15 November 2021

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. 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
Telephone No: 884-4446

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

Thank you.

Very truly yours,

C A Escucha

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

COVER SHEET

4	4	3									

SEC Registration Number

CHINA BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

8745 Paseo de Roxas corner Villar Streets, Makati City

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

Patrick D. Cheng
(Contact Person)

8885-5555
(Company Telephone Number)

0 9 **3 0**
Month *Day*
(Fiscal Year)

1 7 - Q
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Corporate Governance and Finance Dept.
(Department Requiring this document)

(Amended Articles Number/Section)

1,884
Total No. of Stockholders

Total Amount of Borrowings

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

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

1. For the quarter period ended **September 30, 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
COMMON	**2,691,288,212**	

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

    Yes [**X**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    PHILIPPINE STOCK EXCHANGE **COMMON**

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached are the following:

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

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

Annex IX:	Management's Discussion

PART II OTHER INFORMATION

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

SIGNATURES

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

Issuer ………………………………………………............. **CHINA BANKING CORPORATION**

Principal Financial/Accounting Officer/Controller …………….. **PATRICK D. CHENG**

Signature and Title ………………………………………………. Chief Finance Officer

Date…………………………………………………………….. November 15, 2021

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, 2021 and for the nine-month periods ended September 30, 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 which have been prepared in accordance with PFRS.

b. **Seasonality or Cyclicality of Interim Operations.** Changes in the Group's financial condition or operation were due more to external factors such as interest movements and cost of borrowings rather than seasonality or cyclical aspects.

c. **Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.** Changes in nature and amounts in the financial statements were due more to market-related factors inherent in the nature of the issuer's business operations and are not considered unusual. Below are some significant changes as explained in the Management's Discussions of Financial Condition and Results of Operation:

	September 30, 2021	December 31, 2020	Increase (Decrease)
Assets			
Cash and Other Cash Items	12,390,447	15,984,210	(3,593,763)
Due from Other banks	8,614,632	18,228,721	(9,614,089)
Interbank Loans Receivable and Securities Purchased under Resale Agreements	34,511,003	18,290,851	16,220,153
Financial Assets at Fair Value through Profit or Loss	18,284,438	13,406,863	4,877,574
Financial Assets at Fair Value through Other Comprehensive Income	22,460,738	20,244,403	2,216,335
Accrued Interest Receivable	6,764,126	8,529,872	(1,765,746)
Investments in Associates	791,157	912,647	(121,490)
Liabilities			
Bills Payable	27,457,459	23,655,851	3,801,609
Bonds Payable	42,416,182	52,065,678	(9,649,496)
Manager's Checks	1,960,369	1,568,232	392,137
Income Tax Payable	1,831,556	846,089	985,466
Accrued Interest and Other Expenses	4,741,226	3,905,945	835,282
Derivative Contracts Designated as Hedges	278,896	521,209	(242,313)
Deferred Tax Liabilities	978,750	1,116,362	(137,613)

	September 30, 2021	September 30, 2020	Increase (Decrease)
Income			
Interest on Investment securities at amortized cost and at FVOCI	6,703,668	7,441,984	(738,317)
Interest on Due from BSP and other banks and SPURA	1,482,702	800,293	682,409
Trading and securities gain	929,413	2,969,456	(2,040,043)
Gain on disposal of investment securities at amortized cost	3,061,379	906,685	2,154,694
Service charges, fees and commissions	2,481,638	1,974,268	507,370
Foreign exchange gain- net	341,167	89,660	251,507
Income from asset acquired	367,351	112,371	254,980
Miscellaneous	1,198,740	965,625	233,115
Expense			

Interest expense on Deposit Liabilities	3,920,367	8,002,275	(4,081,908)
Interest expense on Bills payable and other borrowings	1,495,826	2,605,402	(1,109,576)
Interest expense on Lease Payable	149,776	177,624	(27,848)
Taxes and licenses	2,748,438	3,105,824	(357,387)
Occupancy costs	1,337,749	1,135,888	201,861
Repairs and maintenance	121,693	90,759	30,934
Entertainment, amusement and recreation	331,845	267,477	64,368
Provision for income tax	2,265,148	1,018,859	1,246,288

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, 2020, 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 judgements applied for the nine months ended September 30, 2021 and 2020 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, 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.

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, 2021 and September 30, 2020 amounted to ₱6.5 billion and ₱6.3 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, 2021 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.** *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 was 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).

Centennial Stock Grant. In light of the Parent Company's 100th anniversary, the Board of Directors approved on August 5, 2020 a Centennial Stock Grant Plan to issue common shares to eligible grantees.

The Centennial Stock Grant Plan was approved and ratified by the stockholders on October 1, 2020, subject to the approval of the relevant regulatory agencies. New shares will be issued from the Parent Company's authorized but unissued shares in favor of the Group's regular employees and certain other officers and contractual employees as of August 16, 2020.

On August 13, 2021, the Parent Company received the notice of approval from the Philippine Stock Exchange (PSE) for its application to list 5,451,600 common shares, with a par value of ₱10.00 per share, to cover the Group's Centennial Stock Grant Plan. The approval is subject to the Parent Company's compliance with certain post-approval requirements. On January 14, 2021, the Parent Company received a letter of no objection from the BSP, subject to compliance with the provisions under Section 135 of the Manual of Regulations for Banks on Remuneration and Other Incentives. On June 23, 2021, the Parent Company received an exempt transaction resolution from the SEC.

With the completion of all regulatory and internal requirements in relation to the Centennial Stock Grant Plan, the Group issued the stock grants to all eligible employees on September 1, 2021.

Sale of Investment Securities at Amortized Cost
The Parent Company sold the following investment securities at amortized cost in 2021 and 2020 (figures in ₱millions):

During the nine months ended	**Reason for selling**	**Carrying amount**	**Gain on sale**
September 30, 2021	Additional liquidity to support planned loan growth	**₱30,143**	**₱2,895**
	Redemption by issuer to effect its debt refinancing	**1,274**	**116**
	Additional liquidity to take advantage of a change in a regulatory loan limit*	**589**	**27**
	A change in the funding profile of the Parent company**	**134**	**24**
		₱32,141	**₱3,061**

September 30, 2020	Additional liquidity to take advantage of a change in a regulatory loan limit	₱10,684	₱554
	Redemption by issuer to effect its debt refinancing	2,468	136
	A change in the funding profile of the Parent Company**	698	243
	A potential breach in the regulatory or internal limits of the Parent Company	536	5
	A highly probable change in regulations with a potentially adverse impact to the financial assets' contractual cash flows	507	12
		₱14,893	₱951

**The sales are based on the assessments made in 2020.*
***The sales are based on the assessments made in 2019.*

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.

