CHINABANK
Since 1920

2018 Annual Financial and Sustainability Report

ABOUT THE REPORT

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This Annual Financial and Sustainability Report provides our stakeholders with a balanced view of our ability to use our financial resources and expertise to be a sustainable business that creates sustainable value.

Covering the period January 1 to December 31, 2018, this report contains material information relating to our financial and non-financial performance, operating context, prospects, risks, and governance to address the information requirements of our current and prospective investors. We also present information relevant to the way we create value for other key stakeholders, including our employees, customers, regulators, and society. This follows our latest report released in 2018 covering the period January 1 to December 31, 2017.

This report has been prepared in accordance with the GRI Standards: Core option. This has also been aligned with the disclosure requirements of the Bangko Sentral ng Pilipinas and the ASEAN Corporate Governance Scorecard. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

ABOUT THE COVER

A bonsai tree with its understated elegance and strength evokes harmony with the elements and steadiness through change. The twists and turns of its branches symbolize age, maturity and character acquired during its journey through time. Like a bonsai, we built and operate our businesses and nurture our relationships with our stakeholders with patience and great care, growing it bit by bit, stretching limits, while remaining sensitive to, respectful of, and mindful of the possibilities presented by, nature.

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ABOUT CHINA BANK

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China Banking Corporation (China Bank) is one of the leading private universal banks in the Philippines. We offer a full range of banking products and services to institutional (corporate, middle market/commercial, SMEs) and individual (retail, mass affluent, high net worth) customers, as well as thrift banking, investment banking, insurance brokerage, and bancassurance services through our subsidiaries China Bank Savings, China Bank Capital, China Bank Securities, China Bank Insurance Brokerage, and affiliate Manulife China Bank Life Assurance.

China Bank, established in 1920, has an in-depth understanding of the way entrepreneurs and businessmen do business. While maintaining very close multi-generational relationships with the Filipino-Chinese community, we have since expanded the scope of our products and services to cover all market segments as we pursue and enhance ways to create greater value for the future.

Over the years, we have reinforced our human, physical, and technological resources to meet the changing needs of our customers, shareholders, and regulators, while minimizing any negative impact on communities and the environment.

Our vision, mission, and the values passed on by China Bank's founders underpin our continuing story of sustainable growth, governance excellence, and enduring partnerships. We are committed to place sustainability at the heart of our business and credit decisions and to uphold the highest standards of corporate governance to remain strongly positioned for value creation.

The China Bank stock (PSE: CHIB) is listed on the Philippine Stock Exchange (PSE). We are a member of the SM Group, one of the largest conglomerates in the Philippines.

Headquarters: China Bank Building, Paseo de Roxas corner Villar St., Makati City 1226 Philippines

VISION

102-16

Drawing strength from our rich history, we will be the best, most admired, and innovative financial services institution, partnering with our customers, employees, and shareholders in wealth and value creation.

MISSION

We will be a leading provider of quality services consistently delivered to institutions, entrepreneurs, and individuals here and abroad, to meet their financial needs and exceed their rising expectations.

We will be a primary catalyst in the creation of wealth for our customers, driven by a desire to help them succeed, through a highly engaged team of competent and empowered professionals, guided by in-depth knowledge of their needs and supported by leading-edge technology.

We will maintain the highest ethical standards, sense of responsibility, and fairness with respect to our customers, employees, shareholders, and the communities we serve.

Integrity
We will always take the high road by practicing the highest ethical standards and by honoring our commitments. We will take personal responsibility for our actions and treat everyone fairly and with trust and respect.

High performance standards
We will abide by well-established professional methods of doing business that go beyond the typical/routine functions and designated results.

Commitment to quality
We will strive for continuous improvement in all that we do, so that we will rank among the best in the banking industry in customer, employee, and community satisfaction.

Concern for people
We have a high regard for people's needs and welfare, whether in and out of the office.

Customer service focus
Satisfied customers are essential to our success. We will achieve total customer satisfaction by understanding what the customer wants and deliver it efficiently.

Resourcefulness/Initiative
We will devise and initiate ways and means to achieve targets/goals and go beyond customer expectations.

Efficiency
We will perform tasks promptly and accurately while maintaining or improving the quality of results or output.

JOURNEY TO 100 YEARS

When we opened for business on August 16, 1920 in Binondo, Manila, we sought from the outset to bring best practices in banking to be more responsive to customer needs and remain relevant and resilient amid the changing business landscape. As we move confidently forward, we will continue to grow, improve, and innovate to remain strongly positioned for value creation.

1920
Opens for business on August 16, 1920
Founders:
Dee C. Chuan,
Don Albino Sycip,
and a group of top Chinese businessmen

1927
Listed on the Manila Stock Exchange

1931
The Great Depression hits the Philippine banking sector; hit by runs, a rival bank goes under, but China Bank weathers the crisis unshaken

1935
P21.5M in resources and one of the country's biggest banks

1942
The Japanese military shuts down China Bank in April, liquidates its assets, and arrests Don Albino and George Dee Se Kiat

1945
Reopens in July; lends to key industries for post-war reconstruction

1948
Opens first branch in Cebu

1968
Becomes the first bank in Southeast Asia to process accounts online

1990

Head office officially transfers to Makati

1991
Introduces TellerPhone, the first phone banking service in the country

1996
Accesses the offshore capital markets with US$50M floating rate certificates of deposit (and US$75M in 1997)

1997

Best capitalized bank during the Asian Financial Crisis, after a 2 for every 3 shares stock rights offering

2006

Completes first international US$53M secondary share offering

2007

- Acquires Manila Banking Corp. and operates it as a savings bank arm, China Bank Savings (CBS)
- Signs bancassurance joint venture with Manulife

2012

Acquires Pampanga-based Unity Bank

2014

- Acquires Planters Development Bank
- Raises P8B from stock rights offer

2015

- Launches investment house subsidiary, China Bank Capital
- Launches credit card business

2016

China Bank Capital acquires stock brokerage house ATC Securities and renames it China Bank Securities

2017

- Gets investment grade credit rating of "Baa2" from Moody's
- Raises P15B from stock rights offer

2018

- Raises P10.25 B via LTNCD issue
- Signs US$150M Green Bond Agreement with IFC
- Recognized as the only bank among the top three listed Philippine companies and among the 50 best publicly-listed companies in ASEAN

MESSAGE TO STAKEHOLDERS

102-14, 102-15

Vice Chairman Gilbert U. Dee, Chairman Hans T. Sy, and President William C. Whang against a backdrop of China Bank's original headquarters in Binondo, Manila. Built in 1924, this historic building at the corner of Calle Juan Luna and Dasmariñas St. is currently being restored to its former grandeur. Restoration is expected to be completed in time for China Bank's 100th anniversary in 2020.

To our Fellow Stakeholders,

Our enduring customer relationships, high governance standards, and responsiveness to change set the stage for another year of solid growth. Amid a very competitive and challenging environment, 2018 was again a banner year for China Bank. We posted our highest ever net profit in our 98-year history—P8.1 billion, made good progress in our strategic objectives, scaled up our contribution to the Sustainable Development Goals, and achieved other milestones that bode well for our ambitious targets in the coming years. 2018 also marked the first full year of our new Management team whose competent leadership is enabling our steady transition from the storied past to a changing present and towards an exciting and sustainable future.

Operating context

The Philippines' economic growth was slower at 6.2%, but remained one of the fastest growing economies in Southeast Asia. On the production side, economic activity was propelled by the services and industry sectors. On the expenditure side, household spending remained as the highest contributor to growth, supported by sustained increases in revenues from the BPO sector and inward remittances.

Fiscal deficit widened by 59%, overshooting the 3% of GDP ceiling for the entire year. Strong government spending outpaced a moderate increase in revenue generation. The spending surge was led by infrastructure, as more of the government's ambitious "Build, Build, Build" projects were launched.

Trade deficit likewise widened by 22% as imports grew faster than exports. This resulted in a current account shortfall as more dollars were spent for importation. The increased demand for the greenback caused the Philippine peso to depreciate by 4%, averaging P52.66: US$1 in 2018 from P50.40: US$1. Similarly, the Philippine Stock Exchange Index lost 1,092 points or 13% year-on-year, closing at 7,466 in 2018.

The Bangko Sentral ng Pilipinas (BSP) raised its policy rate five times to 4.75%, as inflation sustained an uptrend, peaking at 6.7% in September and October. The regulator continued to tighten regulatory oversight and performance standards on capital adequacy and liquidity management. BSP amended the Leverage Ratio framework, implementing guidelines on Net Stable Funding Ratio and adopted the Basel III Countercyclical Buffer. It also brought down the reserve rate requirement to 18%.

Steady growth

Driven by the values and high standards set by our founders and the trust and support of our customers, we achieved steady, solid growth year after year despite the difficult operating environment. We delivered net income of P8.1 billion in 2018, up 8% from 2017. This translated to a return on equity of 9.5% and a return on assets of 1.0%. Our total operating income rose 11% to P28.6 billion, as net interest income surged 17% to P22.9 billion on the back of double-digit growth in loans. Meanwhile, fee-based revenues excluding trading gains and one-off gains grew 16%.

China Bank's customer-centric structure lends itself to solid deposit and loan generation. Total assets expanded 15% to P866 billion on the strength of our core businesses. Gross loans reached P513 billion, 13% higher due to broad based increases across customer segments, particularly the consumer and corporate segments. On the funding side, total deposits climbed 14% to P722 billion, boosted by the 17% increase in CASA (Checking & Savings Accounts) deposits to P401 billion.

In spite of the fast-paced lending, asset quality remained healthy. Non-performing loans (NPL) declined by 7%, further improving NPL ratio to 1.2%—better than industry at both the parent bank and subsidiary levels. NPL cover increased to 167%, with the parent bank recording a stronger ratio at 323% from 175% in 2017.

At the core of our balance sheet strength is our solid capital position. Total capital funds grew 5% to P87.8 billion. Common equity tier 1 (CET 1) and total capital adequacy ratios at 12.2% and 13.1%, respectively, are well above the minimum regulatory requirement.

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MESSAGE TO STAKEHOLDERS

Sustainability is a cornerstone of our mission and the work we do. We adopt best practices and conduct our business responsibly and ethically to ensure China Bank's sustainability and to contribute to a sustainable future for all.

Strong investor confidence

With solid fundamentals, deep relationships with the Chinese-Filipino community, and track record of sustainable and strong earnings, China Bank continues to be among the best-rated companies in the country. In 2018, Moody's affirmed our investment grade rating of "Baa2" Issuer Rating, citing our strong capital base and stable asset quality. We received similar affirmation of our creditworthiness and viability—"BB+" Long Term Issuer Default Rating from Fitch and "BBB" Financial Strength Rating from Capital Intelligence. All three agencies rated China Bank's outlook as "Stable".

Meanwhile, local credit watchdog PhilRatings gave us an issuer rating of "PRS Aaa", the highest corporate credit rating assigned on the PRS scale, reflecting our strong capacity to meet financial obligations.

We harnessed the momentum generated by our positive credit ratings by offering Long Term Negotiable Certificates of Deposit (LTNCD). In 2018, we raised P10.25 billion, the largest in the Bank's history. We upsized the issuance from the original offer size of P5 billion due to strong investor demand. Strategic and well-timed fund raising via LTNCDs enables us to match funding with asset maturity, support our business expansion plans, and create more value for stakeholders.

Beyond economic success

Sustainability is a cornerstone of our mission and the work we do. We adopt best practices and conduct our business responsibly and ethically to ensure China Bank's longevity and to contribute to a sustainable future for all.

To address growing environmental concerns, we inked a US$150 million Green Bond Agreement with International Finance Corporation (IFC). The Green Bond underscores our strategy to facilitate business growth and economic development in a way that is sustainable and beneficial to society and the environment. It opens up more financing for projects to address climate change, including renewable energy, green buildings, energy efficiency, and water conservation initiatives.

We continued to deepen our leadership bench with senior officer appointments in 2018: Ryan Martin L. Tapia as president of China Bank Capital, Mary Ann T. Lim as head of Trust and Asset Management Group, Clarissa Maria A. Villalon as head of Consumer Banking Group-Operations Division, and Atty. Aileen Paulette S. De Jesus as Chief Compliance Officer.

To strengthen our subsidiaries and boost their capability to handle more business, the Board approved the Bank's additional capital infusion of P500 million to China Bank Savings on June 6, 2018. The Board also approved the additional capital infusion of P40 million (plus P60 million from Manulife) to Manulife China Bank Life Assurance Corp. on December 5, 2018.

In September 2018, Our Lead Independent Director, Mr. Roberto F. Kuan, passed away. We are deeply saddened by the loss and will always be grateful for his immense contribution to the Bank's success in the 12 years that he served on our Board. A new Independent Director, Mr. Philip S.L. Tsai, with over three decades of extensive banking experience and management expertise, was elected in November to serve Mr. Kuan's unexpired term.

Also in September 2018, the BSP approved the amendment in our Articles of Incorporation and By-Laws to increase the number of directors from 11 to 12. Subsequently, in January 2019, we received Securities and Exchange Commission's (SEC) nod to proceed with the election of a fourth independent director, bringing a stronger element of independence to the Board.

Our continued adherence to best practices to create sustainable value has other rewards. China Bank was cited at the 2018 ASEAN Governance Awards as the only bank among the top three listed Philippine companies and among the 50 best publicly-listed companies in ASEAN. Our excellence in corporate governance was also recognized by London-based publications Global Banking & Finance Review and Capital Finance International. BSP affirmed our commitment to high customer service standards, conferring on us the Pagtugon Award for Universal and Commercial Banks. Meanwhile, our investment banking arm China Bank Capital was named Best Retail Bond House in the Philippines by The Asset for the third year in a row, and as Best Bond Adviser in the Philippines.

Our wildly important goals

We envision becoming one of the top-performing financial institutions in terms of profitability and shareholder value over the next five years. We adopted the "Wildly Important Goals" or WIGs concept in 2017 as the pillars of execution for our continued success and sustainability. In 2018 and in the coming years, we will align our activities towards the achievement of our four WIGs: business growth, customer centricity, operational excellence, and employee engagement.

At the forefront of core business expansion is fund build-up, particularly low-cost deposits. In 2019, we will develop client acquisition and retention programs, as well as launch new deposit products and services suited to the needs of the retail and other emerging sectors. As the branch network matures, we will continue to review the organizational structure of distribution channels and recalibrate branch functions in order to accommodate more high-value transactions. The synergy between branches and other sales desks will be tightened to drive internal client sourcing, cross-selling, and leads generation programs, while maintaining prudent credit standards.

Our consumer business is set to steadily expand and grow its share to the consolidated loan portfolio. Satellite offices dedicated to servicing housing, auto, and personal loans will be set up in selected branches to ramp up relationship-building with new and existing retail clients. This will be complemented by the suite of fee-based products and services, such as non-life insurance, trust, bancassurance, wealth management, and securities brokering, as well as the China Bank credit cards in order to achieve a more comprehensive product coverage.

China Bank Savings, on its end, would further build up its Automatic Payroll Deduction (APD) portfolio by widening the geographical footprint of sales offices, increasing visibility in Department of Education (DepEd) events, and providing critical marketing and operational support to branches. This includes continuous improvement to the existing loans origination workflow, significantly cutting manual processes from application to approval.

In line with our goal of becoming a digitally-powered and highly-automated bank by our centennial year in 2020, we will streamline key processes related to the rolling growth mandate, cut redundancies, and automate manual procedures alongside setting inter-departmental service level agreements to generate operational efficiencies and provide superior customer experience. Likewise, we will launch programs to drive up enrollment and utilization rates for all electronic banking channels like ATMs, Cash Accept Machines, and the internet and mobile banking platform to facilitate efficient but secure banking transactions.

We will strengthen our 98-year franchise by building a service-oriented organization with highly-engaged employees to be able to meet the challenges of today's competitive banking landscape. China Bank Academy will continue to design and roll-out development programs that are tailor fit to our growth directive, digitization roadmap, and our goal of becoming customers' bank of choice.

Onward to 100 years and beyond

For nearly a century, we have been building a strong, resilient, responsive, and competitive business franchise on a foundation of trust, integrity, accountability, and transparency. We are excited to celebrate China Bank's Centenary next year and we welcome the opportunities and challenges ahead. It is with deep sadness, however, that we are continuing this journey without our Honorary Chairman and Advisor, Mr. Henry "Tatang" Sy Sr. His passing is a great loss to China Bank and the nation. We take comfort in the fact that his legacy will live on.

As we set our sights to the future with optimism and confidence, we will continue to leverage China Bank's strength to facilitate sustainable and inclusive growth and improve the lives of the millions we serve.

On behalf of the Board of Directors, management, and staff of China Bank, we thank you for your continued trust and partnership.

HANS T. SY
Chairman of the Board & Executive Committee

GILBERT U. DEE
Vice Chairman

WILLIAM C. WHANG
President

Henry "Tatang" Sy Sr.

Honorary Chairman

October 1924 – January 2019

Success comes to those who dream big, work very hard to achieve their goals, and are determined and optimistic amid challenges. Henry Sy Sr., the founder of SM, the father of modern Philippine retail, and the Honorary Chairman of China Bank, had attained great success and had touched so many lives in his 94 years. He was fondly called "Tatang" for his role as patriarch to his family and extended family—employees, business partners, and friends. His inspiring rags to riches story, grit, business philosophy, and generosity have made him an example of what it means to be a businessman. And in his passing, he leaves a multi-billion empire that provides livelihood to tens of thousands of Filipinos, a foundation that supports the poor members of the community, and a legacy that inspires generations of entrepreneurs.

"Mr. Henry Sy Sr. was a dreamer. He taught me the meaning of the word 'patience' and he showed it to me when he built his stake in China Bank. He was such a good man. He helped out the poor and the needy. For this, I admire him very much. He was my boss."

- China Bank Vice Chairman Gilbert U. Dee

Journey to success

Tatang was born in 1924 in Xiamen, China as Sy Chi Sieng, which means "to attain ultimate success." At the age of 12, he ventured the rough seas alone to join his father in the Philippines. He imagined life to be better because his father was able to regularly send money back to China. He was surprised to find him operating just a small 'sari-sari' store along Carriedo.

During the Japanese occupation in 1942, his father's store was burned down and another was looted. Devastated, his father returned to China after the war, but Tatang chose to stay. In the smoldering ruins of Manila, he foresaw that shoes would be in big demand. He sold surplus G.I. boots which led to him to open his first Shoemart. But in order to grow his business, he needed more capital.

This capital came in the form of a one million Peso loan from China Bank in 1949, his first credit line.

"The loan facilities given to me by the Bank gave me *'pinsin'*, a Fujianese word meaning 'trustworthiness' or 'credibility', in the Chinese community. It established me as trustworthy. It built up my credit. It proved that I was considered a very trusted customer by the Bank, and that helped my business. If China Bank considered me a good credit risk, then other people would also. That's why I appreciate that loan so much," said Tatang in China Bank's 90th anniversary commemorative book, *A Matter of Trust: The China Bank Story.*

Steadfast through good times and bad

Tatang dreamed of making his little Shoemart into big business and set out to do everything he can to make it happen. His persistent attitude, amazing foresight, and optimism enabled him to see the good out of any bad situation.

He opened the first SM department store in Quiapo just after the declaration of Martial Law. Then following Ninoy Aquino's assassination, in one of the most turbulent periods in the country's political and economic history, he opened the country's first supermall, SM City in North EDSA, in 1985.

In 1989, at the height of the coup d'états against the Philippine government, SM Centerpoint (Sta. Mesa) was opened, followed by SM Megamall in 1991, the first mall in the country that featured the most advanced cinema of that time and an ice skating rink.

Even after the 1997 Asian crisis, Tatang went against conventional wisdom by fast-tracking mall expansion and building two to three new malls every year since then. In 2005, when the country was besieged with fiscal problems, political scandals and poor credit ratings, SM Investments Corp. was able to conduct a successful IPO. SM Mall of Asia was opened in May 2006.

Sharing his blessings

Tatang is known not just for his business success but also for his philanthropic work. He generously gave back to society through the SM Foundation, established in 1983.

Tatang started the SM College Scholarship Program in 1993, which has since supported almost 4,000 scholars and branched out to provide technical-vocational scholarships to deserving indigent high school graduates.

The SM Foundation also donated billions to build public schools for the poor, gave to established schools such as De

La Salle University, the University of the Philippines, Miriam College, and Tatang's alma mater, Far Eastern University. In 1991, the foundation established Asia Pacific College with IBM, and in 2008, acquired National University.

"He worked hard and sacrificed so much early in his life just to be able to receive formal education. He wants the same for every Filipino," said China Bank Chairman Hans Sy, the fourth of Tatang's six children.

The SM Foundation also provides healthcare, shelter, disaster response, farmers' training, and environmental programs. In 2016, the foundation built 1,000 houses for Yolanda survivors.

A mark in history

Tatang had said that there is no such thing as overnight success or easy money. From a very young age, he held fast to a simple way of life where one works for what one gets. Starting with his flagship Shoemart store, Tatang founded the SM group, which has evolved into one of the country's largest conglomerates spanning retail, banking, hotels, and property development. As of December 2018, SM has 72 shopping malls across the country and seven more in China. It also has over 2,300 SM retail outlets, six hotels, and 11 office buildings.

Tatang made his dreams a reality, and in the process, changed the country's landscape with his property developments, provided jobs, turned malling into a national recreation, and redefined the limits of banking.

Farewell, Tatang. Thank you for your lessons and contributions to society. You will forever be in our hearts.

FINANCIAL HIGHLIGHTS

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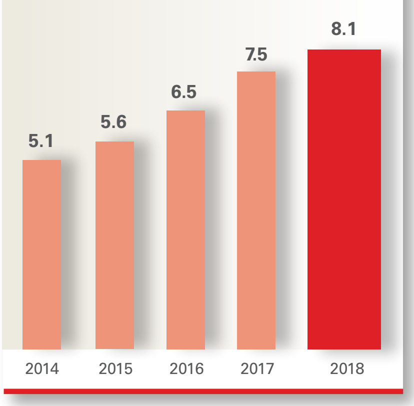
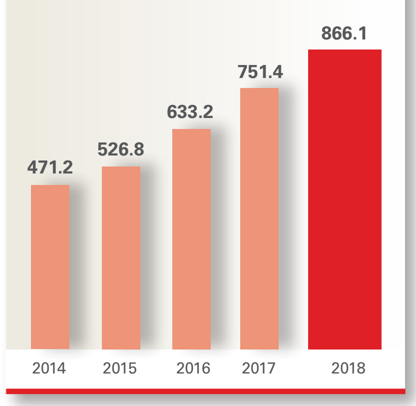
	2016	2017	**2018**
FOR THE YEAR (IN THOUSAND PESOS)			
Net Interest Income	16,694,195	19,626,403	**22,926,186**
Non-Interest Income	5,094,746	6,101,694	**5,658,296**
Operating Income	21,788,941	25,728,097	**28,584,482**
Provision for Impairment & Credit Losses	850,546	754,171	**141,076**
Operating Expenses	13,350,873	15,961,818	**18,055,880**
Net Income Attributable to Equity Holders of the Parent Bank	6,458,296	7,513,972	**8,110,379**
AT YEAR END (IN THOUSAND PESOS)			
Total Resources	633,198,011	751, 447, 510	**866,071,640**
Loan Portfolio (Net)	386, 827, 300	448,970,942	**505,804,955**
Investment Securities	98,982,422	127, 970, 546	**190,234,824**
Total Deposits	541,583,018	635,093,393	**722,123,297**
Stockholders' Equity	63,386,204	83,655,497	**87, 856,587**
Number of Branches	541	596	**620**
Number of ATMs	805	888	**966**
Number of Employees	8,124	9,124	**9,652**
KEY PERFORMANCE INDICATORS (IN %)			
Profitability			
Return on Average Equity	10.42	10.01	**9.54**
Return on Average Assets	1.16	1.12	**1.04**
Net Interest Margin	3.20	3.11	**3.10**
Cost to Income Ratio	61	62	**63**
Liquidity			
Liquid Assets to Total Assets	34	36	**38**
Loans (net) to Deposits Ratio	71	71	**70**
Asset Quality			
Gross Non-Performing Loans Ratio	1.9	1.4	**1.2**
NPL Cover	91	99	**167**
Capitalization			
Capital Adequacy Ratio (CET 1/Tier 1)	11.30	13.47	**12.16**
Capital Adequacy Ratio (Total CAR)	12.21	14.22	**13.09**
SHAREHOLDER INFORMATION			
Market Value			
Market Price Per Share (In Pesos)	33.51 [1/]	33.30	**27.10**
Market Capitalization (In Thousand Pesos)	76,077,058	89,402,898	**72,787,885**
Valuation			
Earnings Per Share (In Pesos)	2.88 [1/]	2.91	**3.02**
Book Value Per Share (In Pesos)	27.92 [1/]	31.16	**32.71**
Price to Book Ratio (x)	1.20	1.07	**0.83**
Price to Earnings Ratio	11.64	11.44	**8.97**
Dividends			
Cash Dividends Paid (In Thousand Pesos)	1,853,728	1,988,720	**2,229,297**
Cash Dividend Per Share (In Pesos)	1.00	0.80	**0.83**
Cash Payout Ratio (In %)	33	31	**30**
Cash Dividend Yield (In %)	3.09	2.36	**2.49**
Stock Dividends Paid (In Pesos)	1,482,993	1,988,729	**–**
Stock Dividend Per Share (In %)	8	8	**–**

[1/] *Restated to show the cumulative effects of stock dividends & stock rights*

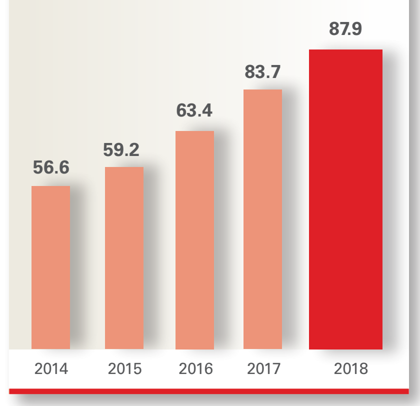
NET INCOME
In Billion Pesos



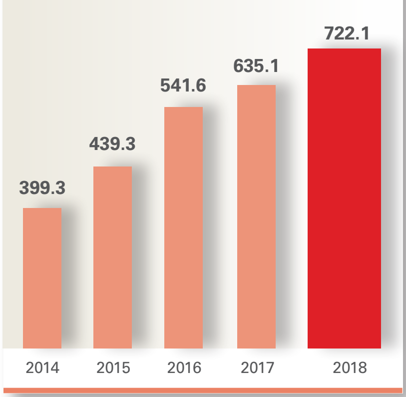
TOTAL RESOURCES
In Billion Pesos



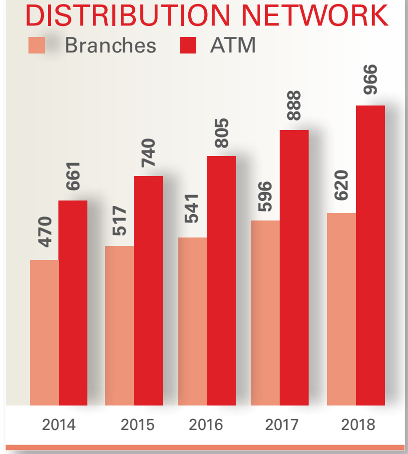
STOCKHOLDERS' EQUITY
In Billion Pesos



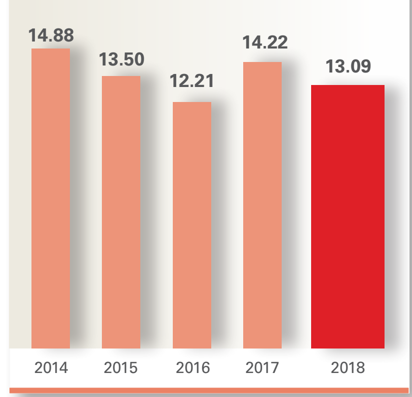
DEPOSITS
In Billion Pesos



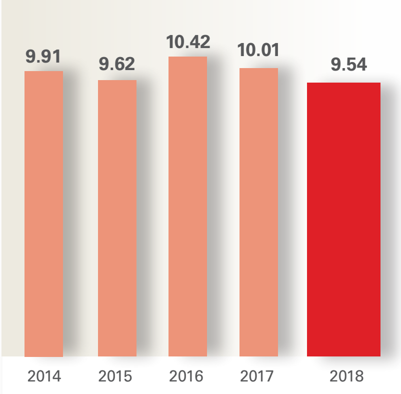
DISTRIBUTION NETWORK



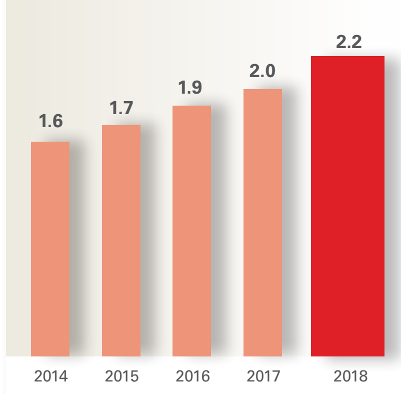
TOTAL CAR
In Percent



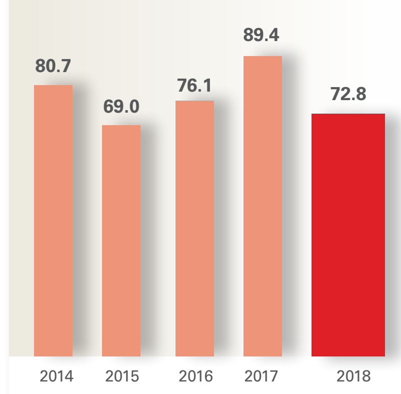
RETURN ON EQUITY
In Percent



CASH DIVIDENDS PAID
In Billion Pesos



MARKET CAPITALIZATION
In Billion Pesos



SDG CONTRIBUTION - CORE AREAS

203-2

SDG target	How we contribute	2018 performance
Target 1.4 Equal rights to economic resources	Making banking accessible and convenient through distribution network expansion, digital innovation, and systems and process improvements to encourage more people, especially the unbanked sector, to join the formal financial system.	**1.5 M** Customers nationwide **P4.5 B** Personal loans **P23.2 B** Total economic value distributed
Target 3.8 Financial risk protection		**160,535** Number of life and non-life insurance policies **P221.1 M** Insurance claims paid
Target 4.6 Literacy and numeracy	Prudently managing our risks, capital, and balance sheet to remain profitable and capable of supporting the Philippines' economic development.	**28,400** Beneficiaries of financial literacy programs
Target 5.5 Equal leadership opportunities for women	Promoting financial education and developing affordable and innovative banking, insurance, and financial products and services to help more people achieve their dreams and secure their financial future.	**63%** of China Bank officers are female
Target 8.10 Access to banking, insurance, and financial services for all **Target 8.5** Full and productive employment and equal pay for work of equal value **Target 8.8** Labor rights and safe and secure working environments	Providing equal opportunities for gainful employment and equitable compensation while ensuring employees' overall wellbeing.	**620** Branches **966** ATMs **200,351** Number of no maintaining/ no min. balance accounts **9,652** Jobs directly created **P6.1 B** Salary and benefits paid to employees **100%** compliance with Philippine labor laws

Target	How we contribute	2018 performance
Target 7.1 Access to energy	Supporting key business sectors in driving sustainable industrialization.	**P7.0 B** Loans for energy access **P7.2 B** Renewable energy financed
Target 9.3 Access to affordable credit	Supporting the SME and middle market segments to increase their capacity for growth and expansion.	**P84 B** Commercial & SME loans
Target 11.1 Affordable housing for all **Target 11.2** Access to sustainable transport	Actively lending to support home and vehicle ownership and help raise the quality of life.	**P49 B** Housing loans **P21 B** Auto loans
Target 12.6 Sustainable practices	Investing in and raising finance for climate-smart projects to help accelerate the transition to a low-carbon economy.	**2nd** Annual Financial & Sustainability Report
Target 13.A Climate change mitigation		**US$150 M** Green Bond
Target 16.5 Reduction of bribery and corruption **Target 16.6** Effective, accountable, and transparent institutions	Adopting global best practices and upholding the highest governance standards to ensure sustainable value creation for all stakeholders	**6,700** Employees trained on Anti-Money Laundering **1,684** Employees trained on Anti-Bribery & Corruption **100+ pts. ACGS*** Among the 50 best in ASEAN in corporate governance

** ASEAN Corporate Governance Scorecard*

SUSTAINABILTY STRATEGY AND ROADMAP

Banking is a stakeholder business. China Bank's sustainability is underpinned by the enduring relationships of trust we have built with our customers, employees, investors, regulators, and society in general. We are driven to continuously create value by delivering on our role to our stakeholders and contributing to the achievement of the Sustainable Development Goals.

OUR MISSION	AS ENABLER	AS ADVOCATE	AS EMPLOYER
METRICS	• Number of branches and ATMs • Number of customers • New products/ services launched • Transaction volume (E-banking) • Deposit volume • Remittance volume • Loan volume • Deal volume • Investment volume • Insurance volume	• Customer Satisfaction rating • Volume of inquiries, requests, complaints received • Number of reported concerns • Complaint resolution rate	• Number of employees • Number of new hires • Workforce proportion in terms of gender, age, and rank • Number of employees promoted • Number of training hours • Attrition rate • Retention rate • Number of engagement, team effectiveness, and work-life integration programs
SDG Contribution	• Target 1.4 • Target 3.8 • Target 8.10 • Target 9.3 • Target 13.A • Target 7.1 • Target 11.1, 11.2	• Target 16.6	• Target 5.5 • Target 8.5 • Target 8.8

AS PARTNER

- Economic value distributed
- Energy and fuel consumption
- Scope 2 and Scope 3 GHG emissions
- Number and impact of Corporate Social Responsibility programs and activities

- Target 1.4
- Target 4.6

AS STEWARD

- Board Direction and Senior Management performance
- Governance policies and ethical business practices
- Board and Board Committee meetings, directors' attendance, and assessments
- Compliance with the ASEAN Corporate Governance Scorecard
- Governance awards

- Target 12.6
- Target 16.5, 16.6

Developing new shared value approaches to better serve the needs of and continue to make a positive impact on our stakeholders

Setting ambitious targets to scale up contribution to the SDGs

MATERIALITY PROCESS AND MATERIAL TOPICS

102-42, 102-46, 102-47, 103-1

Addressing what's important to our stakeholders and our business is an opportunity for us to strengthen our Bank, improve the way we do businesses, and create sustainable value. In 2018, we conducted a materiality assessment to identify and prioritize China Bank's material sustainability topics. We engaged an external consultant, Philippine Business for the Environment (PBE), to provide additional rigor and analysis to the process.

1 BENCHMARKING

We researched competitors, international standards of best practice and globally accepted frameworks, and peer companies to establish a baseline understanding of trends, best practices, and material topics in the banking industry.

2 IDENTIFICATION

We consulted our key stakeholder groups to identify an array of environmental, social, and governance topics. To gain broader perspective on these topics of interest, we also reviewed various stakeholder reports, investor briefing materials, results of our customer satisfaction surveys, and other sources.

3 PRIORITIZATION

We conducted working sessions, face-to-face interviews, and phone/email consultations with our senior management and various business groups and select external stakeholders. We asked the respondents to select issues that present significant risk, leadership opportunities, or long-term effects on our business.

4 VALIDATION

We consolidated their feedback, confirmed with the various business groups that all significant aspects and impacts have been considered, and presented the materiality results to senior management.

Material Topics and Boundary

103-1

Resulting from the materiality process are the following material topics that are important to our stakeholders and strategically important to China Bank's operations and sustainability.

Category	Topic	GRI-Related Disclosure	Boundary
Governance	Sound business practices Risk management Regulatory compliance	Alignment with BSP, SEC and PSE and international best practices* GRI 102-18 to 102-39 General Disclosures on Governance GRI 205 Anti-corruption	Internal
Economic	Financial performance Economic contribution	GRI 201 Economic Performance GRI 203 Indirect Economic Impacts	Internal and external
Environment	Energy and fuel consumption	GRI 302 Energy GRI 305 Emissions	Internal
Social	Talent acquisition and development Employee engagement and retention Employee well being Customer protection Customer relationships Customer satisfaction Community investment	GRI 401 Employment GRI 404 Training and Education GRI 405 Diversity and Equal Opportunity GRI 403 Occupational Health and Safety GRI 418 Customer Privacy GRI 413 Local Communities	Internal and external
Value creation	Impact to sustainable development of our financial products	Financial contribution to SDG Investment Areas*	Internal and external

**China Bank-defined metrics*

STAKEHOLDER ENGAGEMENT

102-40, 102-43 102-44

Our approach to sustainability is shaped by our engagement with stakeholders. Through dialogues, meetings, surveys, and correspondences, we endeavor to understand our stakeholders' concerns and expectations so we can align them with our strategic objectives and initiatives.

