regarded Management Team with Average of More than 30 Years of Experience



**Hans T. Sy**  
Chairman of the Board



**Gilbert U. Dee**  
Vice Chairman of the Board



**William C. Whang**  
Director and President



**Romeo D. Uyan, Jr.**  
Executive Vice President and Chief Operating Officer



**Rosemarie C. Gan**  
Executive Vice President and Segment Head of Retail Banking Business



**Patrick D. Cheng**  
Executive Vice President and Chief Finance Officer



**Alexander C. Escucha**  
Senior Vice President and Head of Investor and Corporate Relations Group



**Lilian Yu**  
Senior Vice President and Head of Institutional Banking Group



**Magnolia Luisa N. Palanca**  
Senior Vice President and Head of Financial Markets Segment



**Christopher Ma. Carmelo Y. Salazar**  
First Vice President II, Treasurer and Head of Treasury Group



**Lilibeth R. Cariño**  
First Vice President and Head of Consumer Banking Group



**Ananias S. Cornelio III**  
First Vice President II and Chief Risk Officer



**Delia Marquez**  
First Vice President and Head of Centralized Operations Group



**Atty. Aileen Paulette De Jesus**  
Vice President and Chief Compliance Officer



# 5 Best Practice in Governance

## Track record of excellence in Corporate Governance

### Golden Arrow Recognition Ceremony 2019

- 4-arrow recognition with score range of 110-119 in ACGS

### 2<sup>nd</sup> ASEAN Corporate Governance Awards

- Top 11 to 30 among the top 50 PLCs in ASEAN

### PSE Bell Awards for Corporate Governance

- Top 5 Bell Awardee for 6 consecutive years (2012-2017 )
- Top 5 Finalist (2017 )

### 8<sup>th</sup> Asian Excellence Awards 2018 – Corporate Governance Asia

- Best Investor Relations Company (Philippines) – China Bank
- Best Investor Relations Professional (Philippines)  
– Alexander C. Escucha (SVP)

### Global Banking & Finance Review Awards - Global Banking & Finance Review (U.K.)

- Best Corporate Governance Bank - Philippines 2019 and 2018
- Best Investor Relations Bank - Philippines 2019 and 2018



# We have a strategic plan in place to deliver on our targets

Underpinned by four (4) wildly important goals (WIGS)

## Growth of revenues and size of business

- Build low cost deposits
- Launch new deposit products and services suited to the needs of the retail and other emerging sectors
- Recalibrate branch functions to accommodate more high-value transactions
- Steadily expand the consumer business

## Operational excellence

- Streamline key processes, cut redundancies, and automate manual procedures
- Launch programs to drive up enrolment and utilization rates for all alternative channels

## Customer-centric approach to doing business

- Lay the groundwork for digital banking transformation
- Enhance the customer experience at every channel or touch-point with the introduction product & service upgrades

## Higher engagement with the employees

- Roll-out human capital development programs tailor fitted to the Bank's growth directive











These priorities will drive business growth and increase income, decrease cost-to-serve and enhance client experience

**CHINABANK**  
Since 1920

**Thank you**



# Governance – Adapting ESG Framework

How we contribute		2018 performance		How we contribute		2018 performance	
	<b>Target 1.4</b> Equal rights to economic resources	Making banking accessible and convenient through distribution network expansion, digital innovation, and systems and process improvements to encourage more people, especially the unbanked sector, to join the formal financial system.	<b>1.5 M</b> Customers nationwide <b>P4.5 B</b> Personal loans <b>P23.2 B</b> Total economic value distributed		<b>Target 7.1</b> Access to energy	Supporting key business sectors in driving sustainable industrialization.	<b>P7.0 B</b> Loans for energy access <b>P7.2 B</b> Renewable energy financed
	<b>Target 3.8</b> Financial risk protection	Prudently managing our risks, capital, and balance sheet to remain profitable and capable of supporting the Philippines' economic development.	<b>160,535</b> Number of life and non-life insurance policies <b>P221.1 M</b> Insurance claims paid		<b>Target 9.3</b> Access to affordable credit	Supporting the SME and middle market segments to increase their capacity for growth and expansion.	<b>P84 B</b> Commercial & SME loans
	<b>Target 4.6</b> Literacy and numeracy	Promoting financial education and developing affordable and innovative banking, insurance, and financial products and services to help more people achieve their dreams and secure their financial future.	<b>28,400</b> Beneficiaries of financial literacy programs		<b>Target 11.1</b> Affordable housing for all <b>Target 11.2</b> Access to sustainable transport	Actively lending to support home and vehicle ownership and help raise the quality of life.	<b>P49 B</b> Housing loans <b>P21 B</b> Auto loans
	<b>Target 5.5</b> Equal leadership opportunities for women		<b>63%</b> of China Bank officers are female		<b>Target 12.6</b> Sustainable practices	Investing in and raising finance for climate-smart projects to help accelerate the transition to a low-carbon economy.	<b>2nd</b> Annual Financial & Sustainability Report
	<b>Target 8.10</b> Access to banking, insurance, and financial services for all		<b>620</b> Branches <b>966</b> ATMs <b>200,351</b> Number of no maintaining/ no min. balance accounts		<b>Target 13.A</b> Climate change mitigation		<b>US\$150 M</b> Green Bond
	<b>Target 8.5</b> Full and productive employment and equal pay for work of equal value	Providing equal opportunities for gainful employment and equitable compensation while ensuring employees' overall wellbeing.	<b>9,652</b> Jobs directly created <b>P6.1 B</b> Salary and benefits paid to employees		<b>Target 16.5</b> Reduction of bribery and corruption <b>Target 16.6</b> Effective, accountable, and transparent institutions	Adopting global best practices and upholding the highest governance standards to ensure sustainable value creation for all stakeholders	<b>6,700</b> Employees trained on Anti-Money Laundering <b>1,684</b> Employees trained on Anti-Bribery & Corruption <b>100+ pts. ACGS*</b> Among the 50 best in ASEAN in corporate governance
	<b>Target 8.8</b> Labor rights and safe and secure working environments		<b>100%</b> compliance with Philippine labor laws				