USD500 Million Hedge of Institutional Time Deposits. In June 2021, the Bank entered into a 3-year pay-fixed, receive-floating (based on 1-month USD LIBOR) interest rate swap amounting to USD500 million to hedge the exposure to variable cash flow paymentsof the Bank's portfolio of institutional time deposits whose interest rates are re-priced upon replacement. The Bank has assessed that the hedging relationship between the portfolio of institutional time deposits (hedged item) and the interest rate swap (hedging instrument) qualifies for hedge accounting under PFRS 9. Accordingly, the Bank applied hedge accounting for said transaction.

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 bank 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 Parent Company 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 include 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 Financial Planning & Analysis Division.

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, interest rate swaps and equity securities. Market risk exposures are measured and monitored through reports from the Market Risk Management System which has been implemented in 2018 to enhance risk measurement and automate daily reporting.

BSP issued Circular No. 639 dated January 15, 2009 which mandated the use of the Internal Capital Adequacy Assessment Process (ICAAP) by all universal and commercials banks to determine their minimum required capital relative to their business risk exposures. In this regard, the Board approved the engagement of the services of a consultant to assist in the bank-wide implementation and embedding of the ICAAP, as provided for under Pillar 2 of Basel II and BSP Circular No. 639.

On June 2, 2021, the BOD approved the 2021 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. Pertinent activities emphasizing the Bank's response to the COVID19 pandemic, however, were included in this submission.

The Parent Company submitted its annually updated ICAAP document, in compliance with BSP requirements on June 28, 2021. The document disclosed that the Parent Company has an appropriate level of internal capital relative to the Group's risk profile.

For this submission, the Parent Company retained the Pillar 1 Plus approach using the Pillar 1 capital as the baseline. The process of allocating capital for all types of risks above the Pillar 1 capital levels includes quantification of capital buffer for Pillar 2 risks under normal business cycle/condition, in addition to the quantification based on the results of the Integrated Stress Test (IST). The adoption of the IST allows the Parent Company to quantify its overall vulnerability to market shocks and operational losses in a collective manner driven by events rather than in silo. The capital assessment in the document discloses that the Group and the Parent Company has appropriate and sufficient level of internal capital.

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

m. **Material commitment for capital expenditures**. The Bank expects to incur capital expenditures related to technology-related investments. Funding will be sourced internally.

n. **Fair Value Measurement**. The Group has assets and liabilities in the 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 September 30, 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:

	September 30, 2021		**December 31, 2020 (Audited)**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial Assets at Amortized Cost				
Government bonds	**₱72,334,334**	**₱74,417,209**	₱100,606,146	₱110,454,734
Private bonds	**119,051,687**	**128,963,799**	101,634,485	109,589,297
Loans and receivables				
Corporate and commercial loans	**479,778,369**	**472,487,053**	453,649,372	455,890,979
Consumer loans	**102,710,738**	**117,228,368**	96,488,966	112,946,316
Trade-related loans	**9,186,226**	**9,955,741**	6,937,033	8,538,979
Others	**123,650**	**131,898**	139,113	150,900
Sales contracts receivable	**1,077,763**	**1,193,035**	1,173,038	1,242,609
Time Deposit Liabilities	**320,614,795**	**316,747,143**	366,357,014	362,712,054
Bonds Payable	**42,416,182**	**42,408,378**	52,065,678	52,101,935

As of September 30, 2021 and December 31, 2020, the fair value hierarchy of the Group's assets and liabilities are presented below:

	September 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	**₱478,996**	**₱518,856**	**₱–**	**₱997,852**
Treasury notes	**–**	**3,063,793**	**–**	**3,063,793**
Treasury bills	**–**	**8,357,187**	**–**	**8,357,187**
Private bonds	**2,879,466**	**432**	**–**	**2,879,898**
Quoted equity shares	**1,082,394**	**–**	**–**	**1,082,394**
Financial Assets designated at FVTPL	**150,930**	**–**	**–**	**150,930**
Derivatives with Positive Fair Value Held for Trading	**–**	**1,543,881**	**–**	**1,543,881**

	September 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivatives with Positive Fair Value Held for Hedging	**–**	**208,504**	**–**	**208,504**
Financial Assets at FVOCI				
Government bonds	**2,105,530**	**9,248,832**	**–**	**11,354,362**
Quoted private bonds	**10,394,689**	**–**	**–**	**10,394,689**
Quoted equity shares	**693,323**	**–**	**–**	**693,323**
	₱17,785,328	**₱22,941,485**	**₱–**	**₱40,726,813**
Financial liabilities at FVPL				
Derivative liabilities	**₱–**	**₱1,216,162**	**₱–**	**₱1,216,162**
Derivative contracts designated as hedges	**–**	**278,896**	**–**	**278,896**
	₱–	**₱1,495,058**	**₱–**	**₱1,495,058**
Fair values of assets carried at amortized cost/cost				
Investment securities at amortized cost				
Government bonds	**₱74,616,037**	**₱–**	**₱–**	**₱74,616,037**
Private bonds	**69,778,022**	**–**	**59,185,777**	**128,963,799**
Loans and receivables				
Corporate and commercial loans	**–**	**–**	**472,487,053**	**472,487,053**
Consumer loans	**–**	**–**	**117,228,368**	**117,228,368**
Trade-related loans	**–**	**–**	**9,955,741**	**9,955,741**
Others	**–**	**–**	**131,898**	**131,898**
Sales contracts receivable	**–**	**–**	**1,193,035**	**1,193,035**
Investment properties				
Land	**–**	**–**	**5,895,618**	**5,895,618**
Buildings and improvements	**–**	**–**	**2,354,361**	**2,354,361**
	₱144,394,059	**₱–**	**₱668,431,851**	**₱812,825,910**
Fair values of liabilities carried at amortized cost				
Time Deposit Liabilities	**₱–**	**₱–**	**₱316,747,143**	**₱316,747,143**
Bonds Payable	**–**	**–**	**42,408,378**	**42,408,378**
	₱–	**₱–**	**₱359,155,521**	**₱359,155,521**

