



17 May 2021

**PHILIPPINE STOCK EXCHANGE, INC.**

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

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

**PHILIPPINE DEALING & EXCHANGE CORP.**

Philippine Dealing System Holdings Corp. & Subsidiaries  
29th Floor, BDO Equitable Tower  
8751 Paseo de Roxas, Makati City, 1227

**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 March 31, 2021 filed with the Securities and Exchange Commission (SEC).

For your information and guidance.

Thank you.

Very truly yours,

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

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

**CHINA BANKING CORPORATION**  
8745 Paseo de Roxas corner Villar Street, Makati City, Philippines Tel.  
No. 8885-5555 • [www.chinabank.ph](http://www.chinabank.ph)

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

Patrick D. Cheng

(Contact Person)

8885-5555

(Company Telephone Number)

03

Month

31

Day

(Fiscal Year)

17 - Q

(Form Type)

Month

Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Corporate Governance and Finance Dept.

(Department Requiring this document)

(Amended Articles Number/Section)

1,896

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

Document ID

LCU

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter period ended March 31, 2021
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
<b><u>COMMON</u></b>	<b><u>2,685,899,812</u></b>	

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

Yes ☒ No ☐

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

**PHILIPPINE STOCK EXCHANGE**

**COMMON**

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

## PART I: FINANCIAL INFORMATION

### Item 1. Financial Statements.

Attached are the following:

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

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

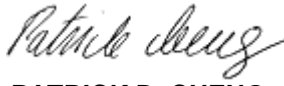
Annex IX:	Management's Discussion
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## PART II: OTHER INFORMATION

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

## SIGNATURES

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

Issuer .....	<b><u>CHINA BANKING CORPORATION</u></b>
Principal Financial/Accounting Officer/Controller .....	 <b><u>PATRICK D. CHENG</u></b>
Signature and Title .....	<u>Chief Finance Officer</u>
Date.....	<u>May 17, 2021</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 March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020 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, 2020. The accounting policies adopted are consistent with those of the previous financial year.

- 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:

	March 31, 2021	December 31, 2020	Increase (Decrease)
<b>Assets</b>			
Cash and Other Cash Items	12,253,638	15,984,210	(3,730,572)
Due from Other banks	11,825,004	18,228,721	(6,403,718)
Interbank Loans Receivable and Securities Purchased under Resale Agreements	23,183,314	18,290,851	4,892,464
Financial Assets at Fair Value through Profit or Loss	8,600,346	13,406,863	(4,806,517)
Financial Assets at Fair Value through Other Comprehensive Income	25,220,322	20,244,403	4,975,919
Investment Securities at Amortized Cost	169,969,650	202,240,631	(32,270,981)
Accrued Interest Receivable	6,221,350	8,529,872	(2,308,522)
Other Assets	8,061,767	6,501,010	1,560,757
<b>Liabilities</b>			
Bills Payable	16,186,850	23,655,851	(7,469,000)
Bonds Payable	41,994,747	52,065,678	(10,070,931)
Income Tax Payable	1,339,800	846,089	493,711
Accrued Interest and Other Expenses	4,962,725	3,905,945	1,056,780
Derivative Liabilities	794,498	1,216,771	(422,273)
Derivative Contracts Designated as Hedges	278,342	521,209	(242,866)
Deferred Tax Liabilities	953,979	1,116,362	(162,383)
	<b>March 31, 2021</b>	<b>March 31, 2020</b>	<b>Increase (Decrease)</b>
<b>Income</b>			
Interest on Loans and Receivables	8,118,482	9,171,654	(1,053,172)
Interest on Due from BSP and other banks and SPURA	497,284	302,248	195,036
Trading and Securities Gain (Loss)	916,159	(178,451)	1,094,610
Gain on disposal of investment securities at amortized cost	1,270,831	12,284	1,258,546
Foreign exchange gain- net	198,564	127,068	71,496
Income from asset acquired	57,150	76,097	(18,947)
<b>Expense</b>			
Interest expense on Deposit Liabilities	1,452,419	3,307,884	(1,855,465)
Interest expense on Bills payable and other borrowings	521,889	842,270	(320,381)

Interest expense on Lease Payable	52,053	61,647	(9,594)
Compensation and fringe benefits	1,931,423	1,646,413	285,010
Occupancy costs	489,583	414,927	74,656
Provision for impairment and credit losses	2,217,756	412,451	1,805,306
Provision for income tax	748,841	603,800	145,041

- d. **Changes in Estimates of Amounts Reported.** There were no changes in estimates of amounts reported in prior interim periods of current financial year or in estimates of amounts reported in prior financial years.
- e. **Issuances, Repurchases, and Repayments of Debt and Equity Securities.**  
*Issuance of the P20 Billion Peso Fixed Rate Bonds.* On February 18, 2021, the Parent Company issued P20 billion peso fixed rate bonds, which bears a fixed coupon rate of 2.50% per annum, payable monthly, and is due on February 18, 2024.  
  
*Maturity of the P30 Billion Peso Fixed Rate Bonds.* On January 11, 2021, previously issued P30 billion peso fixed rate bonds matured. This bond bears a fixed coupon rate of 5.70% per annum, payable monthly.
- 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 6, 2021, the stockholders approved the declaration of ₱1.00 per share cash dividends. Cash dividend will be paid on June 4, 2021.
- 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 Manulife China Bank Life Assurance Corporation (MCBL). On January 11, 2021, the Bank received P40 million cash dividends from Manulife China Bank Life Assurance Corporation (MCBL).
- k. **Financial Risk Disclosure.** There were no material changes in the financial disclosure of the Group during the interim period.
- l. **Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.** There were no material events subsequent to the end of the interim period that have been reflected in the financial statements for the period other than disclosed in Item g.
- 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 consolidated balance sheets that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated balance sheet at the end of each

financial reporting period. These include financial assets and liabilities at FVPL and financial assets at FVOCI.

The methods and assumptions used by the Group in estimating the fair values of the financial instruments follow:

*Cash and other cash items, due from BSP and other banks, interbank loans receivables and accrued interest receivable* - The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

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

*Equity securities* - For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities, remeasurement to their fair values is not material to the financial statements

*Loans and receivables and sales contracts receivable (SCR) included in other assets* - Fair values of loans and receivables and SCR are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental lending rates for similar types of loans and receivables.

*Accounts receivable, returned checks and other cash items (RCOCI) and other financial assets included in other assets* - Quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities.

*Derivative instruments (included under FVPL)* - Fair values are estimated based on discounted cash flows, using prevailing interest rate differential and spot exchange rates.