Our stakeholders	How we engage them and how often	What matters to them	What we are doing
Customers	• Daily customer interactions: face-to-face with personnel at branches; via e-mail, telephone, and social media channels • Annual customer satisfaction survey • Regular visits to select customers • Year-round events: market outlook briefings, wealth forums, etc.	• Service quality • Reliability and security of electronic banking channels • Accessibility of branches • Easy account opening/loan application requirements and processes • Sound financial advice • Capable personnel to efficiently address concerns • Fast complaints resolution	• Continuous service, process, and technology improvements • Ongoing branch and ATM network expansion • Ongoing capacity building: hiring people with the right qualifications, competencies, and attitude and further developing their skills through training
Stockholders/ Investors	• Regular investor briefings and one-on-one meetings • Periodic roadshows with Investor Relations • Annual stockholders' meeting • Accurate and timely disclosures	• Shareholder returns • Financial performance • Continued growth, managed risks	• Timely and transparent updates and disclosures • Continuous fiscal management and risk management improvement to enhance profitability and deliver dividends
Analysts	• Regular correspondence via letters and email • Periodic roadshows with Investor Relations • Periodic one-on-one dialogues	• Updates on the performance of the Bank • Transparency	• Timely and transparent disclosures
Employees	• Regular face-to-face meetings, trainings, and digital interactions through email, Intranet, and e-Learning Portal • Regular conduct of Work-life Integration, Team Effectiveness, and Personal Social Responsibility programs • Monthly area meetings • Annual National Convention • Annual performance evaluation	• Career development • Equitable compensation • Work-life balance • Understanding of organizational goals	• Continuous implementation and enhancement of employee recruitment, development, and engagement programs • Cascade of Wildly Important Goals (WIGs)
Regulators	• Regular correspondence via letters and email • Regular audits • Annual BSP examination	• Transparency and accountability • Compliance with relevant Philippine laws, rules, and regulations • Responsible lending • Ethics and compliance	• Prompt response to inquiries and requests for explanation on certain matters • Timely and transparent disclosures and regulatory compliance reports • Cascade of policies and regular updates • Annual conduct of internal and external audits
Suppliers and contractors	• Accreditation • Regular correspondence via letters and email • Regular dialogues during the procurement process	• Procurement policies	• Cascade of policies and regular updates
Industry groups	• Membership • Periodic general membership meetings, working committee meetings, conferences, and fellowship activities	• Continuing membership • Discussion of industry trends, updates, common concerns, and advocacy • Adoption of new rules and regulations • Collaboration • Participation in socio-civic projects	• Active membership • Attendance in meetings, conferences, and fellowship activities • Participation in meetings with key policy decision makers
NGOs and charitable institutions	• Regular correspondence via letters and email • Periodic partnerships/sponsorships • Post-event feedback	• Support for projects and initiatives • Collaboration • Feedback on activities conducted	• Participation in and support of worthy causes • Continuous enhancement of community relations

CHINA BANK AS ENABLER

SDGs

Target 1.4
Equal rights to economic resources

Target 3.8
Financial risk protection

Target 7.1
Access to energy

Target 8.10
Access to banking, insurance, and financial services for all

Target 9.3
Access to affordable credit

Target 11.1
Affordable housing for all

Target 11.2
Access to sustainable transport

Target 13.A
Climate change mitigation

Enabling our customers' success

Driven by our mission to be a catalyst of wealth creation, we embrace our role as an enabler of our customers' success. In 2018, we focused on building our capabilities, enhancing our distribution channels, and improving our offerings and processes around our customers' needs to help them succeed financially and ultimately, to help raise the quality of life in the country.


CHINABANK ATM
24/7 banking
BancNet
VISA
PLUS
VISA
Protect Your PIN

Banking for everyone

A bank account not only brings peace of mind that hard-earned money is kept safe, it also provides the opportunity to get a loan for a car, house, and business. Banking is essential to prosperous living.

To make banking more accessible to more people, we expanded our reach, adding 24 more China Bank and China Bank Savings branches nationwide, and enhanced our digital platform. We extended our branches' banking hours by one hour to have more time serving customers, shortened check clearing time so funds become available five hours sooner, and streamlined processes for faster turnaround time. To make banking convenient and accessible everywhere else, we launched the new and improved China Bank Mobile App with first-in-the-market features, deployed more ATMs and POS cash-out facilities even in remote areas. And to translate banking convenience to a better commuter experience, we launched another first in the market—beep™ card balance inquiry and reloading via select China Bank and China Bank Savings ATMs. beep™ cards are used to pay for fare at MRT and LRT trains, P2P buses, highway toll, as well as for purchases at select retail outlets.

620 branches | **966** ATMs

Longer banking hours

Later check clearing cut-off time

Faster turnaround time

Our wider footprint and enhanced customer journey and electronic banking channels enabled us to capture more opportunities for customer acquisition and deposit generation in 2018. Deposits increased 14% to P722 billion, boosted by the 17% growth in CASA deposits (Checking and Savings Accounts) to P401 billion. Our no opening/ maintaining balance deposits accounts, China Bank Overseas Kababayan Savings and CBS Easi-Save Basic, combined with our year-round financial awareness campaigns, encouraged more people to save. The number of accounts under these deposit products increased 27% to 200,351 accounts. And as we continued to promote savings consciousness to children, the number of CBS Easi-Save Kids accounts increased 32% to 8,122.

China Bank Mobile App

We launched in March 2018 a more robust version of China Bank Mobile App. It has the usual functionalities for convenient banking on the go—inquire balance, view transaction history, pay bills, transfer funds—plus pre-login features like ATM/ Branch locator, exchange rates viewer, and loan calculator/simulator, as well as new functionalities not available in other mobile banking apps:

- SLEX RFID Reload – easy RFID reloading for South Luzon Expressway
- JUMP (Just Use your Mobile Phone) – easy fund transfer feature. The funds can be withdrawn from any China Bank ATM using the passcode sent to the payee's mobile phone, no ATM card needed.
- NOW (No card On Withdrawal) - Emergency cash feature for card-less withdrawals at China Bank ATMs.

P722 B deposits up 14% | **P401 B** CASA deposits up 17%

Photo on left: CMS Mindanao Sales Officer John Carlo Bacong, Travie's Store owner Analyn Yuting, and Butuan City Branch Head Sheelah Kho. Photos on right: Crossing the river to Las Nieves and the boat dock.

China Bank POS Cash-Out facility

Travelling long distances over mountains and across a river is the norm for the residents of Las Nieves, a community of households that are recipients of the Government's *Pantawid Pamilyang Pilipino Program* or conditional cash transfer program called "4P's". Funds are credited monthly to their ATM accounts, which they need to withdraw from a Bancnet ATM Terminal in Butuan City 50 km. away.

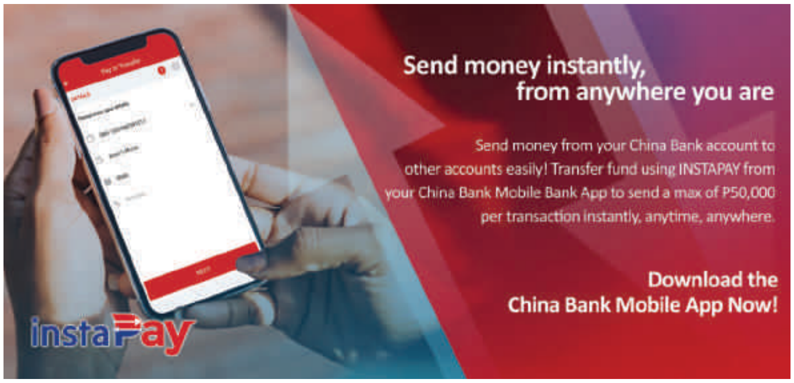
To service the needs of this isolated community and protect them from the risk of getting robbed on their way to and from Butuan City to withdraw, we installed a POS Cash-Out Facility at the community's only convenience store, Travie's Store, to facilitate cash withdrawals through a POS terminal using any local ATM card. Offsite ATMs are costly to install and maintain. They require regular maintenance, a dedicated security per site, and routine cash replenishment. Such requirements are not sustainable if the offsite ATM were to be situated in remote areas in the country like Las Nieves in Agusan del Norte.

By installing a POS terminal at Travie's Store, we made it more convenient for the 4Ps beneficiaries to withdraw their money. We also help the proprietor Mrs. Analyn Yuting generate a new revenue stream for she earns P20.00 per transaction as a convenience fee. The facility also helps her better manage the store's excess cash, minimizing her risk from the travel she needs to take to make bank deposits.

We are partnering with more businesses to deploy more POS Cash-Out facilities to promote financial inclusion and convenient access to cash.

CHINA BANK AS ENABLER

New customers are automatically enrolled in China Bank Online so they can enjoy convenient and secure access to their accounts using their computer or smart phone. We were among the first banks to implement PesoNet in November 2017 and InstaPay in May 2018, the electronic fund transfer service under the National Retail Payment System (NRPS) that allows customers to transfer funds directly to accounts of participating BSP-supervised banks and non-bank e-money issuers in the Philippines. These initiatives led to the 18% increase in the usage of our electronic banking channels, supporting NRPS' aim to increase digital transactions to 20% by 2020.



For OFWs and their families, we offer fast, safe, and affordable remittance service. In 2018, we expanded our international and local remittance tie-ups and launched promos to make sending money through China Bank more convenient and rewarding. Our remittance volume increased 11% to US$3.2 billion, accounting for 11% of the OFW remittances sent through banks.

US$3.2 B
remittances
up 11%

28
international remittance partners with branches worldwide

5
domestic payout partners with
8,500
branches nationwide

In 2019, we are targeting to open over 20 branches. We will also continue to enhance our digital platform, simplify account opening procedures, and launch new products, service enhancements, and promos to make banking more accessible, inclusive, and rewarding.

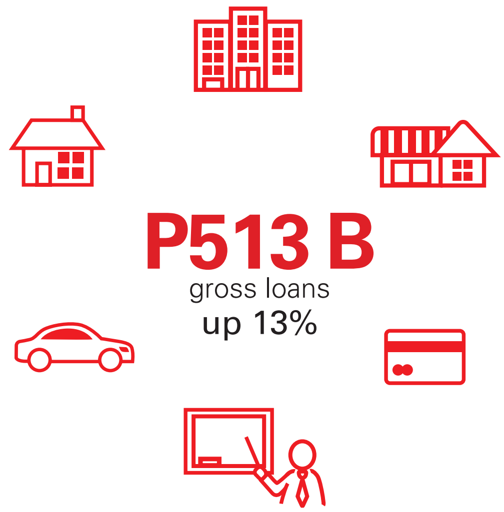
Financing dreams

203-2

We support our customers' ambitions, providing a range of consumer, commercial/SME, and corporate loans and solutions to meet their financial needs. We expedited loan processing with streamlined processes and more branches and consumer loan centers, standardized credit proposal formats for commercial and more complicated accounts to ensure the availability of critical information vital to credit decision, and instituted a fast lane for simple loan renewals with a structured credit guide checklist based on the 5 Cs of credit to expedite the credit evaluation process. Our gross loan portfolio rose 13% to P513 billion in 2018.

Access to credit is crucial to the country's inclusive economic growth. We provide business owners with the relevant financial products, services, and advice to enable them to achieve their goals and become active contributors to the economy and to job creation.

We actively lent to businesses of all sizes, and recognizing that our lending decisions have an impact on sustainability, we carefully considered the purpose for which the loans were used.



China Bank's Chairman Hans Sy and COO Romeo Uyan Jr. (seated 2nd from right and rightmost, respectively), IFC's Regional Director Vivek Pathak and CEO Phillippe Le Houerou (seated leftmost and 2nd from left , respectively), and the China Bank Green Bond working team during the agreement signing on October 19, 2018.

China Bank US$150 million Green Bond Agreement

In October 2018, we signed an agreement with IFC for China Bank's first green bond issue worth US$150 million to finance climate-smart projects, including renewable energy, green buildings, energy efficiency and water conservation initiatives.

The green bond will bring up China Bank's climate portfolio to over US$200 million (equivalent to about P11 billion), affirming our commitment to sustainability. The bond also supports the continuing development of the nascent green bond market in the Philippines and the government's target of reducing carbon emissions by 70% by 2030.

Our business loans increased 11% to a total of P437 billion. Loans to corporates grew 18% to P342 billion, loans to the commercial and SME segments declined 9% to P84 billion, and loans to developers rose 6% to P11 billion. The loans helped finance the development of sustainable communities, the modernization of transportation, the expansion of the food and agriculture industry, and more.

P342 B
corporate loans

P84 B
Commercial and SME loans

Owning a home and vehicle is a dream for the everyday Filipino. We continued to offer very competitive consumer loan rates and fast processing to make it easy and affordable for more people to achieve this dream. Our housing loans increased 23% to P49 billion, while auto loans grew 10% to P21 billion. Majority of the loans were used by the borrowers to purchase their very first residential property and vehicle. A small percentage of the auto loans were used to buy vehicles for business use. In 2018, we financed 5,611 new houses and 10,216 new vehicles.

P49 B
housing loans

5,611
new homes financed in 2018

P21 B
auto loans

10,216
new vehicles financed in 2018

Through China Bank Savings (CBS), we provide personal loans to help people with their short-term credit needs. In 2018, CBS' personal loan portfolio expanded 60% to P4.5 billion, P3.5 billion of which, or 79%, was comprised of Easi-Automatic Payroll Deduction Salary (Easi-APDS) loans. Easi-APDS loan is for the teaching and non-teaching employees of the Department of Education, Technical Education and Skills Development

P3.5 B
loans to DepEd teachers and employees

Easi-APDS Loan for teachers

China Bank Savings partnered with Manulife China Bank Life Assurance Corporation (MCBLife) to offer a salary loan with free life insurance coverage for employees of the Department of Education and its affiliated agencies—a first in the industry. The Easi-APDS loan helps borrowers with their short-term credit needs while protecting their families from uncertain financial burden.

The minimum loan amount is P5,000 and the maximum is P1 million, payable in 12, 24 or 36 months. For the duration of the loan, the borrower gets free life insurance coverage. In the first three months, coverage is the same amount as the outstanding balance, which will increase to 1.5 times of the outstanding balance in the fourth month onwards.

Authority (TESDA), Department of Science and Technology (DOST), and state universities and colleges. With the added benefit of free life insurance and the opening of more APD Salary Loan Centers, new Easi-APDS loans released in 2018 doubled to P3.5 billion. More than half of the loan proceeds were for general personal needs, the rest were for housing (repair/renovation), medical/hospitalization, and education.

China Bank Credit Cards provide everyday consumers the flexibility to afford their needs and the purchasing power to accommodate their lifestyles. We switched to a new credit card system in 2018 for enhanced efficiencies and improved service moving forward. Outstanding loans rose 5% to P1.4 billion, while gross billings increased 6% to P5.5 billion. We expect to see significant improvement in the coming years as the additional feature of the new card system are roll out together with exciting promos.

P5.5 B
credit card gross billings

We conduct our lending activities in line with best practices and international principles safeguarding the environment and human rights and promoting anti-corruption. We are developing a framework for assessing possible environmental, social, and governance (ESG) risks associated with lending to business customers. Moving forward, we will continue to improve our lending practices and processes to meet our customers' needs and contribute more to a sustainable economy.

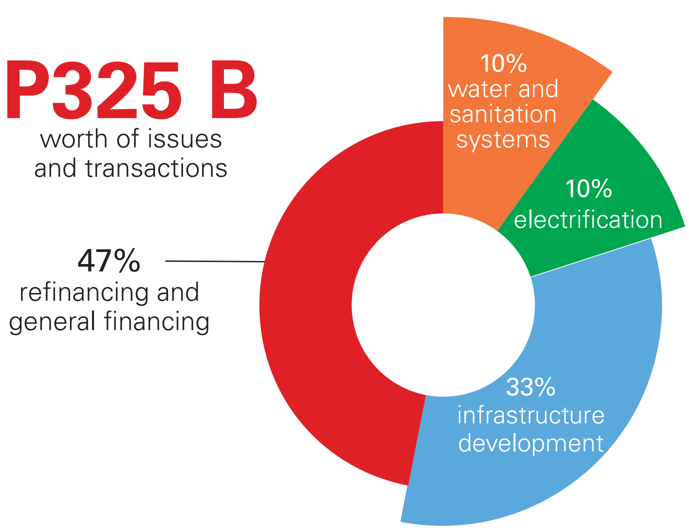
Creating and protecting wealth

In building strong relationships with our customers, we endeavor to know them and their financial needs well. We connect them to experts and resources within the China Bank Group to help them find the right solutions for their more complex financing requirements and to match their personal circumstances, lifestyle, and investment objectives with the right investments to build and protect their wealth.

Aside from traditional loans, we help both the private and public sectors raise funds through the capital market. China Bank Capital and China Bank Securities provide expert advice and execute debt and equity financing arrangements to help companies beef up capital through the most cost-effective mix of debt and equity. In 2018, China Bank Capital remained number one in retail bond issues with 33% market share. Total transactions reached P325 billion in 2018, more than half or P172 billion went to SDG-contributing investments, particularly in infrastructure development, electrification, and water and sanitation systems.

China Bank Capital

No. 1 in peso retail bond issues
Participated in 30 debt and equity transactions of 22 companies that belong to the top 1,000 Philippine corporations



Best Bond Adviser

For the third year in a row, China Bank Capital won as the Best Bond Adviser in the Philippines at *The Asset* Triple A Country Awards 2018 in Hong Kong. It was also recognized for its role in two award-winning transactions—the Bloomberry Resorts and Hotels P73.5 billion syndicated term loan, one of the largest corporate syndications ever arranged in the Philippine debt market, awarded as the Best Syndicated Loan in the country; and the Ayala Land P10 billion retail bonds issue, the first-ever corporate bond with a repricing structure during the life of the bond, cited as the Most Innovative Deal.

China Bank Capital was registered and licensed as an investment house in November 2015. In just three years, it has made its mark in the capital markets, becoming the top choice of issuers. The award from *The Asset* follows the accolades it received from *FinanceAsia* as the Best Debt Capital Markets House in the Philippines, from *Global Banking and Finance Review* as the Best Bank for Debt Capital Markets, from the Philippine Dealing System as the Top Corporate Issue Manager/Arranger, and from the Investment House Association of the Philippines as the Best Fixed Income House.

As our customers accumulate wealth, we help them preserve and grow it and secure their financial future with a range of investment solutions to suit their individual risk appetite and investment goals. We aim to deliver superior long-term returns, leveraging the expertise of our seasoned team of investment professionals and broad access to market information.

We provide our high net worth customers with customized solutions and personalized service to manage, enhance, and preserve their wealth. In 2018, Wealth Management Group's (WMG) assets under management increased 25% to P106 billion. Private banking accounts rose 7% to 3,432.

P106 B	3,432
WMG assets under management up 25%	accounts up 7%

We offer our individual and business customers the advantage of having a competent trustee to manage their investment portfolio, estate, and retirement funds, as well as the benefit of having a reliable escrow agent for business transactions involving large sums of money. In 2018, Trust and Asset Management Group's (TAMG) assets under management reached P134 billion, moving China Bank to the number five spot from number six out of 44 trust institutions.

P134 B	19,843
TAMG assets under management, up 2%	accounts up 19%

As a Government Securities Eligible Dealer (GSED), a registered broker-dealer of fixed income securities with the Securities and Exchange Commission, and a brokering participant in the Fixed Income Trading Platform of the Philippine Dealing and Exchange Corporation, we offer access to direct investments in government securities issued by the Bureau of Treasury and to highly-rated bonds of various maturities issued by prime Philippine corporations. Treasury Group's trading volume in 2018 reached P82 billion, with 9,335 deals, representing 11% of total market trades. Out of 31 broker participants, China Bank ranks second in the number of trades and fourth in fixed income trading volume.

P82 B	9,335
trading volume No. 4 in the industry	deals No. 2 in the industry

Best Managed Funds

China Bank was again recognized by the Chartered Financial Analyst (CFA) Society Philippines, distinguishing two of our Unit Investment Trust Funds (UITFs)—China Bank Dollar Fund and China Bank Balanced Fund—as the Best Managed Fund in their respective categories among the 82 participating funds and 16 investment houses and trust institutions.

The awards affirm our commitment to provide the best returns to investors. This is the third consecutive year that China Bank Dollar Fund was awarded Best Managed Fund in the Long Term (Dollar FVPL) category, and the first time for China Bank Balanced Fund to win Best Managed Fund in the Balanced (Peso) category.

China Bank offers a total of ten UITFs for a minimum investment of P10,000 for the peso-denominated variants, US$1,000 for China Bank Dollar Fund, and US$500 for China Bank Dollar Money Market Fund.

We offer a full range of innovative insurance products to help our customers prepare for life's eventualities and protect their assets through Manulife China Bank Life Assurance Corporation (MCBLife) and Chinabank Insurance Brokerage (CIBI). Our customer-centric approach ensures that our customers receive the best possible solution to meet their specific insurance needs, with each policy underpinned by our strong claims-paying ability. In 2018, MCBLife's total policies in-force grew 39% to 98,499, while insurance claims payments increased 12% to P89 million. Meanwhile, Chinabank Insurance Brokerage, which celebrated its 20th anniversary in 2018, enhanced its roster of A-rated insurers and its brokering and claims infrastructure. Its number of policies increased 38% to 62,036, while insurance claims payments rose 37% to P132 million.

MCBLife

98,499
Insurance policies
up 39%

P89 M
Insurance claims paid
up 12%

CIBI

62,036
Insurance policies
up 38%

P132 M
Insurance claims paid
up 37%

Best combination of investment and insurance

Insurance and wealth products go hand-in-hand to provide customers the protection they need to grow their investments through professionally-managed funds. In June 2018, MCBLife China Bank Dollar Fixed Income Variable Unit-linked (VUL) Fund was launched.

A VUL insurance is a financial product that combines insurance coverage and investment yields. The policy value is "linked" to the investment funds; thus, it is reflective of the fund's investment performance. It presents earning potential that may not be offered in a traditional life insurance policy. Like a mutual fund investment, a VUL insurance provides the benefits of diversification as it allows customers to invest in fixed income securities or bonds issued by the Philippine government, as well as full-time professional fund management. The MCBLife China Bank Dollar Fixed Income VUL Fund is available as an option for any MCBLife Single Premium VUL product.

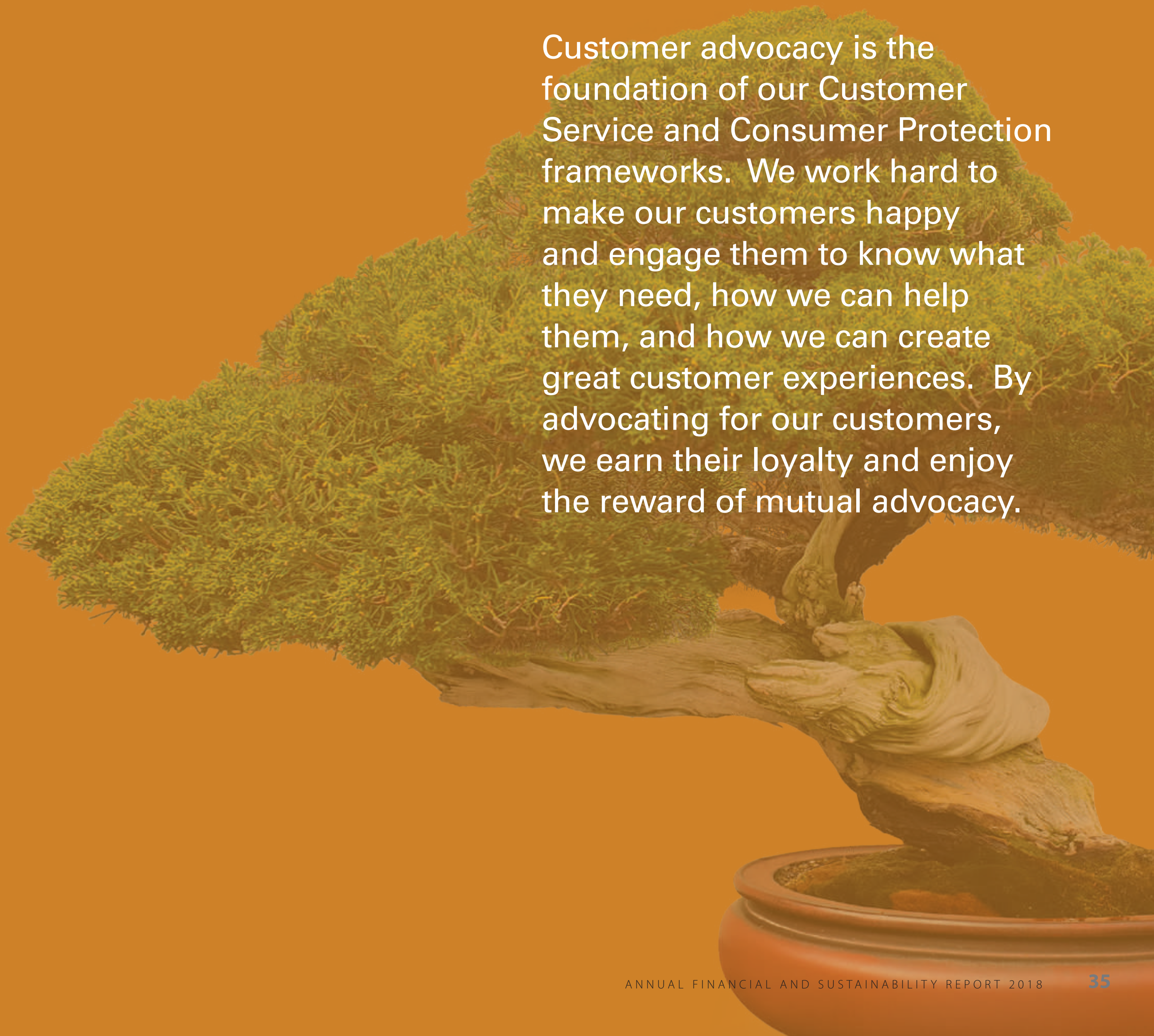
CHINA BANK AS ADVOCATE

SDG

Target 16.6
Effective, accountable, and transparent institution

Delighting and engaging our customers

Customer advocacy is the foundation of our Customer Service and Consumer Protection frameworks. We work hard to make our customers happy and engage them to know what they need, how we can help them, and how we can create great customer experiences. By advocating for our customers, we earn their loyalty and enjoy the reward of mutual advocacy.



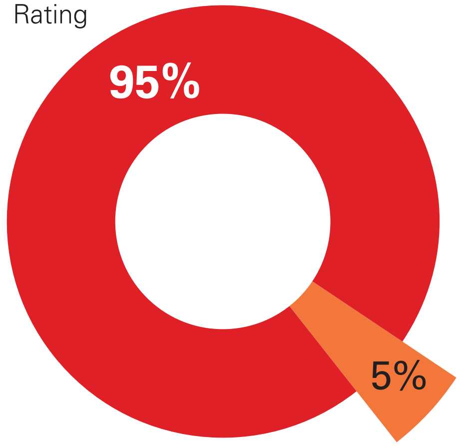
Customer satisfaction

Maintaining high customer satisfaction levels takes continuous team effort. We have dedicated teams, systems, and programs in place to understand the expectations and requirements of our customers, measure how well we are satisfying these expectations and requirements, and develop service and product standards based on the findings.

In 2018, we ran customer satisfaction surveys across our branch network and through our phone banking service, China Bank TellerPhone. The annual branch survey conducted by our Service Standards and Quality Department measured customers' level of satisfaction with their branch banking experience, while the China Bank TellerPhone survey, conducted by our Customer Contact Center for the first time in 2018, measured the calling clients' level of satisfaction with how our Phonebankers handled their inquiries and concerns.

The branch survey revealed a higher over-all customer satisfaction rating of 95% in 2018 from 93% in 2017. On a scale of 1 - very dissatisfied to 4 - very satisfied, 89% of the respondents gave us a positive rating of 3 and 4. The average rating per attribute also generally increased. The survey was conducted year-round.

The China Bank TellerPhone survey also showed a positive customer satisfaction rating of 99%. The survey was conducted from September to December 2018. Customers who called our hotline number were asked to rate their experience with our Phonebanker—press 1 if satisfied and press 2 if dissatisfied.

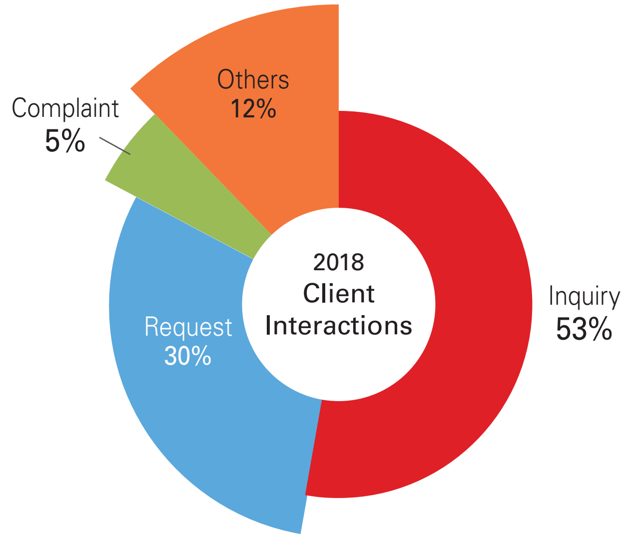


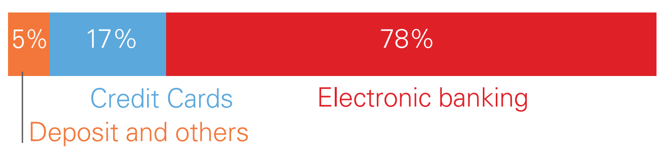
	2017 Average Rating	2018 Average Rating
Queue time	91%	94%
Branch staff service		
- Account opening	96%	96%
- Deposit/Withdrawal	93%	95%
Branch premises	95%	96%
ATM services	96%	96%
Security guards	96%	97%

Customer support

We are eager to assist our customers, providing them with convenient ways to reach us with their banking concerns. Our Customer Contact Center (CCC) manages our 24/7 customer service platforms: customer support hotline (88-55-888), email, social media, Website Support Center, and China Bank Online's messaging option. All communications are recorded and handled according to our set guidelines and standards to ensure privacy and rapid action.

In 2018, CCC received over 200,000 inquiries, requests, follow-ups, suggestions, commendations, and complaints across our customer service platforms, 14% higher compared to 2017. Inquiries and requests continued to be the bulk of CCC's customer interactions, accounting for 83%. Follow-ups, suggestions and commendations from customers and general inquiry and feedback from non-customers (others) increased to 12%, while complaints remained steady at 5%.





Complaint resolution

We view customer complaints as opportunities to improve our services. We are committed to resolve complaints to our customers' satisfaction, within the turnaround time set by the Bangko Sentral ng Pilipinas (BSP), and in line with our Consumer Protection Framework.

Our consumer protection risk management system ensures that CCC, our designated Consumer Assistance Office, is on top of all customer concerns and reports material complaints to the Risk Management Group and the Board.

In 2018, we received, processed, and resolved over 10,800 complaints, up 29%. Majority of the reported concerns pertained to electronic banking and credit cards, in line with the significant increase in the number of our ATM and credit cardholders.

97%

Complaints resolved within TAT set by BSP

The share of electronic banking-related complaints vis-à-vis the total increased to 78%, while the share of credit card-related, complaints and other matters shrunk to 17%. Complaints on deposits, branch banking, and other concerns accounted for only 5%.

For electronic banking, most of the complaints were ATM-related. Complaints on internet banking, mobile banking app, phone banking, and point-of-sale only made up a small percentage.

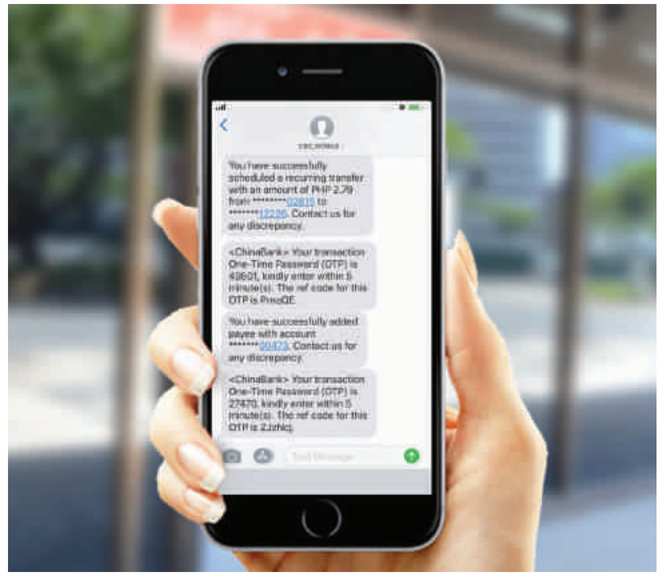
For credit cards, declined transactions, billing statement delivery, and transaction disputes were the top concerns. Overall, the number of credit card complaints dropped 6%.

We understand our customers' demand for quick resolution. Our centralized complaints management program enables us to facilitate successful coordination among teams to investigate the root cause of issues, identify resolutions, and develop action plans. In 2018, 97% of the complaints were resolved within BSP's standard turn-around time. This is a 3% improvement from the previous year's 94%. We received the 2018 Pagtugon Award for Universal and Commercial Banks from BSP in recognition of our outstanding performance in responding to customer concerns.

Cyber security

We provide a safe and secure banking environment for our customers. We have technologies, policies, and protective mechanisms in place to guard our IT network and digital channels against cyber attacks. In the last five years, we have not had any major breach.

- Up-to-date technology and stringent control processes are in place for detecting, preventing, monitoring (24/7), and immediately responding to attacks and attempts to invade our infrastructure
- Security tools and protocols are regularly monitored and upgraded to conform with the strictest security and reliability standards
- EMV compliant since 2017
- One-Time password (OTP) feature for China Bank Online and China Bank Mobile App
- External and internal campaigns on fraud and cybercrime are conducted to raise awareness among customers and employees of the ongoing threats



Data privacy

We are committed to protect our customers' confidential information. As a general policy, customer's information cannot be shared with a third party unless there is a written consent of the customer, or in cases where disclosure is required (Anti-Money Laundering Law, Credit Information System Act, court order, BSP examination). We regularly review and update our Information Security Policy to ensure our strict compliance with applicable laws and regulations.

- Access to systems and resources are managed efficiently, following the changes necessary to maintain security for accessing and changing systems and information
- Contracts entered into by China Bank and third parties include confidentiality clauses that must be followed by service providers; regular monitoring of the supplier environment is conducted to identify and correct possible vulnerabilities
- Employees receive continuous trainings on information security, data privacy, and fraud prevention
- Clients are duly informed of their rights to privacy and the way in which their personal information is handled

24/7 CUSTOMER SUPPORT (Press "0" to speak to a phone banker) (+632) 88-55-888 / (+632) 8885-5888* Metro Manila

Toll-free numbers:	001-800-1-888-5888 Hong Kong / Singapore / Korea / Thailand
1800-1888-5-888 (PLDT) Provinces	00-800-1-888-5888 Italy/China
	011-800-1-888-5888 USA/Canada
	0011-800-1-888-5888 Australia
	010-800-1-888-5888: 0061010-800-1-888-5888 (mobile phone/pay phone) Japan

**Effective October 6, 2019 per NTC Memorandum Circular*

Communications

Communication is a vital tool to strengthen our brand value and connect with customers. We are committed to providing clear, accurate, truthful, and accessible information not only to promote China Bank, but more importantly, to encourage saving and how to fully benefit from our banking products and services, and to help customers make informed financial decisions. We are continuously improving our communications to engage our customers across all media and platforms.

- Consumer information materials mandated by the BSP are prominently displayed in our branches
- Marketing materials contain clear and accurate information about charges, rates, characteristics and conditions of our products and services
- Advertisements comply with the rules and regulations of the Advertising Standards Council
- Important announcements on marketing promotions, temporary service interruption, changes in rates or product features, transfer of branch locations, or any other information that customers need to know are released well in advance or as soon as practicable
- Practical tips on financial wellness, protecting the environment, and disaster preparedness are regularly disseminated
- Branch personnel and Phonebankers are adequately trained to answer questions about our products and services, explain the risks that certain products and services carry, and advise customers on financial matters

online@chinabank.ph

(+632) 519-0143/
(+632) 8519-0143*

www.chinabank.ph

Customer Contact Center
China Bank Building, 8745 Paseo de Roxas corner Villar Street, Makati City 1226 Philippines

www.facebook.com/chinabankph

www.twitter.com/chinabankph

No. 04-07-2018 on the migration to 8-digit telephone numbers

CHINA BANK AS EMPLOYER

SDGs

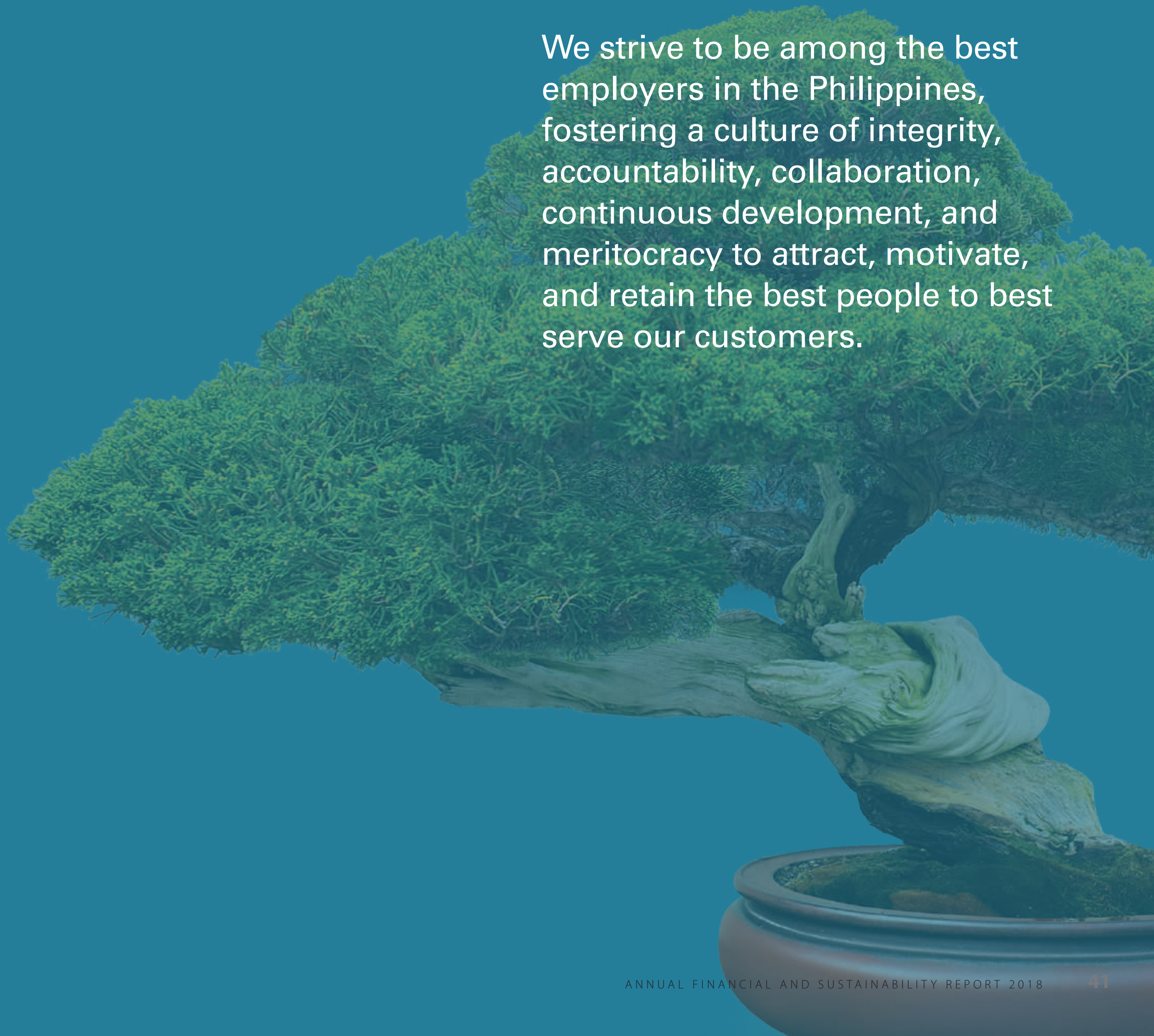
Target 5.5
Equal leadership opportunities for women

Target 8.5
Full and protective employment and equal pay for work of equal value

Target 8.8
Labor rights and safe and secure working environments

Engaging our people

We strive to be among the best employers in the Philippines, fostering a culture of integrity, accountability, collaboration, continuous development, and meritocracy to attract, motivate, and retain the best people to best serve our customers.