	December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVPL				
Held-for-trading				
Government bonds	₱1,970,624	₱1,560,897	₱–	₱3,531,521
Treasury notes	–	2,126,819	–	2,126,819
Treasury bills	–	1,892,770	–	1,892,770
Private bonds	3,358,210	–	–	3,358,210
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
	₱16,565,864	₱17,067,037	₱–	₱33,632,901
Financial liabilities at FVPL				
Derivative liabilities	₱–	₱1,216,771		₱1,216,771
Derivative contracts designated as hedges		521,209		521,209
	₱–	₱1,737,980		₱1,737,980
Fair values of assets carried at amortized cost				
Investment securities at amortized cost				
Government bonds	₱110,454,734	₱–	₱–	₱110,454,734
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

	December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
Investment properties				
Land	–	–	4,834,488	4,834,488
Buildings and improvements	–	–	2,331,151	2,331,151
	₱163,745,432	₱–	₱642,234,021	₱805,979,453
Fair values of liabilities carried at amortized cost				
Time Deposit Liabilities	₱–	₱–	₱362,712,054	₱362,712,054
Bonds Payable	–	–	52,101,935	52,101,935
	₱–	₱–	₱414,813,989	₱414,813,989

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 ₱36.81 million and ₱36.21 million for the nine-month periods ended September 30, 2021 and 2020, 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, 2021	December 31, 2020 (Audited)
Balance Sheet		
Deposit in banks	**₱36,835**	₱7,879
Financial assets at FVTPL	**1,318,088**	1,361,752
Total market value	**1,318,088**	1,361,752
Number of shares held	**54,579**	54,579

	Nine Months Ended September 30	
	2021	2020
Income Statement		
Dividend income	**₱54,579**	₱54,579
Interest income	**35**	232

Other Related Party Transactions

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

	September 30, 2021		
Category	**Amount / Volume**	**Outstanding Balance**	**Terms and Conditions**
Significant Investor			
Loans and receivables		**4,340,600**	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	**2,000,000**		
Repayments	**(4,700)**		
Deposit liabilities		**2,401**	These are checking accounts with annual average rate of 0.13%.
Deposits	**419**		
Withdrawals	–		
Subsidiaries			These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit Liabilities		**466,521**	
Deposit	**1,462,164**		
Withdrawals	**(1,499,979)**		
Associates			
Deposit Liabilities		**538,971**	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	**540,946**		
Withdrawals	**(41,369)**		

Category	Amount / Volume	Outstanding Balance	Terms and Conditions
	September 30, 2021		
Key Management Personnel			
Loans		**4,375**	Unsecured Officer's accounts from Credit card with interest of 2% maturing within 1 year and OEL accounts with interest of 4%; Secured and maturing within 1 year.
Issuance	**3,624**		
Repayments	**(982)**		
Deposit Liabilities		**32,023**	These are checking, savings and time deposit account with annual average interest rates ranging from 0.13% to 1.00%
Deposits	**144,588**		
Withdrawals	**(206,880)**		
Other Related Parties			
Loans		**56,395,024**	Secured and Unsecured Loans with interest rate ranging from 2.25% to 10%. These are accounts that have remaining maturity from less than 1 year up to 9 years.
Issuances	**15,780,215**		
Repayments	**(3,297,796)**		
Deposit Liabilities		**565,018**	These are checking accounts with annual average rate ranging from 0.13% to 1.00%.
Deposit	**9,598,377**		
Withdrawals	**(10,720,245)**		

Category	Amount / Volume	Outstanding Balance	Terms and Conditions
	December 31, 2020 (Audited)		
Significant Investor			
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	–		
Associates			
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)		
Key Management Personnel			
Loans		1,732	Unsecured Officer's accounts from Credit card with interest of 2% maturing within 1 year and OEL accounts with interest of 4%; Secured and maturing within 1 year.
Issuances	216		
Repayments	–		
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)		
Other Related Parties			
Loans		43,912,605	Secured and Unsecured Loans with interest rate ranging from 2% to 10%, accounts that are currently maturing and others one to twelve years.
Issuances	10,049,254		
Repayments	15,572,694		
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 nine-month periods ended September 30, 2021 and September 30, 2020 are presented below:

	Significant Investor		**Associate**	
	September 30			
	2021	2020	**2021**	2020
Interest income	**₱130,218**	₱92,254	**₱–**	₱–
Interest expense	**2**	2	**2,372**	418

	Key Management Personnel		**Other Related Parties**	
	September 30			
	2021	2020	**2021**	2020
Interest income	**₱77**	₱94	**₱1,966,546**	₱1,834,244
Interest expense	**25**	42	**519**	143

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, 2021	December 31, 2020	**Nature, Terms and Conditions**
Balance Sheet			
Accounts receivable	**₱8,341**	₱1,322	This pertains to various expenses advanced by CBC in behalf of CBSI
Security deposits	**9,111**	1,878	This pertains to the rental deposits with CBSI and CBCC for office space leased out to the Parent Company
Accounts payable	**–**	11	This pertains to various unpaid rental to CBSI

	Subsidiaries		
	September 30, 2021	September 30, 2020	**Nature, Terms and Conditions**
Income Statement			
Miscellaneous income	**₱2,143**	₱2,143	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	**33,320**	8,256	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	**172,442**	159,949	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements.