*Deposit liabilities (time, demand and savings deposits)* - Fair values of time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

*Bonds payable and Bills payable* - Unless quoted market prices are not readily available, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued.

*Manager's checks and accrued interest and other expenses* - Carrying amounts approximate fair values due to the short-term nature of the accounts.

*Other liabilities* - Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

As of March 31, 2021 and December 31, 2020, 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:

	March 31, 2021		December 31, 2020 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Financial Assets at Amortized Cost				
Government bonds	<b>P64,943,799</b>	<b>P68,604,529</b>	P100,606,146	P110,454,734
Private bonds	<b>105,025,851</b>	<b>108,270,210</b>	101,634,485	109,589,297

	March 31, 2021		December 31, 2020 (Audited)	
Loans and receivables				
Corporate and commercial loans	449,825,677	441,740,405	453,649,372	455,890,979
Consumer loans	97,607,329	112,685,884	96,488,966	112,946,316
Trade-related loans	7,566,044	8,685,155	6,937,033	8,538,979
Others	108,171	117,215	139,113	150,900
Sales contracts receivable	1,086,871	1,152,535	1,173,038	1,242,609
Time Deposit Liabilities	311,289,998	307,925,300	366,357,014	362,712,054
Bonds Payable	41,994,747	41,540,019	52,065,678	52,101,935

As of March 31, 2021 and December 31, 2020, the fair value hierarchy of the Group's assets and liabilities are presented below:

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Financial assets at FVPL				
Held-for-trading				
Government bonds	137,257	846,571	-	983,828
Treasury notes	-	822,585	-	822,585
Treasury bills	-	2,453,029	-	2,453,029
Private bonds	2,283,456	668	-	2,284,124
Quoted equity shares	1,078,019	-	-	1,078,019
Financial Assets designated at FVTPL	150,254	-	-	150,254
Derivative assets	-	828,506	-	828,506
Financial Assets at FVOCI				
Government bonds	1,720,772	16,966,641	-	18,687,413
Quoted private bonds	5,848,486	-	-	5,848,486
Quoted equity shares	666,058	-	-	666,058
	11,884,302	21,918,000	-	33,802,302
Financial liabilities at FVPL				
Derivative liabilities	-	794,498	-	794,498
Derivative contracts designated as hedges	-	278,342	-	278,342
	-	1,072,840	-	1,072,840
<b>Fair values of assets carried at amortized cost/cost</b>				
Investment securities at amortized cost				
Government bonds	68,604,529	-	-	68,604,529
Private bonds	108,270,210	-	-	108,270,210
Loans and receivables				
Corporate and commercial loans	-	-	441,740,405	441,740,405
Consumer loans	-	-	112,685,884	112,685,884
Trade-related loans	-	-	8,685,155	8,685,155
Others	-	-	117,215	117,215
Sales contracts receivable	-	-	1,152,535	1,152,535
Investment properties				
Land	-	-	5,681,946	5,681,946
Buildings and improvements	-	-	2,681,562	2,681,562
	176,874,739	-	572,744,702	749,619,441
<b>Fair values of liabilities carried at amortized cost</b>				
Time Deposit Liabilities	-	-	307,925,300	307,925,300
Bonds Payable	-	-	41,540,019	41,540,019
	-	-	349,465,319	349,465,319

	December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Financial assets at FVPL				
Held-for-trading				
Government bonds	P1,970,624	P1,560,897	P-	P3,531,521
Treasury notes	-	2,126,819	-	2,126,819
Treasury bills	-	1,892,770	-	1,892,770
Private bonds	3,358,210	-	-	3,358,210



December 31, 2020 (Audited)				
	Level 1	Level 2	Level 3	Total
Quoted equity shares	1,210,665	–	–	1,210,665
Financial Assets designated at FVTPL	150,000	–	–	150,000
Derivative assets	–	1,136,878	–	1,136,878
FVOCI financial assets				
Government bonds	2,654,823	10,349,673	–	13,004,496
Quoted private bonds	6,596,820	–	–	6,596,820
Quoted equity shares	624,722	–	–	624,722
	P16,565,864	P17,067,037	P–	P33,632,901
Financial liabilities at FVPL				
Derivative liabilities	P–	P1,216,771		P1,216,771
Derivative contracts designated as hedges		521,209		521,209
	P–	P1,737,980		P1,737,980
<b>Fair values of assets carried at amortized cost</b>				
Investment securities at amortized cost				
Government bonds	P110,454,734	P–	P–	P110,454,734
Private bonds	53,290,698	–	56,298,599	109,589,297
Loans and receivables				
Corporate and commercial loans	–	–	455,890,979	455,890,979
Consumer loans	–	–	112,946,316	112,946,316
Trade-related loans	–	–	8,538,979	8,538,979
Others	–	–	150,900	150,900
Sales contracts receivable	–	–	1,242,609	1,242,609
Investment properties				
Land	–	–	4,834,488	4,834,488
Buildings and improvements	–	–	2,331,151	2,331,151
	P163,745,432	P–	P642,234,021	P805,979,453
<b>Fair values of liabilities carried at amortized cost</b>				
Time Deposit Liabilities	P–	P–	P362,712,054	P362,712,054
Bonds Payable	–	–	52,101,935	52,101,935
	P–	P–	P414,813,989	P414,813,989

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

#### Transactions with Retirement Plans

Income earned by the Group from managing the retirement plans amounted to P12.49 million, and P12.47 million for the three-month periods ended March 31, 2021 and 2020. 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:

	March 31, 2021	December 31, 2020 (Audited)
<b>Balance Sheet</b>		
Deposit in banks	P17,324	P7,879
Financial assets at FVTPL	1,258,051	1,361,752
Total market value	1,258,051	1,361,752
Number of shares held	54,579	54,579
<b>Three Months Ended March 31</b>		
	2021	2020
<b>Income Statement</b>		
Dividend income	P54,579	P54,579