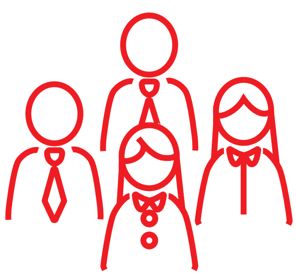


Diversity and inclusion

102-7, 102-8, 401-1, 405-1

Our diverse workforce with their broad range of skills, experience, and background enables us to respond to challenges and opportunities and meet our customers' needs in a fast-changing world. Women are well represented at all levels and we take appropriate steps to support future female leaders. In fact, 55% of our senior officers are women. The healthy balance of young and mature employees brings generational perspective and supports continuous skills and knowledge transfer. Operating only in the Philippines, all our employees are local hires and are assigned in or close to their hometowns. All China Bankers are full-time employees.

In 2018, our total workforce* increased 6% to 9,652—67% female, 53% below 30 years old, 64% rank & file, 84% Luzon-based, and 94% regular status.



9,652 total workforce up by 6%

1,943 new employees hired in 2018

BREAKDOWN BY GENDER

	2017		2018	
Male	2,917	32%	3,142	33%
Female	6,207	68%	6,510	67%

BREAKDOWN BY AGE

	2017		2018	
Under 30	4,804	53%	5,116	53%
30-50	3,777	41%	3,962	41%
Over 50	543	6%	574	6%

BREAKDOWN BY RANK

	2017		2018	
Senior Mgt.	307	3%	331	3%
Middle Mgt.	2,835	31%	3,133	32%
Rank and File	5,982	66%	6,188	64%

BREAKDOWN BY REGION

	2017		2018	
Luzon	7,694	84%	8,092	84%
Visayas	904	10%	982	10%
Mindanao	526	6%	578	6%

BREAKDOWN BY STATUS

	2017		2018	
Regular	8,567	94%	9,078	94%
Probationary	557	6%	574	6%

**China Bank, China Bank Savings, China Bank PCCI, Chinabank Insurance Brokers, China Bank Capital, China Bank Securities*

Remuneration

102-41, 401-2

Our Remuneration System is anchored on the principle of fair, transparent, and performance-based reward. Our general remuneration policy is to provide fair and competitive salary and benefits to employees commensurate with their experience, responsibilities, job grade/corporate rank and position. We also benchmark against the executive compensation for the same positions in comparable organizations (similar size, organizational structure, business risk, and management complexity). Tied to this is a competency-based Performance Management System that calls for the alignment of individual key results, competencies, and development plans with China Bank's overall business targets and strategy. Performance is reviewed annually and employees are rewarded based on their performance.

In line with our 2017-2020 collective bargaining agreement (CBA)* with the CBC Employees' Association, 59% or 4,055 rank and file employees are covered by the CBA in 2018.

CBA*

	2017	2018
Employees covered	3,993	4,055
Percentage of employees covered	61%	59%

For parent bank only

Career advancement and succession

404-2

We take great care in continuously motivating our employees and ensuring that we have a pool of potential successors for our future leadership needs. We implement individual career development plans, provide many opportunities for career advancement, and conduct periodic reviews of the talent pipeline to identify current gaps and manage our future workforce requirement. We look after our employees' career progression, guided by our Performance Management System and Succession Management Program to fairly and objectively identify China Bankers for leadership roles.

In 2018, 11% or a total of 1,084 employees were promoted. As we continue to deepen our leadership bench, 156 of the promoted rank and file employees moved up to officer position.

PROMOTION

	2017	2018
Promoted rank & file	649	467
Promoted Officers	425	617
Total	1,074	1,084

Learning and development

404-1

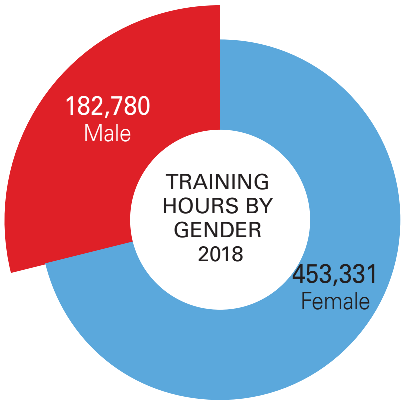
We advocate continuous learning and up-skilling to develop China Bankers to their full potential. Through the China Bank Academy, we provide a host of training programs, including orientation for new employees and development programs for rank and file, junior officers, branch heads, marketing staff, and technical staff. We also provide learning content and training through our e-learning platform (Anti-Money Laundering, Risk and Information Security, among others). We use a range of learning and development approaches, including on-the-job learning, mentoring and coaching, digital learning, and classroom training/ workshop.

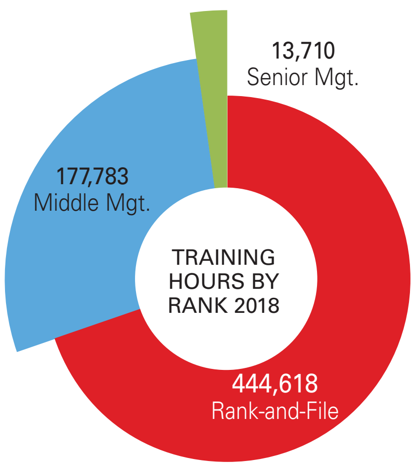
As we scaled up our capability-building program, the number of total training hours increased 187% to 636,111*. This translated to an average of 65.90 training hours per employee, almost triple compared to 2017.

TRAINING HOURS

	2017	2018
Total number of training hours	221,487	636,111
Average number of training hours/employee	24.28	65.90

**Not on a one name, one count basis*





Engagement and retention

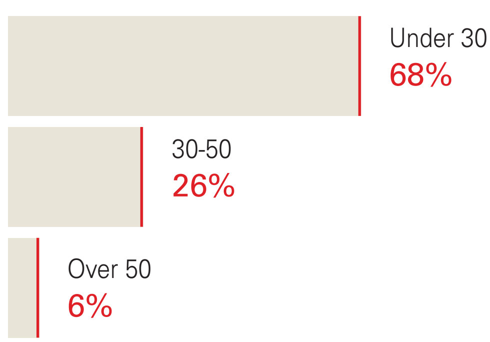
401-1

All our human resources policies, strategies, and programs are aimed at attracting, motivating, and retaining the best China Bankers. We endeavor to keep our valued employees and keep them engaged by making working at China Bank a financially rewarding, intellectually challenging, and emotionally satisfying experience. We equip our line supervisors and managers with stronger people management skills to build healthy and collaborative employee-manager relationships. We promote excellence and raise employee morale through our various rewards and recognition programs. We encourage open communication and proactively listen to understand what matters to employees. We support work-life integration to help our employees lead happy and productive lives at work and at home.

We registered an attrition rate of 15% and a retention rate of 85% in 2018. As more than half our workforce is under 30 years old, this age group accounted for the bulk of the separations.

	2017	2018
Number of retirements & resignations	1,134	1,415
Attrition rate	13%	15%
Retention rate	88%	85%

SEPARATION BREAKDOWN BY AGE



Health and safety

Our employees' health and safety are important to us. We provide a healthy and safe working environment at all our offices and branches in line with industry best practices and occupational safety and health standards. We have safety and health policies, emergency procedures and evacuation plans in case of fire or other significant incident, and wellness programs aimed at preventing accidents, managing stress, and minimizing cases of work-related ill health.

In 2018, we conducted the annual fire and earthquake drills and annual physical exam at our offices and branches. We also stepped up our health and wellness campaigns to encourage employees to appropriately care for their health.

Engagement and Team Effectiveness programs

Constant and consistent employee engagement is paramount to fostering a great culture where employees feel valued and they value and take pride in the company they work for. Below are our flagship programs to promote employee engagement and collaboration, enabling us to gauge genuine employee sentiment, and get feedback and insights which we, in turn, use for China Bank's continuous improvement.

SharePoint Café*

Officers, regardless of their rank and tenure in the Bank, are randomly selected to contribute their thoughts on overall employee experience. Using the World Café method, the participants are encouraged to speak with their mind and heart and to play, draw, and doodle to express their level of satisfaction or dissatisfaction with China Bank.

Voice Avenue*

The program is literally an avenue for rank and file employees to voice their thoughts and opinions on what would keep them engaged and make them stay, enabling us to assess current employees' disposition and perception about their job and the Bank.

Third Phase Questionnaire*

We have a full onboarding program to familiarize new employees and help them adjust to their new working environment. This follow-up mechanism, given on the third month from hiring date, enables us to check how well new employees have adjusted with regard to their work, training, relationships with peers and superiors, etc., and to know their level of satisfaction or dissatisfaction with our onboarding program.

Exit Interview*

We value feedback from China Bankers, both those who stay and those who leave, as it helps us identify opportunities to improve engagement and retention. We conduct exit interviews to assess the overall experience of and the likelihood that departing employees will recommend China Bank to their friends and acquaintances as a good place to work.

Team Effectiveness Program**

This program aims to improve interpersonal relationship and promote team cohesiveness to increase employee engagement and boost team performance. The Team Effectiveness involves Team and Leadership Assessments, Action Planning, Roadmap Implementation, and Program Evaluation. Interventions are designed based on the identified priority area of the team to improve overall effectiveness.

**For parent bank only*

***Also conducted for Chinabank Insurance Brokers and China Bank Capital*

Work-life Integration programs*

We recognize that there are many aspects to our employees' life: work, home/family, personal well-being, and community. We facilitate the melding of professional development and personal growth through our Work-life Integration Programs (WLIP). Conducted year-round, our WLIPs are aimed at helping China Bankers manage their finances, manage stress, learn a new skill, and adopt an active and healthy lifestyle to enhance their personal life.

FINANCE

Basic Stock Market
China Bankers learned about basic stock investing, risk and returns, and why they should consider adding stocks to their investment portfolio.

Stock Market 101
A follow up session with additional practical tips about smart investing and performing fundamental and technical analysis of the stock market.

STRESS MANAGEMENT

Mindfulness and Meditation – T'achi
Part one of the workshop on basic relaxation disciplines to reduce stress at work and home focused on sound healing, T'achi, and meditation.

Mindfulness and Meditation – Yoga
China Bankers were taught the basic Yoga stretches and poses to strengthen the body, focus the mind, and relax the spirit.

HOBBY

The Visual Art of Writing

A basic brush calligraphy workshop wherein our budding calligraphers learned the basic skills and techniques for positioning and writing words beautifully and creatively.

Basic Painting Workshop

A fun and easy way to learn how to paint using the step-by-step painting technique.

Photography

It takes more than a good camera to take good pictures. The workshop was about the basics of photography, how to manually control the exposure triangle (shutter speed, aperture & ISO), and how to create very interesting and well-composed images.

Gift Wrapping

China Bankers learned the various techniques and creative ways to wrap gifts using various materials and any item on hand—bottles, cloth, boxes, paper, foils, and ribbons.

Urban Farming and Gardening
This workshop focused on practical tips for planting herbs and seeds into repurposed containers, encouraging participants to make an herb garden out of plastic containers that would otherwise be thrown away as waste.

The Ultimate Sabonding Experience
China Bankers learned about the history of soap making in the Philippines and how it can be turned into a profitable business.

Daily Dimsum
An easy Dimsum-making workshop wherein China Bankers learned how to make delicious siomai, siopao, hargaw, buchi, and fried rice toppings.

Baked Goodies for Business
China Bankers learned how to make extra money by baking and selling cookies and brownies.

Basic Baking
Amateur bakers learned how to bake gift-worthy and easy to sell desserts like butterscotch bars, choco chip cupcake, cream puffs, and sponge cake.

Baking for the Holidays
A workshop for learning how to bake delicious red velvet cakes, butterscotch bars, and oatmeal cookies that are perfect treats for Christmas and any occasion.

SPORTS

Annual Sports Fest
China Bankers get to compete in their favorite sport in the various sports tournaments held annually—basketball, badminton, bowling, and table tennis. We also have an annual sports fest of purely traditional Filipino outdoor games

Krav Maga
China Bankers were taught the basics of Krav Maga, a tactical and combative self-defense system that combines boxing, judo, and others with an aim to use the body or any object to either neutralize an attacker within seconds or avoid a critical life-or-death setting.

CHINA BANK AS PARTNER

SDGs

Target 1.4
Equal rights to economic resources

Target 4.6
Literacy and numeracy

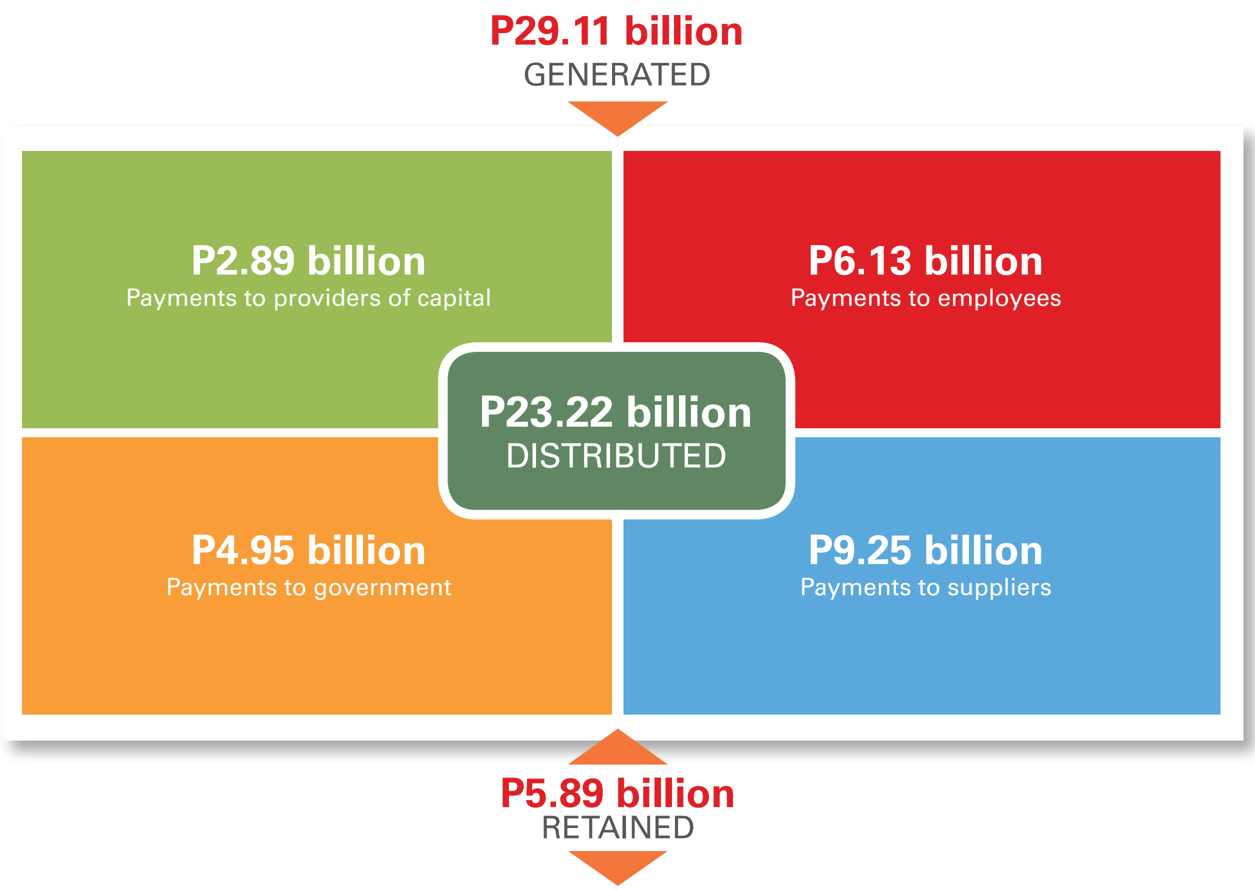
Working for a better tomorrow, today

Addressing sustainability challenges is an enormous task that no institution or government can do alone. We are committed to do our part to help drive the Philippines' economic growth, to protect the environment, to promote financial awareness and inclusion, and to support the vulnerable members of our society. We are an eager partner for sustainability, working with and for our stakeholders to create a better tomorrow for everyone.

Distributing value created

201-1

China Bank is driven to create value knowing that it will be distributed in ways that are meaningful and relevant to our stakeholders. In 2018, we generated P29.11 billion in direct economic value, retaining P5.89 billion to fund our continued operations and growth and distributing P23.22 billion for the benefit of the people and the communities where we operate.



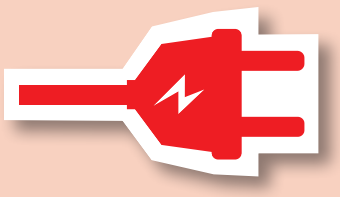
	2017	2018
Direct economic value generated	₱ 25,364.933	₱ 29,108.660
Direct economic value distributed	21,819.079	23,221.853
To customers & shareholders	4,368.456	2,894.551
To employees	5,695.612	6,127.740
To government	3,919.443	4,951.075
To suppliers	7,835.569	9,248.487
Economic value retained	₱ 3,545.854	₱ 5,886.807

Caring for the environment

102-11, 302-1, 302-2, 302-3, 305-2, 305-3

We are conscious of our responsibility to protect the world we live in. We mobilize funds for climate-smart initiatives, support environmentally-focused programs, and monitor the impact of our operations on the environment. In 2018, our energy and fuel consumption dropped 2% and 9%, respectively. We resolve to go greener in the coming years to keep our ecological footprint as small as possible.

Electricity Consumption and Scope 2 GHG Emissions*

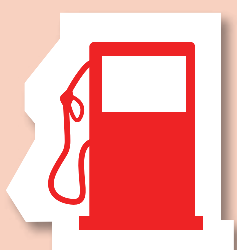


2%
decrease

	Energy used	Energy intensity	CO_2 Emissions
2018:	5,572,404 kWh	186 kWh/sqm	3,361 tonnes CO_2
2017:	5,679,000 kWh	190 kWh/sqm	3,425 tonnes CO_2

**Includes head office and other office buildings*

Scope 3 GHG emissions (outsourced vehicles)



9%
decrease

	Fuel used	CO_2 Emissions
2018:	223,967 liters	585 tonnes CO_2
2017:	244,124 liters	645 tonnes CO_2

Plastic reduction campaign

We believe that individual actions can add up to a powerful collective impact. In 2018, our Human Resources Group launched a #PlasticFreeStartsWithMe campaign to encourage our employees to do away with single use plastics.

The campaign had three components: a series of internal communications on reducing plastic use which culminated in a photo contest to create awareness on the negative effects of plastic pollution on the environment; a workshop on how to make an ecobrick, an alternative construction filler made of plastic bottle stuffed solid with non-biodegradeable plastic bags, straws, and wrappers; and a "Plastic Pollution to Solution Challenge" wherein prizes were given to the employee and group of employees who made the most number of eco bricks. At the end of the challenge, China Bankers upcycled over 19,000 worth of plastic bags into eco bricks that were turned over to The Plastic Solution, an environmental initiative that aims to encourage individuals and businesses to upcycle plastics as a different approach to waste management. The ecobricks are used to build environmentally sustainable infrastructure in various communities and remove plastic from the biosphere.

19,250

upcycled

Supporting our communities

413-1

We are committed to be a good corporate citizen and to do good for the communities where we operate. In 2018, the focus of China Bank and China Bank Savings' (CBS) Corporate Social Responsibility efforts continued to be education, nutrition, and social development. We partnered with our employees and various organizations for our nationwide campaign to make a difference.

EDUCATION

China Bank Financial Awareness Roadshow for Students - A series of financial literacy seminars launched in August 2018 to empower students, particularly those who are taking up courses that could lead to overseas employment or whose parents are OFWs, with the financial know-how to secure their future. The campaign focused on practical money management—budgeting, saving, and investing. It covered 11 provinces and 25 schools, and benefitted 7,174 students.

CBS DepEdVenture 2.0 | Alay sa mga Guro – A region-wide financial wellness meet and World Teachers Day tribute for over 500 administrators, faculty and staff of public elementary and high schools in the provinces of Bataan, Bulacan, Pampanga, Tarlac, Zambales and Nueva Ecija. The event held in October 2018 in San Fernando, Pampanga is the highlight of the nationwide CBS Financial Wellness Road Show and takes off from the similar event held in Manila in 2017. Takeaways from the seminar were practical skill sets for making smart financial decisions, conserving family assets, and preparing for worry-free retirement. The half-day event included fun activities and entertainment numbers to reinforce lessons from the financial wellness seminar.

CBS Financial Wellness Road Show - This nationwide advocacy is a response to the call by the Bangko Sentral ng Pilipinas for private sector stakeholders to promote financial inclusion, raise financial literacy to higher levels, and increase the number of Filipinos in the formal banking system. Launched in August 2018, the CBS Financial Wellness Road Show brought the message "Charting the Course of Your Financial Life" to public school administrators, faculty and non-teaching staff in 12 Department of Education regions, including the Visayas and Mindanao.

Project RED / RAISE for the Education/Empowerment of Dumagats – A grassroots advocacy of CBS in tandem with volunteer teachers of the AGAP Buhay program, which provides access to education and vocational training for children and adults in the hinterland villages of Tanay, Rizal. The rate of illiteracy among the Dumagat people remains a high 60%. Project RED marked its first year in November 2018 with the establishment of a reading library for the Remontado Dumagat, the indigenous people living in the mountainous boundary of Rizal and Quezon provinces. The collection of books, journals, and encyclopedia, weighing close to a ton, occupies a place of pride in the community hall in a remote sitio of Laiban, a village of Tanay, Rizal some 87 kilometers east of Makati City. There are plans to expand Project RED to enable children to make excursions to the city as part of their education program and for Bank employees to visit the Dumagats to learn their lore, as well as provide volunteer labor in community building projects.

CBS Financial Wellness for Young Filipino / WYFi – A novel program to develop basic financial literacy, savings consciousness, and promote bank usage among elementary school pupils and teenagers nationwide. The program is CBS' contribution to the youth-oriented Banking on Your Future (BOYF) advocacy of BSP. Launched in July 2018, the program has visited 25 elementary schools, high schools, and universities in Luzon and Mindanao.

Brigada Eskwela – China Bank and CBS support the Department of Education's annual nationwide campaign mobilizing parents, students and private sector stakeholders to clean, refurbish, and rehabilitate public elementary and high school campuses and facilities for the school year. We donated building and cleaning materials, and our employees volunteered to clean, paint, and distribute snacks and refreshments in over 50 campuses from Tuguegarao in the far north Luzon all the way to Davao City in Mindanao.

Balik Eskwela Donor program – Volunteers from CBS visited pupils and teachers of Tabang Elementary School in Bulakan, Bulacan in June 2018 and distributed gift packages containing brand-new school bags, hygiene kits and school supplies donated by officers and staff of the Bank.

NUTRITION

Healthy Diet, Habit for Life project – An annual school feeding project under the Nutrition Month campaign which provides free complete, hot meals over a three-week period for pupils from the poorest, most vulnerable families. In 2018, CBS covered three Metro Manila public elementary schools and fed 75 pupils. The program results indicated a marked weight gain of the feeding program beneficiaries.

Treat for Bangkal Elementary School pupils – An outreach program that benefitted 90 Grade 3 pupils of Bangkal Elementary School in Makati City. Lunch and snack packs were distributed together with gift packs filled with school supplies. China Bank employees volunteer in outreach programs in different schools every year.

SOCIAL DEVELOPMENT

Gawad Kalinga Laguerta Village - China Bank employees volunteered to help construct medium-rise housing units for disenfranchised families in Gawad Kalinga's (GK) Centennial

Village in Laguerta, Muntinlupa City. The project was conceived to provide housing for informal settlers who were living in flood-prone areas. With the support of the local government, these families were enrolled into the GK program so that they could find decent homes that were equipped with basic utilities and access to social services, employment, and education. The village is one of over 160 communities in the country built by GK, a social enterprise organization that aims to end poverty and restore dignity to the poor.

Regalong Pamasko para sa Pamilyang Walang Tahanan – Now on its second year, this project, organized in partnership with friends from Emerson Commercial & Residences Solutions,

aims to give joy to families living in the streets of Manila. The parcels donated and prepared by CBS volunteers contain rice, canned meat, instant noodle packs, biscuits, powdered juice, drinking water, and articles of clothing.

Joy to kids of soldiers – As part of the 2018 Caring is Sharing program, China Bank conducted a fun-filled event for the children of active, deceased, and injured soldiers, in partnership with the AFP 7th Civil Service Relations Group and the AFP Educational Benefit System Office. A total of 76 children attended the event with their guardians/parents and enjoyed the fun games, food, activities, and gifts. Over 40 China Bank and CBS employees volunteered during the event. CBS also held financial wellness talks for the adults present.

Smiles to the wards of Haligi ng Bata - China Bank hosted a Christmas party for the children under the care of Quezon City NGO Haligi ng Bata Inc. The event was attended by 50 indigent children who were treated to snacks, games, entertaining performances, and groceries for the holidays.

CHINA BANK AS STEWARD

SDGs

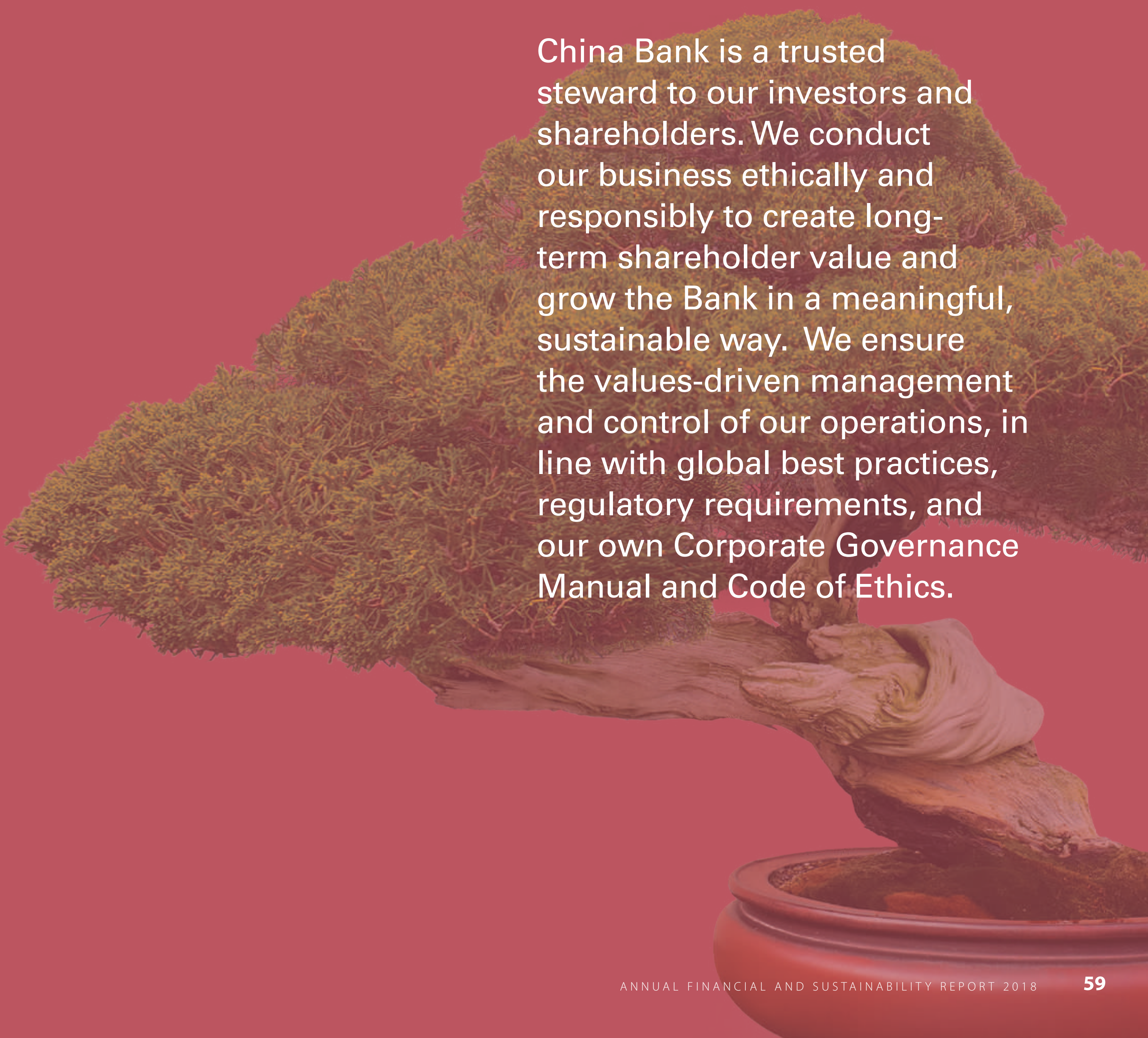
Target 12.6
Sustainable practices

Target 16.5
Reduction bribery and corruption

Target 16.6
Effective, accountable, and transparent institutions

Doing it right

China Bank is a trusted steward to our investors and shareholders. We conduct our business ethically and responsibly to create long-term shareholder value and grow the Bank in a meaningful, sustainable way. We ensure the values-driven management and control of our operations, in line with global best practices, regulatory requirements, and our own Corporate Governance Manual and Code of Ethics.



Developments in 2018

102-12, 102-17

- Board changes
  - – Mr. Philip S.L Tsai on November 7, 2018 replaced Director Roberto F. Kuan who passed away on September 15, 2018
  - – Reorganized Audit, Nominations, Remuneration, Corporate Governance, and Related Party Transactions (RPT) committees
  - – Board amended its By-Laws and Articles of Incorporation to increase the number of directors from 11 to 12. The BSP approved the amendments on August 15, 2018 and issued a Certificate of Authority dated August 31, 2018, stating that the amendments to the Articles of Incorporation and By-laws are in accordance with law. The SEC approved such amendments on January 31, 2019
- Updated the Bank's Corporate Governance Manual
- Kept aligned with the ASEAN Scorecard recommendation that all members of the Corporate Governance, RPT, and Nominations Committee be independent directors (ID), while majority of the members of the Remuneration Committee be IDs
- Enhanced the Board Committee Charters, Board Self-Assessment Forms, RPT Framework and Policy, Insider Trading Policy, and Retirement Policy for Directors
- Consolidated and codified the salient provisions of the Corporate Governance Manual into a Code of Ethics for Directors
- Conducted the annual assessment of the Board, Board-level committees, external auditor, and the President
- Conducted the annual corporate governance training for China Bank's directors and key officers, in partnership with the Institute of Corporate Directors
- Engaged a search firm to aid in looking for a qualified Independent Director

Achievements in 2018

- One of the Top 50 ASEAN Publicly-Listed Companies (PLC) and Top three PLC in the Philippines in the ASEAN Governance Awards – ASEAN Capital Markets Forum
- The only bank among the top ten Philippine PLCs with a score of 100 points and above in the ASEAN Corporate Governance Scorecard (ACGS) – Institute of Corporate Directors
- Best Bank Governance Philippines award - Capital Finance International (U.K.)
- Best Corporate Governance Bank (Philippines 2018) award - Global Banking & Finance Review (U.K.)

Governance principles

Fairness

We treat our shareholders fairly and equitably – whether minority or majority, local or foreign. We balance our profit motive with ensuring that the investment of all shareholders is protected.

Accountability

We are accountable and responsible for our actions and performance and commit to uphold the law, behave ethically, and protect the resources entrusted in our care.

Integrity

We adhere to a moral code of honesty and professionalism in our thoughts, words, and actions.

Transparency

We are truthful and forthcoming, ensuring the accurate and timely disclosure of and easy access to all material matters, such as the financial condition, performance, ownership, and governance of the corporation.

Governance policy statement

102-16

The Board of Directors, Management, employees and shareholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake greater effort necessary to create more and continuing awareness within the organization.

Board of Directors

405-1

The Board of Directors is at the core of our Corporate Governance Structure. Guided by our governance principles, the Board sets the tone for and leads the practice of ethical and responsible business conduct, guides our overall corporate philosophy and direction, and champions a "beyond compliance" approach to corporate governance.

As the highest governing authority at China Bank, the Board carries out approval and oversight responsibility for:

- Corporate culture and values
- Corporate objectives and business strategies
- Key senior management appointments
- Remuneration and incentive policies
- Succession
- Sustainability
- Corporate governance
- Risk management
- Internal control
- Consumer protection

Board composition

The depth of experience and expertise, diversity of backgrounds and competencies, and collective composition of our directors, ensure that our Board operates effectively to create value for our stakeholders. The present Board size of eleven Directors and one Advisor is commensurate with the size and complexity of our operations. Our Directors' profiles are on pages 82 to 87.

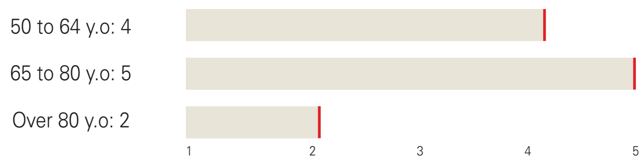
3 independent directors

2 executive directors

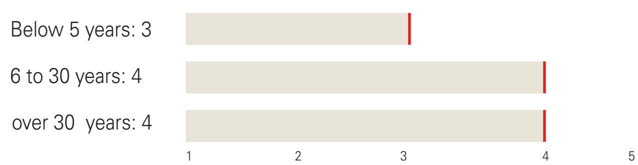
6 non-executive directors, 1 is female

1 advisor

Age

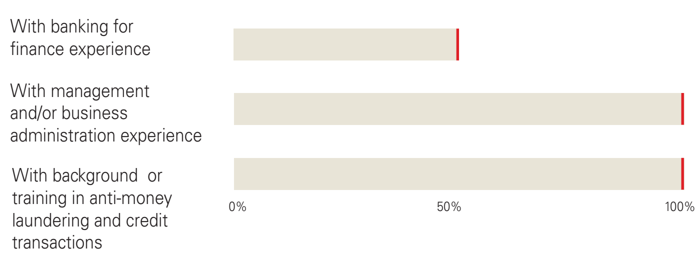


Tenure



Nationality

Professional background



Lead Independent Directors	Independent Directors	Executive Directors	Non-Executive Directors
• Has sufficient authority to lead the Board in cases where management has clear conflict of interest. • Serves as an intermediary between the Chairman and the other directors when necessary • Also a non-executive director • Convenes and chairs meeting of the independent directors and/or non-executive directors without the presence of the executive directors	• Holds no interests or relationships with China Bank, the controlling shareholders, or the Management that would influence his decisions or interfere with his exercise of independent judgment, among others. • Also a non-executive director • Provides objective judgment independent of management • Oversees management performance, including prevention of conflict of interest and to balance competing demands of the corporation	• Has executive responsibility of day-to-day operations of a part or the whole of the organization	• Has no executive responsibility and does not perform any work related to the operations of the corporation. • Provides objective judgment independent of management. • Challenges and monitors management's delivery of strategy within the risk and governance structure agreed by the board • Has oversight responsibility for the Bank's internal control and effectiveness of the risk management system

Separation of roles

102-23

Our Chairman and President work in close co-operation with one another, but their roles are kept separate with a clear division of duties and responsibilities to foster appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board.

Chairman Hans T. Sy, a non-executive director, is responsible for the leadership and effective running of the Board. President William C. Whang, who leads the management team in the day-to-day running of China Bank, is responsible for the achievement of agreed objectives and the execution of strategies as established by the Board.

Independence of directors

Director independence is important for Board deliberations, objective decision making, and the overall well-being of the Bank. We maintain a strong element of independence on the Board, having three incumbent Independent Directors (ID): Margarita L. San Juan, Philip S.L. Tsai, and Alberto S. Yao, lead ID.

In the annual assessment of IDs for the year ended December 31, 2018, the Board was satisfied that each of the three China Bank IDs continue to be independent and free from any business or other relationship which could interfere with the exercise of independent judgment.

Nomination process

Shareholders on record nominate candidates by submitting the nomination form to any member of the Nomination Committee, the Corporate Governance Committee, or the Corporate Secretary within the prescribed date

The Nominations Committee reviews and evaluates the qualifications of the candidates in line with the fit and proper standards as prescribed in the Manual of Regulations for Banks (MORB)

The full Board confirms the candidates' nomination

The shareholders elect the directors during the Annual Stockholders' Meeting

The Monetary Board confirms the election of the directors

Director nomination and election
102-24

In case of vacancy, the Board may elect a replacement to serve a director's unexpired term. We use professional search firms or other external sources to search for highly-qualified candidates.

At the 2018 Annual Stockholders' Meeting, all the incumbent directors were re-elected. However, Lead Independent Director Roberto F. Kuan passed away on September 15, 2018. To serve his unexpired term, Independent Director Philip S.L. Tsai was elected at the Board Meeting on November 7, 2018. In the same meeting, Independent Director Alberto S. Yao was appointed Lead Independent Director.