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

		September 2021 Unaudited	December 2020 Audited
ASSETS			
Cash and Other Cash Items	P	12,390,447	15,984,210
Due from Bangko Sentral ng Pilipinas		139,682,547	152,156,449
Due from Other banks		8,614,632	18,228,721
Interbank Loans Receivable and Securities Purchased under Resale Agreements		34,511,003	18,290,851
Financial Assets at Fair Value through Profit or Loss		18,284,438	13,406,863
Financial Assets at Fair Value through Other Comprehensive Income		22,460,738	20,244,403
Investment Securities at Amortized Cost		191,386,021	202,240,631
Loans and Receivables - net		591,798,984	557,214,484
Accrued Interest Receivable		6,764,126	8,529,872
Investments in Associates		791,157	912,647
Bank Premises, Furniture, Fixtures and Equipment - net		7,862,070	8,422,717
Investment Properties		3,890,503	3,984,939
Deferred Tax Assets		5,521,919	5,172,434
Intangible Assets		3,810,118	3,881,669
Goodwill		839,748	839,748
Other Assets		6,704,160	6,501,010
	P	1,055,312,614	1,036,011,650
LIABILITIES AND EQUITY			
Liabilities			
Deposit Liabilities			
Demand		241,107,779	212,466,949
Savings		287,754,081	256,406,867
Time		320,614,795	366,357,014
		849,476,655	835,230,830
Bills Payable		27,457,459	23,655,851
Bonds Payable		42,416,182	52,065,678
Manager's Checks		1,960,369	1,568,232
Income Tax Payable		1,831,556	846,089
Accrued Interest and Other Expenses		4,741,226	3,905,945
Derivative Liabilities		1,216,162	1,216,771
Derivative Liabilities Designated as Hedges		278,896	521,209
Deferred Tax Liabilities		978,750	1,116,362
Other Liabilities		10,985,334	10,899,319
		941,342,588	931,026,285
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	26,858,998
Capital paid in excess of par value		17,200,758	17,122,626
Other equity - stock grants		-	140,924
Surplus Reserves		3,381,431	2,874,004
Surplus		66,632,296	58,659,768
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		272,170	294,115
Remeasurement Gain on Defined Benefit Asset		(447,940)	(426,996)
Remeasurement on Life Insurance Reserve of Associate		(46,958)	(45,903)
Cumulative translation adjustment		100,304	5,536
Cash Flow Hedge Reserve		(70,392)	(521,209)
		113,934,551	104,961,861
Non-controlling Interest		35,475	23,502
		113,970,026	104,985,364
	P	1,055,312,614	1,036,011,649

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

	September 2021 Unaudited	December 2020 Audited
CONTINGENT ACCOUNTS		
Unused commercial letters of credit	**15,023,500**	**14,445,630**
Committed Credit Lines	**6,986,587**	**9,551,472**
Outstanding guarantees Issued	**1,109,585**	**1,187,256**
Inward bills for collection	**1,592,263**	**1,862,824**
Outward bills for collection	**44,913**	**150,073**
IRS receivable	**51,031,000**	**25,351,615**
Spot exchange bought	**12,622,605**	**1,920,935**
Spot exchange sold	**11,501,908**	**2,113,123**
Forward exchange bought	**32,017,796**	**17,338,436**
Forward exchange sold	**31,376,013**	**15,385,289**
Trust department accounts	**221,499,404**	**210,776,272**
Credit card Lines	**13,929,566**	**12,492,933**
Late deposits/payments received	**87,594**	**342,103**
Deficiency claims receivable	**282,256**	**283,842**
Standby credit commitment	**3,574,457**	**1,652,526**
Others	**7,738**	**1,110,325**
	402,687,186	**315,964,655**

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

		For the Three Quarters Ended Sept 30		For the Quarter Ended Sept 30	
		2021	**2020**	**2021**	**2020**
INTEREST INCOME					
Loans and receivables	P	25,014,009	26,903,521	8,619,848	8,608,828
Investment securities at amortized cost and at FVOCI		6,703,668	7,441,984	2,153,743	2,416,055
Financial Assets at FVPL		583,711	534,245	199,561	170,100
Due from BSP and other banks and SPURA		1,482,702	800,293	443,885	278,220
		33,784,089	35,680,043	11,417,036	11,473,202
INTEREST EXPENSES					
Deposit liabilities		3,920,367	8,002,275	1,195,089	1,919,753
Bills payable and other borrowings		1,495,826	2,605,402	513,078	833,274
Lease Payable		149,776	177,624	47,867	56,862
		5,565,969	10,785,300	1,756,034	2,809,890
NET INTEREST INCOME		**28,218,120**	**24,894,743**	**9,661,002**	**8,663,313**
Trading and securities gain/(loss)		929,413	2,969,456	-11,201	220,093
Gain on disposal of investment securities at amortized cost		3,061,379	906,685	562,115	894,401
Service charges, fees and commissions		2,481,638	1,974,268	890,808	714,366
Foreign exchange gain- net		341,167	89,660	79,971	85,887
Income from asset acquired		367,351	112,371	180,020	13,727
Miscellaneous		1,198,740	965,625	397,553	340,877
TOTAL OPERATING INCOME		**36,597,808**	**31,912,808**	**11,760,268**	**10,932,664**
Compensation and fringe benefits		5,751,743	5,325,853	2,386,214	2,030,898
Taxes and licenses		2,748,438	3,105,824	886,421	1,001,914
Occupancy costs		1,337,749	1,135,888	433,804	291,165
Depreciation and amortization		1,348,739	1,432,721	441,664	479,289
Provision for impairment and credit losses		6,505,351	6,314,605	1,139,681	1,557,002
Insurance		1,536,608	1,462,366	504,951	471,702
Repairs and maintenance		121,693	90,759	55,602	31,568
Entertainment, amusement and recreation		331,845	267,477	133,161	88,023
Miscellaneous		3,471,942	3,507,842	664,721	1,531,002
TOTAL OPERATING EXPENSES		**23,154,106**	**22,643,334**	**6,646,219**	**7,482,562**
INCOME BEFORE INCOME TAX		**13,443,702**	**9,269,474**	**5,114,048**	**3,450,101**
PROVISION FOR INCOME TAX		2,265,148	1,018,859	1,192,357	420,553
NET INCOME	**P**	**11,178,554**	**8,250,615**	**3,921,691**	**3,029,547**
Attributable to:					
Equity holders of the parent		11,165,855	8,244,855	3,916,559	3,027,241
Non-controlling Interest		12,699	5,760	5,133	2,307
	P	**11,178,554**	**8,250,615**	**3,921,691**	**3,029,547**
Earnings Per Share					
a. Basic		4.15	3.07	1.46	1.13
b. Diluted *		4.15	3.07	1.46	1.13
Net Income		11,165,855	8,244,855	3,916,559	3,027,241
Weighted Ave. Number of Common Shares Outstanding		2,691,288	2,685,900	2,691,288	2,685,900