# No. 1 in Domestic Debt Capital Market



Autotax Payment Facility  
Most Innovative Public  
Sector System  
Philippines  
2019



Apo Agua Infrastructure  
Php9 Billion financing  
Utility Deal of the Year  
Philippines  
2019



Atlantic Gulf and Pacific  
Company Php6 Billion  
term loan  
Oil and Gas Deal of the  
Year Philippines  
2019



Best Bond Adviser  
Domestic Bond Category  
2019, 2018, 2017



China Bank Corporation  
P30 Billion Fixed Rate  
Retail Bond  
Best Retail Bond  
Philippines  
2019



Del Monte Pacific US\$200  
Million Preferred Shares  
Best Follow-on  
Philippines  
2017

**FinanceAsia**

Best Debt Capital Market  
(DCM) House  
Philippines  
2018



Best Corporate  
Governance Disclosure  
and Transparency Award  
2019



Pagtugon Award for  
Universal and  
Commercial Banks  
2018, 2019



Top Corporate Securities  
Market Makers and Top  
Fixed-income Brokering  
participants  
2019



Top Corporate Issue  
Manager / Arranger  
Investment House  
Category  
2018, 2017

**cfi.co**

Best Bank Governance –  
Philippines  
2018



Best Managed Fund for  
Bond Long-Term Dollar  
Category  
2019, 2018, 2017



Best Managed Fund for  
Balanced Peso Category  
2018



Best Fixed Income Deal -  
PHP181 Billion ROP  
Bureau of the Treasury's  
Retail Treasury Bond  
2018



Best Fixed Income Deal -  
Ayala Corporation  
US\$400 Million Fixed-For-  
life Bonds (Ayala USD  
Fixed For Life)  
2018

**Finance**  
review

Best Investor  
Relations Bank  
Philippines  
2019, 2018, 2016

**Finance**  
review

Best Corporate  
Governance Bank  
Philippines  
2019, 2018, 2017, 2016

# Financial Highlights – Balance Sheet

*In Php Millions*

	2019	2018	Growth (%)
<b>Liquid Assets</b>	143,951	138,983	4
<b>Investments</b>	212,836	190,235	12
<b>Loans-net</b>	568,919	505,805	12
<b>Other Assets</b>	36,519	31,049	18
<b>Total Assets</b>	962,226	866,072	11
<b>Deposit Liabilities</b>	775,428	722,123	7
<b>Bills Payable</b>	33,381	39,827	(16)
<b>Bonds Payable</b>	37,394	-	n.m
<b>Other Liabilities</b>	19,847	16,265	22
<b>Total liabilities</b>	866,050	778,215	11
<b>Equities</b>	96,176	87,857	9
<b>Total Liabilities and Equities</b>	962,226	866,072	11

**Ratios:**

<b>Non-performing Loans (%)</b>	1.5	1.2
<b>NPL Coverage (%)</b>	129	167
<b>Tier 1 / CET 1 (%)</b>	12.76	12.16
<b>CAR (%)</b>	13.67	13.09



# Financial Highlights – Income Statements

*In Php Millions*

	2019	2018	Growth (%)
Net Interest Income	26,051	22,926	14
Non-interest Income	8,431	5,658	49
Total Operating Income	34,482	28,584	21
Operating Expenses ex Provisions	20,324	18,056	13
Provisions	2,570	141	n.m
Total Expenses	22,894	18,197	26
Income before Income Tax	11,588	10,388	12
Provision for Income Tax	1,513	2,271	(33)
Net Income	10,075	8,116	24

Ratios:

Return on Average Equity (%)	11.04	9.54
Return on Average Assets (%)	1.10	1.04
Net Interest Margin (%)	3.39	3.56
Cost-to-income Ratio (%)	59	63