On their nomination and election, our directors comply with the regulatory requirements of the BSP & SEC on the timely submission of the required certifications for both regular and independent directors. Our directors acknowledge receipt and certify that they have read and fully understood the copy of the general and specific duties and responsibilities issued to them. Once elected, directors execute a Sworn Certification that they possess all the qualifications and none of the disqualifications based on existing rules.

Retirement and succession

We adopted a policy of continuing qualification for directors, where a director may remain on the Board for as long he/she remains to be physically and mentally fit and proper for the position of a director, able to discharge his duties in accordance with the regulatory requirements for banks. Our By-laws provides the rules on succession, replacement or vacancy in the Board due to retirement or any other reason, stating that vacancies in the Board may be filled by appointment or election of the remaining directors, if still constituting a quorum; otherwise, the stockholders shall fill such vacancy in a regular or special meeting called for this purpose.

Induction and continuing education

Our directors are knowledgeable of their duties and responsibilities and are sufficiently familiar with our operations and business environment, and up-to-date with the market developments and regulatory changes.

Newly-elected directors comply with the training requirements of the BSP and SEC and are provided with an orientation kit containing their Duties and Responsibilities as a Director, China Bank's Corporate Governance Manual, Code of Ethics for Directors, and the charters of the committees where the elected director is a member of. To enhance our directors' governance skills and keep them informed on an ongoing basis of matters and issues that impact the Bank and the industry, we have a continuing education program that includes unrestricted access to corporate information and management reports, regular company and market updates, periodic briefings, and annual governance seminars facilitated by an SEC-accredited institution. Attendance to the corporate governance seminar is mandatory for all our directors.

On November 7, 2018, our directors, management team, and key officers attended the Advanced Corporate Governance Training facilitated by the Institute of Corporate Directors. The whole-day training covered the following topics: 3 Lines of Defense, Legal Liabilities, and Digital Trade-offs.

Board evaluation
102-28

The Board evaluates its level of compliance with governance best practices and determines areas for improvement through an annual self-assessment of the Board, all Board-level Committees, the individual Directors, external auditor, and the President. The results of the evaluation are reported to the Board by Compliance through the Corporate Governance Committee.

Rating	Description
0	**Poor** – Leading practice or principle is not adopted in the company's Manual of Corporate Governance
1	**Needs Improvement** – Leading practice or principle is adopted in the Manual but compliance has not yet been made
2-3	**Fair** – Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness
4	**Good** – Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness
5	**Excellent** – Leading practice or principle is adopted in the Manual and full compliance with the same has been made

The 2018 self-assessment results show that there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual. The assessment is validated every three years by an external facilitator.

Board remuneration

China Bank Directors are entitled to a per diem of P500.00 for attendance at each Board/Board Committee meeting and to 4% of the Bank's net earnings. Executive directors receive performance-related compensation based on their performance, banking experience, position, and rank in the Bank, while non-executive directors do not receive any performance-related compensation. The remuneration policy for employees (staff to senior officers) is on page 44.

Board meetings

The Board meets at least once a month, every first Wednesday, to review China Bank's financial performance, approve strategies, policies, and business plans, as well as to consider business and other proposals which require the Board's approval. Special Board meetings may also be called to deliberate and assess corporate proposals or business issues that also require Board approval. For Board decisions, a minimum quorum of at least 2/3 of the Board members present, unless a different voting requirement is required by existing laws, rules, and regulations.

The directors are expected to actively participate on matters taken up in Board meetings, and to act judiciously, in good faith, and in the best interest of China Bank and our shareholders. Directors who may not be physically present may participate via telephone or video conferencing. To ensure sound and objective decision making, board papers are provided to the directors five days before the meeting. The directors also have access to senior management, external consultants and advisors, and the Corporate Secretary. Our Corporate Secretary, Atty. Corazon I. Morando, is responsible for ensuring that the Board procedures and applicable rules and regulations, are observed.

In 2018, the China Bank Board had 19 meetings, including the organizational meeting.

Director	Attendance	%
Hans T. Sy (Chairman)	14	74
Gilbert U. Dee (Vice Chairman)	18	95
William C. Whang	19	100
Peter S. Dee	16	84
Joaquin T. Dee	18	95
Herbert T. Sy	14	74
Harley T. Sy	19	100
Alberto S. Yao	19	100
Roberto F. Kuan[a]	14	93
Jose T. Sio	17	89
Margarita L. San Juan	18	95
Philip S.L. Tsai[b]	2	100

[a] *from January 2018 until his passing on September 15, 2018*
[b] *from his election effective November 7, 2018*

Board Committees

102-19

To enhance the effectiveness of the Board in discharging its fiduciary duties and to complement it in the execution of its responsibilities, the Board established nine Board-level committees and six Management-level committees. Each committee has a charter and operates within its specific delegated authority and functions. The committee charters, which are reviewed annually and amended when necessary, are posted in the governance section of our website, www.chinabank.ph, under Board Matters.

The members of the different committees are appointed by the Board at the annual organizational meeting, taking into account the optimal mix of skills and experience of the members.

Executive Committee (ExCom)

Primary function:

- Has the powers of the Board, when the Board is not in session, in the management of the business and affairs of China Bank to the fullest extent permitted under Philippine law

Composition:

- Chaired by the Chairman of the Board who is a non-executive director
- Three non-executive directors and two executive directors
- The collective skills and experience include governance, finance, credit, management, and operations; more than half have banking experience

Number of meetings in 2018: 40, including 1 joint meeting with the Risk Oversight Committee

Director	Attendance	%
Hans T. Sy (Chairman)	36	90
Gilbert U. Dee	40	100
Peter S. Dee	32	80
Joaquin T. Dee	40	100
William C. Whang	40	100

Corporate Governance Committee

Primary function:

- Assists the Board in fulfilling its corporate governance responsibilities by ensuring compliance with and proper observance of corporate governance laws, rules, principles, and best practices, including the conduct of the board assessment.

Composition:

- Composed entirely of independent directors
- The collective skills and experience include governance, finance, risk, and management

Number of meetings in 2018: 28, including joint meetings with the following: Compliance Committee – 11 and Nominations Committee – 17

Director	Attendance	%
Roberto F. Kuan (Chairman)[a]	17	89
Alberto S. Yao	26	93
Margarita L. San Juan	27	96
Philip S.L. Tsai[b]	1	100

[a] Director Roberto F. Kuan (†) attended 17 out of 19 meetings
[b] Chairman from December 5, 2018; attended 1 out of 1 joint meeting of Compliance and Corporate Governance committees

Audit Committee

Primary function:

- Oversees all matters pertaining to audit – the Bank's internal audit function and performance, the integrity of the Bank's financial statements, and the Bank's accounting processes in general, financial reporting and control and internal and external audit functions
- Oversees the senior management's activities in establishing and maintaining an adequate, effective, and efficient internal control framework
- Ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.
- Responsible for the approval of appointment or removal of Chief Audit Executive.

Composition:
- 2/3 of the members are independent directors, including the Chairman
- The collective skills and experience include governance, accounting, audit, and management

Number of meetings in 2018: 14

Director	Attendance	%
Alberto S. Yao (Chairman)	13	93
Joaquin T. Dee	14	100
Roberto F. Kuan[a]	7	78
Philip S.L. Tsai[b]	1	100

[a] Director Roberto F. Kuan (†) attended 7 out of 9 meetings
[b] Member from December 5, 2018; attended 1 out of 1 meeting

Compliance Committee
Primary function:
- Monitors compliance with existing banking laws, rules, and regulations, specifically in creating a dynamic and responsive compliance risk management system to identify and mitigate risks that may erode the franchise value of the Bank
- Ensures that Management is doing business in accordance with existing laws, policies, and procedures, as well as best practices

Composition:
- Composed entirely of non-executive directors
- The collective skills and experience include governance, accounting, audit, and management

Number of meetings in 2018: 12, including 11 joint meetings with the Corporate Governance Committee

Director	Attendance	%
Hans T. Sy (Chairman)	11	92
Joaquin T. Dee	12	100
Alberto S. Yao	11	92

Risk Oversight Committee
Primary function:
- Oversees the enterprise risk management system to ensure its functionality and effectiveness
- Oversees the system of limits to discretionary authority that the board delegates to management, ensures that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached

Composition:
- 2/3 of the members are independent directors, including the Chairman
- Composed entirely of non-executive directors
- The collective skills and experience include governance, finance, credit, risk, and management

Number of meetings in 2018: 12 meetings in 2018, including 1 joint meeting with the Executive Committee

Director	Attendance	%
Margarita L. San Juan (Chairman)	11	92
Hans T. Sy	9	75
Alberto S. Yao	12	100

Nominations Committee
Primary function:
- Reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, including promotions endorsed by the Promotions Review Committee, to ensure the candidates' qualities and/or skills are appropriate for leading and assisting the Bank in achieving its vision and corporate goals

Composition:
- Composed entirely of independent directors
- The collective skills and experience include governance, finance, credit, risk, and management

Number of meetings in 2018: 17 meetings jointly with the Corporate Governance Committee

Director	Attendance	%
Roberto F. Kuan (Chairman)[a]	11	92
Alberto S. Yao	16	94
Margarita L. San Juan	16	94
Philip S.L. Tsai[b]	-	-

[a] Director Roberto F. Kuan (†) attended 11 out of 12 meetings
[b] Member from December 5, 2018

Remuneration Committee
Primary function:
- Oversees the remuneration of senior management and other key personnel, ensuring that compensation is consistent with the interest of all stakeholders and the Bank's culture, strategy, and control environment

Composition:
- Majority of the members are independent directors, including the Chairman
- Composed entirely of non-executive directors
- The collective skills and experience include governance, finance, credit, risk, and management

Number of meetings in 2018: 3

Director	Attendance	%
Roberto F. Kuan (Chairman)[a]	2	100
Hans T. Sy	3	100
Alberto S. Yao	3	100
Harley T. Sy	3	100
Margarita L. San Juan	3	100

[a] Director Roberto F. Kuan (†) attended 2 out of 2 meetings

Related Party Transactions Committee
Primary function:
- Responsible for the evaluation of the existing relations between and among businesses and counterparties to ensure that RPTs are monitored, and changes in relationships with counterparties (from non-related to related and vice versa) are captured. Ensuring as well that all material RPTs are vetted upon, conducted in arm's length basis, and in terms not less favourable to the Bank than those offered to others.

Composition:
- All the members are independent directors, including the Chairman
- The collective skills and experience include governance, finance, credit, risk, and management

Number of meetings in 2018: 12

Director	Attendance	%
Roberto F. Kuan (Chairman)[a]	8	89
Alberto S. Yao	12	100
Margarita L. San Juan	11	92
Philip S.L. Tsai[b]	-	-

[a] Director Roberto F. Kuan (†) attended 8 out of 9 meetings
b Member from December 5, 2018

Trust Investment Committee
Primary function:
- Oversees the overall strategic business development and financial policy directions of the Trust and Asset Management Group
- Oversees the trust, investment management, and fiduciary activities of the Bank, and ensures that they are conducted in accordance with applicable rules and regulations, and judicious practices

Composition:
- Composed of non-executive and executive directors
- The collective skills and experience include governance, finance, credit, risk, and management; more than half of the members have banking experience

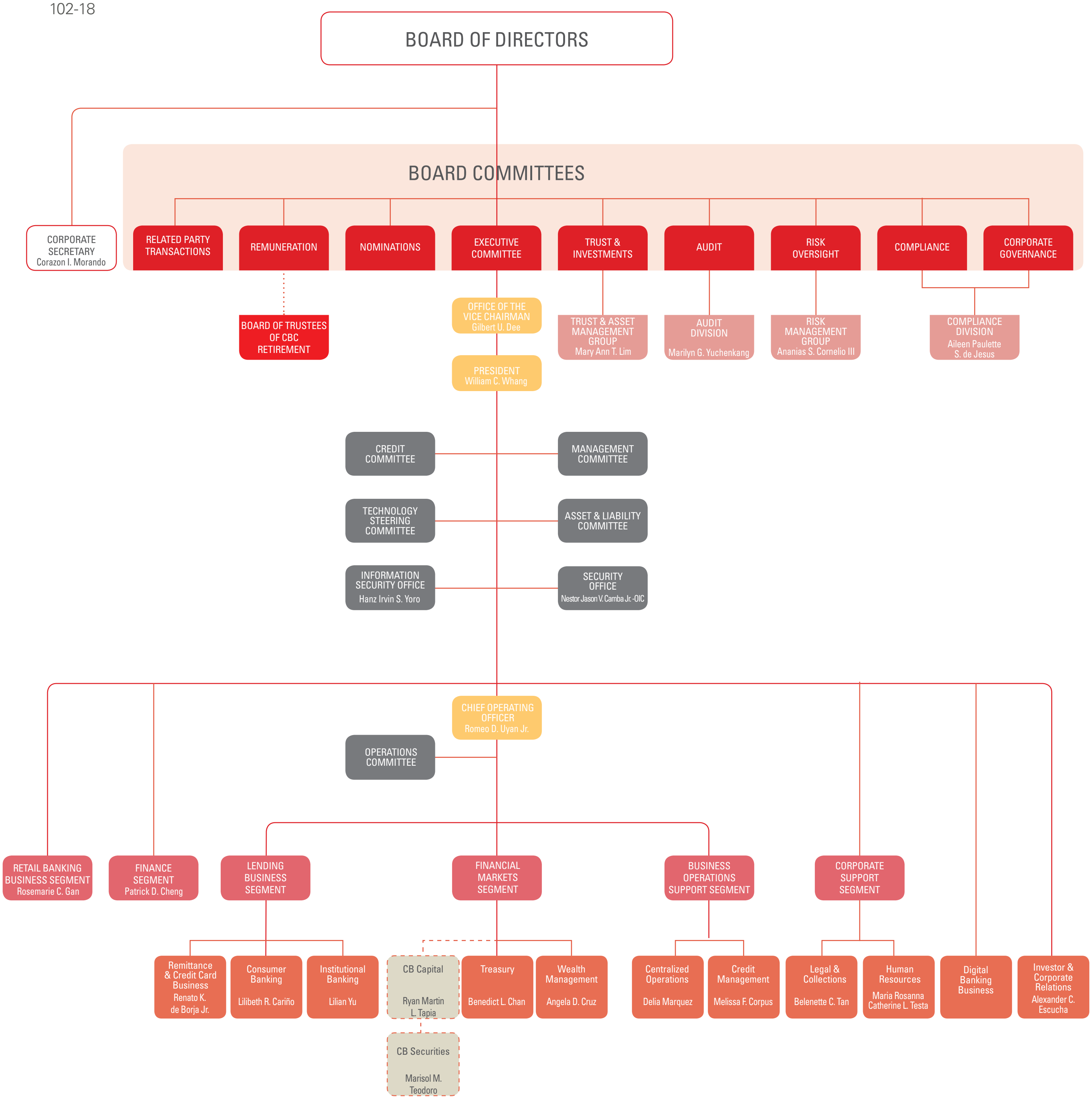
Number of meetings in 2018: 10

Director	Attendance	%
Herbert T. Sy (Chairman)	9	90
Jose T. Sio	9	90
Peter S. Dee	8	80
William C. Whang	10	100
Carina L. Yandoc[a]	1	100
Mary Ann T. Lim[b]	9	100

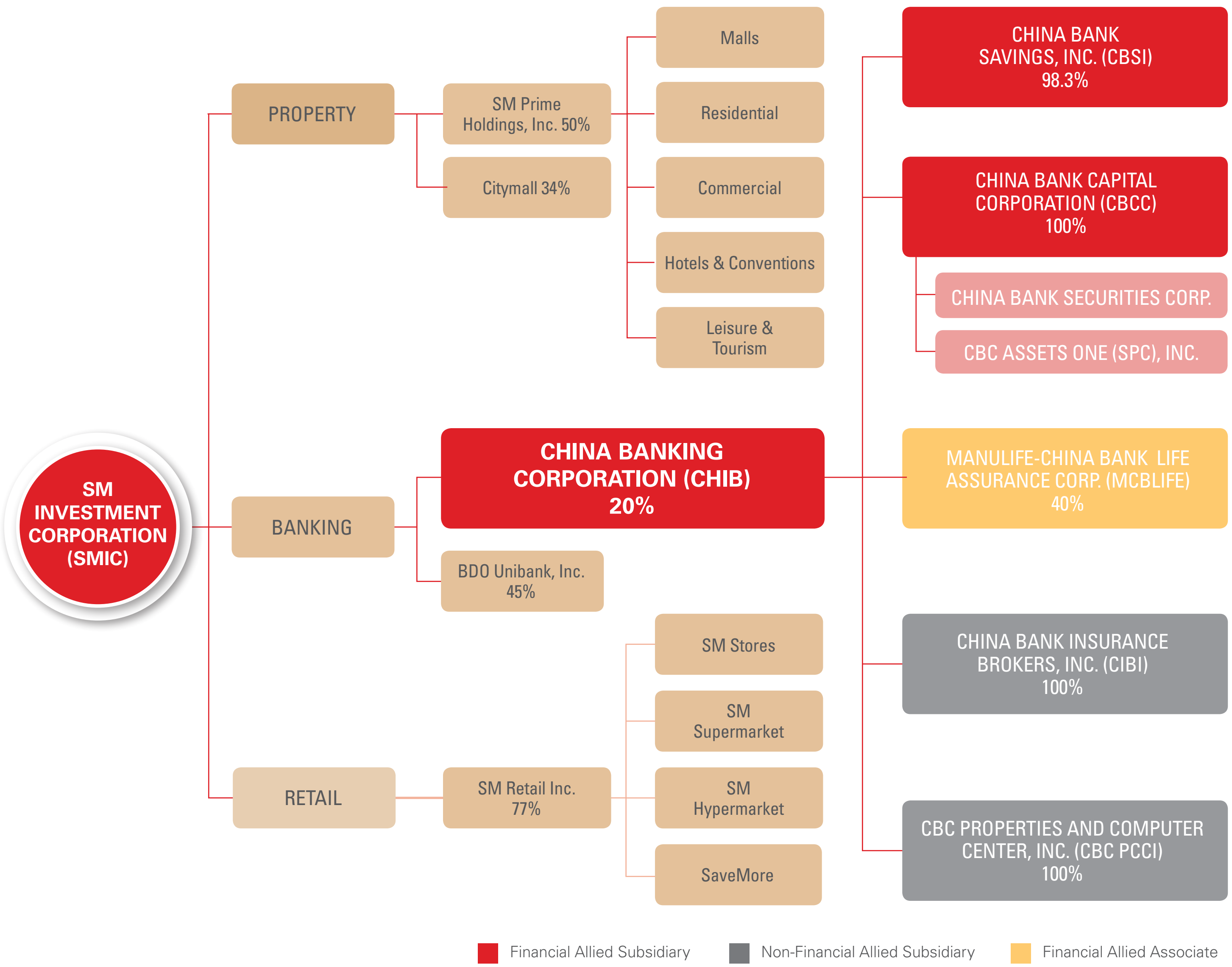
[a] As Acting Trust Officer until January 2018; attended 1 out of 1 meeting
[b] Appointed as Trust Officer effective February 2018; attended 9 out of 9 meetings

Organizational chart

102-18



Conglomerate map



Internal Controls

102-11

Effective internal controls are the foundation of safe and sound banking. Our robust internal control system enables us to safeguard the Bank's resources, produce timely and accurate financial reports, comply with laws and regulations, reduce the possibility of significant errors and irregularities, and implement management policies to attain corporate goals.

The Board is responsible for the establishment and review of China Bank's system of internal controls, while the day-to-day responsibility for internal control rests with Management. All of our employees are involved to a certain degree in our internal control process.

Based on the Audit Committee's continuing review and monitoring of the Bank's internal control system, in 2018, material controls, risk management systems and framework remain adequate and effective relative to the Bank's size and complexity of transactions.

COMPLIANCE

Compliance is firmly embedded in China Bank's culture. We are committed to comply with all applicable laws and regulations to strengthen our business and maintain the trust and confidence of our stakeholders.

Our compliance system, built upon a solid foundation of ethical values, fosters a strong compliance culture that starts from the Board and permeates across the organization. At the forefront of our compliance system is the Compliance Division, which is independent of China Bank's business activities. The Compliance Division plays an important role in driving the effective management of compliance risks and in promoting compliance awareness and understanding of compliance issues and the impact of non-compliance. It is headed by the Chief Compliance Officer (CCO), Atty. Aileen Paulette S. De Jesus, who also takes on the role of Group Compliance Officer for the China Bank Group.

The CCO is independent from management and reports functionally to the Compliance and the Corporate Governance committees, and administratively to the President. The Compliance function is supported by the collaborative efforts of Regulatory Compliance, Corporate Governance, IT Compliance, and Anti-Money Laundering units, and the Associated Person. Compliance Coordinators are also designated in each Bank unit to ensure that all risks associated to the operations and business of the individual units are identified, monitored, and mitigated.

Our Compliance Division assumes a preventive, advisory and oversight role.

Preventive

- Cascades all recent laws, rules, and regulations to all concerned
- Continuously educates Bank employees about compliance, anti-money laundering, good governance, the Bank's Code of Ethics, the policy on avoidance of conflict of interest, among others
- Conducts briefings for Compliance Coordinators to raise the level of awareness and understanding of the principles, concepts, and elements of good corporate governance and compliance
- Conducts lectures on Compliance System, Anti-Money Laundering (AML), Whistleblowing, and Corporate Governance as part of the New Employees' Orientation Program, Junior Executive Development Program, and Supervisory Development Program

Advisory
- Acts as liaison for the Board and Management on regulatory compliance matters, with the regulatory agencies
- Provides advisory services, including reviewing proposed China Bank products and services

Oversight
- Reviews and updates the Compliance Manual, Money Laundering and Terrorist Financing Prevention Program and Corporate Governance Manual annually to align with recent regulatory requirements
- Implements compliance initiatives and monitors the Bank's level of compliance

RISK MANAGEMENT

China Bank's resilience is anchored on prudent risk-taking. We safeguard stakeholders' interest and the Group's assets with a balanced approach to risk management, undertaking only well considered risks for commensurate returns. Our Risk Management Group (RMG), headed by Chief Risk Officer Ananias S. Cornelio III, executes the risk management function which is generally responsible for identifying, assessing, monitoring, and mitigating our key risks. RMG reports to the Board through the Risk Oversight Committee which has approval and oversight responsibility for our risk management framework and risk appetite. Risk identification and assessment are embedded in our control processes, employees at all levels are responsible for the management and reporting of risks, and risk management is reinforced as a discipline group-wide through trainings and communication.

Market and Liquidity Risk

The objective of our market risk policies is to obtain the best balance of risk and return while meeting our stakeholders' requirements. On the other hand, our liquidity risk policies center on maintaining adequate liquidity at all times to be in a position to meet all obligations as they fall due. Market risk, interest rate risk, and liquidity risk exposures are managed through a risk management framework comprising of limits, triggers, monitoring, and reporting process that are in accordance with the risk appetite of the Board.

Market risk exposures are measured and monitored through reports from our Market Risk Management System. We use Historical Simulation Value-at-Risk (VaR) approach for all treasury traded instruments, including fixed income bonds, foreign exchange swaps and forwards, interest rate swaps, and equity securities. Meanwhile, liquidity and interest rate risk exposures are measured and monitored through the Maximum Cumulative Outflow (MCO) and Earnings-at-Risk (EaR) reports from our Asset and Liability Management (ALM) system.

To evaluate the Bank's overall vulnerabilities on specific events or crisis and gauge our ability to withstand stress events, we have an Integrated Stress Testing framework (IST) in addition to the silo stress tests. The IST complements the Internal Models Approach which is the basis for Internal Capital Adequacy Assessment Process (ICAAP) capital charge under normal condition.

Based on the latest annual validation of Internal Audit, our internal risk measurement models –VaR, EaR, and MCO – remain appropriate and adequate.

Credit Risk

Our policies for managing credit risk are determined at the business level with specific procedures for different risk environments and business goals. Risk limits and thresholds have been established to monitor and manage credit risk from individual and counterparties and/or group of counterparties, and industry sectors. Periodic assessments are also conducted to review the creditworthiness of our counterparties.

The Bank has several risk rating models in place to measure credit risk in a consistent manner. For corporate borrowers with total assets, total facilities, or total exposures of at least P15 million, the rating model used is the Internal Credit Risk Rating System (ICRRS). Retail and small and medium entities and individual loan accounts, on the other hand, are subject to the Borrower Credit Score (BCS) while consumer loans (auto loans, housing loans, credit card), are covered by application scorecards.

In addition, to the rating models for corporate, commercial, and consumer loans, the Board approved a Sovereign Risk Rating Model in 2016 to assess the strength of the country rated with reference to its economic fundamentals, fiscal policy, institutional strength, and vulnerability to extreme events.

Moody's Analytics performed a quantitative and qualitative validation of the ICRRS in 2014, followed by the model recalibration in 2015. In 2016, with the assistance of Teradata as our technology provider, RMG completed the statistical validation of the BCS using the same methodology applied to the validation of the corporate risk rating model. A validation of the recalibrated ICRRS and BCS models were performed by RMG in 2017 and 2018.

Operational, Business Continuity Management (BCM) and Information Technology (IT) Risk

Our Operational Risk Management Framework outlines the policies, processes, and procedures, as well as the tools—including Risk Control Self-Assessment and Key Risk Indicators—for managing our group-wide operational risks.

To mitigate the impact of business-disrupting events, we have a Business Continuity Management (BCM) program covering our resiliency strategies, recovery procedures and facilities, business continuity, and crisis management plans. The program includes tests and simulation exercises which are regularly performed in varying degrees.

In managing our IT risk, we have an IT risk assessment process for identifying vulnerabilities and determining the effectiveness of IT controls. We aligned our IT risk management practices with the standards and operating principles of the Guidelines on IT Risk Management (BSP Circular No. 808) and Enhanced Guidelines on Information Security Management (BSP Circular No. 982).

With the evolving cyber-threat landscape, we developed a Cyber Resilience Framework as a supplement to our Information Security Management System and BCM program. The framework provides the details related to the preparations and measures for protecting the Bank's disaster recovery infrastructure against cyber-attacks.

Trust Risk

We manage our trust risk in accordance with the Guidelines in Strengthening Corporate Governance and Risk Management Practices on Trust, Other Fiduciary Business, and Investment Management Activities (BSP Circular 766). Our Trust Risk Management Guidelines covers all the risks specific to our Trust business, including legal, strategic, and reputational risks. In 2018, we implemented an additional risk metric, Management Action Trigger (MAT) for Private Bonds, and updated the MAT framework for Unit Investment Trust Funds.

INTERNAL AUDIT

Internal Audit performs a significant role in corporate governance by providing assurance and insights on the processes and structures that propel China Bank towards success. For assurance, it involves the assessment and reporting on the adequacy, efficiency, and effectiveness of governance, risk management, and control processes designed to help us achieve our goals and objectives. Internal Audit's insights on governance, risk, and control produce positive change and improvement within the Bank.

Our Audit Division is headed by the Chief Audit Executive (CAE), Marilyn G. Yuchenkang. It is independent from undue influence as evidenced by the functional and administrative reporting to the Audit Committee and the President, respectively. It has a Board-approved Internal Audit Charter which defines its purpose, authority, and responsibility, among others. The auditors are competent, objective, and avoid conflicts of interest in the performance of their responsibilities. These attributes put the group to be in the best position to render assurance services on governance, risk management, and internal control processes.

Based on the results of audit conducted in 2018, the CAE confirmed that the Bank's control processes, operating across the organization, are in place, adequate, and working effectively to mitigate risks that could adversely affect the achievement of the Bank's objectives. This attestation covers the units, processes, and systems examined in relation to the scope defined in the duly approved 2018 Audit Plan.

In 2018, Audit Division continued to elevate the level of efficiency of its audit services by improving existing practices, including expanding the scope of use of data analytics to eventually lead to a bank-wide scale revision and updating of audit procedures, report format, rating system, among others. In addition, the internal auditors remained vigilant about updating and enhancing their skills and competencies by attending various internal and external trainings/seminars and benchmarking against existing industry practices. These initiatives are geared towards the promotion of excellent and value adding audit services.

EXTERNAL AUDIT

Our external auditor fulfills a critical function in ensuring that our financial statements are accurate and presented in accordance with the Philippine Financial Reporting Standards (PFRS). SyCip Gorres Velayo & Co. (SGV & Co.) has been our external auditor for over 20 years, with the signing partners rotated every five years in compliance with existing regulations.

Fiscal Year	Audit and Audit-Related Fees	Non-Audit Fees
2018	P7, 766,528	P6,312,320
2017	P8,192,800	P 254,240

Audit and audit-related fees cover services rendered for the performance of the audit review of the Bank's financial statements including the combined financial statements of the Trust Group, and the issuance of comfort letters relative to the Stock Rights and Long Term Negotiable Certificates offering.

SGV & Co. was likewise engaged in non-audit work for the independent review of PFRS 9 Expected Credit Loss Models, independent validation of votes in the annual stockholders' meeting, and for the compliance certificate issued to the international bank lenders. Payment for these services and seminar fees are included under Non-Audit Fees.

Ethics and anti-corruption

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Integrity underpins our efforts every day. We go about our daily tasks upholding the highest ethical standards and treating our stakeholders with honesty, respect, and fairness. Using our scale and influence, we likewise encourage ethical conduct by our suppliers and partners.

Corporate Governance Manual and Code of Ethics
In the conduct of our business and dealings with stakeholders, we are guided by the relevant rules and regulations and our own Corporate Governance Manual (Manual) and Code of Business Conduct and Ethics (Code). The Manual contains our corporate governance policies, structure, principles, as well as the general and specific duties and responsibilities of the Board and the individual directors. It is regularly updated to ensure alignment with the latest regulatory issuances. Meanwhile, The Code provides clear guidelines on acceptable and unacceptable behavior and business practices.

In 2018, we adopted a separate Code of Business Conduct and Ethics for Directors which codifies the guiding principles in the Manual. It articulates acceptable practices in relation to both internal and external dealings (i.e., investors, creditors, customers, depositors, contractors, suppliers, regulators, and the general public) of the members of the Board. It also establishes standards for professional and ethical conduct, such as but not limited to: commitment to fair dealings with customers and stakeholders, exercise of due care in accepting gifts and entertainment, ensuring personal interests do not interfere with the interest of the Bank, and ensuring confidentiality of information. Each director was given a copy and has acknowledged receipt of the Code.

Compliance to the Manual and Code are mandatory for all our directors and employees. Our Compliance Division monitors compliance with the Manual and responds to inquiries from employees regarding good corporate governance policies and practices. Our Human Resources Group ensures that every China Bank employee is aware of and upholds the Code. All new employees are given a copy of the Code booklet and undergo the New Employees' Orientation Course (NEOC) wherein the Code is comprehensively discussed. For easy reference, both the Manual and the Code are posted on our Intranet facility and our website.

Anti-bribery & corruption

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We are committed to honest and ethical business practices and do not tolerate any form of bribery and corruption. We take our legal responsibilities very seriously and expect our directors and employees at all levels and grades to do the same. China Bank directors and employees are to act professionally, fairly, and with integrity in all our business dealings and relationships wherever we operate; thus, they 1) must never offer, promise, or give a financial or other advantage to any person or party, including public officials, with the intention of inducing or rewarding improper performance by them of their duties or to facilitate the transaction of the Bank, and 2) must never directly or indirectly accept or agree to receive a financial or other advantage as a reward for performing any act prejudicial to the Bank, the director/employee himself, or a third party. In 2018, a total of 1,684 employees underwent training on anti-bribery and corruption.

Anti-Money laundering

We are committed to comply with the Anti-Money Laundering (AML) law and other related rules and regulations. The Compliance Division through its AML Unit, ensures that our AML System is effectively implemented at all times. Know Your Customer (KYC) measures and other related standards like proper client classification based on client risk assessment system are regularly reviewed and enhanced to remain aligned with the changing requirements and emerging trends. The Board of Directors through the Compliance Committee, ensures that programs and controls are in place, implemented, monitored, and regularly updated to ensure that our Bank, employees, products, and services are not used for money laundering and terrorist financing activities.
In place is a Money Laundering and Terrorist Financing Prevention Program (MLTP) which upholds the AML requirements and seeks to prevent the Bank from being used for unlawful activities. The Compliance Division is responsible for managing, updating, and implementing the MLTP, including ensuring that employees have sufficient and up-to-date knowledge of the regulations and policies, through classroom and electronic-based trainings and constant communications / reminders.

Insider trading

We have strict policies on securities transactions to support and uphold all applicable laws against insider trading. China Bank Directors, officers, and employees who are considered to have knowledge of material facts or changes in the affairs of China Bank which have not yet been publicly disclosed—including any information likely to affect the share price of the Bank's stock—are strictly prohibited from directly or indirectly engaging in financial transactions that make use of "insider information". This also includes consultants and advisers and all other employees who are made aware of undisclosed material information. Any transactions by the Directors and principal officers involving the Bank's shares are required to be disclosed within three business days from the date of the transaction.

Conflict of interest

Conflict of interest between the Bank and employees should be avoided at all times. However, should a conflict arise, the interest of the Bank must prevail. Employees are not permitted to have or be involved in any financial interests that are in conflict or appear to be in conflict with their duties and responsibilities to China Bank. They are likewise barred from engaging in work outside of the Bank unless with duly-approved permission, as well as work that lies in direct competition with the Bank.

Vendor selection and procurement of goods and services

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We are committed to fair market practices. All prospective suppliers and contractors must also undergo and pass our accreditation process before any contract is awarded to them. We assess their reputation, capability, reliability, and actual performance. We follow standards of objectivity, impartiality, and equal opportunity and evaluate vendor bids based on thorough criteria such as quality, price, service, and overall value to the business, ensuring that we prevent any favoritism or conflicts of interest. Consequently, we only transact with suppliers and contractors with integrity and with good track record.

Main spending category for the Bank includes information technology (banking software and related services), outsourced professional services, energy, transportation and travel, marketing and advertising, and office supplies.

Whistleblowing
Without fear of any retaliation, our employees, customers, shareholders, and third party service providers may report questionable or illegal activity, unethical behavior, fraud or any other malpractice by mail, phone or e-mail. The identity of the whistleblower is kept confidential and all reports are investigated accordingly. If determined sufficient in form and substance, the disclosure is referred either to the Audit Division or the Human Resources Group (HRG) for further investigation. If the report is found to be baseless, the Whistleblower is informed of the status within 24 hours from receipt. Meritorious disclosure, as may be determined, will be given recognition and may be entitled to an award as deemed necessary by the HRG or the Investigation Committee.

The Chief Compliance Officer (CCO) is the primary driver in the implementation of our Whistleblowing Policy. All disclosures are directed to the CCO or to the duly designated Compliance Officer, who is responsible for determining the sufficiency and validity of the report. The policy also allows reporting of any disclosure to the Chief Audit Executive, Chief Risk Officer, and the HRG Head.

Reports/disclosures may be sent to any China Bank Officer or to:

CHIEF COMPLIANCE OFFICER
whistle_chib@yahoo.com
0947 996-0573
China Banking Corporation,
P.O. Box 2182, Makati Central Post Office

A disclosure form is also available at www.chinabank.ph

Other governance policies

Selection, appointment, and succession of Senior Officers
The Board is primarily responsible for approving the selection of the Management as led by the Chief Executive Officer. Senior officer appointments (VPs up) are made on merit and in accordance with the "fit and proper" rule, giving consideration on integrity, expertise and experience in finance or banking, and aligned with the Bank's strategic objective of having the highest caliber leaders who inspire the trust and confidence of our employees, customers, investors, and other stakeholders. We have policies and procedures in place for building our talent pipeline and ensuring that key positions are filled up through internal promotion (Succession Management Program) or external sourcing. Our Human Resources Group Head is responsible for ensuring the adherence to these policies and procedures and that the appropriate level of administrative support is provided throughout the selection and appointment process. The Nominations Committee reviews the candidates' qualifications and information, and the Board approves the appointments.

Dividends
China Bank declares cash dividends at a payout ratio of at least thirty percent (30%) of the net income of the prior year, subject to the conditions and limitations set forth in more detail in the dividend policy statement contained in the Corporate Governance Manual.

Dividend payouts, as part of the Bank's capital management policy and process, are reviewed and calibrated annually— taking into account the economic and business environment, the Bank's risk profile and appetite, and trends in capital markets or regulatory environment to achieve the following objectives:

1. Delivering to stockholders satisfactory returns and enhanced shareholder value
2. Healthy capital adequacy ratios to comply with regulatory capital requirements and maintain strong credit rating
3. Capital buffer to support business growth and pursue business opportunities.

Disclosure and transparency

The Bank is a staunch advocate of transparency and accountability, maintaining a high standard of disclosure to facilitate public understanding of the Bank's financial condition and the state of its corporate governance in order for them to make a well-informed decision. All material information about China Bank is adequately and promptly disclosed in accordance with SEC and PSE's disclosure policy like the publication of our quarterly financial statements in national broadsheets and presentation of a detailed annual report for our Stockholders' Meetings. Furthermore, we disclose market-sensitive information like dividend declarations, joint ventures and acquisitions, sale and disposition of significant assets, as well as financial and non-financial information that may affect the decision of the investing public through the Electronic Disclosure Generation Technology (Edge) of PSE, making them available on the PSE website and also our corporate website. These disclosures are simultaneously available to analysts, investors, local and international media, and the investing public.

Related party transactions

We recognize that Related Party Transactions (RPTs) may give rise to a conflict of interest; thus, we are careful in dealing with related parties. Transactions with such parties are thoroughly reviewed as having been conducted in the ordinary course of business, at arm's length basis, at fair market prices, and upon terms not less favorable to the Bank, in the same terms as those offered to others. All material RPTs are reviewed and vetted upon by the RPT Committee before they are endorsed to the Board for approval and are ratified by the stockholders during the Annual Stockholders' Meeting.

Our RPT Framework serves as a guide to the China Bank group in dealing with related parties. The Bank's RPT policy is kept relevant and aligned with recent regulatory issuances. No director is allowed to participate in the discussion or deliberation, including approval of a transaction where he is a related party, to prevent conflict of interest. We established specific materiality threshold on a per transaction basis.