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

CHINA BANKING CORPORATION **ANNEX III**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)

	For the Three Quarters Ended Sept 30		For the Quarter Ended Sept 30	
	2021	2020	2021	2020
Net Income	11,178,554	8,250,615	3,921,691	3,029,547
Other Comprehensive Income (Loss):				
Items that recycle to profit or loss in subsequent periods:				
Net unrealized gain (loss) on financial assets at FVOCI				
Fair value gain(loss) for the year, net of tax	955,092	(226,827)	(109,731)	(2,618,037)
Gains taken to profit or loss	(994,196)	(151,295)	(10,639)	2,685,160
Share in Other Comprehensive Income of Associate:				
Net Unrealized Gain on financial assets at FVOCI	(69,507)	152,957	20,207	49,941
Gain (loss) on Cash Flow Hedge	450,817	(527,324)	70,335	50,192
Cumulative translation adjustment	94,864	(64,742)	80,634	(42,516)
Items that do not recycle to profit or loss in subsequent periods:				
Net unrealized gain (loss) on financial assets at FVOCI				
Fair value gain(loss) for the year, net of tax	86,085	23,334	36,081	15,316
Remeasurement gain on defined benefit asset or liability	(21,185)	6,754	-	(136)
Remeasurement loss on life insurance reserves	(1,055)	(60,942)	11,121	(34,685)
Other Comprehensive Income for the year	500,915	(848,084)	98,008	105,234
Total Comprehensive Income for the year	11,679,469	7,402,530	4,019,698	3,134,781
Total comprehensive income attributable to:				
Equity holders of the Parent Company	11,667,496	7,395,271	4,014,624	3,132,583
Non-controlling Interest	11,973	7,260	5,075	2,199
	11,679,469	7,402,530	4,019,698	3,134,781

CHINA BANKING CORPORATION **ANNEX IV**
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands)

	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
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				**0**	**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)**										
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**	**113,943,459**	**35,475**	**113,978,934**
Balance at December 31, 2019	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					8,244,855	(203,477)	6,754	(60,942)	(527,324)	(64,595)	7,395,271	7,260	7,402,531
Retained Earnings, appropriated				(516,819)	516,819						-		-
Cash Dividends - P1.00 per share					(2,685,900)						(2,685,900)		(2,685,900)
Balance at September 30, 2020	**26,858,998**	**17,122,626**	**-**	**3,081,456**	**54,634,534**	**214,099**	**(361,777)**	**(40,288)**	**(579,273)**	**(57,760)**	**100,872,615**	**19,611**	**100,892,226**

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

		SEPTEMBER 2021		SEPTEMBER 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P 13,443,702		P 9,269,474
Adjustment to reconcile income before income tax to net cash provided operations:				
Provision for impairment and credit losses		6,505,351		6,314,605
Depreciation and amortization		1,348,739		1,433,961
Amortization of transaction costs on bonds payable		296,109		(188,375)
Realized gain on financial assets at FVOCI and investment securities at amortized cost		(4,055,575)		(3,893,272)
Share in net losses of an associate		7,683		(101,835)
Gain on sale of investment properties		(292,564)		(134,800)
Gain on asset foreclosures and dacion transactions		(74,786)		22,429
Operating income before changes in operating assets and liabilities		**17,178,658**		**12,722,188**
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Financial assets at FVPL		(5,120,496)		4,794,196
Loans and receivables		(41,392,720)		(18,684,633)
Other assets		2,631,516		191,390
Increase (decrease) in the amounts of:				
Deposit liabilities		14,245,825		51,345,960
Manager's checks		392,137		(605,129)
Accrued interest and other expenses		835,282		714,480
Other liabilities		(351,854)		1,152,801
Net cash provided by operations		**(11,581,653)**		**51,631,254**
Income taxes paid		(1,774,507)		(2,181,106)
Net cash provided by operating activities		**(13,356,161)**		**49,450,148**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of/Additions to:				
Net additions to bank premises, furniture, fixtures and equipment		(326,651)		(731,028)
Dividends from equity investments		(40,000)		-
Investment securities at amortized cost		(117,016,637)		(40,681,455)
Financial assets at fair value through other comprehensive income		(48,179,910)		(36,408,205)
Proceeds from sale of:				
Investment securities at amortized cost		35,201,988		14,893,293
Financial assets at fair value through other comprehensive income		47,004,752		49,490,902
Investment properties		339,281		105,760
Proceeds from maturity of:				
Investment securities at amortized cost		96,033,475		2,697,422
Net cash provided by (used in) investing activities		**13,016,298**		**(10,633,311)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of bills payable		131,664,559		102,704,970
Payments of bills payable		(127,862,951)		(109,837,282)
Proceeds from issuance of bonds payable		20,200,422		-
Maturity of bonds payable		(30,000,000)		-
Payments of cash dividends		(2,685,900)		(2,685,900)
Payments of principal portion lease liabilities		(437,869)		(485,823)
Net cash provided by financing activities		**(9,121,739)**		**(10,304,035)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**-9,461,602**		**28,512,802**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
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
		204,660,231		**143,951,255**
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		12,390,447		11,751,595
Due from Bangko Sentral ng Pilipinas		139,682,547		124,067,077
Due from Other banks		8,614,632		21,277,431
Interbank loans receivable and securities purchased under resale agreements		34,511,003		15,367,953
		P 195,198,630		**P 172,464,057**
RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES				
Balance at beginning of year		75,721,529		70,775,804
Cash flows during the year				
Proceeds	151,864,981		103,751,094	
Settlement	(127,862,951)		(109,837,282)	
Maturity	(30,000,000)	(5,997,970)	-	(6,086,188)
Non−cash changes				
Foreign exchange movement	146,027		(1,365,889)	
Amortization of transaction cost	(296,109)	(150,082)	131,391	(1,234,499)
Balance as of September 30		**69,573,477**		**63,455,117**

China Banking Corporation
Aging of Loans and Receivables
September 30, 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	**611,467,911**	585,453,165	11,082,316	2,020,299	3,323,285	8,907,245	**25,333,145**	681,601
Less: Allow for Probable Losses & Unamotized Discount	19,668,927							
Net Loans and Receivables	**591,798,984**							
Accounts Receivables	**2,568,783**	**1,786,081**	10,285	62,974	23,399	107,495	**204,152**	578,550
Less:Allowance for Probable Losses	90,051							
Net Accounts Receivables	**2,478,732**							
Accrued Interest Receivables	**7,072,681**	7,072,681						
Less:Allowance for Probable Losses	308,555							
Net Accrued Interest Receivables	**6,764,126**							