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

#### Other Related Party Transactions

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

Category	March 31, 2021		
	Amount / Volume	Outstanding Balance	Terms and Conditions
<b>Significant Investor</b>			
Loans and receivables		2,342,950	These are secured loans with interest rate of 4% and maturity of 4 years; collateral includes shares of stocks with fair value of ₱5.1 billion.
Issuances	—		
Repayments	(2,350)		
Deposit liabilities		2,087	These are checking accounts with annual average rate of 0.13%.
Deposits	105		
Withdrawals	—		
<b>Subsidiaries</b>			
Deposit Liabilities		537,603	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	534,429		
Withdrawals	(36,220)		
<b>Associates</b>			
Deposit Liabilities		34,520	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	145,439		
Withdrawals	(411,536)		
<b>Key Management Personnel</b>			
Loans		387	Unsecured Officer's accounts from Credit card with interest of 2% and currently maturing and Fully secured OEL accounts with interest of 6%; Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuance	217		
Repayments	(256)		
Deposit Liabilities		87,102	These are checking, savings and time deposit account with annual average interest rates ranging from 0.13% to 1.00%
Deposits	30,252		
Withdrawals	(37,466)		
<b>Other Related Parties</b>			
Deposit Liabilities		554,986	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	4,604,279		
Withdrawals	(5,736,180)		

Category	December 31, 2020 (Audited)		
	Amount / Volume	Outstanding Balance	Terms and Conditions
<b>Significant Investor</b>			
Loans		₱2,345,300	Partially secured Loans with interest rate of 2 - 5.12% and maturity of two to seven years.
Issuances	₱—		
Repayments	—		
Deposit Liabilities		1,982	These are checking accounts with annual average rate of 0.13%.
Deposit	487		
Withdrawals	—		
<b>Associates</b>			
Deposit Liabilities		39,394	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	181,158		
Withdrawals	(442,383)		
<b>Key Management Personnel</b>			
Loans		2,179	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%; Secured; no impairment; with annual fixed interest rates ranging from 0% to 5.50%
Issuances	—		
Repayments	(433)		
Deposit Liabilities		94,315	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposit	282,538		
Withdrawals	(266,986)		
<b>Other Related Parties</b>			
Deposit Liabilities		1,686,887	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposit	19,107,945		
Withdrawals	(17,824,347)		

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 three-month periods ended March 31, 2021 and March 31, 2020 are presented below:

	<b>Significant Investor</b>		<b>Associate</b>	
	March 31		March 31	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest income	<b>P23,430</b>	P30,782	<b>P—</b>	P—
Interest expense	<b>1</b>	—	<b>762</b>	174

	<b>Key Management Personnel</b>		<b>Other Related Parties</b>	
	March 31		March 31	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest income	<b>P8</b>	P23	<b>P—</b>	P—
Interest expense	<b>317</b>	16	<b>300</b>	57

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:

	<b>Subsidiaries</b>		
	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>Nature, Terms and Conditions</b>
<b>Balance Sheet</b>			
Accounts receivable	<b>P8,868</b>	P1,322	This pertains to various expenses advanced by CBC in behalf of CBSI
Security deposits	<b>1,878</b>	1,878	This pertains to the rental deposits with CBSI and CBCC for office space leased out to the Parent Company
Accounts payable	<b>12,592</b>	11	This pertains to various unpaid rental to CBSI

	<b>Subsidiaries</b>		
	<b>March 31, 2021</b>	<b>March 31, 2020</b>	<b>Nature, Terms and Conditions</b>
<b>Income Statement</b>			
Miscellaneous income	<b>P450</b>	P450	Human resources functions provided by the Parent Company to its subsidiaries such as recruitment and placement, training and development, salary and benefits development, systems and research, and employee benefits. Under the agreement between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee
Occupancy cost	<b>7,962</b>	2,741	Certain units of the condominium owned by CBSI are being leased to the Parent Company for a term of five years, with no escalation clause
Miscellaneous expense	<b>54,082</b>	33,633	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements

- p. **Impact of COVID-19 Pandemic.** 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 period, the implementation of these public health protocols and its impact to businesses and industries vary across regions throughout the country. The Bank continues to assess financial reporting considerations related to these circumstances.

*Going Concern Assumption*

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

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

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

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

#### *Fair Value Measurement*

In measuring the fair value of financial instruments, the Bank considers prices and inputs which incorporate the recent volatility in the market caused by the COVID-19 pandemic.

#### *Expected Credit Losses*

Provision for impairment and credit losses totaled P2.2 billion. In estimating the amount of expected credit losses (ECL) for financial assets at each reporting date, judgment and estimates by management are required in determining the following:

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

The Bank assessed that the level of ECL derived using the judgment and estimates in the aforementioned areas is reasonable based on the circumstances as of March 31, 2021 and the nature of the Bank's loan portfolio whose majority pertains to commercial and corporate loans with retail and consumer loans comprising only a small portion of the total loan portfolio.

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

The Bank has reasonably estimated the level of ECL as of this reporting period 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 Bank captured all relevant and supportable information (which includes incorporating management overlays and adjustments such as credit reviews of specific borrowers) in estimating its ECL and provisions as of and for this reporting period, respectively.

In view of the government moratorium on loan payments, the Bank considered how the availment of the borrowers and counterparties will affect the stage classification of the financial assets. In particular, the Bank 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 SICR and default assessments. 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.

Also, the Bank utilized the revised or modified cash flows (after considering the government moratorium on loan payments and renegotiation of financial assets) as exposure at default in calculating allowance for credit losses.

For probabilities of default, 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 Bank 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. The Bank will continue to assess the current market conditions and forecasts of future economic conditions, and its impact to the aforementioned, in order to update the ECL on a timely basis in the upcoming reporting periods.

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

**ANNEX I**

(Amounts in thousands)