Significant related party transactions as of December 2018:

Name of Related Party	Transaction	Amount
Allfirst Equity Holdings, Inc. (Related Party)	FX Pre-Settlement Risk Line	$ 8.0 M
Anchor Land Holdings, Inc. and Subsidiaries (Related Party)	CTS Receivables Purchase	₱ 140.7 M
Anchor Properties Corporation (APC) (Related Party)	8-Year Term Loan Outstanding	₱ 4.7 B ₱ 765.0 M
	Bridge Loan Facility	₱ 1.3 B
	Omnibus Line Outstanding - CTS	₱ 1.0 B ₱ 24.5 M
Belle Corporation (Affiliate)	5-year Term Loan	₱ 2.5 B
BDO Private Bank (Affiliate)	Bond Purchase	₱ 601.1 M
	FX Purchase	₱ 674.4 M
	Bond Sale	₱ 250.0 M
	FX Purchase	₱ 570.4 M
BDO Private Wealth Advisory and Trust Group (Affiliate and a Group in the Bank)	Bond Sale	₱ 640.1 M
	Bond Sale Money Market Discount	₱ 1.2 B
BDO Securities (Affiliate)	Equity Purchase	₱ 964.7 M
	Equity Sale	₱ 964.7 M
BDO Universal Bank (Affiliate)	Bond Purchase	₱ 200.8 M
	FX Purchase	₱ 12.5 B
	FX Swap Purchase	₱ 4.9 B
	Bond Sale	₱ 1.1 B
	FX Sale	₱ 5.1 B
	FX Swap Sale	₱ 1.3 B
	SSA Investment	₱ 4.4 B
	Counterparty – SSA	₱ 1.5 B
Carmen Copper Corporation (Related Party)	1-year Bridge Loan Facility	₱ 170.0 M
	Extension of Bridge Loan Facility Outstanding	$ 170.0 M
China Bank Capital (Subsidiary)	Bond Sale Money Market Discount	₱ 750.0 M
	Bond Sale	₱ 735.6 M
	Bond Sale Money Market Discount	₱ 100.0 M
	Corporate Bonds Purchase	₱ 200.0 M
	Additional contribution to IMA account	₱ 900.0 M
China Bank Savings (Subsidiary)	IBCL	$ 5.0 M
	Fixed Income	₱ 3.2 B
	Trade Transactions	₱ 200.0 M
	Fund transfer to HO	₱ 64.3 M
	FX Purchase	₱ 74.8 M
	Bond Sale	₱ 550.0 M
	Bond Sale Money Market Discount	₱ 2.6 B
	SSA Investment	₱ 1.8 B
	Counterparty – SSA	₱ 562.1 M
	Renewal of Omnibus Line Outstanding	₱ 200.0 M ₱ 39.6 M
China Bank Securities (Subsidiary)	Broker – Purchase / sale of stocks	₱ 431.8 M $ 14.8 M
	Domestic Bills Purchase Line	₱ 50.0 M

CHINA BANK AS STEWARD

Name of Related Party	Transaction	Amount
CBC Trust Group (A Group in the Bank)	Bond Purchase	₱ 900.0 M
	Bond Purchase Money Market Discount	₱ 1.5 B
	Bond Sale	₱ 783.7 M
	Bond Sale Money Market Discount	₱ 558.3 M
Clara Sy (Officer)	Initial contribution to IMA account	₱ 60.0 M
Elizabeth Tan Sy and Eric Charles Sy Uy (Close family members of a Director)	Additional contribution to IMA account	₱ 864.5 M
GOTAMCO Realty Investment Corporation (GRIC) (Related Party)	New Loan Line 7.5-year Term Loan Outstanding	₱ 1.6 B ₱ 220.0 M
	7-year Term Loan Outstanding	₱ 1.1 B ₱ 170.0 M
	Bridge Loan Facility	₱ 1.3 B
	Renewal of Omnibus Line (Loan Limit Shared with Anchor Holdings) Outstanding	₱ 1.0 B ₱ 13.0 M
	Renewal of 6-year term loan Outstanding	₱ 4.1 B ₱ 1.1 B
Hans Sy (Director)	Equities Purchase	₱ 2.9 B
Hans Sy, Jr. (Close family member of a Director)	Initial contribution to PMT account	₱ 425.0 M
	Additional contribution	₱ 418.5 M
Henry Sy, Sr. (Related Interest)	Renewal of Loan Line	₱ 300.0 M
Herbert Sy and Hendrick Sy (Director / Related Interest)	Additional contribution to IMA account	₱ 709.6 M
Herbert Sy and Herbert Sy, Jr. (Director / Related Interest)	Additional contribution to IMA account	₱ 206.5 M
JJACCIS Development Corporation / Suntree Holdings Corporation (Stockholder / Related Interest)	Renewal and increase of Omnibus Line Outstanding	₱ 690.0 M ₱ 387.4 M
	Cancellation of Loan Line	₱ 100.0 M
Manulife Asset Management and Trust Corporation (Related Party)	Bond Sale	₱ 59.0 M
MMPC Auto Financial Services Corporation (Related Party)	Loan Line	₱ 200.0 M
	5-year Term Loan	₱ 1.0 B
National Grid Corporation of the Philippines (Related Party)	Extension of the Standby LC Outstanding	$ 79.0 M
	Renewal of Pre-Settlement Risk Line	$ 1.0 M
New Golden City Builders and Development (Related Interest)	L/C Line	$ 1.0 M
	Additional contribution to IMA account	₱ 200.0 M
	Initial contribution to UITF account	₱ 70.0 M
NLEX Corporation (Related Party)	Initial public offering of bonds	₱ 325.0 M
One Network Bank (Affiliate)	Bond Sale	₱ 430.9 M
Ortigas & Company, Limited Partnership (Related Party)	Participation up the full amount of the 10-year P5B Corporate Note Facility Outstanding	₱ 5.0 B ₱ 2.5 B
	Loan Line	₱ 500.0 M
Pasajero Motors Corporation (Related Party)	Omnibus Loan Line Outstanding	₱ 55.0 M ₱ 53.0 M

Name of Related Party	Transaction	Amount
Petrogreen Energy Corporation (Related Party)	Omnibus Line Outstanding	₱ 600.0 M ₱ 382.7 M
	Domestic Bills Purchase Line	₱ 5.0 M
	Pre-settlement Risk Line	$ 200,000
	Settlement Risk Line	$ 1.0 M
	Review of Term Loan Outstanding	₱ 500.0 M ₱ 421.4 M
Planters Development Bank Employees' Retirement Fund (Subsidiary)	Initial contribution to IMA account	₱ 81.0 M
Posh Properties Development Corporation (PPDC) (Related Party)	Bridge Loan Facility	₱ 1.3 B
	Review of Term Loans 10-year term loan Outstanding	₱ 4.1 B
	10-year term loan Outstanding	₱ 1.2 B ₱ 1.0 B
	7-year term loan (PPDC) Outstanding	₱ 3.7 B ₱ 1.7 B
	Omnibus Line Outstanding – CTS Outstanding	₱ 1.0B ₱ 218.4 M ₱ 300.0 M
Reynaldo Jardin Macaraig & Teresita Catalya Macaraig & Rowena Macaraig Chuabio & Ruel Antonio Catalya Macaraig (Related Interest)	Initial contribution to IMA account	₱ 100.0 M
Rizal Commercial Banking Corporation (Related Party)	Bond Purchase	₱ 800.4 M
	Bond Sale	₱ 1.0 B
	Bond Sale Money Market Discount	₱ 70.9 M
RCBC Savings Bank (Related Party)	Bond Purchase	₱ 50.0 M
	Bond Sale	₱ 100.0 M
	Bond Sale Money Market Discount	₱ 50.0 M
SM Development Corporation (Affiliate)	Renewal of Loan Line	₱ 1.0 B
	Renewal of Bills Purchase Line	₱ 50.0 M
	3-year Term Loan	₱ 1.5 M
	Term Loan	₱ 2.1 M
SM Investments Corp. / Sybase Equity Investments Corp. / Multi-Realty Development Corp. (Stockholder / Affiliate)	Renewal of Loan Line	₱ 15.5 B
	Grant of FX Pre-Settlement Line (for SMIC)	$ 12.5 M
SM Prime Holdings Inc. / SM Hotels and Conventions Corp. / Costa del Hamillo, Inc. (Affiliate / Related Party)	Renewal of Loan Line	₱ 3.0 B
	Renewal of Bills Purchase Line	₱ 100.0 M
Sps. Irwin and Consuelo Ponce (Related Interest)	Increase of Loan Line Outstanding	₱ 95.0 M ₱ 89.8 M
St. Luke's Hospital (Global City), Inc. (Related Party)	7-year Term Loan	₱ 3.0 B
	Renewal of Omnibus Line	$ 2.0 M
Summerhills Home Development Corporation (Related Party)	Renewal of Loan Line	₱ 500.0 M
Sun Life Grepa Financial, Inc. (Related Party)	Bond Purchase	₱ 134.0 M
Sysmart Corporation (Stockholder)	Renewal of Loan Line Outstanding	₱ 5.0 B ₱ 2.5 B
2GO Group, Inc./ 2GO Express, Inc./ Special Container and Value Added Services (Related Party)	Loan Line	₱ 1.0 B
	Domestic Bills Purchase Line	₱ 100.0 M

Information for stockholders

Date of Foundation

China Bank was incorporated on July 20, 1920 and opened for business on August 16, 1920. The Bank is registered with the Securities and Exchange Commission under SEC registration number 443. China Bank's amended By-laws may be downloaded from our website, www.chinabank.ph, or requested from the Office of the Corporate Secretary:

ATTY. CORAZON I. MORANDO
Vice President and Corporate Secretary
11/F China Bank Building
8745 Paseo De Roxas corner Villar Street
Makati City 1226, Philippines
Tel. Nos.: (+632) 885-5131, 885-5132
Fax No.: (+632) 885-5135
Email: ocsstocks@chinabank.ph

Record and Beneficial Owners Holding 5% or More Voting Securities

(As of February 28, 2019)

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Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common	PCD Nominee Corporation * 37th Floor Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City Stockholder	Various stockholders/clients	Non-Filipino	720,955,761	26.842%
Common	SM Investments Corporation 10th Floor L.V. Locsin Bldg., 6752 Ayala Avenue, Makati City Stockholder	Sy Family PCD Nominee Corporation Stockholders	Filipino	461,975,661	17.200%
Common	PCD Nominee Corporation * 37th Floor Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City Stockholder	Various stockholders/clients	Filipino	431,441,259	16.063%
Common	Sysmart Corporation 10th Floor L.V. Locsin Bldg., 6752 Ayala Avenue, Makati City Stockholder	Henry Sy, Sr. and Family Sycamore Pacific Corporation Stockholders	Filipino	415,995,323	15.488%

**Based on the list provided by the Philippine Depository & Trust Corporation to the Bank's transfer agent, Stock Transfer Service, Inc., as of February 28, 2019, The Hongkong and Shanghai Banking Corporation Limited (396,732,386 shares or 14.770%) holds 5% or more of the Bank's securities. The beneficial owners, such as the clients of PCD Nominee Corporation, have the power to decide how their shares are to be voted.*

Authorized and Issued Capital

Authorized Capital	Issued Shares:
₱33.0 Billion divided into 3.3 Billion shares with a par value of ₱10.00 per share	2,685,899,812 common shares

Summary of Filipino and Non-Filipino Holdings
(As of February 28, 2019)

Nationality	Number of Stockholders	Number of Shares	Percentage
Filipino	1,845	1,957,851,737	72.894%
Non-Filipino (PCD)	1	720,955,761	26.842%
Chinese	48	3,289,744	0.122%
American	19	2,459,997	0.092%
Australian	1	2,114	0.000%
British	2	97,631	0.004%
Canadian	2	450,163	0.017%
Dutch	1	62,198	0.002%
Spanish	1	107	0.000%
Taiwanese	4	730,360	0.027%
TOTAL	1,924	2,685,899,812	100.0%

Trading in Company Shares by and Total Shareholdings of Bank Directors and Executive Officers
(As of December 31, 2018)

A. Directors

Name	Position	Shareholdings as of January 1, 2018	Number of Shares Disposed	Number of Shares Acquired	Shareholdings as of December 31, 2018
Hans T. Sy	Chairman of the Board	3,541,419	-	200,000	3,741,419
Gilbert U. Dee	Vice Chairman	12,832,906	-	-	12,832,906
William C. Whang	Director & President	17,518	-	-	17,518
Peter S. Dee	Director	301,305	-	-	301,305
Joaquin T. Dee	Director	51,686,912	-	-	51,686,912
Herbert T. Sy	Director	510,592	-	-	510,592
Harley T. Sy	Director	261,211	-	-	261,211
Alberto S. Yao	Independent Director	548,876	-	-	548,876
Jose T. Sio	Director	3,517	-	-	3,517
Margarita L. San Juan	Independent Director	95,238	-	-	95,238
Philip S. L. Tsai*	Independent Director	-	-	2,000	2,000

**Elected as Independent Director on November 7, 2018 to serve the unexpired term of Mr. Roberto F Kuan who passed away on September 15, 2018*

B. Executive Officers (In addition to Messrs. Gilbert U. Dee and William C. Whang)

Name	Position	Shareholdings as of January 1, 2018	Number of Shares Disposed	Number of Shares Acquired	Shareholdings as of December 31, 2018
Rosemarie C. Gan	Executive Vice President	130,032	-	-	130,032
Patrick D. Cheng	Senior Vice President & CFO	617,756	-	-	617,756
Alexander C. Escucha	Senior Vice President	83,886	-	-	83,886
Gerard T. Dee	First Vice President II	277,864	-	-	277,864
Angela D. Cruz	First Vice President	1,639,876	-	-	1,639,876
Delia Marquez	First Vice President II	23,560	-	-	23,560
Lilibeth R. Cariño	First Vice President	4,167	-	-	4,167
Renato K. De Borja, Jr.	First Vice President II	669	-	-	669
Shirley G.K.T. Tan	First Vice President II	12,863	-	-	12,863
Elizabeth C. Say	First Vice President	3,433	-	-	3,433
Benedict L. Chan	First Vice President II	15,678	-	-	15,678
Maria Rosanna Catherina L. Testa	First Vice President	6,340	-	-	6,340
Stephen Y. Tan	First Vice President	-	-	2,746	2,746
Marisol M. Teodoro	First Vice President	-		21,323	21,323
Layne Y. Arpon	First Vice President	-		10,732	10,732

Market Information

Principal market where equity is traded: Philippine Stock Exchange, Inc. (PSE)

Market Value

Actual Prices: *

2018	HIGH	LOW	CLOSE
Jan - Mar	37.50	33.20	35.20
April - Jun	35.55	33.00	33.60
Jul – Sept	33.60	28.85	28.85
Oct – Dec	29.95	26.75	27.10

** No adjusted prices as no stock rights or stock dividends were issued in 2018*

Actual Prices:

2017	HIGH	LOW	CLOSE
Jan - Mar	41.55	38.00	40.70
April - Jun	41.60	34.50	36.70
Jul – Sept	36.90	35.00	35.35
Oct – Dec	36.20	32.80	33.30

Adjusted Prices (due to stock rights and 8% stock dividend):

2017	HIGH	LOW	CLOSE
Jan - Mar	36.65	33.20	35.90
April - Jun	36.69	33.00	33.98
Jul – Sept	34.17	28.85	32.73
Oct – Dec	34.50	26.75	33.30

Market value as of December 28, 2018 (last trading day): P27.10

Price Information as of February 28, 2019 (latest practicable trading date): P27.65

Dividend History

	2018	2017	2016	2015	2014
Stock Dividend	--	8%	8%	8%	8%
Cash Dividend	8.3%	8%	10%	10%	10%

Investor Relations

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Inquiries from investors, analysts, and the financial community are handled by the Investor & Corporate Relations Group:

ALEXANDER C. ESCUCHA
Senior Vice President and Head
Investor and Corporate Relations Group
28/F BDO Equitable Tower
8751 Paseo De Roxas
Makati City 1226, Philippines
Tel. No.: (+632) 885-5609
Email: **investor-relations@chinabank.ph**

BOARD OF DIRECTORS

HANS T. SY
Chairman

Hans T. Sy (non-executive director), 63, Filipino, is Chairman of the Board, Chairman of the Executive and Compliance committees, and member of the Risk Oversight and Remuneration committees. He was first elected on May 21, 1986 and has been on the China Bank Board for 32 years. He was elected as Vice Chairman in 1989 and as Chairman on May 5, 2011. He also serves on the Boards of SM Prime Holdings, Inc.* as Director and Chairman of the Executive Committee and SM Investments Corporation* as Adviser to the Board, and holds key positions in several companies within the SM Group. He graduated from De La Salle University with a Bachelor's degree in Mechanical Engineering.

GILBERT U. DEE
Vice Chairman

Gilbert U. Dee (executive director), 83, Filipino, is Vice Chairman of the Board and member of the Executive Committee. Elected on March 6, 1969, he has been on the China Bank Board for 50 years. He served as Chairman from 1989 until he stepped down to become Vice Chairman in 2011. He currently serves as Chairman of Union Motor Corporation and China Bank subsidiary CBC Properties and Computer Center, Inc. (CBC-PCCI). He was a former director of Philippine Pacific Capital Corporation, Philex Mining Corporation, CBC Finance Corporation, and Super Industrial Corporation. He holds a Bachelor's degree in Banking from De La Salle University and a Master's in Business Administration (MBA) degree in Finance from the University of Southern California.

Listed on the Philippine Stock Exchange

WILLIAM C. WHANG
President

William C. Whang (executive director), 60, Filipino, is China Bank President and director since November 1, 2017. He is a member of the Executive and Trust Investment committees. He also serves on the boards of China Bank Savings (CBS), Chinabank Insurance Brokers (CIBI), CBC-PCCI, China Bank Capital Corporation (CBCapital), China Bank Securities Corporation (CBSecurities), Manulife China Bank Life Assurance Corporation (MCBLife), BancNet, Inc., Banker's Association of the Philippines, and Philippine Payments Management Inc. He has over 38 years of banking experience, previously holding key positions in local and international banks, including Metrobank, Republic National Bank of New York, International Exchange Bank, Security Bank, and Sterling Bank of Asia. He obtained a Bachelor's degree in Commerce, Major in Business Management from De La Salle University.

PETER S. DEE
Director

Peter S. Dee (non-executive director), 77, Filipino, is a member of the Executive and Trust Investment committees. He has been on the China Bank Board for 41 years, since April 14 1977. He is also currently on the boards of CBC-PCCI, CIBI, Hydee Management & Resources Corporation, Commonwealth Foods, Inc., GDSK Development Corporation, and City & Land Developers, Inc.* and Cityland Development Corporation* as Independent Director. He was the President and Chief Executive Officer of China Bank from 1985 to 2014, and a former director of Sinclair (Phils.) Inc., Can Lacquer, Inc., and CBC Forex Corporation. He earned a Bachelor's degree in Commerce from De La Salle University/University of the East and completed the Special Banking Course of the American Institute of Banking.

**Listed on the Philippine Stock Exchange*

BOARD OF DIRECTORS

JOSE T. SIO
Director

Jose T. Sio (non-executive director), 79, Filipino, is a member of the Trust Investment Committee. He was elected on November 7, 2007 and has been on the China Bank Board for 11 years. He is chairman of SM Investments Corp.* and a director of Atlas Consolidated Mining and Development Corp.*, OCLP Holdings, Inc., Belle Corp., Concrete Aggregates Corp., and NLEX Corp. He also serves as Adviser on the Boards of BDO Unibank* and Premium Leisure Corp.* and as Adviser of Audit/Risk Oversight Committee of SM Prime Holdings*. He is the current President of SM Foundation, Inc. and a former Senior Partner at SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines, and in various years, was awarded as Best CFO (Philippines) by Hong Kong-based business publications Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset. He is a Certified Public Accountant with a Bachelor's degree in Commerce, major in Accounting from the University of San Agustin and a Master's degree in Business Administration from the New York University, U.S.A.

Listed on the Philippine Stock Exchange

JOAQUIN T. DEE
Director

Joaquin T. Dee (non-executive director), 83, Filipino, is a member of the Executive, Audit, and Compliance committees. He was first elected on May 10,1984 and has been on the China Bank Board for 34 years. He currently holds directorship and key management positions at JJACCIS Development Corporation, Enterprise Realty Corporation, and Suntree Holdings Corporation. He was Vice President for Sales and Administration of Wellington Flour Mills from 1964 to 1994. He holds a Bachelor's degree in Commerce from Letran College.

HERBERT T. SY
Director

Herbert T. Sy (non-executive director), 62, Filipino, is the Chairman of the Trust Investment Committee. He was first elected on January 7, 1993 and has been on the China Bank Board for 26 years. He is currently Chairman of Supervalue, Inc., Super Shopping Market, Inc., Sondrik, Inc., and Sanford Marketing Corp., and director of SM Prime Holdings, Inc.* and National University. He has been involved in companies engaged in food retailing, investment, real estate development and mall operations. He graduated from De La Salle University with a Bachelor's degree in Management.

HARLEY T. SY
Director

Harley T. Sy (non-executive director), 59, Filipino, is a member of the Remuneration Committee. He was first elected on May 24, 2001 and has been on the China Bank Board for 17 years. He also serves as Director of SM Investments Corporation*. He holds a Bachelor's degree in Commerce, Major in Finance from De La Salle University.

**Listed on the Philippine Stock Exchange*

BOARD OF DIRECTORS

ALBERTO S. YAO
Lead Independent Director

Alberto S. Yao (non-executive director), 72, Filipino, is Chairman of the Audit Committee, and member of the Corporate Governance, Risk Oversight, Related Party Transactions, Nominations, Compliance, and Remuneration committees. He was first elected on July 7, 2004 and has been on the China Bank Board for 14 years. He is also Independent Director of China Bank subsidiaries CBS, CBCapital, and CBSecurities, and serves as President & CEO of Richwell Philippines, Inc. and Internationale Globale Marques, Inc., President of Richphil House Inc., and member of` the Philippine Constitution Association. He was previously a Director of Planters Development Bank, President & CEO of Richwell Trading Corporation and Europlay Distributor Co., Inc., President of Megarich Property Ventures Corporation, and a Vice President for Merchandising of Zenco Sales, Inc. He holds a Bachelor's degree in Business Administration, Minor in Accounting from Mapua Institute of Technology.

MARGARITA L. SAN JUAN
Independent Director

Margarita L. San Juan (non-executive director), 65, Filipino, is Chairman of the Risk Oversight Committee and member of the Corporate Governance, Related Party Transaction, Nominations, and Remuneration committees. She was elected to the China Bank Board on May 4, 2017. She is also currently Independent Director of China Bank subsidiaries CBS, CBCapital, and CIBI. She served as the Bank's Senior Vice President and Account Management Group Head until her retirement in 2012, and also worked at Ayala Investment and Development Corporation and Commercial Bank and Trust Co. She obtained a Bachelor's degree in Business Administration, Major in Financial Management from the University of the Philippines, and completed the Advance Bank Management Program of the Asian Institute of Management.

PHILIP S.L. TSAI
Independent Director

Philip S.L. Tsai (non-executive director), 68, Filipino, is Chairman of the Corporate Governance, Related Party Transaction, Nominations, and Remuneration committees, and member of the Audit Committee. He was elected to the Board on November 7, 2018 to serve the unexpired term of Mr. Roberto F. Kuan who passed away on September 15, 2018. Mr. Tsai also currently serves as Independent Director of China Bank subsidiaries CBS, CBCapital, and CIBI. He was formerly the Bank's First Vice President for Retail Banking until his retirement in 2015. He also worked at First CBC Capital (Asia) Limited, Midwest Medical Management, Fortune Paper Inc., Chemical Bank New York, Consolidated Can Corp., and Plastic Container Packaging. He holds a Bachelor's degree in Business Administration from the University of the Philippines and a Master's degree in Business Administration from the Roosevelt University in Chicago, Illinois.

RICARDO R. CHUA
Advisor to the Board

Ricardo R. Chua, 67, Filipino, is Advisor to the Board since November 1, 2017. He served as President and CEO from 2014 to 2017 and as Chief Operating Officer from 1994 to 2014. He is currently Chairman of CBS and CBCapital, and director of CBC-PCCI, CAVACON Corporation, and Sun & Earth Corporation. He is a Certified Public Accountant with a Master's in Business Management (MBM) degree from the Asian Institute of Management. He graduated cum laude from the University of the East with a Bachelor's degree in Business Administration, Major in Accounting.

MANAGEMENT COMMITTEE

ROSEMARIE C. GAN
Executive Vice President and Segment Head of Retail Banking Business

PATRICK D. CHENG
Senior Vice President and Chief Finance Officer

ROMEO D. UYAN, JR.
Executive Vice President and Chief Operating Officer

WILLIAM C. WHANG
President

GILBERT U. DEE
Vice Chairman of the Board

ALBERTO EMILIO V. RAMOS*
Executive Vice President and President of China Bank Savings, Inc.

ALEXANDER C. ESCUCHA
Senior Vice President and Head of the Investor and Corporate Relations Group

RYAN MARTIN L. TAPIA*
President of China Bank Capital Corporation

**Ex-officio member*

MANAGEMENT COMMITTEE

LILIAN YU
Senior Vice President and Head of Institutional Banking Group

BENEDICT L. CHAN
First Vice President, Treasurer, and Head of Treasury Group

LILIBETH R. CARIÑO
First Vice President and Head of Consumer Banking Group

RENATO K. DE BORJA, JR.
First Vice President and Head of Remittance and Credit Card Business Group

DELIA MARQUEZ
First Vice President and Head of Centralized Operations Group and Business Process Management Division

JOSE L. OSMEÑA, JR.
First Vice President and Deputy Group Head of Retail Banking Business

ANANIAS S. CORNELIO III*
First Vice President and Chief Risk Officer

MARIA ROSANNA CATHERINA L. TESTA
First Vice President and Head of Human Resources Group

**Ex-officio member*

CHINA BANK MANAGEMENT TEAM

VICE CHAIRMAN

Gilbert U. Dee

PRESIDENT

William C. Whang

EXECUTIVE VICE PRESIDENT & CHIEF OPERATING OFFICER

Romeo D. Uyan Jr.

EXECUTIVE VICE PRESIDENTS

Rosemarie C. Gan
Alberto Emilio V. Ramos[a]

SENIOR VICE PRESIDENTS

Patrick D. Cheng
Alexander C. Escucha
Lilian Yu

FIRST VICE PRESIDENTS

Cristina P. Arceo
Layne Y. Arpon
Lilibeth R. Cariño
Amelia Caridad C. Castelo
Benedict L. Chan
Ananias S. Cornelio III
Melissa F. Corpus
Angela D. Cruz
Renato K. De Borja, Jr.
Gerard Majella T. Dee
Antonio Jose S. Dominguez
Maria Luz B. Favis
Jerry Ron T. Hao
Delia Marquez
Victor O. Martinez
Jose L. Osmeña, Jr.
Elizabeth C. Say
Belenette C. Tan
Shirley G. K. T. Tan
Stephen Y. Tan
Manuel M. Te
Marisol M. Teodoro[b]
Maria Rosanna Catherina L. Testa
Geoffrey D. Uy

VICE PRESIDENTS

Luis M. Afable, Jr.
Evelyn T. Alameda
Ma. Hildelita P. Alano
Juan Emmanuel B. Andaya
Love Virgilynn T. Baking
Betty L. Biunas
Richard S. Borja
Victor Geronimo S. Calo
Jeannette H. Chan
Marie Carolina L. Chua
Domingo P. Dayro, Jr.
Aileen Paulette S. De Jesus
James Christian T. Dee[c]
Norman D.C. Del Carmen
Gemma B. Deladia
Therese G. Escolin
Madelyn V. Fontanilla
Francisco Javier C. Galang
Cesare' Edwin M. Garcia
Cristina F. Gotuaco
Rhodin Evan O. Escolar
Ma. Cristina C. Hernandez
Marlon B. Hernandez
Shirley C. Lee
Angelyn Claire CC. Liao
Regina Karla F. Libatique
Mary Ann T. Lim
Jennifer Y. Macariola
Dorothy T. Maceda
Ordon P. Maningding
Mandrake P. Medina
Corazon I. Morando
Jocelyn T. Pavon
Mani Thess Q. Peña-Lee
Danilo T. Sarita
Francisco Eduardo A. Sarmiento
Clara C. Sy
Irene C. Tanlimco
Jasmin O. Ty
Noemi L. Uy
Virginia Y. Uy
Esmeralda R. Vicente
Clarissa Maria A. Villalon
Charon B. Wambangco
Carina L. Yandoc
George C. Yap
Michelle Y. Yap-Bersales
Hanz Irvin S. Yoro
Marilyn G. Yuchenkang

[a] *Seconded to China Bank Savings as President*
[b] *Seconded to China Bank Securities as President*
[c] *Seconded to China Bank Savings as Treasurer*

SENIOR ASSISTANT VICE PRESIDENTS

Emmanuel L. Abesamis
Baldwin A. Aguilar
Patrick Y. Ang
Marissa A. Auditor
Faye Theresa S. Babasa
Ma. Luisa O. Baylosis
Yasmin I. Biticon
Jonathan C. Camarillo
Victoria G. Capacio
Camilo S. Cape
Maria Luisa C. Corpus
Grace A. Cruz
Patricia J. Custodio
Ma. Jeanette D. Cuyco
Esperose S. De Claro
Ricardo J. De Guzman, III
Jinky T. Dela Torre
Susan U. Ferrer
Pablito P. Flores
Marissa G. Garcia
Dennis S. Go, III
Grace Y. Ho
Gladys Antonette Marcel P. Isidro
Josefina Anna T. Justiniano
Vivian T. Kho
Maria Margaret U. Kua
Ma. Arlene Mae G. Lazaro
Eric Y. Lee
Glenn B. Lotho
Katherine N. Manguiat
Ronald R. Marcaida
Gil P. Navelgas
Erlan Antonio B. Olavere
Enrico J. Ong
Ma. Victoria G. Pantaleon
Josephine D. Paredes
Frederick M. Pineda
Arnulfo H. Roldan
Ana Ma. Raquel Y. Samala
Julie Ann P. Santiago
Alejandro F. Santos
Charmaine V. Santos
Cherie S. Sia
Ma. Cecilia D. So
Cynthia U. Surpia
Jeanny C. Tan
Roxana Angela S. Tan
Ma. Cecilia V. Tejada
Ma. Edita Lynn Z. Trinidad
Harvey L. Ty
Hudson Q. Uy
Roderick Iluminado U. Vallejo, III
Anthony Ariel C. Vilar
Rosario D. Yabut
Sandra Mae Y. Yao
Mary Joy L. Yu

ASSISTANT VICE PRESIDENTS

Agnes O. Adviento
Rommel M. Agacita
Paul E. Akasaka
Nellie S. Alar
Ramiro A. Amanquiton
Jay Angelo N. Anastacio
Ma. Cristina G. Antonio
Luis R. Apostol
Ma. Florentina U. Arellano
Roberto P. Basilio
Cherie Germaine T. Bautista
Eric Von D. Baviera
Jesus S.M. Belaniso, III
Robert O. Blanch
Maria Charmina B. Bonifacio
Christine Z. Briones
Maria Consuelo D.P. Cabale-Ticzon
Agnes C. Calimbahin
Alex M. Campilan
Sherry Ann F. Canillas
Norman Roque V. Causing
Ma. Cecilia M. Chiu
Victoria L. Chua
Ma. Rosalie F. Cipriano
Amelia Consolacion B. Cruz
Allan Gerard C. Daluz
Reylenita M. Del Rosario
Ma. Loudes L. Dela Vega
Aimee-Cel A. De Leon
Katherine Jean S. Diamante
Eliseo P. Doroteo
Mary Ann R. Ducanes
Eleanor Q. Faigao
Eileen M. Felipe
Angelito T. Fernandez
Hyacinth M. Galang
Ma. Salome D. L. Garcia
Virginia G. Go
Maria Violeta M. Gonzales
Hector B. Holgado
Ruth D. Holmes
Alex A. Jacob
Carlo Ramon R. Jayme
Primitivo B. Julito, Jr.
Ma. Teresa O. Lao
Ma. Giselle A. Liceralde
Dyan Danika G. Lim-Ong
Ma. Gladys C. Liwag
Mary Ann L. Llanes
Maria Merlinda O. Lo
Jose G.Maravilla, III
Sheila Jane F. Medrero
Jose L. Nario, Jr.
Tadeos R. Natividad
Wendy G. Ngo
Remedios Emilia R. Olivar
Sonia M. Ong
Lilian B. Orlina
Sheilah B. Paglinawan
Christine G. Peñafiel
Noreen S. Purificacion
Alvin A. Quintanilla
Rhoel T. Reyes
Niña May Q. Reynoso
Eleanor D. Rosales
Anita Y. Samala
Edellina C. Santiago
Edgardo M. Santos
Fernando S. Santos, III
Ma. Graciela C. Santos
Ernanie V. Silvino
Susan Y. Tang
Michaela L. Teng
Arnel Ferdinand R. Tiglao
Jacqueline T. Tomacruz
Michael C.Tomon
Edna A. Torralba
Karen W. Tua
Cristina C. Ty
Norman P. Ureta
David Andrew P. Valdellon
Lauro C. Valera
Jonathan T. Valeros
Catherine D. Yabes
April Marie O. Yago
Manuel O. Yap

AWARDS AND DISTINCTIONS

ASEAN Corporate Governance Awards
- Among the top 50 ASEAN Publicly Listed Companies
- Top 3 Publicly Listed Companies in the Philippines

Bangko Sentral ng Pilipinas
- Pagtugon Award for Universal and Commercial Banks

Capital Finance International (CFI.co)
- Best Bank Governance (Philippines)

Chartered Financial Analysts Society of the Philippines
- Best Managed Fund of the Year (Dollar long-term Bond Category) - China Bank DollarFund
- Best Managed Fund of the Year (Balanced Peso Category) - China Bank Balanced Fund

Corporate Governance Asia 8th Asian Excellence Awards
- Best Investor Relations Company (Philippines)
- Best Investor Relations Professional
  - Mr. Alexander C. Escucha, SVP for Investor and Corporate Relations Group

Finance Asia Country Awards for Achievement
- Best Debt Capital Markets House - China Bank Capital

Global Banking & Finance Review Awards (U.K)
- Best Corporate Governance Bank, Philippines
- Best Investor Relations Bank, Philippines
- Best Bank for Debt Capital Markets - China Bank Capital

Alpha Southeast Asia Best Deal & Solution Awards
- Best Bond Deal for Retail Investors in Southeast Asia for BTr's P181 billion RTBs

Investment House Association of the Philippines (IHAP)
- Best Fixed Income House - China Bank Capital
- Best Fixed Income Deal for P181 Billion Republic of the Philippines Bureau of the Treasury's Retail Treasury Bond
- Best Fixed Income Deal for Ayala Corporation US$400 Million Fixed-For-life Bonds (Ayala USD Fixed For Life)
- Best Equity Deal for Del Monte Pacific US$200 Million Preferred Shares (Del Monte USD Preferred Shares)
- Deal of the Year for P181 Billion Republic of the Philippines Bureau of the Treasury's Retail Treasury Bond

54th Anvil Awards
- Silver Award, 2017 Annual Financial and Sustainability Report

Philippine Dealing System Annual Awards
- Top Corporate Issue Manager (Investment House category) - China Bank Capital
- Special Citation, Underwriter and Bookrunner who participated in the pilot issuance and the first official issuance under the approved enrolled Securities Program

The Asset's 2018 Triple A Awards
- Best Bond Adviser (Domestic) - China Bank Capital
- Best Local Currency Bond for Ayala Land's P4.3- billion short-dated notes
- Best Corporate Bond for Ayala Corp's $400-million fixed rate bonds
- Best Follow-On for Del Monte Pacific's $200-million preferred shares

FINANCIAL STATEMENTS CONTENTS

DISCLOSURE ON CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Capital Fundamentals

We believe that China Bank can only achieve sustainable growth by maintaining strong capital fundamentals. Major business initiatives are undertaken with the appropriate capital planning which also takes into consideration constraints and changes in the regulatory environment. This is necessary to ensure that the Bank's commercial objectives are equally aligned with its ability to maintain a capital position at par with the industry. The Board and Senior Management recognizes that a balance should be achieved with respect to China Bank's earnings outlook vis-à-vis capital fundamentals that can take advantage of growth opportunities while maintaining sufficient capacity to absorb shocks.