CHINA BANKING CORPORATION ANNEX VII
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. 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 September 30, 2021:

CHINABANK

PROFITABILITY REPORT BY BUSINESS SEGMENT
FOR THE PERIOD ENDING SEPTEMBER 30, 2021
CONSOLIDATED
(Amounts in thousands of Pesos)

	LENDING BUSINESS	RETAIL BANKING BUSINESS	FINANCIAL MARKETS	OTHER BUSINESS & SUPPORT UNITS AND SUBSIDIARIES	BANKWIDE
Net interest income	20,374,161	1,563,835	2,848,267	3,431,856	28,218,120
Third Party Intersegment	(11,930,751)	12,649,646	(713,036)	(5,858)	-
Net Interest Income after Intersegment Transactions	8,443,410	14,213,481	2,135,231	3,425,998	28,218,120
Other Operating Income	667,210	1,753,603	4,523,495	1,435,380	8,379,688
Total Revenue	9,110,620	15,967,085	6,658,726	4,861,378	36,597,808
Other Operating expense	(2,850,298)	(8,485,946)	(1,692,448)	(3,620,063)	(16,648,755)
Income before Provisions and Taxes	6,260,322	7,481,139	4,966,278	1,241,315	19,949,053
Provision for Impairment and Credit Losses	(4,880,391)	(495,353)	(183,010)	(946,597)	(6,505,351)
Income before Income Tax	1,379,931	6,985,786	4,783,268	294,718	13,443,702
Provision for Income Tax	(58,414)	(911,917)	(1,173,585)	(121,232)	(2,265,148)
Net Income	**1,321,517**	**6,073,868**	**3,609,683**	**173,485**	**11,178,554**
Total Assets	**491,713,488**	**590,318,981**	**294,409,020**	**(321,128,875)**	**1,055,312,614**
Total Liabilities	**2,034,426**	**648,881,668**	**153,634,900**	**136,791,594**	**941,342,588**
Depreciation & Amortization	**38,601**	**612,737**	**26,399**	**671,002**	**1,348,739**
Capital Expenditures	**16,469**	**101,813**	**9,531**	**189,738**	**317,551**

ANNEX VIII

Financial Soundness Indicators

PROFITABILITY (%)	***Jan – Sep 2021***	*Jan – Sep 2020*
Return on Average Equity	**13.63**	11.15
Return on Average Assets	**1.45**	1.11
Net Interest Margin	**4.18**	3.89
Cost to Income Ratio	**45**	51
LIQUIDITY (%)	***Sep 2021***	*Dec 2020*
Liquid Assets to Total Assets	**40**	43
Loans to Deposit Ratio	**70**	67
ASSET QUALITY (%)	***Sep 2021***	*Dec 2020*
Gross Non-Performing Loans (NPL) Ratio	**3.4**	2.3
NPL Cover	**106**	128
SOLVENCY (x)	***Sep 2021***	*Dec 2020*
Debt to Equity Ratio	**8.3**	8.9
Asset to Equity Ratio	**9.3**	9.9
Interest Coverage Ratio	**3.4**	1.9*
CAPITAL ADEQUACY (%)	***Sep 2021***	*Dec 2020*
CET 1 / Tier 1 Ratio	**14.41**	13.82
Total Capital Adequacy Ratio (CAR)	**15.30**	14.73

**for Jan-Sep 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 - $\frac{\text{Gross Non-Performing Loans}}{\text{Gross Loans}}$

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)

In Million Pesos	***Jan – Sep 2021***	*Jan – Sep 2020*
Gross Revenues	**42,164**	42,698
Gross Expenses	**30,985**	34,447
Net Income	**11,179**	8,251

In Million Pesos	***Sep 2021***	*Dec 2020*
Total Resources	**1,055,313**	1,036,012
Loan Portfolio (Net)	**591,799**	557,214
Total Deposits	**849,477**	835,231
Equity	**113,970**	104,985

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

Key Performance Indicators

PROFITABILITY (%)	***Jan – Sep 2021***	*Jan – Sep 2020*
Return on Average Equity	**13.63**	11.15
Return on Average Assets	**1.45**	1.11
Net Interest Margin	**4.18**	3.89
Cost to Income Ratio	**45**	51
LIQUIDITY (%)	***Sep 2021***	*Dec 2020*
Liquid Assets to Total Assets	**40**	43
Loans to Deposit Ratio	**70**	67
ASSET QUALITY (%)	***Sep 2021***	*Dec 2020*
Gross NPL Ratio	**3.4**	2.3
NPL Cover	**106**	128
SOLVENCY (x)	***Sep 2021***	*Dec 2020*
Debt to Equity Ratio	**8.3**	8.9
Asset to Equity Ratio	**9.3**	9.9
Interest Coverage Ratio	**3.4**	1.9*
CAPITAL ADEQUACY (%)	***Sep 2021***	*Dec 2020*
CET 1 / Tier 1 Ratio	**14.41**	13.82
Total CAR	**15.30**	14.73

**for Jan-Sep 2020*

Economic Environment

3Q US GDP expanded at a slower pace of 4.9% year-on-year due to the resurgence of COVID-19 infections during the quarter. Growth in personal consumption, which accounts for 70% of GDP, decelerated to 7.0% (versus 2Q's 16.2%). Growth in private domestic investments and exports likewise weakened. Nevertheless, economic and employment indicators are seen to be recovering. The US Fed kept policy rates at 0% to 0.25% and will begin the reduction of its monthly net asset purchases in November 2021. Meanwhile, China's economic growth was slower-than-expected at 4.9% due to soft industrial production amid power shortage.

On the domestic front, the re-imposition of community lockdowns in 3Q resulted to a slower GDP growth of 7.1% (versus 2Q's 12.0%). The largest contributor to growth was consumption spending which has been expanding over 7% since the previous quarter. Inflation rate ended at 4.8% in September, bringing year-to-date average inflation to 4.5%, above the government's 2%-4% target range. Meanwhile, the increase in capital formation spending markedly decelerated to 22% (from 80% in 2Q).