		March 2021	December 2020
		Unaudited	Audited
<b>ASSETS</b>			
Cash and Other Cash Items	P	12,253,638	15,984,210
Due from Bangko Sentral ng Pilipinas		160,186,572	152,156,449
Due from Other banks		11,825,004	18,228,721
Interbank Loans Receivable and Securities Purchased under Resale Agreements		23,183,314	18,290,851
Financial Assets at Fair Value through Profit or Loss		8,600,346	13,406,863
Financial Assets at Fair Value through Other Comprehensive Income		25,220,322	20,244,403
Investment Securities at Amortized Cost		169,969,650	202,240,631
Loans and Receivables - net		555,107,222	557,214,484
Accrued Interest Receivable		6,221,350	8,529,872
Investments in Associates		872,647	912,647
Bank Premises, Furniture, Fixtures and Equipment - net		8,123,016	8,422,717
Investment Properties		3,953,523	3,984,939
Deferred Tax Assets		5,021,598	5,172,434
Intangible Assets		3,848,323	3,881,669
Goodwill		839,748	839,748
Other Assets		8,061,767	6,501,010
	P	1,003,288,041	1,036,011,650
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Deposit Liabilities</b>			
Demand		220,111,911	212,466,949
Savings		285,231,697	256,406,867
Time		311,289,998	366,357,014
		816,633,606	835,230,830
<b>Bills Payable</b>		16,186,850	23,655,851
<b>Bonds Payable</b>		41,994,747	52,065,678
<b>Manager's Checks</b>		1,530,474	1,568,232
<b>Income Tax Payable</b>		1,339,800	846,089
<b>Accrued Interest and Other Expenses</b>		4,962,725	3,905,945
<b>Derivative Liabilities</b>		794,498	1,216,771
<b>Derivative Liabilities Designated as Hedges</b>		278,342	521,209
<b>Deferred Tax Liabilities</b>		953,979	1,116,362
<b>Other Liabilities</b>		9,990,636	10,899,319
		894,665,658	931,026,285
<b>Equity</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
<b>Capital Stock</b>			
Common Stock - P10 par value			
Authorized - 3,300,000,000 shares			
Issued - 2,685,899,812 shares		26,858,998	26,858,998
<b>Capital paid in excess of par value</b>		17,122,626	17,122,626
<b>Other equity - stock grants</b>		140,924	140,924
<b>Surplus Reserves</b>		2,857,629	2,874,004
<b>Surplus</b>		62,249,884	58,659,768
<b>Net Unrealized Gains (Losses) on Financial Assets at FVOCI</b>		103,001	294,115
<b>Remeasurement Gain on Defined Benefit Asset</b>		(426,996)	(426,996)
<b>Remeasurement on Life Insurance Reserve of Associate</b>		(45,903)	(45,903)
<b>Cumulative translation adjustment</b>		12,548	5,536
<b>Cash Flow Hedge Reserve</b>		(278,342)	(521,209)
		108,594,369	104,961,861
<b>Non-controlling Interest</b>		28,014	23,502
		108,622,383	104,985,364
	P	1,003,288,041	1,036,011,649

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

(Amounts in thousands)

	March 2021	December 2020
	Unaudited	Audited
<b>CONTINGENT ACCOUNTS</b>		
Unused commercial letters of credit	15,020,417	14,445,630
Committed Credit Lines	6,358,838	9,551,472
Outstanding guarantees Issued	1,099,355	1,187,256
Inward bills for collection	2,018,342	1,862,824
Outward bills for collection	36,782	150,073
IRS receivable	25,607,650	25,351,615
Spot exchange bought	5,629,993	1,920,935
Spot exchange sold	5,123,705	2,113,123
Forward exchange bought	19,006,866	17,338,436
Forward exchange sold	21,813,968	15,385,289
Trust department accounts	212,897,155	210,776,272
Credit card Lines	12,928,867	12,492,933
Late deposits/payments received	211,753	342,103
Deficiency claims receivable	283,207	283,842
Standby credit commitment	3,003,940	1,652,526
Others	4,942	1,110,325
	<b>331,045,781</b>	<b>315,964,655</b>

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

**ANNEX II**

		<b>MARCH 2021</b>	<b>MARCH 2020</b>
<b>INTEREST INCOME</b>			
Loans and receivables	P	8,118,482	9,171,654
Investment securities at amortized cost and at FVOCI		2,370,781	2,439,585
Financial Assets at FVPL		217,054	225,174
Due from BSP and other banks and SPURA		497,284	302,248
		<b>11,203,601</b>	<b>12,138,661</b>
<b>INTEREST EXPENSES</b>			
Deposit liabilities		1,452,419	3,307,884
Bills payable and other borrowings		521,889	842,270
Lease Payable		52,053	61,647
		<b>2,026,361</b>	<b>4,211,802</b>
<b>NET INTEREST INCOME</b>		<b>9,177,239</b>	<b>7,926,859</b>
Trading and securities gain/(loss)		916,159	-178,451
Gain on disposal of investment securities at amortized cost		1,270,831	12,284
Service charges, fees and commissions		741,092	753,195
Foreign exchange gain- net		198,564	127,068
Income from asset acquired		57,150	76,097
Miscellaneous		378,331	359,916
<b>TOTAL OPERATING INCOME</b>		<b>12,739,367</b>	<b>9,076,967</b>
Compensation and fringe benefits		1,931,423	1,646,413
Taxes and licenses		1,051,204	1,006,008
Occupancy costs		489,583	414,927
Depreciation and amortization		454,654	478,690
Provision for impairment and credit losses		2,217,756	412,451
Insurance		520,306	489,311
Repairs and maintenance		34,331	37,598
Entertainment, amusement and recreation		78,675	75,224
Miscellaneous		1,633,673	1,692,590
<b>TOTAL OPERATING EXPENSES</b>		<b>8,411,605</b>	<b>6,253,210</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>4,327,762</b>	<b>2,823,757</b>
<b>PROVISION FOR INCOME TAX</b>		<b>748,841</b>	<b>603,800</b>
<b>NET INCOME</b>	<b>P</b>	<b>3,578,920</b>	<b>2,219,957</b>
Attributable to:			
Equity holders of the parent		3,573,742	2,217,402
Non-controlling Interest		5,179	2,555
	<b>P</b>	<b>3,578,920</b>	<b>2,219,957</b>
<b>Earnings Per Share</b>			
a. Basic		1.33	0.83
b. Diluted *		1.33	0.83
Net Income		3,573,742	2,217,402
Weighted Ave. Number of Common Shares Outstanding		2,685,900	2,685,900

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



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

**ANNEX III**

(Amounts in thousands)

	<b>MARCH 2021</b>	<b>MARCH 2020</b>
<b>Net Income</b>	<b>3,578,920</b>	<b>2,219,957</b>
<b>Other Comprehensive Income (Loss):</b>		
<i>Items that recycle to profit or loss in subsequent periods:</i>		
Net unrealized gain (loss) on financial assets at FVOCI		
Fair value gain(loss) for the year, net of tax	<b>745,878</b>	<b>(1,058,578)</b>
Gains taken to profit or loss	<b>(976,516)</b>	<b>(47,492)</b>
Share in Other Comprehensive Income of Associate:		
Net Unrealized Gain on financial assets at FVOCI	<b>-</b>	<b>1,044</b>
Gain (loss) on Cash Flow Hedge	<b>242,866</b>	<b>(51,949)</b>
Cumulative translation adjustment	<b>7,037</b>	<b>1,715</b>
<i>Items that do not recycle to profit or loss in subsequent periods:</i>		
Net unrealized gain (loss) on financial assets at FVOCI		
Fair value gain(loss) for the year, net of tax	<b>38,833</b>	<b>41,523</b>
Remeasurement gain on defined benefit asset or liability	<b>-</b>	<b>(3,332)</b>
Remeasurement loss on life insurance reserves	<b>-</b>	<b>(887)</b>
<b>Other Comprehensive Income for the year</b>	<b>58,099</b>	<b>(1,117,956)</b>
<b>Total Comprehensive Income for the year</b>	<b>3,637,019</b>	<b>1,102,001</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Parent Company	<b>3,632,507</b>	<b>1,098,359</b>
Non-controlling Interest	<b>4,512</b>	<b>3,642</b>
	<b>3,637,019</b>	<b>1,102,001</b>