Risk-based capital components, including deductions, on a parent and consolidated basis:

Qualifying Capital (Basel III)	Consolidated	Parent Company
In PhP Million	2018	
Common Equity Tier 1 Capital		
Paid-up common stock	26,859.00	26,859.00
Additional paid-in capital	17,122.63	17,122.63
Retained Earnings	40,793.28	38,130.79
Other Comprehensive Income	(154.84)	(154.84)
Minority Interest	106.24	-
Less: Retained Earnings Appropriated for General Loan Loss Provision	(2,971.93)	(2,747.04)
Less: Unsecured DOSRI	(189.78)	(182.21)
Less: Deferred Tax Assets	(1,676.64)	(1,211.81)
Less: Goodwill	(563.47)	(222.84)
Less: Other Intangible Assets	(3,222.15)	(603.77)
Less: Defined Benefit Pension Fund Assets/Liabilities	(1,201.40)	(1,201.40)
Less: Investment in Subsidiary	(387.64)	(10,761.99)
Less: Significant Minority Investment	(234.40)	(234.40)
Less: Other Equity Investment	(44.93)	(42.74)
Total CET 1 Capital	74,233.95	64,749.39
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	74,233.95	64,749.39
Tier 2 Capital		
General Loan Loss Provision	5,658.62	4,982.36
Total Tier 2 Capital	5,658.62	4,982.36
Total Qualifying Capital	79,892.58	69,731.75

Qualifying Capital (Basel III)	Consolidated	Parent Company
In PhP Million	2017	
Common Equity Tier 1 Capital		
Paid-up common stock	26,859.00	26,859.00
Additional paid-in capital	17,122.63	17,122.63
Retained Earnings	35,370.61	34,552.59
Other Comprehensive Income	(1,370.94)	(1,373.38)
Minority Interest	104.55	-
Less: Unsecured DOSRI	(189.98)	(173.50)
Less: Deferred Tax Assets	(2,097.87)	(1,932.56)
Less: Goodwill	(563.47)	(222.84)
Less: Other Intangible Assets	(3,072.14)	(442.12)
Less: Defined Benefit Pension Fund Assets/Liabilities	(991.39)	(991.39)
Less: Investment in Subsidiary	(406.30)	(9,981.50)
Less: Significant Minority Investment	(87.18)	(87.18)
Less: Other Equity Investment	(25.60)	(23.41)

Forward

Qualifying Capital (Basel III)	Consolidated	Parent Company
In PhP Million	2017	
Total CET 1 Capital	70,651.92	63,306.34
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	70,651.92	63,306.34
Tier 2 Capital		
General Loan Loss Provision	3,970.35	3,409.98
Total Tier 2 Capital	3,970.35	3,409.98
Total Qualifying Capital	74,622.27	66,716.32

Risk-based capital ratios:

Basel III	Consolidated	Parent Company
	2018	
	In PhP Million	
CET 1 capital	84,726.30	81,957.58
Less regulatory adjustments	(10,492.35)	(17,208.19)
Total CET 1 capital	74,233.95	64,749.39
Additional Tier 1 capital	-	-
Total Tier 1 capital	74,233.95	64,749.39
Tier 2 capital	5,658.62	4,982.36
Total qualifying capital	79,892.58	69,731.75
Risk weighted assets	610,400.96	535,110.36
CET 1 capital ratio	12.16%	12.10%
Tier 1 capital ratio	12.16%	12.10%
Total capital ratio	13.09%	13.03%

Basel III	Consolidated	Parent Company
	2017	
	In PhP Million	
CET 1 capital	78,085.85	77,160.83
Less regulatory adjustments	(7,433.93)	(13,854.49)
Total CET 1 capital	70,651.92	63,306.34
Additional Tier 1 capital	-	-
Total Tier 1 capital	70,651.92	63,306.34
Tier 2 capital	3,970.35	3,409.98
Total qualifying capital	74,622.27	66,716.32
Risk weighted assets	524,667.93	451,523.36
CET 1 capital ratio	13.47%	14.02%
Tier 1 capital ratio	13.47%	14.02%
Total capital ratio	14.22%	14.78%

The regulatory Basel III qualifying capital of the Group consists of Common Equity Tier 1 capital (going concern capital), which comprises paid-up common stock, additional paid-in capital, surplus including current year profit, other comprehensive income and minority interest less required deductions such as unsecured credit accommodations to DOSRI, deferred income tax, other intangible assets, goodwill, defined benefit pension fund assets/liabilities, and investment in subsidiaries. The other component of regulatory capital is Tier 2 capital (gone-concern capital), which includes general loan loss provision. A capital conservation buffer of 2.5% comprised of CET 1 capital is likewise imposed in the Basel III capital ratios.

DISCLOSURE ON CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements is presented below:

	Parent Company					
	2018			2017		
	Qualifying Capital	Reconciling Items	Audited Financial Statements	Qualifying Capital	Reconciling Items	Audited Financial Statements
Common stock	26,859	-	26,859	26,859	11	26,848
Additional paid-in capital	17,123	-	17,123	17,123	26	17,096
Retained Earnings	38,131	(6,397)	44,528	34,553	(6,735)	41,287
Net unrealized gains or losses on FVOCI / AFS securities	(228)	475	(703)	(1,536)	278	(1,813)
Cumulative foreign currency translation and others	73	29	45	162	(70)	233
Deductions	(17,208)	17,208)	-	(13,854)	(13,854)	-
Tier 1 (CET1) capital/Total equity	64,749	(23,102)	87,852	63,307	(20,344)	83,651
Tier 2 capital	4,982	4,982	-	3,410	3,410	-
Total qualifying capital/Total equity	69,732	(18,120)	87,852	66,717	(16,934)	83,651

	Group					
	2018			2017		
	Qualifying Capital	Reconciling Items	Audited Financial Statements	Qualifying Capital	Reconciling Items	Audited Financial Statements
Common stock	26,859	-	26,859	26,859	11	26,848
Additional paid-in capital	17,123	-	17,123	17,123	27	17,096
Retained Earnings	40,793	(3,735)	44,528	35,371	(5,916)	41,287
Net unrealized gains or losses on FVOCI / AFS securities	(228)	475	(703)	(1,536)	277	(1,813)
Cumulative foreign currency translation and others	73	29	45	165	(68)	233
Non-controlling interest	106	102	5	105	100	5
Deductions	(10,492)	(10,492)	-	(7,434)	(7,434)	-
Tier 1 (CET1) capital/Total equity	74,234	(13,623)	87,857	70,653	(13,003)	83,656
Tier 2 capital	5,659	5,659	-	3,970	3,970	-
Total qualifying capital/Total equity	79,893	(7,964)	87,857	74,623	(9,033)	83,656

The capital requirements for Credit, Market and Operational Risk are listed below, on a parent and consolidated basis:

Capital Requirement in PhP Million	Consolidated		Parent	
	2018	2017	2018	2017
Credit Risk	56,577.67	48,095.62	49,803.00	41,545.70
Market Risk	515.41	766.46	520.37	754.04
Operational Risk	3,947.02	3,604.71	3,187.67	2,852.60
Total Capital Requirements	61,040.10	52,466.79	53,511.04	45,152.34

Credit Risk

On-balance sheet exposures, net of specific provisions and not covered by CRM (in PhP million):

December 2018

On-Balance Sheet Assets	Consolidated		Parent	
	Exposures, net of Specific Provisions	Exposures not Covered by CRM	Exposures, net of Specific Provisions	Exposures not Covered by CRM
Cash on Hand	15,445.99	15,445.99	13,579.54	13,579.54
Checks and Other Cash Items	130.09	130.09	125.76	125.76
Due from BSP	101,890.53	101,890.53	95,093.70	95,093.70
Due from Other Banks	9,455.45	9,455.45	7,837.89	7,837.89
Financial Assets at FVPL	845.88	835.61	840.73	830.46
Financial Assets at FVOCI	10,065.70	9,038.86	8,307.23	7,280.39
Investment Securities at Amortized Cost	174,576.92	174,576.92	165,788.22	165,788.22
Loans and Receivables	513,035.64	484,762.89	449,324.99	427,314.42
Loans and Receivables arising from Repurchase Agreements	10,004.22	10,004.22	7,002.96	7,002.96
Sales Contract Receivables	1,046.22	1,046.22	194.47	194.47
Real and Other Properties Acquired	3,635.33	3,635.33	179.02	179.02
Other Assets	12,573.56	12,573.56	7,290.20	7,290.20
Total On-Balance Sheet Assets	852,705.53	823,395.69	755,564.70	732,517.03

December 2017

On-Balance Sheet Assets	Consolidated		Parent	
	Exposures, net of Specific Provisions	Exposures not Covered by CRM	Exposures, net of Specific Provisions	Exposures not Covered by CRM
Cash on Hand	11,967.20	11,967.20	10,473.04	10,473.04
Checks and Other Cash Items	105.31	105.31	86.31	86.31
Due from BSP	98,490.46	98,490.46	91,717.49	91,717.49
Due from Other Banks	15,641.48	15,641.48	14,066.62	14,066.62
Financial Assets at FVPL	3,421.44	3,411.69	3,421.44	3,411.69
Available-for-Sale Financial Assets	46,569.31	45,594.23	43,303.71	42,328.63
Held-to-Maturity Financial Assets	66,079.64	66,079.64	62,284.34	62,284.34
Unquoted Debt Securities Classified as Loans	1,126.59	1,126.59	1,021.49	1,021.49
Loans and Receivables	451,658.56	424,289.21	390,162.15	367,704.31
Loans and Receivables arising from Repurchase Agreements	18,755.60	18,755.60	17,350.99	17,350.99
Sales Contract Receivables	922.96	922.96	178.73	178.73
Real and Other Properties Acquired	4,135.94	4,135.94	418.63	418.63
Other Assets	11,577.51	11,577.51	8,274.34	8,274.34
Total On-Balance Sheet Assets	730,452.01	702,097.82	642,759.29	619,316.62

DISCLOSURE ON CAPITAL STRUCTURE AND CAPITAL ADEQUACY

December 2016

On-Balance Sheet Assets	Consolidated		Parent	
	Exposures, net of Specific Provisions	Exposures not Covered by CRM	Exposures, net of Specific Provisions	Exposures not Covered by CRM
Cash on Hand	11,817.72	11,817.72	10,502.02	10,502.02
Checks and Other Cash Items	172.22	172.22	152.44	152.44
Due from BSP	91,791.03	91,791.03	85,133.66	85,133.66
Due from Other Banks	10,013.41	10,013.41	8,370.13	8,370.13
Financial Assets at FVPL	2,472.60	2,462.89	2,472.60	2,462.89
Available-for-Sale Financial Assets	33,937.65	32,966.67	31,374.20	30,403.22
Held-to-Maturity Financial Assets	58,131.81	58,131.81	54,755.05	54,755.05
Unquoted Debt Securities Classified as Loans	4,106.19	4,106.19	4,000.98	4,000.98
Loans and Receivables	387,185.32	362,850.92	330,301.95	311,073.96
Loans and Receivables arising from Repurchase Agreements	3,452.13	3,452.13	2,959.06	2,959.06
Sales Contract Receivables	909.20	909.20	228.43	228.43
Real and Other Properties Acquired	4,298.03	4,298.03	605.71	605.71
Other Assets	10,518.86	10,518.86	6,890.90	6,890.90
Total On-Balance Sheet Assets	**618,806.17**	**593,491.08**	**537,747.14**	**517,538.46**

Credit equivalent amount for off-balance sheet items, broken down by type of exposures (in PhP million):

Off-balance Sheet Assets	2018				2017				2016			
	Consolidated		Parent		Consolidated		Parent		Consolidated		Parent	
	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent
Direct Credit Substitutes	-	-	-	-	-	-	-	-	-	-	-	-
Transaction-related contingencies	18,899.11	9,449.56	18,750.12	9,375.06	17,856.22	8,928.11	17,643.24	8,821.62	17,129.58	8,564.79	16,795.09	8,397.55
Trade-related contingencies arising from movement of goods	5,671.98	1,134.40	5,645.42	1,129.08	8,244.10	1,648.82	8,079.90	1,615.98	5,211.89	1,042.38	5,174.63	1,034.93
Other commitments (which can be unconditionally cancelled at any time by the bank without prior notice)	153,999.03	-	153,462.68	-	148,317.90	-	145,897.78	-	149,582.52	-	144,594.20	-
Total Notional Principal and Credit Equivalent Amount	178,570.12	10,583.95	177,858.23	10,504.15	174,418.22	10,576.93	171,620.92	10,437.60	171,923.98	9,607.17	166,563.93	9,432.47

Credit equivalent amount for counterparty credit risk in the trading book, broken down by type of exposures (in PhP million):

December 2018

Standardized Approach	Consolidated		Parent	
	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent
Interest Rate Contracts	3,059.34	37.49	3,059.34	37.49
Exchange Rate Contracts	57,082.77	908.62	57,082.77	908.62
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Principal and Credit Equivalent Amount	60,142.11	946.11	60,142.11	946.11

December 2017

Standardized Approach	Consolidated		Parent	
	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent
Interest Rate Contracts	9,991.39	41.21	9,991.39	41.21
Exchange Rate Contracts	33,068.49	625.66	33,068.49	625.66
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Principal and Credit Equivalent Amount	43,059.88	666.87	43,059.88	666.87

December 2016

Standardized Approach	Consolidated		Parent	
	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent
Interest Rate Contracts	10,823.40	72.93	10,823.40	72.93
Exchange Rate Contracts	16,830.93	343.13	16,830.93	343.13
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Principal and Credit Equivalent Amount	27,654.33	416.07	27,654.33	416.07

Net Exposures after CRM for counterparty credit risk in the banking book, broken down by type of exposures (in PhP million):

December 2018

Standardized Approach	Consolidated		Parent	
	Fair Value/ Carrying Amount	Net Exposures after CRM	Fair Value/ Carrying Amount	Net Exposures after CRM
Derivative Transactions	-	-	-	-
Repo-Style Transactions	35,488.28	8,158.34	35,488.28	8,158.34
Total Fair Value/Carrying Amount and Net Exposures after CRM	35,488.28	8,158.34	35,488.28	8,158.34

December 2017

Standardized Approach	Consolidated		Parent	
	Fair Value/ Carrying Amount	Net Exposures after CRM	Fair Value/ Carrying Amount	Net Exposures after CRM
Derivative Transactions	-	-	-	-
Repo-Style Transactions	17,415.76	3,546.90	17,415.76	3,546.90
Total Fair Value/Carrying Amount and Net Exposures after CRM	17,415.76	3,546.90	17,415.76	3,546.90

December 2016

Standardized Approach	Consolidated		Parent	
	Fair Value/ Carrying Amount	Net Exposures after CRM	Fair Value/ Carrying Amount	Net Exposures after CRM
Derivative Transactions	-	-	-	-
Repo-Style Transactions	9,520.22	1,447.43	9,520.22	1,447.43
Total Fair Value/Carrying Amount and Net Exposures after CRM	9,520.22	1,447.43	9,520.22	1,447.43

The following credit risk mitigants are used in the December 2018 CAR Report:

- ROP warrants
- ROP guarantee
- HGC guarantee
- Holdout vs. Peso deposit
- Holdout vs. FCDU deposit
- Assignment / Pledge of Government Securities

Total credit exposure after risk mitigation, broken down by type of exposures, risk buckets, as well as those that are deducted from capital (in PhP million):

Weight Band	2018							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	344,646.31	-	9,032.78	353,679.09	307,944.31	-	9,032.78	316,977.09
100% and Above	478,749.38	10,583.95	71.67	489,405.01	424,572.72	10,504.15	71.67	435,148.54
Total	823,395.69	10,583.95	9,104.45	843,084.09	732,517.03	10,504.15	9,104.45	752,125.63

Weight Band	2017							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	299,057.46	-	4,065.92	303,123.38	268,167.72	-	4,065.92	272,233.64
100% and Above	403,040.36	10,576.93	147.84	413,765.14	351,148.90	10,437.60	147.84	361,734.34
Total	702,097.82	10,576.93	4,213.77	716,888.52	619,316.62	10,437.60	4,213.77	633,967.98

Weight Band	2016							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	252,534.01	21.86	1,805.97	254,361.84	224,540.77	21.86	1,805.97	226,368.61
100% and Above	340,957.07	9,585.31	57.53	350,599.91	292,997.69	9,410.61	57.53	302,465.83
Total	593,491.08	9,607.17	1,863.50	604,961.75	517,538.46	9,432.47	1,863.50	528,834.43

Total credit risk-weighted assets, broken down by type of exposures (in PhP million):

Weight Band	2018							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	69,574.44	-	3,677.48	73,251.92	58,894.98	-	3,677.48	62,572.46
100% and Above	481,834.50	10,583.95	71.67	492,490.13	424,967.08	10,504.15	71.67	435,542.90
Covered by CRM	120.44	-	-	120.44	120.44	-	-	120.44
Excess GLLP				85.85				205.83
Total	551,529.39	10,583.95	3,749.15	565,776.65	483,982.50	10,504.15	3,749.15	498,029.98

Weight Band	2017							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	61,429.58	-	1,990.76	63,420.34	50,785.80	-	1,990.76	52,776.56
100% and Above	406,743.33	10,576.93	147.84	417,468.11	352,027.29	10,437.60	147.84	362,612.73
Covered by CRM	67.74	-	-	67.74	67.74	-	-	67.74
Excess GLLP				-				-
Total	468,240.65	10,576.93	2,138.60	480,956.18	402,880.83	10,437.60	2,138.60	415,457.04

Weight Band	2016							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	58,436.20	4.37	542.12	58,982.70	48,001.61	4.37	542.12	48,548.10
100% and Above	345,656.04	9,585.31	57.53	355,298.88	294,570.61	9,410.61	57.53	304,038.75
Covered by CRM	99.63	-	-	99.63	64.40	-	-	64.40
Excess GLLP				-				-
Total	404,191.88	9,589.68	599.65	414,381.20	342,636.62	9,414.98	599.65	352,651.25

The credit ratings given by the following rating agencies were used to determine the credit risk weight of On-balance sheet, Off-balance sheet, and Counterparty exposures:

For all rated credit exposures regardless of currency
Standard & Poor (S&P) Moody's
Fitch
For PHP-denominated debts of rated domestic entities
Philratings

Market Risk-Weighted Assets

The Standardized Approach is used in China Bank's market risk-weighted assets. The total market risk-weighted asset of the Bank as of December 2018 is ₱5.20 billion and ₱5.15 billion for parent company and consolidated basis, respectively. This is composed of Interest Rate exposures amounting to ₱3.49 billion and Foreign Exchange exposures amounting to ₱1.71 billion for the parent bank, while it is composed of Interest Rate exposures amounting to ₱3.49 billion, Equity exposures amounting to ₱0.09 billion and Foreign Exchange exposures amounting to ₱1.57 billion on a consolidated basis.

	Consolidated	Parent Company	Consolidated	Parent Company
Interest Rate Exposures (in PhP Mn)	2018		2017	
Specific Risk	87.72	87.72	176.92	176.37
General Market Risk				
PHP	61.52	61.52	124.23	123.60
USD	130.27	130.27	256.58	255.27
Total Capital Charge	279.51	279.51	557.73	555.24
Adjusted Capital Charge	349.39	349.39	697.17	694.05
Subtotal Market Risk-Weighted Assets	3,493.93	3,493.93	6,971.70	6,940.52

	Consolidated	Parent Company	Consolidated	Parent Company
Equity Exposures	2018		2017	
Total Capital Charge	7.59	-	7.47	-
Adjusted Capital Charge	9.48	-	9.33	-
Subtotal Market Risk-Weighted Assets	94.82	-	93.33	-

	Consolidated	Parent Company	Consolidated	Parent Company
Foreign Exchange Exposures	2018		2017	
Total Capital Charge	125.23	136.78	47.97	47.99
Adjusted Capital Charge	156.53	170.97	59.96	59.98
Subtotal Market Risk-Weighted Assets	1,565.35	1,709.75	599.61	599.83
Total Market Risk-Weighted Assets	5,154.10	5,203.68	7,664.64	7,540.35

Operational, Legal, and Other Risks

The Bank has established an Operational Risk Management Framework which forms part of its enterprise-wide risk management system. It outlines the policies, processes and procedures and the tools introduced to implement an effective operational risk management system covering all the business and operating units of the Bank as well as its subsidiaries. Among the tools that are already in place that provides the Bank with the ability to identify and assess material operational risks include the Risk & Control Self-Assessment (RCSA) and the Key Risk Indicators (KRI). Both financial and non-financial impacts of operational risk are captured for this purpose.

The overall operational risk exposure of the Bank is determined using a number of methodologies which include the scenario analysis exercise. As of December 2018, the equivalent capital allocated for Operational Risk amounted to PHP 3.19 billion which is more than adequate to cover the computed overall operational risk exposure. Moreover, the Bank through its Legal & Collection Division identified and assessed potential losses attributed to Legal Risk and the amount is not material to significantly affect the Bank's capital position.

Operational Risk-Weighted Assets

The BIA is used to determine the equivalent operational risk-weighted assets of China Bank. On a parent basis, the Bank's operational risk-weighted asset as of December 2018 is ₱31.88 billion while on a consolidated basis, the Bank's operational risk- weighted assets is ₱39.47 billion. On a parent basis, the Bank's operational risk-weighted asset as of December 2017 is ₱28.53 billion while on a consolidated basis, the Bank's operational risk-weighted assets is ₱36.05 billion.

Internal measurement of interest rate risk in the banking book

The Bank's interest rate risk (IRR) originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. Internally, the Earnings-at-Risk (EaR) method is used to determine the effects of interest rate movements on the Bank's interest earnings which is measured every week. The Bank's loans is assumed affected by interest rate movements on its repricing date for floating rates and on its maturity for fixed rates. Demand and savings deposits, on the other hand, are generally not interest rate sensitive. Provided in the table below are the approximate addition and reduction in annualized interest income of a 100bps change across the PhP and USD yield curves.

Earnings-at-Risk in PhP Million		Consolidated		Parent	
		2018	2017	**2018**	2017
PHP IRR Exposures	Upward	**520**	752	**706**	867
	Downward	**(520)**	(752)	**(706)**	(867)
USD IRR Exposures	Upward	**(468)**	(342)	**(451)**	(328)
	Downward	**419**	301	**402**	287

REPORT OF THE AUDIT COMMITTEE

The Audit Committee plays an important role in empowering and elevating the status of the internal audit function throughout the organization as provider of quality and significant assurance and consulting services that adds value to the governance, risk management, and internal control processes of the Bank. It has the explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions. It monitors and evaluates the adequacy and effectiveness of the internal control system of the Bank, and assesses internal audit function and performance, integrity of the financial statements, and accounting processes. It also provides oversight on the activities of senior management and the internal and external auditors of the Bank.

Lead Independent Director Alberto S. Yao chairs the Audit Committee, and the members are Non-executive Director Joaquin T. Dee and new Independent Director Philip S.L. Tsai who was elected member of the Committee on 05 December 2018 to replace and serve the unexpired term of the late Mr. Roberto F. Kuan. All of them have accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank.

In 2018, the Committee met 14 times to discuss and deliberate on matters including the following:

Oversight of Financial Reporting and Policies

The Committee reviewed and discussed with the external auditor SyCip Gorres Velayo & Co. (SGV) the audited financial statements, focusing on the following: changes in accounting policies and practices, standards and interpretations and related impact; major judgmental areas including reasonableness of estimates and assumptions used in the preparation of financial statements; significant adjustments resulting from the audit; compliance with accounting, auditing and regulatory standards such as the Philippine Financial Reporting Standards (PFRS) and Tax Reform for Acceleration and Inclusion (TRAIN) Act. The Committee discussed the financial reports as to consistency and accuracy of disclosures of material information including on subsequent events and related party transactions; completeness and timeliness of communication with external auditor; and other material issues that affect the audit and financial reporting.

Oversight of Internal Control

The Committee ensured a review of the effectiveness of the internal controls, including financial, operational and compliance controls, and risk management, with the aim of establishing and maintaining an adequate, effective and efficient internal control framework. The Committee looked into the systems and processes to gauge compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It monitored the internal control issues noted during internal regular, special and limited audits of various branches, units, technology platforms and applications and services of the Bank, including the effectiveness of information technology security and control, together with management's responses, and determined that appropriate actions have been taken to address significant deficiencies and weaknesses. The Committee evaluated the effectiveness of the system for monitoring results of management's actions, both to address deficiencies and pursue opportunities to enhance internal controls and processes.

Oversight of External Auditors

The Committee reviewed the scope and plan of the annual audit. The Committee met with the external auditors to discuss the results of interim audit and confirmation procedures. The Committee's review of the audited financial statements included taking into account the relevant issues raised by the external auditor in the management letters, and the impact of the latest accounting and regulatory issuances and best practice in good governance. The Committee also approved the engagement fees in connection with the independent validation of votes for stockholders' meeting, audit of the financial statements of the Bank, issuance of the comfort letters for the Long-Term Negotiable Certificates of Time Deposit (LTNCD), and PFRS 9 Expected Credit Loss Model Review, among others. It ensured that the external auditors remain independent and are given unrestricted access to records, properties and personnel, to enable them to perform their audit functions. The Committee evaluated the qualifications, performance, competence, integrity and independence of the external auditor. Following such evaluation, the Committee recommended to the Board the engagement of SGV as the external auditors of the Bank, subject to the ratification of the stockholders.

Oversight of Internal Audit

To assess the effectiveness of the internal audit function, the Audit Committee reviewed the accomplishments versus plans and approved the plans and budget of internal audit's Quality Assurance and Control Department, Branch Audit Department, Head Office and Subsidiaries Audit Department, and IT Audit Department. It evaluated the updates, deferments, or any other changes in audit engagements and audit plan; and reviewed the results of the review of working papers as well as the internal audit and recommendations to address the weaknesses and deficiencies noted and any unresolved management issues. The Committee ensured that the Chief Audit Executive (CAE), who reports directly to the Audit Committee and whose performance is evaluated by the Committee, and internal audit function are free from interference by outside parties and that they maintain an open communication with the Committee. The members are free to meet privately with the CAE without management presence to discuss information concerning the internal audit activity's plans and activities and to keep each other informed on any other matters of mutual interest.

In 2018, the Committee approved the guidelines on annual review of 3-year audit plan; guidelines for handling unresponded, disputed, significant and outstanding audit issues; and policy on escalation and handling management's acceptance of risk. Further, the Committee confirmed the professional opinion of the CAE of adherence to the Institute of Internal Auditors' (IIA) Standard and Implementation Guide 2130 on Control based on the results of audit conducted for the covered period, and that the Bank's control processes, operating across the organization, are in place, adequate and working effectively to mitigate risks that could adversely affect the achievement of the Bank's objectives. The Committee also confirmed that in accordance with the IIA's Standard 1100 on Independence and Objectivity, for Audit year 2018, the internal audit activity is independent from any conditions that would hamper its ability to carry out internal audit responsibilities in an unbiased manner, which are evidenced by the dual reporting lines to the Board and President, the functional roles are within the scope of internal audit activity, and that members of Audit Division have an impartial, unbiased attitude and avoid any conflict of interest in the performance of their duties and responsibilities, in conformance to the IIA's Standards and Code of Ethics. Finally, the Audit Committee revised its Charter in order to incorporate important provisions of IIA's Implementation Guide 1111, Direct Interaction with the Board, and Securities and Exchange Commission's (SEC) Code of Corporate Governance for Publicly-listed Companies.

Based on the foregoing, the Audit Committee views that the internal control and financial reporting systems and policies of the Bank are in place, adequate, effective and efficient.

ALBERTO S. YAO
Chairman

JOAQUIN T. DEE
Member

PHILIP S.L. TSAI
Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of China Banking Corporation (the Bank) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has ex.pressed its opinion on the fairness of presentation upon completion of such audit.

Hans T. Sy	William C. Whang	Patrick D. Cheng
Chairman of the Board	President	Chief Financial Officer

Republic of the Philippines
City of Makati } S. S.

Signed this 1st day of March 2019, affiants exhibiting to me their Social Security System Nos. as follows:

Name	SSS Nos.
Hans T. Sy	03-4301174-3
William C. Whang	03-5882607-5
Patrick D. Cheng	03-8328014-9

JAY ANGELO N. ANASTACIO
Notary Public for the City of Makati
Appt. No. M-116 until December 2020
4/F Philcom Building
8755 Paseo de Roxas, Makati City

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
China Banking Corporation
8745 Paseo de Roxas cor. Villar St.
Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of China Banking Corporation and its subsidiaries (the Group) and the parent company financial statements of China Banking Corporation, which comprise the consolidated and parent company balance sheets as at December 31, 2018 and 2017, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2018 and 2017, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the audit of the Consolidated and Parent Company Financial Statements

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group and the Parent Company adopted Philippine Financial Reporting Standards (PFRS) 9, Financial Instruments. PFRS 9, which replaced PAS 39, Financial Instruments: Recognition and Measurement, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group and the Parent Company adopted the modified retrospective approach in adopting PFRS 9.

1. *Classification of Financial Assets*

As at January 1, 2018 (the transition date), the Group and the Parent Company classified its financial assets based on its business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. This resulted to transition adjustments that increased (decreased) surplus and other comprehensive income by (₱11.00 million) and ₱1.68 billion, respectively. Thereafter, the financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were classified based on the PFRS 9 classification criteria.

The Group's and the Parent Company's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how financial assets are measured and accounted for in the financial statements.

The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Note 2 to the financial statements.

Audit Response

We obtained an understanding of the Group's and the Parent Company's contracts review process to establish the contractual cash flow characteristics of debt financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the board approved business models for the Group and the Parent Company's portfolios of financial assets. For significant portfolios, we understood how the business performance is measured and evaluated performance measurement reports.

We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

2. *Expected Credit Losses (ECL)*

The Group's and the Parent Company's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The application of the ECL model increased the allowance for credit losses as of January 1, 2018 by ₱3.59 billion and ₱3.09 billion for Group's and Parent Company's financial statements. Using the ECL model, provision for credit losses of the Group and reversal of credit losses of the Parent Company for 2018 amounted to ₱141.08 million and ₱1.96 million, respectively.

Refer to Notes 2 and 16 of the financial statements or the disclosure on the transition adjustments and details of the allowance for credit losses using the ECL model, respectively.

Audit Response

We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of PFRS 9 model validation performed by management's specialist.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) verified the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, (c) tested the Group's and the Parent Company's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) inspected the ECL document issued by the third-party service provider engaged by the Group in developing its ECL models to understand the judgements made by both the Group and the Parent Company's determine whether statistical tests were performed to assess model performance; (e) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the system of record and considering management's assumptions regarding future payments, advances, extensions, renewals and modifications; (f) inspected financial information used to derive baseline probability of default; (g) performed simulation of baseline probability of default and tested its conversion to forward-looking probability of default; (h) performed trend analysis of expected default generated by third-party service providers and compared trend with the resulting expected credit loss; (i) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (j) verified exposure at default considering outstanding commitments and repayment scheme; and (k) tested the effective interest rate used in discounting the expected loss.

Further, we checked the accuracy and completeness of data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems.

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

Impairment testing of goodwill

Under PFRS, the Group and the Parent Company are required to annually test the amount of goodwill for impairment. As of December 31, 2018, the goodwill recognized in the consolidated and parent company financial statements amounting to ₱222.84 million is attributed to the Parent Company's Retail Banking Business (RBB) segment, while goodwill of ₱616.91 million in the consolidated financial statements is attributed to the subsidiary bank, China Bank Savings, Inc. (CBSI). The impairment assessment process requires significant judgment and is based on assumptions, specifically loan and deposit growth rates, discount rate and the terminal value growth rate.

The Group's disclosures about goodwill are included in Notes 3, 11 and 14 to the financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include loan and deposit growth rates, discount rate and the terminal value growth rate. We compared the key assumptions used, such as loan and deposit growth rates against the historical performance of the RBB and CBSI, industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Applicable to the audit of the Consolidated Financial Statements

Recoverability of deferred tax assets

The Group has recognized and unrecognized deferred taxes. The recoverability of deferred tax assets recognized depends on the Group's ability to continuously generate sufficient future taxable income. The analysis of the recoverability of deferred tax assets was significant to our audit because the assessment process is complex and judgmental, and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group.

The disclosures in relation to deferred income taxes are included in Notes 3 and 27 to the financial statements.

Audit Response

We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing loan portfolio and deposit growth rates with that of the industry and the historical performance of the Group. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17A and Annual Report for the year ended December 31, 2018, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 152010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 152010 in Note 37 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of China Banking Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332523, January 9, 2019, Makati City

March 1, 2019

MANAGEMENT'S DISCUSSION ON RESULT OF OPERATIONS AND FINANCIAL CONDITION

Result of Operations

China Bank posted a consolidated net income of ₱8.1 billion, 7.9% higher than in 2017, driven by the strong growth in core businesses. This translated to a return on equity of 9.54% and a return on assets of 1.04%.

Total operating income consisting of net interest income and fee-based income reached ₱28.6 billion, up by 11.1%. Net interest income increased ₱3.3 billion or 16.8% to ₱22.9 billion on the back of a robust year-on-year loan expansion. The Bank's consolidated net interest margin was recorded at 3.10% from 3.11% last year as higher funding costs offset the growth in interest revenues.

Fee-based income declined ₱443.4 million or 7.3% mostly from the trading and securities loss of (₱271.6) million arising from rate volatility that affected both the dealership business and returns on tradable securities. Service charges, fees, and commissions increased by 13.7% to ₱2.8 billion from the upswing in investment banking and transactional fee revenues. Likewise, gain on sale of investment properties was up by 51.4% to ₱1.0 billion due to higher sales of foreclosed assets. Gain on asset foreclosure and dacion transactions also improved by 60.4% to ₱252.5 million because of the upside revaluation on foreclosed assets. Meanwhile, trust fees dropped by ₱70.6 million or 18.8% to ₱305.8 million due to the decline in related fees. Miscellaneous income decreased by 16.8% to ₱1.3 billion with the booking of one-off gains last year.

Operating expenses (excluding provision for impairment and credit losses) increased 13.1% or ₱2.1 billion to ₱18.1 billion as the Bank carried out its expansion by investing in new branches, more people, and up-to-date technology to support the growth of new businesses. The material components of operating expenses include compensation & fringe benefits which accounted for 34% of total operating expenses, taxes & licenses at 16%, occupancy cost at 13%, and insurance at 9%. Provision for impairment and credit losses computed under PFRS-9, totaled ₱141.1 million. Inclusive of appropriated retained earnings, total provisions would amount to ₱481.5 million.

For 2018, China Bank paid cash dividend of ₱0.83 per share or a total of ₱2.2 billion, which represents a total payout of 30% of prior year's net income.

Financial Condition

The Bank's total assets expanded by 15.3 % to ₱866.1 billion from ₱751.5 billion, supported by the double-digit growth in loans and investments.

The 12.6% increase in gross loans to ₱512.9 billion was led by the consumer and corporate segments which grew 20% and 18%, respectively. The growth in corporate loans was boosted by the robust investment banking activities of China Bank Capital which maintained its leadership in retail bond issues. Asset quality remained healthy as the Bank's non-performing loans ratio further improved to 1.2% which was better than industry. NPL cover was higher at 167% from 99% in 2017.

Total investment securities amounted to ₱190.2 billion, up by 48.7% from ₱128.0 billion. The Bank's liquidity ratio stood at 38%, slightly higher than last year's 36%.

On the liabilities side, total deposits increased by 13.7% to ₱722.1 billion from ₱635.1 billion, of which CASA (demand & savings deposits) totaled ₱400.8 billion. CASA ratio of 56% exceeded the 2017-end ratio of 54%. The Bank also issued Long-Term Negotiable Certificates of Deposits (LTNCDs) amounting to ₱10.25 billion in July 2018.

Total capital stood at ₱87.9 billion, 5.0% higher than last year's ₱83.7 billion. Capital adequacy ratios remained healthy with Common Equity Tier 1 (CET 1) ratio at 12.16% and total CAR at 13.09%.