The BSP Monetary Board maintained the policy rate at 2.00%, as well as the reserve requirement at 12%. As of September 2021, the combined assets of the UK/B & TB industries expanded 7.2% year-on-year to P19.8 trillion. Deposits grew 8.8% to P15.4 trillion, while gross loans inched up by 2.2% to P10.1 trillion. Gross NPL ratio went up to 4.6% from 3.7% as of December 2020, while NPL cover dropped to 86% from 95%.

Results of Operation

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

China Bank reported a 35.5% growth in net income to P11.2 billion in the first nine months of 2021 from P8.3 billion in the same period last year. The strong performance translated to an improved return on equity of 13.63% and better return on assets of 1.45%.

Total interest income decreased 5.3% to P33.8 billion as the impact of subdued loan demand and yield pressure reduced i**nterest income from loans and receivables and interest income from investment securities at amortized cost and at FVOCI** by 7.0% and 9.9%, respectively. **Interest income from financial assets at FVPL** recorded a 9.3% increase to P583.7 million from the higher volume of securities holdings. Likewise, **interest income from due from BSP & other banks and SPURA** increased 85.3% to P1.5 billion because of the year-on-year growth in placements with the BSP and correspondent banks.

Total interest expense amounted to P5.6 billion, P5.2 billion or 48.4% lower than last year as **interest expense on deposit liabilities** dropped by P4.1 billion or 51.0% to P3.9 billion arising from the decline in funding cost. **Interest expense on bills payable and other borrowings** decreased by P1.1 billion or 42.6% to P1.5 billion due to volume-related decline and lower interest cost. **Interest expense on lease payable** was also down 15.7% because of lower balance of outstanding finance lease liability.

With the significant reduction in interest expense, the Bank's **net interest income** rose 13.3% to P28.2 billion and resulted in an improvement in net interest margin to 4.18% from 3.89% last year.

The Bank continued to build up **provisions for impairment and credit losses**, recognizing P6.5 billion in pandemic-related credit buffers in the first nine months of the year, up 3.0% year-on-year.

Total **non-interest income** jumped by 19.4% to P8.4 billion on the back of improvements on all core business lines. The increase was supported by the P4.0 billion net gain on **trading** and **disposal of investment securities**. **Service charges, fees, and commissions** were up 25.7% to P2.5 billion due to higher investment banking and loan- & deposit-related fees. Also, **foreign exchange gain** increased 3.8x to P341.2 million from P90.0 million because of favorable FX trading activities and month-to-month movement in the Peso-Dollar exchange rate. **Income from assets acquired** was 3.3x higher at P367.4 million because of the improvement in sales volume of foreclosed properties. **Miscellaneous income** totaled P1.2 billion, up 24.1% due to higher trust and bancassurance income.

Operating expenses were kept under control, increasing by only 2.0% to P16.6 billion. **Compensation and fringe benefits** stood at P5.8 billion, up 8.0% year-on-year mainly from payroll adjustments, including the collective bargaining agreement between management and the CBC Employees' Association. **Taxes and licenses** were down 11.5% to P2.7 billion mainly from lower volume-related taxes. **Occupancy** was up 17.8% to P1.3 billion due to the increase in regular rent expenses. **Depreciation and amortization** dropped 5.9% following regular depreciation of furniture, equipment, and right-of-use assets. **Insurance** increased by 5.1% to P1.5 billion with the higher PDIC premium payments arising from deposit build-up. **Repairs and maintenance** increased by 34.1% to P121.7 million from higher repairs undertaken during the period. Meanwhile, **entertainment, amusement and recreation** recorded a 24.1% increase to P331.8 million due to higher marketing- and selling-related expenses.

Consolidated **cost-to-income ratio** improved at 45% from 51% in the same period last year.

Financial Condition

Analysis of Consolidated Statement of Financial Condition
As of September 30, 2021 (unaudited) and December 31, 2020 (audited)

Assets remained steady at P1.06 trillion.

Cash and other cash items fell 22.5% to P12.4 billion due to the leveling-off of cash-in-vault from its usual year-end build-up. **Due from BSP** fell by P12.5 billion or 8.2% and **due from other banks** by P9.6 billion or 52.7% with the drop in placements with the BSP and correspondent banks, respectively. Meanwhile, **interbank loans receivable and securities purchased under resale agreements** increased by 88.7% to P34.5 billion from higher volume of overnight placements with the BSP.

Financial assets at fair value through profit or loss (FVPL) and **financial assets at fair value through other comprehensive income (FVOCI)** climbed P4.9 billion or 36.4% and P2.2 billion or 10.9%, respectively with the build-up investment securities. **Investment securities at amortized cost** dropped by 5.4% to P191.4 billion due to the maturities and disposal of hold-to-collect (HTC) securities.

Gross loans were up 7% to P612 billion, as the commercial segment put its expansion plans on hold amid uncertain business climate. **Net loans** stood at P591.8 billion, up by P34.6 billion or 6.2%.

Accrued interest receivable decreased by 20.7% to P6.8 billion because of lower yields and the timing difference in the receipt of interest earned. **Investments in associates** dropped 13.3% to P791.2 million mainly due to lower net income contribution and cash dividends received from the Bank's affiliate, MCBLife. **Bank premises, furniture, fixture, and equipment** decreased by 6.7% to P7.9 billion due to depreciation. **Deferred tax asset** increased by P349.5 million or 6.8% to P5.5 billion with the booking of additional provision for impairment and credit losses.

On the liabilities side, **total deposits** were recorded at P849.5 billion. The combined demand and savings deposits increased by P60.0 billion or 12.8% to P528.9 billion and accounted for 62% of total deposits. **Bills payable** increased by 16.1% to P27.5 billion due to higher interbank borrowings. Meanwhile, **bonds payable** decreased by P9.6 billion or 18.5% 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. **Manager's checks** increased by 25.0% to P2.0 billion as the volume of outstanding checks for negotiation grew year-to-date. **Income tax payable** was at P1.8 billion, P985.5 million higher year-to-date due to additional regular corporate income tax payable for the year. **Accrued interest and other expenses** were 21.4% larger at P4.7 billion because of interest payable accruals. The change in the mark-to-market rates resulted in a 46.5% drop in **derivative liabilities designated as hedges** to P278.9 million. The 12.3% drop in **deferred tax liabilities** is attributable to the savings bank subsidiary.