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 grant	Surplus Reserves	Surplus Free	Net unrealized gains (losses) on FVOCI	Remeasurement gain on defined benefit asset or liability	Remeasurement on life insurance reserve of an associate	Cash Flow Hedge Reserve	Cumulative Translation Adjustment	Total	Minority Interest	Total Equity
<b>Balance at December 31, 2020</b>	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				-	3,573,742	(191,114)	-	-	242,866	7,013	3,632,507	4,512	3,637,019
Retained Earnings, appropriated				(16,375)	16,375	-	-	-	-	-	-	-	-
<b>Balance at March 31, 2021</b>	<b>26,858,998</b>	<b>17,122,626</b>	<b>140,924</b>	<b>2,857,629</b>	<b>62,249,884</b>	<b>103,001</b>	<b>(426,996)</b>	<b>(45,903)</b>	<b>(278,342)</b>	<b>12,548</b>	<b>108,594,369</b>	<b>28,014</b>	<b>108,622,383</b>
<b>Balance at December 31, 2019</b>	26,858,998	17,122,626	-	3,598,275	48,558,760	417,576	(368,531)	20,655	(51,949)	6,835	96,163,244	12,351	96,175,595
Total comprehensive income for the year					2,217,402	(1,064,559)	(3,332)	(887)	(524,858)	1,684	625,450	3,642	629,092
Retained Earnings, appropriated				57,104	(57,104)	-	-	-	-	-	-	-	-
<b>Balance at March 31, 2020</b>	<b>26,858,998</b>	<b>17,122,626</b>	<b>-</b>	<b>3,655,379</b>	<b>50,719,058</b>	<b>(646,983)</b>	<b>(371,863)</b>	<b>19,767</b>	<b>(576,807)</b>	<b>8,518</b>	<b>96,788,694</b>	<b>15,993</b>	<b>96,804,686</b>

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

**ANNEX V**

	MARCH		MARCH	
	2021		2020	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	P	4,327,762	P	2,823,757
Adjustment to reconcile income before income tax to net cash provided operations:				
Provision for impairment and credit losses		2,217,756		412,451
Depreciation and amortization		454,654		478,690
Amortization of transaction costs on bonds payable		314,258		41,192
Realized gain on financial assets at FVOCI and investment securities at amortized cost		(2,247,347)		(59,777)
Share in net losses of an associate		-		(40,429)
Gain on sale of investment properties		(19,568)		(58,890)
Gain on asset foreclosures and dacion transactions		(37,583)		(17,207)
<b>Operating income before changes in operating assets and liabilities</b>		<b>5,009,933</b>		<b>3,579,786</b>
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Financial assets at FVPL		4,141,378		12,736,623
Loans and receivables		(720,405)		(13,845,164)
Other assets		1,243,130		20,323
Increase (decrease) in the amounts of:				
Deposit liabilities		(18,597,224)		9,161,216
Manager's checks		(37,759)		(667,130)
Accrued interest and other expenses		1,056,780		859,667
Other liabilities		(1,151,696)		(570,131)
Net cash provided by operations		<b>(9,055,863)</b>		<b>11,275,190</b>
Income taxes paid		(548,070)		(381,552)
<b>Net cash provided by operating activities</b>		<b>(9,603,933)</b>		<b>10,893,638</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of/Additions to:				
Net additions to bank premises, furniture, fixtures and equipment		(41,433)		(157,009)
Investment securities at amortized cost		16,762,735		(9,031,932)
Financial assets at fair value through other comprehensive income		(41,607,549)		(48,010,462)
Proceeds from sale of:				
Investment securities at amortized cost		16,234,021		519,000
Financial assets at fair value through other comprehensive income		37,417,033		10,276,773
Investment properties		57,169		51,953
Proceeds from maturity of:				
Investment securities at amortized cost		1,074,862		2,186,132
<b>Net cash provided by (used in) investing activities</b>		<b>29,896,837</b>		<b>(44,165,545)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availments of bills payable		44,310,470		47,993,359
Payments of bills payable		(51,779,470)		(36,897,076)
Proceeds from issuance of bonds payable		20,167,487		-
Maturity of bonds payable		(30,000,000)		-
Dividends from equity investments		40,000		-
Payments of principal portion lease liabilities		(243,094)		(180,450)
<b>Net cash provided by financing activities</b>		<b>(17,504,607)</b>		<b>10,915,833</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,788,297</b>		<b>-22,356,074</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
Cash and other cash items		15,984,210		16,839,755
Due from Bangko Sentral ng Pilipinas		152,156,449		100,174,398
Due from Other banks		18,228,721		9,900,642
Interbank loans receivable and securities purchased under resale agreements		18,290,851		17,036,460
		<b>204,660,231</b>		<b>143,951,255</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
Cash and other cash items		12,253,638		14,537,632
Due from Bangko Sentral ng Pilipinas		160,186,572		78,277,751
Due from Other banks		11,825,004		24,628,705
Interbank loans receivable and securities purchased under resale agreements		23,183,314		4,151,094
	P	<b>207,448,529</b>	P	<b>121,595,182</b>
<b>RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES</b>				
Balance at beginning of year		75,721,529		70,775,804
Cash flows during the year				
Proceeds	64,125,523		48,020,611	
Settlement	(81,779,470)	(17,653,946)	(36,897,076)	11,123,535
Non-cash changes				
Foreign exchange movement	260,787		(20,528)	
Amortization of transaction cost	(146,771)	114,015	41,192	20,664
<b>Balance as of March 31</b>		<b>58,181,597</b>		<b>81,920,003</b>

