



29 July 2021

PHILIPPINE STOCK EXCHANGE, INC.

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Attention: MS. JANET A. ENCARNACION
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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 China Bank's latest news release, "China Bank first half income climbs 39% to P7.3 billion".

Thank you.

Very truly yours,

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

ALEXANDER C. ESCUCHA
Senior Vice President & Head
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CHINA BANKING CORPORATION

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PRESS RELEASE

July 29, 2021

China Bank first half income climbs 39% to P7.3 billion

China Banking Corporation (China Bank, stock symbol: CHIB) saw its net income in the first half of 2021 grow by 39% to P7.3 billion on the back of strong performance across its core businesses. This translated to an improved return on equity of 13.4% and better return on assets of 1.4%.

The 100-year old bank sustained its profitability even as it continued to build up its loan loss provisions, recognizing P5.4 billion in pandemic-related credit buffers in the first semester, up 13% year-on-year.

“The strong execution of our strategies enabled us to rally through the challenges. We are continuously adapting and improving our services and operations to support our customers and the overall economy, and to remain well-positioned for sustainable future growth,” said China Bank President William C. Whang.

<u>Income Statements</u> <i>In Php Billion, except %</i>	Jan-Jun 2021	Jan-Jun 2020	YoY %
Interest income	22.4	24.2	(8%)
Interest expense	(3.8)	(8.0)	(52%)
Net interest income	18.6	16.2	14%
Fee-based income	6.3	4.7	32%
Net revenues	24.8	21.0	18%
Provision for impairment losses	(5.4)	(4.8)	13%
Operating expenses	(11.1)	(10.4)	7%
Income before income tax	8.3	5.8	43%
Provision for income tax	(1.1)	(0.6)	79%
Net income	7.3	5.2	39%
Return on Assets	1.4%	1.1%	
Return on Equity	13.4%	10.6%	
Net Interest Margin	4.2%	3.8%	
Cost-to-income Ratio	45%	50%	

Due to rounding, numbers presented in the tables may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.



Net revenues rose 18% to P24.8 billion, reflecting strong growth in net interest income and fee-based income. The significant reduction in interest expense led to an improved net interest margin of 4.2% from 3.8%.

“Lower funding cost and improved margins boosted our net interest income by 14% to P18.6 billion. With the easing of quarantine restrictions, our fee-based income recovered, and we saw a 32% increase to P6.3 billion on the back of robust securities and foreign exchange gains and higher revenues from bancassurance and other fees and commissions,” said China Bank Chief Finance Officer Patrick D. Cheng.

With the enhancements in productivity and efficiency, operating expenses were controlled at P11.1 billion, up 7%. Cost-to-income ratio consequently improved to 45%.

China Bank continues to be one of the largest banks in the country, with P1 trillion in assets as of end-June 2021. “We are taking proactive measures to maintain a healthy balance sheet as we remain supportive of our customers to help them recover,” said Cheng.

Balance Sheet Highlights <i>In Php Billion, except %</i>	June 30, 2021	June 30, 2020	YoY %
Assets	1,027	982	5%
Gross Loans	596	593	1%
Deposits	827	773	7%
CASA	517	407	27%
Time	310	366	(15%)
Equity	110	98	12%
NPL Ratio	3.5%	1.6%	
Tier 1/CET 1	14.2%	12.8%	
CAR	15.1%	13.8%	

Gross loans were flat at P596 billion as the commercial segment put its expansion plans on hold amid the uncertain business climate. Meanwhile, loans to the consumer segment grew 7% and accounted for about a fifth of the total loan portfolio.

Gross non-performing loans (NPL) ratio stood at 3.5% as the economic slowdown continued to affect borrowers’ paying capacity. The Bank beefed up its credit buffers in anticipation of rising defaults, for a consolidated NPL cover of 99%. The corresponding coverage ratio for the parent bank was at 114%.

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On the funding side, total deposits grew 7% to P827 billion, underscored by a 27% increase in current and savings account (CASA) deposits to P517 billion. This led to an improved CASA ratio of 63% from 53%.

China Bank's total equity rose 12% to P110 billion, sustaining strong capital ratios of 15.1% total Capital Adequacy Ratio (CAR) and 14.2% Common Equity Tier 1 (CET1).

"As we continue to strengthen the fundamentals of the Bank, our priority is to protect our people," said Whang. China Bank, in partnership with the SM Group, has recently launched a COVID-19 vaccination program to inoculate all China Bank Group employees in order to help curb the spread of the virus and ensure the return to normalcy. The vaccinations are ongoing. Based on the China Bank Group's total workforce of 9,843, 73% of employees have been given the first dose, while 35% of employees have been fully vaccinated (two doses) as of July 27, 2021.

China Bank opened for business on August 16, 1920 in Binondo, Manila, and is now one of the largest private universal banks in the Philippines. It provides a full range of banking products and services to corporate, commercial, and retail customers through 636 branches and 1,038 ATMs to date (including the 160 branches and 167 ATMs of China Bank Savings). It also offers a wide range of allied financial services through its subsidiaries China Bank Capital Corp., China Bank Securities Corp., Chinabank Insurance Brokers, Inc., and affiliate Manulife China Bank Life Assurance Corp. Visit www.chinabank.ph for more information.

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