Total equity reached to P114.0 billion, 8.6% higher than P105.0 billion as of December 2020, mainly from the P8.0 billion or 13.6% increase in **surplus**. The Bank recorded increases in **capital stock** by P53.9 million and **capital paid in excess of par value** by P78.1 million, with a corresponding decrease in **other equity - stock grants**, following the listing on the PSE of the Bank's centennial stock grant plan. **Surplus reserves** increased by 17.7% to P3.4 billion due to additional appropriation in relation to allowance for credit losses. **Net unrealized gains on financial assets at FVOCI** saw a 7.5% decline to P272.2 million arising from the mark-to-market revaluation of the Bank's FVOCI securities. Meanwhile, **cumulative translation adjustment** increased by P94.8 million due to exchange rate difference arising from the conversion of income and expenses related to foreign currency-denominated positions to base currency, while **cash flow hedge reserve** increased by P450.8 million due to the mark-to-market impact of the cash flow hedges, including the new hedge transaction entered in June 2021.

The Bank's Common Equity Tier 1 (CET 1/ Tier 1) ratio and total CAR were computed at 14.41% and 15.30%, respectively.

Total Comprehensive Income
For the period ended September 30, 2021 and September 30, 2020

The Bank recorded **total comprehensive income** of P11.7 billion during the first nine months of the year, a 57.8% or P4.3 billion increase from the P7.4 billion recorded in the same period last year mainly from net income growth and the booking of net unrealized gain on financial assets at FVOCI and gains on cash flow hedge.

Key Performance Indicators

Profitability
CHIB posted a 35.5% increase in net income to P11.2 billion in the first nine months of the year on the back of the strong performance of core business and controlled operating expense growth. This resulted in an improved ROE of 13.63% and ROA of 1.45%. Cost-to-income ratio significantly improved to 45% from 51%, while net interest margin was higher at 4.18% from 3.89% last year.

Liquidity
The Bank's liquidity ratio remained steady at 40%.

Asset Quality
NPL ratio settled at 3.4% with the expected deterioration in asset quality amid the pandemic. Consolidated NPL cover ratio, however, improved to 106% from 99% in June. Meanwhile, the Parent Bank recorded a 120% NPL cover.

Solvency Ratios
Debt-to-equity and asset-to-equity ratios as of September 2021 were recorded at 8.3x and 9.3x, respectively. Interest coverage ratio for the nine-month period was at 3.4x.

Capitalization
China Bank's capital base stood at P114.0 billion. CET 1 / Tier 1 CAR and Total CAR ratios were registered at 14.41% and 15.30%, respectively, both well above the minimum regulatory requirements. The Bank's capital is largely comprised of CET 1/ Tier 1 (core) capital.

Corporate Developments

The investment grade credit rating, with stable outlook, of China Bank was recently affirmed by Moody's Investors Service on the back of the Bank's strong capitalization, profitability, and liquidity amid the COVID-19 pandemic. In its report, Moody's maintained China Bank's long-term counterparty risk and long-term deposit ratings of Baa2, a notch above the minimum investment grade and at par with the country's credit rating. The global debt watcher also viewed the Bank's risk management as commensurate with its risk appetite.

Similarly, the Philippine Rating Services Corporation affirmed China Bank's issuer rating of PRS Aaa (corp.) with a stable outlook. The rating takes into account the Bank's established track record and resiliency, and strong and experienced shareholders who have navigated the bank through various changes in the economic environment; the sound funding profile; lower interest expense that will support short-term profit performance; and more than satisfactory asset quality, with ample capital buffer.

In October, the Bank was recognized as one of the country's strongest banks in 2021 amid the challenges of COVID-19, landing *The Asian Banker's Top 500 Strongest Banks* ranking as the 2nd strongest bank in the Philippines in terms of balance sheet. China Bank is also in the top 20% of the 500 strongest banks in the Asia Pacific region. The Asian Banker cited China Bank as having the lowest gross non-performing loans (NPL) ratio among Philippine banks included in the Asian Banker 500 as of December 2020; ample NPL cover ratio; higher profitability following improvements in fee-based income and cost-to-income ratio; and robust capital and liquidity positions.

The Bank's investment banking house, China Bank Capital (CB Capital), received the *Syndicated Loan Deal of the Year* award from the *Asian Banking & Finance* for spearheading the P12-billion corporate notes facility of Puregold Price Club, Inc. as mandated lead arranger, joint lead underwriter, and sole bookrunner—the supermarket chain's largest syndicated loan to date. CB Capital also won the *Debt Deal of the Year* award is for the P6.48 billion maiden fixed rate bonds issuance of consumer foods manufacturer Del Monte Philippines. CB Capital was the joint lead underwriter and joint bookrunner of the offering.

Manulife *HealthPlex* was distinguished at the 2021 Insurance Asia Awards as the New Insurance Product of the Year. Offered through China Bank and China Bank Savings branches nationwide as MCBL *HealthFlex*, the highly customizable life and health insurance plan is the first in the market to provide customers the flexibility to select the most suitable critical illness protection and add-on benefits.

Pursuant to its 2020 Centennial Stock Grant Plan, the Bank has issued a total of 5,388,400 common shares to eligible officers- and employee-grantees as of September 1, 2021 following regulatory approvals.

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 9% of the total consolidated resources.

- **China Bank Insurance Brokers, Inc.**

In Million Pesos	**Jan-Sep '21**	Jan-Dec '20	Jan-Sep '20
Net Income	64	61	37
Total Assets	545	526	565

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

In Million Pesos	**Jan-Sep '21**	Jan-Dec '20	Jan-Sep '20
Net Income	31	8	36
Total Assets	136	105	121

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

In Million Pesos	**Jan-Sep '21**	Jan-Dec '20	Jan-Sep '20
Net Income	628	506	337
Total Assets	94,472	98,858	95,539

- **China Bank Capital Corporation**

In Million Pesos	**Jan-Sep '21**	Jan-Dec '20	Jan-Sep '20
Net Income	202	216	121
Total Assets	3,025	2,579	2,442