**China Banking Corporation**  
**Aging of Loans and Receivables**  
**March 31, 2021**

## ANNEX VI

	Total	Current	90 days or less	91 to 180 days	181 days to 1 year	More than 1 year	Total Past Due	Items in Litigation
Loans and Receivables	571,886,886	542,913,436	19,746,956	1,045,171	2,343,411	5,015,836	28,151,374	822,076
Less: Allow for Probable Losses & Unamortized Discount	16,779,664							
<b>Net Loans and Receivables</b>	<b>555,107,222</b>							
Accounts Receivables	3,356,493	2,660,653	91,709	32,869	57,642	513,621	695,840	-
Less: Allowance for Probable Losses	88,443							
<b>Net Accounts Receivables</b>	<b>3,268,050</b>							
Accrued Interest Receivables	6,552,096	6,552,096						
Less: Allowance for Probable Losses	330,745							
<b>Net Accrued Interest Receivables</b>	<b>6,221,350</b>							

# CHINA BANKING CORPORATION

## PROFITABILITY REPORT BY BUSINESS SEGMENT

## ANNEX VII

### Segment Report

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

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

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

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

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

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

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

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

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

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

The following tables present relevant information regarding business segments as of March 31, 2021:



**PROFITABILITY REPORT BY BUSINESS SEGMENT**  
**FOR THE YEAR ENDING MARCH 31, 2021**  
**CONSOLIDATED**  
*(Amounts in thousands of Pesos)*

	LENDING BUSINESS	RETAIL BANKING BUSINESS	FINANCIAL MARKETS	OTHER BUSINESS & SUPPORT UNITS AND SUBSIDIARIES	BANKWIDE
Net interest income	6,506,507	460,940	1,155,060	1,054,732	9,177,239
Third Party Intersegment	(3,885,380)	4,530,480	(625,118)	(19,982)	-
Net Interest Income after Intersegment Transactions	2,621,127	4,991,420	529,943	1,034,750	9,177,239
Other Operating Income	290,617	551,970	2,389,304	330,236	3,562,128
Total Revenue	2,911,744	5,543,390	2,919,247	1,364,986	12,739,367
Other Operating expense	(960,216)	(3,203,885)	(509,738)	(1,520,011)	(6,193,849)
Income before Provisions and Taxes	1,951,528	2,339,506	2,409,509	(155,025)	6,545,518
Provision for Impairment and Credit Losses	(1,883,598)	(87,010)	(66,794)	(180,354)	(2,217,756)
Income before Income Tax	67,930	2,252,496	2,342,715	(335,379)	4,327,762
Provision for Income Tax	36,579	(306,202)	(552,031)	72,812	(748,841)
<b>Net Income</b>	<b>104,509</b>	<b>1,946,294</b>	<b>1,790,684</b>	<b>(262,567)</b>	<b>3,578,920</b>
<b>Total Assets</b>	<b>450,970,666</b>	<b>584,808,681</b>	<b>262,505,399</b>	<b>(294,996,705)</b>	<b>1,003,288,041</b>
<b>Total Liabilities</b>	<b>1,952,326</b>	<b>626,531,159</b>	<b>129,110,477</b>	<b>137,071,696</b>	<b>894,665,658</b>
<b>Depreciation &amp; Amortization</b>	<b>15,330</b>	<b>329,114</b>	<b>8,950</b>	<b>101,260</b>	<b>454,654</b>
<b>Capital Expenditures</b>	<b>9,394</b>	<b>43,084</b>	<b>3,167</b>	<b>53,009</b>	<b>108,654</b>

## ANNEX VIII

## Financial Soundness Indicators

<i>PROFITABILITY (%)</i>	<b><u>Jan – Mar 2021</u></b>	<b><u>Jan – Mar 2020</u></b>
Return on Average Equity	<b>13.39</b>	9.15
Return on Average Assets	<b>1.40</b>	0.92
Net Interest Margin	<b>4.15</b>	3.82
Cost to income ratio	<b>49</b>	64
<i>LIQUIDITY (%)</i>	<b><u>Mar 2021</u></b>	<b><u>Dec 2020</u></b>
Liquid Assets to Total Assets	<b>41</b>	43
Loans to Deposit Ratio	<b>68</b>	67
<i>ASSET QUALITY (%)</i>	<b><u>Mar 2021</u></b>	<b><u>Dec 2020</u></b>
Gross Non-Performing Loans Ratio	<b>3.8</b>	2.3
Non-Performing Loans (NPL) Cover	<b>86</b>	128
<i>SOLVENCY</i>	<b><u>Mar 2021</u></b>	<b><u>Dec 2020</u></b>
Debt to Equity Ratio	<b>8.2</b>	8.9
Asset to Equity Ratio	<b>9.2</b>	9.9
Interest Coverage Ratio	<b>3.1</b>	1.7*
<i>CAPITAL ADEQUACY (%)</i>	<b><u>Mar 2021</u></b>	<b><u>Dec 2020</u></b>
CET 1 / Tier 1 Ratio	<b>14.53</b>	13.82
Total CAR	<b>15.43</b>	14.73

\*for Jan-Mar 2020

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

### Solvency Ratios:

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

### Capital Adequacy Ratio:

Capital to Risk Assets Ratio	-	BSP prescribed formula:
CET 1 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><b>Jan – Mar 2021</b></u>	<u><b>Jan – Mar 2020</b></u>
Gross Revenues	<b>14,766</b>	13,289
Gross Expenses	<b>11,187</b>	11,069
Net Income	<b>3,579</b>	2,220

<i>In Million Pesos</i>	<u><b>Mar 2021</b></u>	<u><b>Dec 2020</b></u>
Total Resources	<b>1,003,288</b>	1,036,012
Loan Portfolio (Net)	<b>555,107</b>	557,214
Total Deposits	<b>816,634</b>	835,231
Equity	<b>108,622</b>	104,985

### Key Performance Indicators

<i>PROFITABILITY (%)</i>	<u><b>Jan – Mar 2021</b></u>	<u><b>Jan – Mar 2020</b></u>
Return on Average Equity	<b>13.39</b>	9.15
Return on Average Assets	<b>1.40</b>	0.92
Net Interest Margin	<b>4.15</b>	3.82
Cost to income ratio	<b>49</b>	64
<i>LIQUIDITY (%)</i>	<u><b>Mar 2021</b></u>	<u><b>Dec 2020</b></u>
Liquid Assets to Total Assets	<b>41</b>	43
Loans to Deposit Ratio	<b>68</b>	67
<i>ASSET QUALITY (%)</i>	<u><b>Mar 2021</b></u>	<u><b>Dec 2020</b></u>
Gross NPL Ratio	<b>3.8</b>	2.3
Non-performing Loan (NPL) Cover	<b>86</b>	128
<i>SOLVENCY</i>	<u><b>Mar 2021</b></u>	<u><b>Dec 2020</b></u>
Debt to Equity Ratio	<b>8.2</b>	8.9
Asset to Equity Ratio	<b>9.2</b>	9.9
Interest Coverage Ratio	<b>3.1</b>	1.7*
<i>CAPITAL ADEQUACY (%)</i>	<u><b>Mar 2021</b></u>	<u><b>Dec 2020</b></u>
CET 1 / Tier 1 Ratio	<b>14.53</b>	13.82
Total CAR	<b>15.43</b>	14.73

\*for Jan-Mar 2020

## **Economic Environment**

The US economy showed signs of recovery in 1Q with the progress in vaccinations, business re-openings and additional social benefits for households. GDP inched up 0.4% vs the same quarter of last year as the increases in private investments and household spending were partially offset by the decline in net exports. Inflation settled at 2.3%, while unemployment rate was steady at 6.1% in April. As a result, the US Fed kept policy rates unchanged at 0% to 0.25%. On the other hand, China rebounded sharply at 18.3%, with increased export demand, continued fiscal policy support, and low base in 1Q 2020.

Philippine GDP contracted for the fifth consecutive quarter at 4.2% in 1Q as majority of GDP components declined. Household consumption went down 4.8% due to lower spending on recreation & culture, transport and restaurant & hotels. Unemployment remained high at 7.1% in March, while inflation rate ended at 4.5% in April, breaching the government's 2% - 4% target range. Capital formation spending dropped by 18.3% as construction spending sunk 27%. On the production side, all components went down as well: agriculture (-1.2%), industry (-4.7%) and services (-4.4%). On the other hand, government spending jumped 16.1%, while net exports moderately increased by 6.1%.

Two major laws were enacted during the quarter, namely the Financial Institutions Strategic Transfer (FIST) Act and Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. FIST allows financial institutions to unload non-performing assets through asset management companies, while CREATE lowers the regular corporate income tax rate to 25% from 30%.

Starting last week of March until mid-May, the government placed Metro Manila, Bulacan, Cavite, Laguna and Rizal (dubbed as "NCR Plus") on stricter lockdown measures which could hamper economic recovery in the coming quarters.

The Monetary Board maintained the policy rate at 2.00%, as well as the reserve requirement at 12%. The combined assets of the UK/B & TB industries expanded 5.6% year-on-year to P19.2 trillion. Deposits grew 7.8% to P14.8 trillion, while loans growth contracted 4.3%, settling at P9.8 trillion. Gross NPL ratio went up to 4.3% from 3.7% in December 2020, while NPL cover dropped to 85% from 95%.

## Results of Operation

### Analysis of Consolidated Statements of Income (unaudited) For the period ended March 31, 2021 and March 30, 2020

China Bank reported a net income of P3.6 billion in the first quarter of 2021, posting 61.2% growth compared to the same period last year. This income performance translated to an improved return on equity of 13.39% and return on assets of 1.40%.

**Total interest income** decreased 7.7% to P11.2 billion from P12.1 billion as **interest income from loans and receivables** slowed down by 11.5% to P8.1 billion. **Interest income from due from BSP and other banks** increased 64.5% to P497.3 million because of the growth in placements with BSP.

**Total interest expense** amounted to P2.0 billion, P2.2 billion or 51.9% lower than last year as **interest expenses on deposit liabilities** continued to drop by P1.9 billion to P1.5 billion arising from the decline in funding cost. **Interest expenses on bills payable and other borrowings** decreased by P320.4 million to P521.9 million due to a volume-related drop versus last year. **Interest expenses on lease payable** were also down 15.6% because of the smaller outstanding lease liability.

Consequently, **net interest income** rose 15.8% to P9.2 billion and led to a higher net interest margin of 4.15% from 3.82% last year.

The Bank recognized **provisions for impairment and credit losses** amounting to P2.2 billion which was 5.4x larger from the P412.5 million booked last year to address potential loan defaults that may arise from a drawn-out pandemic.

Total **non-interest income** rose 3.1x to P3.6 billion, mainly due to the P1.1 turnaround in **trading and securities gain (net)** to P916.2 million from a loss of P178.5 million, as well as the P1.3 billion in **gain on disposal of investment securities at amortized cost**. **Foreign exchange gain** amounted to P198.6 million, up 56.3% from P127.1 million because of the month-on-month movement in the Peso-Dollar exchange rate. Meanwhile, **income from assets acquired** was 24.9% lower at P57.2 million because of lower sales of foreclosed properties. **Miscellaneous income** totaled P378.3 million, up 5.1% year-on-year due to higher bancassurance fees and other transaction-related revenues.

**Operating expenses** increased 6.0% to P6.2 billion. **Compensation and fringe benefits** increased 17.3% to P1.9 billion **mainly from** payroll adjustments arising from the 2020 – 2022 collective bargaining agreement between management and the CBC Employees' Association. **Occupancy costs** were up 18.0% to P489.6 million, as the Bank undertook additional capital outlays during the period. Furthermore, **depreciation and amortization** as well as **repairs and maintenance** recorded decreases by 5.0% and 8.7%, respectively, from fewer repairs and technology platform upgrades for the quarter. **Insurance**, which includes PDIC premium payments, increased by 6.3% to P520.3 million with the year-on-year increase in deposits.

Consolidated **cost-to-income ratio** improved to 49% from 64% same period last year.

## Financial Condition

### Analysis of Consolidated Statement of Financial Condition As of March 31, 2021 (unaudited) and December 31, 2020 (audited)

**Total assets** was steady year-to-date at P1.0 trillion.

**Cash and other cash items** fell 23.3% to P12.3 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from BSP and interbank loans receivable and securities purchased under resale agreements** posted increases by 5.3% and 26.7% arising from the increase in overnight placements with the BSP. **Due from other banks** decreased 35.1% to P11.8 billion from the lower deposits with correspondent banks.

**Financial assets at fair value through profit or loss (FVPL)** and **investment securities at amortized cost** posted decreases by P4.8 billion or 35.9% and P32.3 billion or 16.0%, respectively, resulting from the Bank's securities disposal during the quarter. Meanwhile, **financial assets at fair value through other comprehensive income (FVOCI)** increased P5.0 billion or 24.6% to P25.2 billion due to higher securities volume. The Bank's securities portfolio accounted for 20% of consolidated resources, slightly lower than the 23% recorded last year-end.

The Bank's liquidity ratio was stood at 41%, down from 43% in December 2020.

**Net loans** were steady at P555.1 billion. **Accrued interest receivable** decreased by 27.1% to P6.2 billion because of lower tradable securities. **Other assets** increased by 24.0% to P8.1 billion because of higher balance of accounts receivables, among others.

On the liabilities side, **total deposits** were recorded at P816.6 billion, of which CASA (demand and savings deposits) amounted to P505.3 billion, for a CASA ratio of 62%, up from 56% in December. **Bills payable** decreased by 31.6% due to lower volume of other borrowings. Likewise, outstanding **bonds payable** was down by P10.1 Bn or 19.3% year-to-date. The net decrease reflects the settlement of the Bank's P30-billion fixed rate bonds in January, as well as the issuance of another P20 billion Peso fixed-rate bonds in February. **Income tax payable** was at P1.3 billion, P493.7 million higher year-to-date due to additional regular corporate income tax payable for the year. **Accrued interest and other expenses** were 27.1% larger at P5.0 billion mainly because of the interest payable accruals. Change in the mark-to-market rates resulted in decreases in **derivative liabilities and derivative contracts designated as hedges** by P422.3 million and P242.9 million, respectively. The 14.5% drop in **deferred tax liabilities** can be attributable to the savings bank subsidiary. **Other liabilities** decreased by P908.6 million to P10.0 billion mainly due to lower accounts payable and finance lease payable.

**Total equity** reached to P108.6 billion, slightly higher than last year's P105.0 billion mainly from the P3.6 billion or 6.1% increase in **surplus**. **Net unrealized gains on financial assets at FVOCI** dropped 65.0% to P103.0 million arising from the mark-to-market revaluation of the Bank's FVOCI securities. Meanwhile, **cumulative translation adjustment and cash flow hedge reserve** increased by P7.0 million and P242.9 million, respectively, due to exchange rate difference arising from the conversion of income and expenses related to foreign currency-denominated positions to base currency.

The Bank's Common Equity Tier 1 (CET 1/ Tier 1) ratio and total CAR were computed at 14.53% and 15.43%, respectively.

## **Total Comprehensive Income**

### **For the period ended March 31, 2021 and March 31, 2020**

The Bank recorded **total comprehensive income** of P3.6 billion during the first quarter, a 3.3x or P2.5 billion increase from the P1.1 billion recorded last year mainly from the net income improvement and the booking of net unrealized gain on financial assets at FVOCI and gains on cash flow hedge.

## **Key Performance Indicators**

### **Profitability**

CHIB sustained its profitability posting a net income of P3.6 billion which resulted in a 13.39% ROE and 1.40% ROA. Cost-to-income ratio significantly improved to 49% from 64% in the same period last year. Net interest margin was higher at 4.15% due to lower cost of funds.

### **Liquidity**

The Bank's liquidity ratio remained steady at 41%.

### **Asset Quality**

NPL ratio settled at 3.8% from 2.3% in December 2020. Consolidated NPL coverage ratio was at 86%, with a corresponding NPL coverage of 100.0% for the Parent Bank

### **Solvency Ratios**

Debt-to-equity and asset-to-equity ratios for the first quarter was recorded at 8.2 and 9.2, respectively. Interest coverage ratio for the period was at 3.1.

### **Capitalization**

China Bank's CET 1 / Tier 1 CAR and Total CAR ratios were registered at 14.53% and 15.43%, respectively. The Bank's capital is largely comprised of CET 1/ Tier 1 (core) capital.

## Corporate Developments

At its annual stockholders' meeting held virtually on May 6, 2021, China Bank declared P2.69 billion cash dividends or P1.00 per share, equivalent to a cash dividend yield of 4.02% based on the Bank's closing price of P24.90 as of that date. The cash dividends will be paid on June 4 to stockholders on record as of May 21.

In the same meeting, Genaro V. Lapez was elected as the Bank's fourth independent director, replacing Mr. Alberto S. Yao. Other incumbent members of the Board were also re-elected: Hans T. Sy as Chairman, Gilbert U. Dee as Vice Chairman; William C. Whang, Peter S. Dee, Joaquin T. Dee, Harley T. Sy, Herbert T. Sy, and Jose T. Sio as directors; and Margarita L. San Juan, Philip S.L. Tsai, and Claire Ann T. Yap as independent directors. Ricardo R. Chua remains as advisor to the Board.

On February 18, the Bank successfully raised P20 billion from the issuance of its three-year fixed-rate Peso bonds, four times the original offer of P5 billion, on the back of overwhelming demand from individual and institutional investors. The bonds are due in 2024 and carry an interest rate of 2.50% per annum, payable monthly. Additionally, on March 3, the Board of Directors approved a three-year, P100-billion fund-raising program that will support the Bank's strategic initiatives and expansion program and enable it to become an active participant in the country's economic recovery and expansion. The program will be rolled out through the issuance of peso-denominated retail bonds or commercial papers in one or more series, each at a minimum tenor of three months up to a maximum to 10 years.

During the quarter, the Bank received a 4-Golden Arrow Award from the Institute of Corporate Directors, the highest honor given to Philippine publicly listed companies that qualified for the 2019 ASEAN Corporate Governance Scorecard (ACGS). China Bank is the only bank among the six companies to receive a 4-Golden Arrow Award, which represents the achievement of scoring 110 to 119 points out of the 130 highest possible points in the ACGS. The Bank was also recognized at the 16th Philippine Dealing System (PDS) Annual Awards, bagging the Top 5 Corporate Securities Market Maker and Top 3 Fixed Income Brokering Participant, while its investment banking house, China Bank Capital, clinched the Top 2 Corporate Issue Manager/Arranger. Lastly, China Bank was awarded a Gold Anvil for its 100th anniversary program at the 56th Anvil Awards.

The Bank's retail banking arm, China Bank Savings, has appointed James Christian T. Dee as its new Director and President effective April 15, 2021. Mr. Dee has been with China Bank for 14 years, working with Treasury Group prior to his secondment to CBS as Treasury Head and Treasurer in 2012.

## 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-Mar '21	Jan-Dec '20	Jan-Mar '20
Net Income	17	61	18
Total Assets	498	526	355

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

(In Mn Pesos)	Jan-Mar '21	Jan-Dec '20	Jan-Mar '20
Net Income	13	8	13
Total Assets	119	105	105

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

(In Mn Pesos)	Jan-Mar '21	Jan-Dec '20	Jan-Mar '20
Net Income	195	506	159
Total Assets	96,592	98,858	94,791

- **China Bank Capital Corporation**

(In Mn Pesos)	Jan-Mar '21	Jan-Dec '20	Jan-Mar '20
Net Income	87	216	13
Total Assets	2,688	2,579	2,406