BALANCE SHEETS

(Amounts in Thousands)

	Consolidated		Parent Company	
	December 31			
	2018	2017	2018	2017
ASSETS				
Cash and Other Cash Items	₱15,639,474	₱12,685,984	₱13,705,304	₱11,160,173
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	101,889,773	98,490,014	95,092,944	91,717,037
Due from Other Banks (Notes 7 and 18)	9,455,447	15,641,476	7,837,894	14,066,620
Interbank Loans Receivable and Securities Purchased under Resale Agreements (Note 8)	11,998,040	18,751,845	8,998,040	17,347,522
Financial Assets at Fair Value through Profit or Loss (Note 9)	7,596,261	16,238,888	6,689,796	16,056,823
Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	10,101,527	–	8,213,010	–
Available-for-Sale Financial Assets (Note 9)	–	46,445,391	–	42,937,083
Investment Securities at Amortized Cost (Note 9)	172,537,036	–	163,824,466	–
Held-to-Maturity Financial Assets (Note 9)	–	65,286,267	–	61,533,493
Loans and Receivables (Notes 10 and 29)	505,804,955	448,970,942	441,432,156	386,554,498
Accrued Interest Receivable	5,697,181	3,718,505	5,126,127	3,189,083
Investment in Subsidiaries (Note 11)	–	–	14,333,567	13,560,733
Investment in Associates (Note 11)	335,092	329,422	335,092	329,422
Bank Premises, Furniture, Fixtures and Equipment (Note 12)	6,450,458	6,875,864	5,265,386	5,464,582
Investment Properties (Note 13)	4,789,602	5,072,156	1,188,797	1,550,503
Deferred Tax Assets (Note 27)	2,514,889	1,778,081	1,739,219	1,297,271
Intangible Assets (Notes 11 and 14)	4,202,599	4,104,032	915,531	800,861
Goodwill (Notes 11 and 14)	839,748	839,748	222,841	222,841
Other Assets (Note 15)	6,219,558	6,218,895	3,332,763	3,481,225
	₱866,071,640	₱751,447,510	₱778,252,933	₱671,269,770
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities (Notes 17 and 29)				
Demand	₱161,239,669	₱154,286,415	₱145,559,564	₱138,929,906
Savings	239,539,817	188,723,947	226,943,962	179,593,323
Time	321,343,811	292,083,031	265,739,836	240,712,750
	722,123,297	635,093,393	638,243,362	559,235,979
Bills Payable (Note 18)	39,826,532	20,118,031	39,826,532	20,118,031
Manager's Checks	2,577,175	2,441,042	2,069,812	1,709,248
Income Tax Payable	477,585	362,041	414,233	339,155
Accrued Interest and Other Expenses (Note 19)	3,842,525	2,627,619	3,342,152	2,283,948
Derivative Liabilities (Note 25)	455,150	267,533	455,150	267,533
Deferred Tax Liabilities (Note 27)	1,231,145	1,161,653	–	–
Other Liabilities (Notes 20 and 23)	7,681,644	5,720,701	6,049,812	3,665,115
	778,215,053	667,792,013	690,401,053	587,619,009
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock (Note 23)	26,858,998	26,847,717	26,858,998	26,847,717
Capital paid in excess of par value (Note 23)	17,122,625	17,096,228	17,122,625	17,096,228
Surplus reserves (Notes 23 and 28)	4,031,008	926,689	4,031,008	926,689
Surplus (Notes 23 and 28)	40,497,256	40,360,563	40,497,256	40,360,563
Net unrealized gain (loss) on:				
Financial assets at fair value through other comprehensive income (Note 9)	(702,509)	–	(702,509)	–
Available-for-sale financial assets (Note 9)	–	(1,813,280)	–	(1,813,280)
Remeasurement gain on defined benefit asset (Note 24)	117,047	283,763	117,047	283,763
Cumulative translation adjustment	(91,699)	(38,698)	(91,699)	(38,698)
Remeasurement gain (loss) on life insurance reserves	19,154	(12,221)	19,154	(12,221)
	87,851,880	83,650,761	87,851,880	83,650,761
Non-controlling Interest	4,707	4,736	–	–
	87,856,587	83,655,497	87,851,880	83,650,761
	₱866,071,640	₱751,447,510	₱778,252,933	₱671,269,770

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME
(Amounts in Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	2018	2017	2016
INTEREST INCOME						
Loans and receivables (Notes 10 and 29)	**₱28,195,915**	₱21,751,647	₱17,889,252	**₱23,488,872**	₱17,537,017	₱14,122,287
Investments (Note 9)	**5,875,928**	3,556,110	3,078,081	**5,559,557**	3,275,025	2,880,919
Financial assets at FVPL	**413,323**	410,889	204,882	**413,323**	398,777	179,406
Due from Bangko Sentral ng Pilipinas and other banks and securities purchased under resale agreements (Notes 7 and 8)	**727,337**	820,699	719,414	**516,645**	634,906	555,788
	35,212,503	26,539,345	21,891,629	**29,978,697**	21,845,725	17,738,400
INTEREST EXPENSE						
Deposit liabilities (Notes 17 and 29)	**11,621,063**	6,521,935	4,831,555	**9,736,014**	5,210,803	3,629,127
Bills payable and other borrowings (Note 18)	**665,254**	391,007	365,879	**665,254**	391,007	354,961
	12,286,317	6,912,942	5,197,434	**10,401,268**	5,601,810	3,984,088
NET INTEREST INCOME	**22,926,186**	19,626,403	16,694,195	**19,577,428**	16,243,915	13,754,312
Service charges, fees and commissions (Note 21)	**2,777,283**	2,441,724	2,123,469	**1,529,727**	1,394,998	1,319,448
Gain on sale of investment properties	**1,015,622**	670,612	443,315	**925,831**	614,587	338,088
Trading and securities gain (loss) - net (Notes 9 and 21)	**(271,552)**	479,960	918,089	**(275,964)**	399,760	852,870
Foreign exchange gain - net (Note 25)	**215,963**	386,015	318,135	**187,064**	389,692	299,113
Trust fee income (Note 28)	**305,753**	376,312	330,197	**305,338**	371,947	326,091
Gain on asset foreclosure and dacion transactions (Note 13)	**252,477**	157,415	172,480	**57,676**	71,888	140,747
Share in net income of subsidiaries (Note 11)	**–**	–	–	**695,356**	836,004	464,999
Share in net income (losses) of an associate (Note 11)	**101,009**	73,133	(89,384)	**101,009**	73,133	(89,384)
Miscellaneous (Notes 21 and 29)	**1,261,741**	1,516,523	878,445	**1,130,134**	1,391,657	800,097
TOTAL OPERATING INCOME	**28,584,482**	25,728,097	21,788,941	**24,233,599**	21,787,581	18,206,381
Compensation and fringe benefits (Notes 24 and 29)	**6,139,001**	5,708,948	4,982,934	**4,610,265**	4,288,096	3,752,229
Taxes and licenses	**2,925,870**	2,264,025	2,000,404	**2,307,948**	1,819,331	1,573,887
Occupancy cost (Notes 26 and 29)	**2,336,639**	2,112,602	1,830,675	**1,713,888**	1,528,876	1,281,107
Insurance	**1,669,618**	1,440,153	1,163,507	**1,447,890**	1,241,575	991,179
Depreciation and amortization (Notes 12, 13 and 14)	**1,297,685**	1,217,489	1,124,786	**947,908**	877,240	775,210
Provision for impairment and credit losses (Note 16)	**141,076**	754,171	850,546	**(1,957)**	423,922	521,475
Transportation and traveling	**484,514**	378,703	298,666	**370,980**	289,903	218,136
Professional fees, marketing and other related services	**352,159**	312,042	268,394	**261,931**	222,509	182,275
Entertainment, amusement and recreation	**380,166**	287,105	242,710	**262,489**	182,172	146,993
Stationery, supplies and postage	**284,436**	268,901	241,786	**220,651**	197,567	193,232
Repairs and maintenance	**131,158**	104,298	123,025	**102,834**	69,276	87,734
Miscellaneous (Notes 21 and 29)	**2,054,634**	1,867,552	1,073,986	**1,619,159**	1,490,658	941,489
TOTAL OPERATING EXPENSES	**18,196,956**	16,715,989	14,201,419	**13,863,986**	12,631,125	10,664,946
INCOME BEFORE INCOME TAX	**10,387,526**	9,012,108	7,587,522	**10,369,613**	9,156,456	7,541,435
PROVISION FOR INCOME TAX (Note 27)	**2,271,422**	1,489,177	1,126,552	**2,259,233**	1,642,484	1,083,139
NET INCOME	**₱8,116,104**	₱7,522,931	₱6,460,970	**₱8,110,380**	₱7,513,972	₱6,458,296
Attributable to:						
Equity holders of the Parent Company (Note 32)	**₱8,110,379**	₱7,513,972	₱6,458,296			
Non-controlling interest	**5,725**	8,959	2,674			
	₱8,116,104	₱7,522,931	₱6,460,970			
Basic/Diluted Earnings Per Share (Note 32)	**₱3.02**	₱2.91	₱2.88			

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	2018	2017	2016
NET INCOME	₱8,116,104	₱7,522,931	₱6,460,970	₱8,110,380	₱7,513,972	₱6,458,296
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Changes in fair value of:						
Financial assets at fair value through other comprehensive income:						
Fair value (loss) for the year, net of tax	(451,866)	–	–	(381,791)	–	–
Loss taken to profit or loss (Note 21)	2,104	–	–	2,451	–	–
Available-for-sale financial assets:						
Fair value gain for the year, net of tax	–	158,946	449,110	–	113,020	512,562
Gains taken to profit or loss (Note 21)	–	(365,145)	(918,673)	–	(342,146)	(856,031)
Share in changes in other comprehensive income of an associate (Note 11)	(126,713)	(8,049)	(5,457)	(126,713)	(8,049)	(5,457)
Share in changes in other comprehensive income of subsidiaries (Note 11)	–	–	–	(64,109)	35,552	(107,991)
Cumulative translation adjustment	(52,900)	(15,972)	12,455	(58,792)	(29,255)	(3,636)
Items that do not recycle to profit or loss in subsequent periods:						
Share in changes in other comprehensive income of subsidiaries (Note 11)	–	–	–	88,642	20,140	20,397
Remeasurement gain (loss) on defined benefit asset, net of tax (Note 24)	(165,213)	30,149	71,075	(255,359)	9,678	50,560
Remeasurement gain (loss) on life insurance reserves	31,374	(12,221)	–	31,374	(12,221)	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(763,214)	(212,292)	(391,490)	(764,297)	(213,281)	(389,596)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱7,352,890	₱7,310,639	₱6,069,480	₱7,346,083	₱7,300,691	₱6,068,700
Total comprehensive income attributable to:						
Equity holders of the Parent Company	₱7,346,083	₱7,300,691	₱6,068,700			
Non-controlling interest	6,807	9,948	780			
	₱7,352,890	₱7,310,639	₱6,069,480			

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Capital Stock (Note 23)	Capital Paid in Excess of Par Value (Note 23)	Surplus Reserves (Notes 23 and 28)	Surplus (Notes 23 and 28)	Net Unrealized (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)
Balance at January 1, 2018	₱26,847,717	₱17,096,228	₱926,689	₱40,360,563	₱–
Effect of initial application of PFRS 9 (Note 2)	–	–	2,732,628	(5,372,699)	(126,556)
Balance at January 1, 2018, as restated	26,847,717	17,096,228	3,659,317	34,987,864	(126,556)
Total comprehensive income (loss) for the year	–	–	–	8,110,379	(575,953)
Transfer from surplus to surplus reserves	–	–	371,691	(371,691)	–
Issuance of common shares (₱31.00 per share)	11,281	26,397	–	–	–
Cash dividends - ₱0.83 per share	–	–	–	(2,229,297)	–
Balance at December 31, 2018	₱26,858,998	₱17,122,625	₱4,031,008	₱40,497,256	(₱702,509)
Balance at January 1, 2017	₱20,020,278	₱6,987,564	₱861,630	₱36,889,099	₱–
Transfer from surplus to surplus reserves	–	–	65,059	(65,059)	–
Total comprehensive income (loss) for the year	–	–	–	7,513,972	–
Issuance of common shares (₱31.00 per share)	4,838,710	10,160,753	–	–	–
Transaction cost on the issuance of common shares	–	(52,089)	–	–	–
Stock dividends - 8.00%	1,988,729	–	–	(1,988,729)	–
Cash dividends - ₱0.80 per share	–	–	–	(1,988,720)	–
Balance at December 31, 2017	₱26,847,717	₱17,096,228	₱926,689	₱40,360,563	₱–
Balance at January 1, 2016	₱18,537,285	₱6,987,564	₱828,406	₱33,800,748	₱–
Total comprehensive income (loss) for the year	–	–	–	6,458,296	–
Additional acquisition of non-controlling interest	–	–	–	–	–
Transfer from surplus to surplus reserves	–	–	33,224	(33,224)	–
Stock dividends - 8.00%	1,482,993	–	–	(1,482,993)	–
Cash dividends - ₱1.00 per share	–	–	–	(1,853,728)	–
Balance at December 31, 2016	₱20,020,278	₱6,987,564	₱861,630	₱36,889,099	₱–

See accompanying Notes to Financial Statements.

Consolidated

Equity Attributable to Equity Holders of the Parent Company

Net Unrealized Gains (Losses) on Available-for-Sale Financial Assets (Note 9)	Remeasurement Gain on Defined Benefit Asset or Liability (Note 24)	Cumulative Translation Adjustment	Remeasurement Loss on Life Insurance Reserve	Total Equity	Non- Controlling Interest (Note 11)	Total Equity
(₱1,813,280)	₱283,763	(₱38,698)	(₱12,221)	₱83,650,761	₱4,736	₱83,655,497
1,813,280	–	–	–	(953,346)	(6,835)	(960,181)
–	283,763	(38,698)	(12,221)	82,697,415	(2,099)	82,695,316
–	(166,716)	(53,001)	31,375	7,346,084	6,806	7,352,890
–	–	–	–	–	–	–
–	–	–	–	37,678	–	37,678
–	–	–	–	(2,229,297)	–	(2,229,297)
₱–	₱117,047	(₱91,699)	₱19,154	₱87,851,880	₱4,707	₱87,856,587
(₱1,598,600)	₱253,945	(₱22,500)	₱–	₱63,391,416	(₱5,212)	₱63,386,204
–	–	–	–	–	–	–
(214,680)	29,818	(16,198)	(12,221)	7,300,691	9,948	7,310,639
–	–	–	–	14,999,463	–	14,999,463
–	–	–	–	(52,089)	–	(52,089)
–	–	–	–	–	–	–
–	–	–	–	(1,988,720)	–	(1,988,720)
(₱1,813,280)	₱283,763	(₱38,698)	(₱12,221)	₱83,650,761	₱4,736	₱83,655,497
(₱1,126,080)	₱183,155	(₱34,634)	₱–	₱59,176,444	(₱5,540)	₱59,170,904
(472,520)	70,790	12,134	–	6,068,700	780	6,069,480
–	–	–	–	–	(452)	(452)
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	(1,853,728)	–	(1,853,728)
(₱1,598,600)	₱253,945	(₱22,500)	₱–	₱63,391,416	(₱5,212)	₱63,386,204

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Parent Company			
	Capital Stock (Note 23)	Capital Paid in Excess of Par Value (Note 23)	Surplus Reserves (Notes 23 and 28)	Surplus (Notes 23 and 28)
Balance at January 1, 2018	₱26,847,717	₱17,096,228	₱926,689	₱40,360,563
Effect of initial application of PFRS 9 (Note 2)	–	–	2,732,628	(5,372,699)
Balance at January 1, 2018, as restated	₱26,847,717	₱17,096,228	₱3,659,317	₱34,987,864
Total comprehensive income (loss) for the year	–	–	–	8,110,379
Transfer from surplus to surplus reserves	–	–	371,691	(371,691)
Issuance of common shares (₱31.00 per share)	11,281	26,397	–	–
Cash dividends - ₱0.83 per share	–		–	(2,229,297)
Balance at December 31, 2018	₱26,858,998	₱17,122,626	₱4,031,008	₱40,497,256
Balance at January 1, 2017	₱20,020,278	₱6,987,564	₱861,630	₱36,889,099
Transfer from surplus to surplus reserves	–	–	65,059	(65,059)
Total comprehensive income (loss) for the year	–	–	–	7,513,972
Issuance of common shares (₱31.00 per share)	4,838,710	10,160,753	–	–
Transaction cost on the issuance of common shares	–	(52,089)	–	–
Stock dividends - 8.00%	1,988,729	–	–	(1,988,729)
Cash dividends - ₱0.80 per share	–	–	–	(1,988,720)
Balance at December 31, 2017	₱26,847,717	₱17,096,228	₱926,689	₱40,360,563
Balance at January 1, 2016	₱18,537,285	₱6,987,564	₱828,406	₱33,800,748
Total comprehensive income (loss) for the year	–	–	–	6,458,296
Transfer from surplus to surplus reserves	–	–	33,224	(33,224)
Stock dividends - 8.00%	1,482,993	–	–	(1,482,993)
Cash dividends - ₱1.00 per share	–	–	–	(1,853,728)
Balance at December 31, 2016	₱20,020,278	₱6,987,564	₱861,630	₱36,889,099

See accompanying Notes to Financial Statements.

Net Unrealized (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Net Unrealized Gains (Losses) on Available-for-Sale Financial Assets (Note 9)	Remeasurement Gain on Defined Benefit Asset or Liability (Note 24)	Cumulative Translation Adjustment	Remesasurement Loss on Life Insurance Reserve	Total Equity
₱–	(₱1,813,280)	₱283,763	(₱38,698)	(₱12,221)	₱83,650,761
(126,556)	1,813,280	–	–		(953,346)
(₱126,556)	₱–	₱283,763	(₱38,698)	(₱12,221)	₱82,697,417
(575,954)	–	(166,716)	(53,001)	31,374	7,346,081
–	–	–	–	–	
–	–	–	–	–	37,678
–	–	–	–	–	(2,229,297)
(₱702,510)	₱–	₱117,047	(₱91,699)	₱19,153	₱87,851,880
₱–	(₱1,598,600)	₱253,945	(₱22,500)	₱–	₱63,391,416
–	–	–	–	–	–
–	(214,680)	29,818	(16,198)	(12,221)	7,300,691
–	–	–	–	–	14,999,463
–	–	–	–	–	(52,089)
–	–	–	–	–	–
–	–	–	–	–	(1,988,720)
₱–	(₱1,813,280)	₱283,763	(₱38,698)	(₱12,221)	₱83,650,761
₱–	(₱1,126,080)	₱183,155	(₱34,634)	₱–	₱59,176,444
–	(472,520)	70,790	12,134	–	6,068,700
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	(1,853,728)
₱–	(₱1,598,600)	₱253,945	(₱22,500)	₱–	₱63,391,416

STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱10,387,526**	₱9,012,108	₱7,587,522	**₱10,369,611**	₱9,156,456	₱7,541,435
Adjustments for:						
Depreciation and amortization (Notes 12, 13 and 14)	**1,297,685**	1,217,489	1,124,786	**947,908**	877,240	775,210
Provision for impairment and credit losses (Note 16)	**141,076**	754,171	850,546	**(1,957)**	423,922	521,745
Securities gain on financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 21)	**(9,624)**	–	–	**(9,277)**	–	–
Trading and securities gain on available-for-sale and held-to-maturity financial assets (Note 21)	**–**	(365,145)	(918,673)	**–**	(342,146)	(856,031)
Gain on sale of investment properties	**(1,015,622)**	(670,612)	(443,315)	**(925,831)**	(614,587)	(338,088)
Gain on asset foreclosure and dacion transactions (Note 13)	**(252,477)**	(157,415)	(172,480)	**(57,676)**	(71,888)	(140,747)
Share in net losses (income) of an associate (Notes 2 and 11)	**(101,009)**	(73,133)	89,384	**(101,009)**	(73,133)	89,384
Share in net (income) of subsidiaries (Notes 2 and 11)	**–**	–	–	**(695,356)**	(836,004)	(464,999)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at FVPL	**8,830,244**	(8,510,654)	(1,282,482)	**9,554,643**	(8,799,606)	(1,590,640)
Loans and receivables	**(60,828,559)**	(63,393,487)	(78,836,033)	**(57,994,624)**	(57,873,074)	(70,542,734)
Other assets	**(1,263,617)**	6,159	(1,225,573)	**(2,544,975)**	275,322	(882,576)
Increase (decrease) in the amounts of:						
Deposit liabilities	**87,029,904**	93,510,375	102,317,332	**79,007,383**	88,273,987	97,358,575
Manager's checks	**136,133**	411,264	573,280	**360,564**	263,663	704,106
Accrued interest and other expenses	**1,214,906**	759,429	283,916	**1,058,204**	722,597	300,356
Other liabilities	**1,960,943**	177,618	827,790	**2,393,871**	(540,630)	759,981
Net cash generated from operations	**47,527,509**	32,678,167	30,776,000	**41,361,482**	30,842,119	33,234,977
Income taxes paid	**(1,732,819)**	(1,554,045)	(973,575)	**(1,511,638)**	(1,274,667)	(863,477)
Net cash provided by operating activities	**45,794,690**	31,124,122	29,802,425	**39,849,844**	29,567,452	32,371,500
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to bank premises, furniture, fixtures and equipment (Note 12)	**(1,058,002)**	(1,752,173)	(1,258,911)	**(825,096)**	(1,387,684)	(1,065,308)
Additions to equity investments (Note 11)	**–**	–	–	**(500,000)**	(500,000)	(2,700,452)
Cash dividends from a subsidiary (Note 11)	**–**	–	–	**50,000**	–	–
Liquidation of a subsidiary (Note 11)	**–**	–	–	**–**	–	50,000
Purchases of:						
Investment securities at amortized cost	**(172,348,552)**	–	–	**(167,337,112)**	–	–
Financial assets at fair value through other comprehensive income	**(44,399,340)**	–	–	**(44,477,104)**	–	–
Held-to-maturity financial assets	**–**	(23,618,560)	(41,647,865)	**–**	(23,599,743)	(41,007,909)
Available-for-sale financial assets	**–**	(54,304,672)	(89,249,294)	**–**	(53,171,027)	(87,747,373)
Proceeds from sale/maturity of:						
Investment securities at amortized cost	**65,109,637**	–	–	**65,060,529**	–	–
Financial assets at fair value through other comprehensive income	**80,729,853**	–	–	**80,494,863**	–	–
Held-to-maturity financial assets	**–**	15,737,093	374,569	**–**	16,135,271	884,532
Available-for-sale financial assets	**–**	41,891,950	104,653,914	**–**	41,500,714	103,940,382
Investment properties	**1,810,112**	1,335,946	977,963	**1,458,379**	846,974	675,003
Bank premises, furniture, fixtures and equipment	**258,136**	275,109	151,286	**51,642**	242,202	199,460
Net cash used in investing activities	**(69,898,150)**	(20,435,307)	(25,998,338)	**(66,023,900)**	(19,933,293)	(26,771,665)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills payable	**₱184,568,424**	₱252,268,556	₱18,588,791	**₱184,568,424**	₱252,268,556	₱18,588,791
Settlement of bills payable	**(164,859,923)**	(249,105,524)	(20,718,973)	**(164,859,923)**	(249,105,524)	(20,056,443)
Payments of cash dividends (Note 23)	**(2,229,297)**	(1,988,720)	(1,853,728)	**(2,229,297)**	(1,988,720)	(1,853,728)
Acquisitions of non-controlling interest (Note 11)	**–**	–	(452)	**–**	–	–
Proceeds from issuance of common shares (Note 23)	**37,678**	14,999,463	–	**37,678**	14,999,463	–
Transaction cost on the issuance of common shares (Note 23)	**–**	(52,089)		**–**	(52,089)	
Net cash provided by (used in) financing activities	**17,516,882**	16,121,687	(3,984,362)	**17,516,882**	16,121,687	(3,321,380)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(6,586,585)**	26,810,502	(180,277)	**(8,657,174)**	25,755,846	2,278,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**12,685,984**	12,010,543	11,377,101	**11,160,173**	10,580,748	10,052,891
Due from Bangko Sentral ng Pilipinas (Note 7)	**98,490,014**	91,964,495	86,318,501	**91,717,037**	85,307,128	77,003,616
Due from other banks (Note 7)	**15,641,476**	11,332,236	21,243,492	**14,066,620**	9,689,165	19,200,544
Interbank Loans Receivable and SPURA (Note 8)	**18,751,845**	3,451,543	–	**17,347,522**	2,958,465	–
	145,569,319	118,758,817	118,939,094	**134,291,352**	108,535,506	106,257,051
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**15,639,474**	12,685,984	12,010,543	**13,705,304**	11,160,173	10,580,748
Due from Bangko Sentral ng Pilipinas (Note 7)	**101,889,773**	98,490,014	91,964,495	**95,092,944**	91,717,037	85,307,128
Due from other banks (Note 7)	**9,455,447**	15,641,476	11,332,236	**7,837,894**	14,066,620	9,689,165
Securities purchased under resale agreements (Note 8)	**11,998,040**	18,751,845	3,451,543	**8,998,040**	17,347,522	2,958,465
	₱138,982,734	₱145,569,319	₱118,758,817	**₱125,634,182**	₱134,291,352	₱108,535,506

OPERATING CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	As of December 31					
	2018	2017	2016	2018	2017	2016
Interest paid	**₱11,361,726**	₱6,652,755	₱5,028,667	**₱9,595,463**	₱5,359,209	₱3,812,560
Interest received	**33,233,827**	25,835,369	21,498,837	**28,041,653**	21,322,995	17,273,294

See accompanying Notes to Financial Statements.

2018 Notes to Financial Statements

1. CORPORATE INFORMATION

China Banking Corporation (the Parent Company) is a publicly listed universal bank incorporated in the Philippines. The Parent Company acquired its universal banking license in 1991. It provides expanded commercial banking products and services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury products, trust products, foreign exchange, corporate finance and other investment banking services through a network of 458 and 436 local branches as of December 31, 2018 and 2017, respectively.

The Parent Company acquired its original Certification of Incorporation issued by the Securities and Exchange Commission (SEC) on July 20, 1920. On December 4, 1963, the Board of Directors (BOD) of the Parent Company approved the Amended Articles of Incorporation to extend the corporate term of the Parent Company for another 50 years or until July 20, 2020, which was confirmed by the stockholders on December 23, 1963, and approved by the SEC on October 5, 1964. On March 2, 2016, the BOD approved the amendment of the Third Article of the Parent Company's Articles of Incorporation, to further extend the corporate term for another 50 years from and after July 20, 2020, the expiry date of its extended term. The approval was ratified by the stockholders during their scheduled annual meeting on May 5, 2016. On November 7, 2016, the SEC issued the Certificate of Filing of Amended Articles of Incorporation, amending the Third Article thereof to extend the term of corporate existence of the Parent Company.

The Parent Company has the following subsidiaries:

Subsidiary	Effective Percentages of Ownership 2018	2017	Country of Incorporation	Principal Activities
Chinabank Insurance Brokers, Inc. (CIBI)	**100.00%**	100.00%	Philippines	Insurance brokerage
CBC Properties and Computer Center, Inc. (CBC-PCCI)	**100.00%**	100.00%	Philippines	Computer services
China Bank Savings, Inc. (CBSI)	**98.29%**	98.29%	Philippines	Retail and consumer banking
China Bank Capital Corporation (CBCC)	**100.00%**	100.00%	Philippines	Investment house
CBC Assets One (SPC) Inc.	**100.00%**	100.00%	Philippines	Special purpose corporation
China Bank Securities Corporation (CBCSec)*	**100.00%**	100.00%	Philippines	Stock Brokerage

**Obtained control on March 6, 2017, 100% owned through CBCC (see note 11)*

The Parent Company has no ultimate parent company. SM Investments Corporation, its significant investor, has effective ownership in the Parent Company of 20.30% and 19.90% as of December 31, 2018 and 2017, respectively.

The Parent Company's principal place of business is at 8745 Paseo de Roxas cor. Villar St., Makati City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as "the Group").

The accompanying financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets. The financial statements are presented in Philippine peso, and all values are rounded to the nearest thousand peso except when otherwise indicated.

The financial statements of the Parent Company reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements of these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company's subsidiaries is the Philippine peso.

Statement of Compliance
The financial statements of the Group and the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The balance sheets of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 22.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Group and the Parent Company assess that they have currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group, the Parent Company and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and the Parent Company.

Basis of Consolidation and Investments in Subsidiaries
The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company.
The Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the related OCI recorded in equity and recycle the same to profit or loss or surplus
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes the remaining difference in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be recognized if the Group had directly disposed of the related assets or liabilities

Non-Controlling Interest
Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2018. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

- *New and Amended Standards*
    - Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
    - Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
    - Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

- *Annual Improvements to PFRSs (2014 – 2017 Cycle)*
    - Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value*
    - Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

Standard that has been adopted and that is deemed to have significant impact on the financial statements or performance of the Group is described below:

PFRS 9, *Financial Instruments*
The Group adopted PFRS 9 on January 1, 2018 following the modified retrospective approach. PFRS 9 replaced PAS 39*, Financial Instruments: Recognition and Measurement.*

Under the modified retrospective approach, the Group did not restate the prior-period comparative consolidated financial statements and remains to report the comparative information for 2017 and 2016 under PAS 39. Accordingly, the 2017 and 2016 comparative financial statements are not comparable to the information presented for 2018. Differences in the carrying amounts of financial instruments resulting from the adoption of PFRS 9 are recognized in the opening January 1, 2018 surplus and OCI as if the Group had always followed the new requirements.

As a result of applying PFRS 9's requirements on classification and measurement of financial assets, the opening January 1, 2018 equity in the Group's and Parent Company's balance sheet increased by ₱1.78 billion and ₱1.67 billion, respectively, before deferred tax effects. This change resulted from reclassifications of financial assets depending on the Group's and the Parent Company's application of its business models and its assessment of the financial assets' cash flow characteristics. However, applying PFRS 9's requirements on the recognition of expected credit losses decreased the opening January 1, 2018 equity in the Group's and Parent Company's balance sheet by ₱3.59 billion and ₱3.09 billion, respectively, before deferred tax effects. Impairment under ECL is now dependent upon whether there have been significant increases in the credit risk of the Group's and Parent Company's financial assets since initial recognition and on the Group's and Parent Company's evaluation of factors relevant to the measurement of expected credit losses such as a range of possible outcomes and information about past events, current conditions and forecasts of future economic conditions. Deferred tax asset recognized due to adoption of PFRS 9 amounted to ₱0.81 billion for the Group and ₱0.80 billion for the Parent Company.

The accounting policies adopted by the Group as a result of adopting PFRS 9 are discussed in page 8.

The adoption of PFRS 9 did not have an impact on the classification and measurement of the Group's and the Parent Company's financial liabilities and on the application of hedge accounting.

The impact of adopting PFRS 9 as of January 1, 2018 follows (amounts in thousands):

	Consolidated						
	PAS 39			Remeasurement		PFRS 9	
	Category	Amount	Re-classifications	ECL	Other	Category	Amount
Assets							
Cash and other cash items	Loans and receivables	₱12,685,984	₱–	₱–	₱–	Amortised cost	₱12,685,984
Due from BSP	Loans and receivables	98,490,014	–	–	–	Amortised cost	98,490,014
Due from Other Banks	Loans and receivables	15,641,476	–	–	–	Amortised cost	15,641,476
SPURA	Loans and receivables	18,751,845	–	–	–	Amortised cost	18,751,845
Loans and receivables	Loans and receivables	448,970,942	(1,000,040)	(1,781,992)	–	Amortised cost	446,188,910
Accrued interest receivable	Loans and receivables	3,718,505	–	(36,195)	–	Amortised cost	3,682,310
Other financial assets	Loans and receivables	4,412,643	–	(14,459)	–	Amortised cost	4,398,184
Held for trading	FVPL	12,493,615	2,446,099	–	(8,133)	FVPL (mandatory)	14,931,581
Financial assets designated at FVPL	FVPL	3,411,686	(3,411,686)	–	–	FVPL (designated)	–
Derivative assets	FVPL	333,587	–	–	–	FVPL (mandatory)	333,587
Investment securities	AFS	46,445,391	(39,153,620)		82,267	FVOCI	7,374,038
	HTM	65,286,267	41,119,247	(89,344)	1,703,105	Amortised cost	108,019,275
		₱730,641,955	₱–	(₱1,921,990)	₱1,777,239		₱730,497,204
Liabilities							
Loan commitments and financial guarantee contracts		₱–	₱–	(₱1,670,992)	₱–		₱–

	Consolidated		
Equity	Balance at January 1, 2018	Transition adjustments	Balance at January 1, 2018 (as restated)
Surplus	₱40,360,563	(₱5,372,699)	₱34,987,865
Surplus reserves	926,689	2,732,628	3,659,317
NUGL	(1,813,280)	1,686,724	(126,556)
	₱39,473,972	(₱953,346)	₱38,520,626

	Parent Company						
	PAS 39			Remeasurement		PFRS 9	
	Category	Amount	Re-classifications	ECL	Other	Category	Amount
Assets							
Cash and other cash items	Loans and receivables	₱11,160,173	₱–	₱–	₱–	Amortised cost	₱11,160,173
Due from BSP	Loans and receivables	91,717,037	–	–	–	Amortised cost	91,717,037
Due from Other Banks	Loans and receivables	14,066,620	–	–	–	Amortised cost	14,066,620
SPURA	Loans and receivables	17,347,522	–	–	–	Amortised cost	17,347,522
Loans and receivables	Loans and receivables	386,554,498	(1,000,040)	(1,390,961)	–	Amortised cost	384,163,497
Accrued interest receivable	Loans and receivables	3,189,083	–	–	–	Amortised cost	3,189,083
Other financial assets	Loans and receivables	2,135,717	–	–	–	Amortised cost	2,135,717
Held for trading	FVPL	12,311,550	2,581,497	–	(8,133)	FVPL (mandatory)	14,884,914
Financial assets designated at FVPL	FVPL	3,411,686	(3,411,686)	–	–	FVPL (designated)	–
Derivative assets	FVPL	333,587	–	–	–	FVPL (mandatory)	333,587
Investment securities	AFS	42,937,083	(37,714,189)	–	102,267	FVOCI	5,325,161
	HTM	61,533,493	39,544,418	(83,618)	1,578,921	Amortised cost	102,573,214
		₱646,698,049	₱–	(₱1,474,579)	₱1,673,055		₱646,896,525
Liabilities							
Loan commitments and financial guarantee contracts		₱–	₱–	(₱1,614,933)	₱–		₱–

	Parent Company		
Equity	Balance at January 1, 2018	Transition adjustments	Balance at January 1, 2018 (as restated)
Surplus	₱40,360,564	(₱5,074,296)	₱35,286,268
Surplus reserves	926,689	2,434,227	3,360,916
NUGL	(1,813,280)	1,686,724	(126,556)
	₱39,473,972	(₱953,346)	₱38,520,626

In January 1, 2018, the Group reclassified the following:

a. a portion of its previous held-to-maturity investments with carrying value of ₱2.82 billion as FVOCI investments. These instruments had contractual cash flows that were solely payments for principal and interests and were held for liquidity management; and

b. a portion of its AFS investments and held-to-maturity investments with carrying value of ₱2.32 billion and ₱2.78 billion, respectively, as FVTPL investments. These instruments either did not have contractual cash flows that were solely payments for principal and interests, or were intended for active trading and were held with the intention to sell.

In January 1, 2018, the Parent Company reclassified the following:

a. a portion of its previous held-for-trading investments and AFS investments with carrying value of ₱5.93 billion and ₱38.22 billion, respectively, as investment securities at amortized cost. These instruments had contractual cash flows that were solely payments for principal and interests, were not intended for active trading and were held with the intention to collect cash flows and without the intention to sell;
b. a portion of its previous held-to-maturity investments and held-for-trading investments with carrying value of ₱2.82 billion and ₱135.40 million, respectively, as FVOCI investments. These instruments had contractual cash flows that were solely payments for principal and interests and were held for liquidity management;
c. a portion of its AFS investments and held-to-maturity investments with carrying value of ₱2.32 billion and ₱2.78 billion, respectively, as FVTPL investments. These instruments either did not have contractual cash flows that were solely payments for principal and interests, or were intended for active trading and were held with the intention to sell.

Had the FVPL securities not been transferred, additional fair value loss of ₱389.47 million would have been charged to profit or loss.

In addition, the Group has presented separately the interest revenue, calculated using effective interest method, from other interest revenue. As a result, Interest income on Investment securities at amortized cost and FVOCI is presented separately from Interest income on trading securities at fair value through profit or loss. Previously, these interest income items were presented together as Interest income on trading and investment securities.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

There were no adjustments recognized to the opening balance of retained earnings at the date of initial application as an effect of initially applying PFRS 15. Also, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

Loyalty points program on credit card business
Before the adoption of PFRS 15, the loyalty program offered by the Group resulted in the accrual of loyalty expenses for the fair value of estimated redeemable issued loyalty points. The Group concluded that under PFRS 15 the loyalty points give rise to a separate performance obligation because they provide a material right to the customer and a portion of the transaction price was allocated to the loyalty points awarded to customers. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty points did not have material impact compared to the previous accounting policy.

Therefore, upon the adoption of PFRS 15, there were no adjustments recognized as at January 1 and December 31, 2018.

Significant Accounting Policies

Foreign Currency Translation

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency.

Transactions and balances

The books of accounts of the RBU are maintained in Philippine peso, the RBU's functional currency, while those of the FCDU are maintained in United States (US) dollars (USD), the FCDU's functional currency. For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year, and foreign currency-denominated income and expenses, at the exchange rates on transaction dates. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU are translated into the Parent Company's presentation currency (the Philippine Peso) at the PDS closing rate prevailing at the reporting date, and its income and expenses are translated at the PDSWAR for the year. Exchange differences arising on translation are taken directly to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon actual remittance or transfer of the FCDU income to RBU, the related exchange difference arising from translation lodged under 'Cumulative translation adjustment' is recognized in the statement of income of the RBU books.

Fair Value Measurement

The Group measures financial instruments, such as financial instruments at FVPL and AFS financial assets at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, and securities purchased under resale agreement (SPURA) that are convertible to known amounts of cash which have original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents wherein withdrawals can be made to meet the Group's cash requirements as allowed by the BSP.

Securities Purchased under Resale Agreement

Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the balance sheet. The corresponding cash paid including accrued interest, is recognized in the balance sheet as SPURA. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Financial Instruments - Initial Recognition

Date of recognition

Purchases or sales of financial assets, except for derivative instruments, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at FVPL, and in equity for assets classified as Financial assets at FVOCI and AFS financial assets. Derivatives are recognized on a trade date basis. Deposits, amounts due to banks and customers loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference

Where the transaction price in a non-active market is different with the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification, Reclassification and Impairment of Financial Assets (PFRS 9)

Classification and measurement

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- the expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Group's measurement categories are described below:

Investment Securities at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:
- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's investment securities at amortized cost are presented in the statement of financial position as Due from BSP, Due from other banks, Interbank loans receivable and SPURA, investment securities at amortized cost, Loans and receivables, Accrued interest receivables and certain accounts under Other assets.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial Assets at FVTPL
Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL and gains or losses arising from disposals of these instruments are included in 'Gains (losses) on trading and investment securities' account in the statements of income.

Interest recognized based on the modified effective interest rate of these investments is reported in statements of income under 'Interest income' account while dividend income is reported in statements of income under 'Miscellaneous income' account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in Net unrealized fair value gains (losses) on investment securities in the statements of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on investment securities account is not reclassified to profit or loss, but is reclassified directly to Surplus free account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Miscellaneous Income' account.

Financial Assets at FVOCI - Debt Investments
The Group applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:
- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets:
(i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
(ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Impairment of financial assets
The adoption of PFRS 9 has fundamentally changed the Group's impairment method by replacing PAS 39's incurred loss approach with a forward-looking ECL approach. From January 1, 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets carried at amortized cost, financial assets carried at FVOCI, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group and the Parent Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group and the Parent Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:
- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes at least 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e. consecutive payments from the borrowers for 180 days).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold (i.e. 30 days), the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

ECL is a function of the PD, EAD and LGD, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. EAD represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held. Please refer to Note 6 for other information related to the Bank's models for PD, EAD, and LGD.

The calculation of ECLs, including the estimation of PD, EAD, LGD and discount rate is made, on an individual basis for most of the Group's financial assets, and on a collective basis for retail products such as credit card receivables. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

Classification, Reclassification and Impairment of Financial Assets (Prior to Adoption of PFRS 9)
The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments at FVPL
Financial instruments at FVPL include financial assets and liabilities held for trading purposes, financial assets and financial liabilities designated upon initial recognition as at FVPL, and derivative instruments.

Financial instruments held for trading
Financial instruments held for trading (HFT) include government and corporate debt securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair value, and realized and unrealized gains and losses on these instruments are recognized as 'Trading and securities gain - net' in the statement of income. Interest earned or incurred on financial instruments held for trading is reported in the statement of income under 'Interest income' (for financial assets) and 'Interest expense' (for financial liabilities).

Financial instruments designated at FVPL
Financial instruments are designated as at FVPL by management on initial recognition when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial instruments at FVPL are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Trading and securities gain - net' in the statement of income. Interest earned or incurred is reported in the statement of income under 'Interest income' or 'Interest expense', respectively, while dividend income is reported in the statement of income under 'Miscellaneous income' when the right to receive payment has been established.

As of December 31, 2017, financial assets designated as at FVPL consist of instruments in shares of stocks.

Derivative instruments
The Parent Company is a party to derivative instruments, particularly, forward exchange contracts, interest rate swaps (IRS) and warrants. These contracts are entered into as a service to customers and as a means of reducing and managing the Parent Company's foreign exchange risk, and interest rate risk as well as for trading purposes, but are not designated as hedges. Such derivative financial instruments are stated at fair value through profit or loss.

Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income under 'Foreign exchange gain (loss) - net' for forward exchange contracts and 'Trading and securities gain-net' for IRS and warrants.

Embedded derivatives that are bifurcated from the host financial and non-financial contracts are also accounted for as financial instruments at FVPL.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at fair value through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that would otherwise be required. The accounting policy on embedded derivatives in host financial liability and non-financial contracts is still applied under PFRS 9.

Held-to-maturity financial assets
HTM financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group would sell other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets and the Group would be prohibited from classifying any financial asset under HTM category during the current year and two succeeding years thereafter unless for sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in income when the HTM financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment and credit losses'. The effects of translation of foreign currency-denominated HTM financial assets are recognized in the statement of income. This account consists of government and corporate debt securities.

Loans and receivable
This accounting policy relates to the balance sheet captions 'Due from BSP', 'Due from other banks', 'SPURA', 'Loans and receivables', 'Accrued interest receivable', 'Accounts receivable', 'Sales contract receivable' (SCR), 'Returned checks and other cash items' (RCOCI), and 'Miscellaneous financial assets'. These are financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as FVPL;
- those that the Group, upon initial recognition, designates as AFS; and
- those for which the Group may not cover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, these are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included under 'Interest income' in the statement of income. The losses arising from impairment are recognized under 'Provision for impairment and credit losses' in the statement of income.

Available-for-sale financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and government and corporate debt securities.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of translation of foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported as 'Net unrealized gains (losses) on AFS financial assets' under OCI.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain - net' in the statement of income. Interest earned on holding AFS debt securities are reported as 'Interest income' using the EIR. Dividends earned on holding AFS equity instruments are recognized in the statement of income as 'Miscellaneous income' when the right to the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for impairment and credit losses' in the statement of income.

Other financial liabilities
These are issued financial instruments or their components which are not designated as at FVPL and where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities not qualified and not designated as at FVPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy relates to the balance sheet captions ‘Deposit liabilities’, ‘Bills payable’, ‘Manager’s checks’, and financial liabilities presented under ‘Accrued interest and other expenses’ and ‘Other liabilities’.

Reclassification of Financial Assets
The Group may reclassify, in rare circumstances, non-derivative financial assets out of the HFT investments category and into the AFS financial assets, Loans and Receivables or HTM financial assets categories. The Group may also reclassify, in certain circumstances, financial instruments out of the AFS financial assets to loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

The Group may reclassify a non-derivative trading asset out of HFT investments and into the Loans and Receivable category if it meets the definition of loans and receivables, the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity and only in rare circumstances. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in OCI is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired then the amount recorded in OCI is recycled to the statement of income. Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the FVPL category after initial recognition. An analysis of reclassified financial assets is disclosed in Note 9.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original EIR.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'Miscellaneous income'.

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If, in subsequent years, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Restructured loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment and credit losses' in the statement of income.

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's balance sheets. However, the fair value of collateral affects the calculation of loss allowances. It is generally assessed, at a minimum, at inception and re-assessed on an annual basis. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by internal or external appraisers.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Write-offs
Financial assets are written off either partially or in their entirety when the Group no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Investment in Associates
Associates pertain to all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20.00% and 50.00% of the voting rights. In the consolidated and parent company financial statements, investments in associates are accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associates. Goodwill, if any, relating to an associate is included in the carrying value of the investment and is not amortized. The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits or losses resulting from transactions between the Group and an associate are eliminated to the extent of the interest in the associate.

Dividends earned on this investment are recognized in the Parent Company's statement of income as a reduction from the carrying value of the investment.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investment in Subsidiaries
In the parent company financial statements, investment in subsidiaries is accounted for under the equity method of accounting similar to the investment in associates.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree' s identifiable net assets. Acquisition costs incurred are charged to profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, either in profit or loss or as a charge to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on bargain purchase under 'Miscellaneous income'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's cash generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment identified for segment reporting purposes.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

<u>Cash Dividend and Non-cash Distribution to Equity Holders of the Parent Company</u>
The Group recognizes a liability to make cash or non-cash distributions to equity holders of the parent company when the distribution is authorized and the distribution is no longer at the discretion of the Group.

A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of income.

<u>Bank Premises, Furniture, Fixtures and Equipment</u>
Land is stated at cost less any impairment in value while depreciable properties such as buildings, leasehold improvements, and furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the bank premises, furniture, fixtures and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance costs.

Construction-in-progress is stated at cost less any impairment in value. The initial cost comprises its construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation and amortization is calculated using the straight-line method over the estimated useful life (EUL) of the depreciable assets as follows:

	EUL
Buildings	50 years
Furniture, fixtures and equipment	3 to 5 years
Leasehold improvements	Shorter of 6 years or the related lease terms

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of bank premises, furniture, fixtures and equipment and leasehold improvements.

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

<u>Investment Properties</u>
Investment properties include real properties acquired in settlement of loans and receivables which are measured initially at cost, including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The difference between the fair value of the investment property upon foreclosure and the carrying value of the loan is recognized under 'Gain on asset foreclosure and dacion transactions' in the statement of income. Subsequent to initial recognition, depreciable investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value except for land which is stated at cost less impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining EUL of the building and improvement components of investment properties which ranged from 10 to 33 years from the time of acquisition of the investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the derecognition of an investment property are recognized as 'Gain on sale of investment properties' in the statement of income in the year of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

Intangible assets include software cost and branch licenses resulting from the Parent Company's acquisition of CBSI, Unity Bank and Planters Development Bank (PDB) (Notes 11 and 14).

Software costs

Costs related to software purchased by the Group for use in operations are amortized on a straight-line basis over 3 to 10 years. The amortization method and useful life are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits embodied in the asset.

Branch licenses

The branch licenses are initially measured at fair value as of the date of acquisition and are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

Such intangible assets are not amortized, instead they are tested for impairment annually either individually or at the CGU level. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the intangible asset relates. Recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in earnings when the asset is derecognized.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (e.g., investment in associates, investment properties, bank premises, furniture, fixtures and equipment, goodwill and intangible assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is charged to operations in the year in which it arises.

For nonfinancial assets, excluding goodwill and branch licenses, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed, except for goodwill, only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement; or
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term; or
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term and included in 'Occupancy cost' in the statement of income.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Capital Stock
Capital stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Capital paid in excess of par value' in the balance sheet. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVOCI and AFS financial assets, interest income is recorded at either EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability, or at rate stated in the contract. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, as applicable, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a. *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, commission income, credit related fees, asset management fees, portfolio and other management fees, and advisory fees.

b. *Fee income from providing transactions services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, corporate finance fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

c. *Commitment fees*
Loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. If the commitment expires without the Group making the loan, the commitment fees are recognized as other income on expiry.

Service charges and penalties
Service charges and penalties are recognized only upon collection or accrued where there is a reasonable degree of certainty as to their collectability.

Other income
Income from sale of service is recognized upon rendition of the service. Income from sale of properties is recognized when control has been obtained by the customer and when the collectability of the sales price is reasonably assured.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Trading and securities gain
This represents results arising from trading activities and sale of AFS financial assets or FVOCI debt assets.

Expense Recognition
Expense is recognized when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Interest expense
*I*nterest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

Other expenses
Expenses encompass losses as well as those expenses that arise in the ordinary course of business of the Group. Expenses are recognized when incurred.

Retirement Benefits
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on Philippine government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock splits, stock dividends declared and stock rights exercised during the year, if any.

The Parent Company has no outstanding dilutive potential common shares.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company and its subsidiaries. Dividends declared during the year that are approved after the reporting date are dealt with as an event after the reporting date.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 31. The Group's revenue producing assets are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Events after the Reporting Period
Any post year-end events that provide additional information about the Group's position at the reporting date (adjusting event) are reflected in the Group's financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Standards Issued but Not Yet Effective

There are new PFRSs, amendments, interpretation and annual improvements, to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

Effective beginning on or after January 1, 2019:

- PFRS 9 (Amendment), *Prepayment Features with Negative Compensation*. Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. Management has assessed that the amendment has no impact on the consolidated and parent company financial statements.

- PFRS 16, *Leases*. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Leesees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  Upon adoption of this standard, the Group and the Parent Company expect to recognize a right of use asset and lease liability for covered lease contracts. Management is currently assessing the impact of this new standard in the consolidated and parent company financial statements.

- PAS 19 (Amendments), *Employee Benefits, Plan Amendment, Curtailment or Settlement*. The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- PAS 28 (Amendments), *Long-term Interests in Associates and Joint Ventures*. The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures.*

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

Annual Improvements to PFRS 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*. The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*. The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*. The standard is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)

  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities at reporting date. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

a. *Fair value of financial instruments*
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions conducted on an arm's length basis.

Where the fair values of financial assets and financial liabilities recorded on the balance sheet or disclosed in the notes cannot be derived from active markets, they are determined using discounted cash flow model, incorporating inputs such as current market rates of comparable instruments. The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 5.

b. *HTM financial assets (prior to PFRS 9 adoption)*
The classification to HTM financial assets requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire portfolio as part of AFS financial assets. The investments would therefore be measured at fair value and not at amortized cost.
Details of AFS financial assets reclassified to HTM are disclosed in Note 9.

c. *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the financial statements (Note 30). It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

d. *Evaluation of business model in managing financial instruments (PFRS 9)*
The Group manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

At the start of 2018, the Parent Bank's BOD approved its documentation of business models which contains broad categories of banking and trading business models. The banking business model includes the Parent Bank's lending activities as well as treasury business activities broken down into liquidity and investment portfolios. The approval of the business models triggered the realignment and reassessment of the Parent Bank's strategy for managing its HTC portfolio and the introduction of new portfolios with the objective of maximizing risk-adjusted returns. As such, the Bank's classification of financial assets now consists of amortized cost, FVOCI and FVTPL, where certain securities were reclassified from a classification measured at amortized cost to a classification measured at fair value, and vice versa, at the beginning of first quarter of 2018.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

In 2018, the Bank participated in bond exchanges resulting in disposal of certain financial assets carried at amortized cost. The Parent Bank has assessed that such sales are not more than infrequent and are necessary in order to ensure that the outstanding securities remain of an acceptable liquid quality. The disposals are considered not inconsistent with the objective of hold to collect business model. The remaining securities in the affected portfolios continue to be measured at amortized cost as of December 31, 2018.

The business model assessment is based on reasonably expected scenarios without taking worst case or stress case scenarios into account. If cash flows, after initial recognition are realized in a way that is different from the Group's and the Parent Company's original expectations, the Group and the Parent Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

e. *Testing the cash flow characteristics of financial assets (PFRS 9)*
In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

Estimates

a. *Credit losses on loans and receivables (prior to adoption of PFRS 9)*
The Group reviews its loans and receivables at each reporting date to assess whether an allowance for credit losses should be recorded in the balance sheet and any changes thereto in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors such as the financial condition of the borrower, estimated future cash flows, observable market prices and estimated net selling prices of the related collateral. Actual results may also differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment assessment on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. The resulting collective allowance is based on historical loss experience adjusted on the basis of current observable data for assets with similar credit risk characteristics.

The carrying values of loans and receivables and the related allowance for credit losses of the Group and the Parent Company are disclosed in Notes 10 and 16.

b. *Expected credit losses on financial assets and commitments (PFRS 9)*
The Group reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgments 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;
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Group's expected credit loss models;
- measuring the exposure at default for unused commitments on which an expected credit loss should be recognized and the applicable loss rate

The related allowance for credit losses of financial assets and commitments of the Group and the Parent Company are disclosed in Notes 16 and 20.

c. *Impairment of goodwill*
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit CGU to which the goodwill relates. The recoverable amount of the CGU is determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. For VIU, the Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Impairment assessment process requires significant judgement and based on assumptions, specifically loan and deposit growth rates, discount rate and the terminal value growth rates.

Where the recoverable amount is less than the carrying amount of the CGU to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The carrying values of the Group's goodwill are disclosed in Note 14.

d. *Impairment of branch licenses*
The Group conducts an annual review for any impairment in the value of branch licenses. Branch licenses are written down for impairment where the recoverable value is insufficient to support the carrying value. The recoverable amount of branch licenses is the higher between fair value less costs of disposal (FVLCD) and its value-in-use (VIU). FVLCD of branch licenses is based on the special licensing fee of BSP on branches operating on identified restricted areas. The recoverable amount of the CGU is determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. For VIU, the Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Impairment assessment process requires significant judgement and based on assumptions, specifically loan and deposit growth rates, discount rate and the terminal value growth rates.

The carrying values of the Group's branch licenses are disclosed in Note 14.

e. *Net plan assets and retirement expense*
The determination of the Group's net plan assets and annual retirement expense is dependent on the selection of certain assumptions used in calculating such amounts. These assumptions include, among others, discount rates and salary rates.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date.

The present value of the retirement obligation and fair value of plan assets, including the details of the assumptions used in the calculation are disclosed in Note 24.

f. *Recognition of deferred income taxes*
Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management discretion is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies. Key assumptions used in forecast of future taxable income include loan portfolio and deposit growth rates.

The Group believes it will be able to generate sufficient taxable income in the future to utilize its recorded deferred tax assets. Taxable income is sourced mainly from interest income from lending activities and earnings from service charge, fees, commissions and trust activities.

The recognized and unrecognized deferred tax assets are disclosed in Note 27.

g. *Impairment on non-financial assets*
The Group assesses impairment on its nonfinancial assets (e.g., investment properties and bank premises, furniture, fixtures and equipment) and considers the following impairment indicators:
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the Group's nonfinancial assets are disclosed in Notes 12 and 13.

4. FINANCIAL INSTRUMENT CATEGORIES

The following table presents the total carrying amount of the Group's and the Parent Company's financial instruments per category:

	2018	
	Consolidated	**Parent Company**
Financial assets		
Cash and other cash items	**₱15,639,474**	**₱13,705,304**
Financial assets at FVTPL	**7,596,261**	**6,689,796**
Financial assets at FVOCI	**10,101,527**	**8,213,010**
Financial assets at amortized cost		
Due from BSP	**101,889,773**	**95,092,944**
Due from other banks	**9,455,447**	**7,837,894**
Interbank loans receivables and SPURA	**11,998,040**	**8,998,040**
Investment securities	**172,537,036**	**163,824,466**
Loans and receivables	**505,804,955**	**441,432,156**
Accrued interest receivable	**5,697,181**	**5,126,127**
Other assets*	**3,577,270**	**1,520,108**
	810,959,702	**723,831,735**
Total financial assets	**₱844,296,964**	**₱752,439,845**

	2017	
	Consolidated	Parent Company
Financial assets		
Cash and other cash items	₱12,685,984	₱11,160,173
Financial assets at FVTPL	16,238,888	16,056,823
AFS financial assets	46,445,391	42,937,083
HTM financial assets	65,286,267	61,533,493
Loans and receivables:		
Due from BSP	98,490,014	91,717,037
Due from other banks	15,641,476	14,066,620
Interbank loans receivables and SPURA	18,751,845	17,347,522
Loans and receivables	448,970,942	386,554,498
Accrued interest receivable	3,718,505	3,189,083
Other assets*	3,645,678	1,594,757
	589,218,460	514,469,517
Total financial assets	₱729,874,990	₱646,157,089

*Other assets include accounts receivables, SCR, RCOCI and miscellaneous financial assets (Note 15).

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Financial liabilities				
Other financial liabilities:				
Deposit liabilities	**₱722,123,297**	₱635,093,393	**₱638,243,362**	₱559,235,979
Bills payable	**39,826,532**	20,118,031	**39,826,532**	20,118,031
Manager's checks	**2,577,175**	2,441,042	**2,069,812**	1,709,248
Accrued interest and other expenses*	**2,456,064**	1,381,441	**2,035,662**	1,068,572
Other liabilities**	**7,347,450**	5,399,076	**5,779,466**	3,509,795
	774,330,518	664,432,983	**687,954,834**	585,641,625
Financial liabilities at FVPL:				
Derivative liabilities	**455,150**	267,533	**455,150**	267,533
Total financial liabilities	**₱774,785,668**	₱664,700,516	**₱688,409,984**	₱585,909,158

*Accrued interest and other expenses includes accrued interest payable and accrued other expenses payable (Note 19).
**Other liabilities exclude withholding taxes payable and retirement liabilities (Note 20).

5. FAIR VALUE MEASUREMENT

The Group has assets and liabilities in the consolidated and Parent Company balance sheets that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the balance sheet at the end of each financial reporting period. These include financial assets and liabilities at FVPL, AFS financial assets and financial assets at FVOCI. Non-recurring fair value measurements are those that another PFRS requires or permits to be recognized in the balance sheet in particular circumstances. For example, PFRS 5 requires an entity to measure an asset held for sale at the lower of its carrying amount and fair value less costs to sell. Since the asset's fair value less costs to sell is only recognized in the balance sheet when it is lower than its carrying amount, that fair value measurement is non-recurring.

As of December 31, 2018 and 2017, except for the following financial instruments, the carrying values of the Group's and the Parent Company's financial assets and liabilities as reflected in the balance sheets and related notes approximate their respective fair values:

	2018			
	Consolidated		Parent Company	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Investment securities at amortized cost				
Investment securities (Note 9)				
Government bonds	₱117,260,018	₱108,886,906	₱110,220,634	₱102,006,641
Private bonds	55,277,018	54,077,408	53,603,832	52,509,703
Loans and receivables (Note 10)				
Corporate and commercial lending	406,403,070	389,177,803	376,793,349	357,613,633
Consumer lending	85,688,187	85,222,099	51,816,708	46,749,579
Trade-related lending	13,662,914	13,283,538	12,782,734	12,772,774
Others	50,785	56,603	39,365	45,185
Sales contracts receivable (Note 15)	1,040,939	1,101,941	199,692	178,486
Financial Liabilities				
Deposit liabilities (Note 17)	321,343,811	299,666,264	265,739,836	243,898,397

	2017			
	Consolidated		Parent Company	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
HTM financial assets (Note 9)				
Government bonds	₱52,998,477	₱51,488,294	₱50,263,703	₱48,754,016
Private bonds	12,287,790	12,110,870	11,269,790	11,354,669
Loans and receivables (Note 10)				
Corporate and commercial lending	365,117,654	349,880,762	333,430,383	315,853,285
Consumer lending	71,577,984	74,207,566	42,556,905	41,952,821
Trade-related lending	12,062,711	12,041,107	10,513,204	10,417,129
Others	212,593	196,307	54,006	63,198
Sales contracts receivable (Note 15)	918,147	1,060,191	184,092	200,134
Financial Liabilities				
Deposit liabilities (Note 17)	292,083,031	282,586,204	240,712,750	236,777,045

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

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

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

Equity securities (prior to adoption of PFRS 9) - For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

Equity securities (upon adoption of PFRS 9) - For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities, remeasurement to their fair values is not material to the financial statements.

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

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

Bills payable - 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.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3: inputs that are not based on observable market data or unobservable inputs.

As of December 31, 2018 and 2017, the fair value hierarchy of the Group's and the Parent Company's assets and liabilities are presented below:

	Consolidated			
	2018			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements[a]				
Financial assets at FVPL				
Held-for-trading				
Government bonds	₱492,521	₱141,372	₱–	₱633,893
Treasury notes	–	838,662	–	838,662
Treasury bills	–	1,214,170	–	1,214,170
Private bonds	3,189,063	–	–	3,189,063
Quoted equity shares	1,312,625	–	–	1,312,625
Derivative assets	–	407,848	–	407,848
Financial assets at FVOCI			–	
Government bonds	4,859,716	5,107,673	–	9,967,389
Quoted private bonds	35,370	–	–	35,370
Quoted equity shares	80,403	–	–	80,403
	₱9,969,698	₱7,709,725	₱–	₱17,679,423
Financial liabilities at FVPL				
Derivative liabilities	₱–	₱455,150	₱–	₱455,150
	₱–	₱455,150	₱–	₱ 455,150
Fair values of assets carried at amortized cost/cost[a]				
Investment securities at amortized cost				
Government bonds	₱108,886,906	₱–	₱–	₱108,886,906
Private bonds	54,077,408	–	–	54,077,408
Loans and receivables				
Corporate and commercial loans	–	–	389,177,803	389,177,803
Consumer loans	–	–	85,222,099	85,222,099
Trade-related loans	–	–	13,283,538	13,283,538
Others	–	–	56,603	56,603
Sales contracts receivable	–	–	1,101,941	1,101,941
Investment properties[b]		–		
Land	–	–	8,696,956	8,696,956
Buildings and improvements	–	–	1,371,972	1,371,972
	₱162,964,314	₱–	₱498,910,912	₱661,875,227
Fair values of liabilities carried at amortized cost[a]				
Deposit liabilities	₱–	₱–	₱299,666,264	₱299,666,264

(a) valued as of December 31, 2018

	Consolidated			
	2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements[a]				
Financial assets at FVPL				
Held-for-trading				
Government bonds	₱5,792,345	₱119,314	₱–	₱5,911,659
Treasury notes	1,413,940	479,252	–	1,893,192
Treasury bills	315,996	1,709,371	–	2,025,367
Private bonds	2,663,397	–	–	2,663,397
Financial assets designated at FVPL	3,411,686	–	–	3,411,686
Derivative assets	–	333,587	–	333,587
AFS financial assets				
Government bonds	25,761,577	9,467,927	–	35,229,504
Quoted private bonds	11,051,657	38,781	–	11,090,438
Quoted equity shares	67,903	–	–	67,903
	₱50,478,501	₱12,148,232	₱–	₱62,626,733
Financial liabilities at FVPL				
Derivative liabilities	₱–	₱267,533	₱–	₱267,533
	₱–	₱267,533	₱–	₱267,533
Fair values of assets carried at amortized cost/cost[a]				
HTM financial assets				
Government bonds	₱51,488,294	–	–	51,488,294
Private bonds	12,110,870	–	–	12,110,870
Loans and receivables				
Corporate and commercial loans	–	–	349,880,762	349,880,762
Consumer loans	–	–	74,207,566	74,207,566
Trade-related loans	–	–	12,041,107	12,041,107
Others	–	–	196,307	196,307
Sales contracts receivable	–	–	1,060,191	1,060,191
Investment properties[b]				
Land	–	–	7,091,280	7,091,280
Buildings and improvements	–	–	2,406,887	2,406,887
	₱63,599,164	₱–	₱446,884,100	₱510,483,264
Fair values of liabilities carried at amortized cost[a]				
Deposit liabilities	₱–	₱–	₱282,586,204	₱282,586,204

(b) valued as of December 31,2017

	Parent Company			
	2018			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements[a]				
Financial assets at FVPL				
Held-for-trading				
Government bonds	₱492,521	₱141,372	₱–	₱633,893
Treasury notes	–	838,662	–	838,662
Treasury bills	–	1,214,170	–	1,214,170
Private bonds	2,282,598	–	–	2,282,598
Quwoted equity shares	1,312,625	–	–	1,312,625
Derivative assets	–	407,848	–	407,848
Financial assets at FVOCI				
Government bonds	3,033,686	5,107,673	–	8,141,359
Quoted private bonds	1,676	–	–	1,676
Quoted equity shares	51,610	–	–	51,610
	₱7,174,716	₱7,709,725	₱–	₱14,884,441
Financial liabilities at FVPL				
Derivative liabilities	₱–	₱455,150	₱–	₱455,150
	₱–	₱455,150	₱–	₱455,150
Fair values of assets carried at amortized cost/cost[a]				
Investment securities at amortized cost				
Government bonds	₱102,006,641	₱–	₱–	₱102,006,641
Private bonds	52,509,703	–	–	52,509,703
Loans and receivables				
Corporate and commercial loans	–	–	357,613,633	357,613,633
Consumer loans	–	–	46,749,579	46,749,579
Trade-related loans	–	–	12,772,774	12,772,774
Others	–	–	45,185	45,185
Sales contracts receivable	–	–	178,486	178,486
Investment properties[b]				
Land	–	–	4,225,706	4,225,706
Buildings and improvements	–	–	974,119	974,119
	₱154,516,344	₱–	₱422,559,482	₱577,075,826
Fair values of liabilities carried at amortized cost				
Deposit liabilities	₱–	₱–	₱243,898,397	₱243,898,397

(a) valued as of December 31, 2018

	Parent Company			
	2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements[(a)]				
Financial assets at FVPL				
Held-for-trading				
Government bonds	₱5,757,518	₱119,314	₱–	₱5,876,832
Treasury notes	1,313,369	479,252	–	1,792,621
Treasury bills	315,996	1,709,371	–	2,025,367
Private bonds	2,616,730	–	–	2,616,730
Financial assets designated at FVPL	3,411,686	–	–	3,411,686
Derivative assets	–	333,587	–	333,587
AFS financial assets				
Government bonds	22,905,417	9,467,927	–	32,373,344
Quoted private bonds	10,483,794	–	–	10,483,794
Quoted equity shares	67,903	–	–	67,903
	₱46,872,413	₱12,109,451	₱–	₱58,981,864
Financial liabilities at FVPL				
Derivative liabilities	₱–	₱267,533	₱–	₱267,533
	₱–	₱267,533	₱–	₱267,533
Fair values of assets carried at amortized cost/cost[(a)]				
HTM financial assets				
Government bonds	₱48,754,016	₱–	₱–	₱46,784,643
Private bonds	11,354,669	–	–	13,324,042
Loans and receivables				
Corporate and commercial loans	–	–	315,853,285	315,853,285
Consumer loans	–	–	41,952,821	41,952,821
Trade-related loans	–	–	10,417,129	10,417,129
Others	–	–	63,198	63,198
Sales contracts receivable	–	–	200,134	200,134
Investment properties[(b)]				
Land	–	–	4,225,706	4,225,706
Buildings and improvements	–	–	970,099	970,099
	₱60,108,685	₱–	₱373,682,372	₱433,791,057
Fair values of liabilities carried at amortized cost			236,777,045	236,777,045
Deposit liabilities	₱–	₱–	₱236,777,045	₱236,777,045

(b) valued as of December 31, 2017

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2018 and 2017.

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities - interpolated rates based on market rates of benchmark securities as of reporting date.

Private bonds and commercial papers - quoted market price of comparable investments with credit risk premium that is insignificant to the entire fair value measurement.

Derivative assets and liabilities - fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the reporting date, taking into account the remaining term to maturity of the derivative assets and liabilities.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair values of the Group's and Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group and the Parent Company:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Land and Building	Market Data Approach and Cost Approach	Reproduction Cost New

Description's of the valuation techniques and significant unobservable inputs used in the valuation of the Group and the Parent Company's investment properties are as follows:

<u>Valuation Techniques</u>

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of Reproduction Cost New of the improvements.

<u>Significant Unobservable Inputs</u>

Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 unavoidable 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 (i.e. interest rate risk, foreign currency risk and equity price 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 gravity of the risks, the magnitude of the financial instruments involved, and regulatory requirements are primary considerations to 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 implementation of the risk management process which includes, among others, the development of various risk strategies and principles, control guidelines policies and procedures, implementation of risk measurement tools, monitoring of key risk indicators, and the imposition and monitoring of risk limits and thresholds. The ROC is composed of three members of the BOD, two of whom are independent directors.

The Risk Management Group (RMG) is the direct support of the ROC in the day-to-day risk management and the implementation of the risk management strategies approved by the ROC. 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 risk measurement and monitoring to make sure that the Parent Company, in its transactions and dealings, engages only in acceptable and manageable financial risks. The RMG also ensures that risk measurements are accurately and completely captured on a timely basis in the management reporting system of the Parent Company. The RMG regularly reports the results of the risk measurements to the ROC. The RMG is headed by the Chief Risk Officer (CRO).

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 and other members of the RMG report to the ROC and are a resource to the Management Committee (ManCom) on a monthly and a weekly basis, respectively. 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 key risk indicators were formulated on the basis of the financial risks faced by the Parent Company. The key risk 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) 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 single-name and sectoral concentration is included in the discussion with the ROC. 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 in its 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 front line 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.

Based on the approved Operational Risk Assessment Program, RMG spearheaded the bankwide (all Head Office units and branches) risk identification and self-assessment process. This would enable determination of priority risk areas, assessment of mitigating controls in place, and institutionalization of additional measures to ensure a controlled operating environment. RMG was also mandated to maintain and update 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 2017 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 Corporate Planning Group.

For the measurement of market risk exposures, the Bank 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 2017 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 April 5, 2018, the BOD approved the inclusion of cybersecurity as part of the priority risks related to Information Technology. This is in addition to the priority risks set in the 2009 Risk Self-assessment Survey and voting conducted among selected members of the BOD and Senior Management which were retained on the basis that there is no significant change in either the business model of the Bank or its ownership structure. In addition, the BOD also approved the changes in the trigger events for the review of Capital Ratios MAT and the retention of the methodology for the CET1 ratio limit and the Management Action Trigger (MAT) on capital ratios. There were no changes made in the approved trigger events for the review of Priority Risks.

The Parent Company submitted its annually updated ICAAP document, in compliance with BSP requirements on March 27, 2018. The document disclosed that the Parent Company has an appropriate level of internal capital relative to the Group's risk profile.

For the ICAAP document submitted on March 27, 2018, 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.

Credit Risk

Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items

Credit risk is the risk of financial loss on account of a counterparty to a financial product failing to honor its obligation. The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (i.e., investment securities issued by either sovereign or corporate entities) or enters into either market-traded or over-the-counter derivatives, through implied or actual contractual agreements (i.e., on or off-balance sheet exposures). The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction).

The Group established risk limits and thresholds for purposes of monitoring and managing credit risk from individual counterparties and/or groups of counterparties, as well as major industries. It also conducts periodical assessment of the creditworthiness of its counterparties. In addition, the Group obtains collateral where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

The Parent Company has four credit risk rating models in place: for corporate borrowers, for non-consumer individual borrowers and small & medium enterprises (SMEs), for financial institutions, for sovereign / country exposures. In addition, it also has three scoring models: for auto and housing loan applicants, and for credit card applicants.

In compliance with BSP requirements, the Group established an internal Credit Risk Rating System (ICRRS) for the purpose of measuring credit risk for corporate borrowers in a consistent manner, as accurately as possible, and thereafter uses the risk information for business and financial decision making. The ICRRS covers corporate borrowers with total assets, total facilities, or total credit exposures amounting to ₱15.00 million and above.

Further, the ICRRS was designed within the technical requirements defined under BSP Circular No. 439. It has two components, namely: a) Borrower Risk Rating which provides an assessment of the creditworthiness of the borrower, without considering the proposed facility and security arrangements, and b) Loan Exposure Ratio which provides an assessment of the proposed facilities as mitigated or enhanced by security arrangements. The ICRRS rating scale consists of ten grades, six of which fall under unclassified accounts, with the remaining four falling under classified accounts in accordance with regulatory provisioning guidelines.

On March 5, 2014, the Parent Company approved the engagement of a third-party consultant, Moody's Analytics, for the quantitative and qualitative validation of the ICRRS. The validation engagement was completed in December 2014 followed by the model recalibration, closing the project in December 2016.

The Parent Company launched in 2011 the Borrower Credit Score (BCS), a credit scoring system designed for retail small and medium entities and individual loan accounts. In 2017, RMG completed the statistical validation of the BCS using the same methodology applied to the validation of the corporate risk rating model. The validation process was conducted with the assistance of Teradata which provided the analytics platform, tools and technical guidance for both credit model performance assessment and recalibration.

The CAMELOT rating system was approved by the BOD in 2006 to specifically assess Philippine universal, commercial and thrift banks. In 2009, the Bank implemented the rating system for rural and cooperative banks as well as the rating system for foreign financial institutions.

The Parent Company also developed a Sovereign Risk Rating Model, which provided the tool for the Bank to assess the strength of the country rated in reference to its economic fundamentals, fiscal policy, institutional strength, and vulnerability to extreme events. The Model was approved by the Board on September 7, 2017.

The scorecards for auto and housing loans were officially launched in November 2016, adopting the models developed by CBS with a third-party consultant, and utilizing internally developed software interfaces for their implementation.

For the Bank's credit cards, an acquisition scorecard has been created to determine application acceptance and has been in place since the launch of the credit card business.

Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines focusing on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The distribution of the Group's and Parent Company's assets and liabilities, and credit commitment items (Note 30) by geographic region as of December 31, 2018 and 2017 (in millions) follows:

	Consolidated					
	2018			2017		
	Assets	Liabilities	Commitment	Assets	Liabilities	Commitment
Geographic Region						
Philippines	₱741,331	₱743,613	₱87,789	₱711,801	₱651,283	₱58,136
Asia	14,965	1,386	27,313	8,530	3,850	20,151
Europe	18,411	2,859	3,634	5,442	2,952	5,431
United States	68,277	21,107	2,548	499	6,616	2,794
Others	1,313	5,821	38	3,603	–	4
	₱844,297	₱774,786	₱121,322	₱729,875	₱664,701	₱86,516

	Parent Company					
	2018			2017		
	Assets	Liabilities	Commitment	Assets	Liabilities	Commitment
Geographic Region						
Philippines	₱689,382	₱660,706	₱87,077	₱629,802	₱572,601	₱55,501
Asia	14,965	1,386	27,313	6,905	3,740	20,151
Europe	18,411	2,859	3,634	5,442	2,952	5,431
United States	28,369	17,638	2,548	405	6,616	2,794
Others	1,313	5,821	38	3,603	–	4
	₱752,440	₱688,410	₱120,610	₱646,157	₱585,909	₱83,881

Information on credit concentration as to industry of loans and receivables is presented in Note 10 to the financial statements.

Maximum exposure to credit risk
The tables below provide the analysis of the maximum exposure to credit risk of the Group and the Parent Company's financial instruments, excluding those where the carrying values as reflected in the balance sheets and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements:

	Consolidated		
	2018		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows			
Loans and receivables	₱505,804,955	₱275,165,316	₱230,639,639
Interbank loans receivable and SPURA	10,000,000	–	10,000,000
Sales contracts receivable	1,040,939	–	1,040,939
	₱516,845,894	₱275,165,316	₱240,680,578

	Consolidated		
	2017		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows			
Loans and receivables	₱448,970,942	₱237,847,050	₱211,123,892
Interbank loans receivable and SPURA	18,751,845	1,865	18,749,980
Sales contracts receivable	894,843	–	894,843
	₱468,617,630	₱237,848,915	₱230,768,715

	Parent Company		
	2018		
	Gross maximum exposure	**Net exposure**	**Financial effect of collateral or credit enhancement**
Credit risk exposure relating to on-balance sheet items are as follows			
Loans and receivables	**₱441,432,156**	**₱249,012,090**	**₱192,420,066**
Interbank loans receivable and SPURA	**7,000,000**	**–**	**7,000,000**
Sales contracts receivable	**199,692**	**–**	**199,962**
	₱448,631,848	**₱249,012,090**	**₱199,619,758**

	Parent Company		
	2017		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows			
Loans and receivables	₱386,554,498	₱229,957,505	₱126,596,993
Interbank loans receivable and SPURA	17,347,522	2,000	17,345,522
Sales contracts receivable	184,091	–	184,091
	₱404,086,111	₱229,960,505	₱144,216,606

For the Group, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱338.60 billion and ₱1.60 billion, respectively, as of December 31, 2018 and ₱330.43 billion and ₱1.34 billion, respectively, as of December 31, 2017.

For the Parent Company, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱302.16 billion and ₱1.47 billion, respectively, as of December 31, 2018 and ₱294.54 billion and ₱1.04 billion, respectively, as of December 31, 2017.

Credit risk, in respect of derivative financial products, is limited to those with positive fair values, which are included under financial assets at FVPL (Note 9). As a result, the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the balance sheet plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 30 to the financial statements.

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented with regard to the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- For securities lending and reverse repurchase transactions - cash or securities
- For consumer lending - real estate and chattel over vehicle
- For corporate lending and commercial lending- real estate, chattel over properties, assignment of deposits, shares of stocks, bonds, and guarantees

Management requests additional collateral in accordance with the underlying agreement and takes into consideration the market value of collateral during its review of the adequacy of allowance for credit losses.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In most cases, the Parent Company does not occupy repossessed properties for business use.

Credit quality per class of financial assets
The credit quality of financial assets is managed by the Group using an internal credit rating system for the purpose of measuring credit risk in a consistent manner as accurately as possible. The model on risk ratings is assessed regularly because the Group uses this information as a tool for business and financial decision making. Aside from the periodic review by the Bank's Internal Audit Group, the Bank likewise engaged the services of third-party consultants in 2014, 2015, and 2016 for purposes of conducting an independent validation of the credit risk rating model.

It is the Parent Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The attributable risk ratings are assessed and monitored regularly. The standard credit rating equivalent grades are relevant only for certain exposures in each risk rating class.

The following table shows the description of the internal CRRS grade:

CRRS Grade	Description
1	Excellent
2	Strong
3	Good
4	Satisfactory
5	Acceptable
6	Watchlist
7	Especially Mentioned
8	Substandard
9	Doubtful
10	Loss

The credit grades are defined as follows:

Excellent - This category applies to a borrower with a very low probability of going into default in the coming year. The borrower has a high degree of stability, substance, and diversity. It has access to raise substantial amounts of funds through the public markets at any time. The borrower has a very strong debt service capacity and a conservative use of balance sheet leverage. The track record in profit terms is very good. The borrower is of highest quality under virtually all economic conditions.

Strong - This category applies to a borrower with a low probability of going into default in the coming year. The borrower normally has a comfortable degree of stability, substance, and diversity. Under normal market conditions, the borrower in this category has good access to public markets to raise funds. The borrower has a strong market and financial position with a history of successful performance. The overall debt service capacity as measured by cash flow to total debt service is deemed very strong; the critical balance sheet ratios (vis-à-vis industry) are conservative.

Good - This category covers the smaller corporations with limited access to public capital markets or access to alternative financial markets. This access is however limited to favorable economic and/or market conditions. Typical for this type of borrower is the combination of comfortable asset protection and acceptable balance sheet structure (vis-à-vis industry). The debt service capacity, as measured based on cash flows, is strong.

Satisfactory - This category represents the borrower where clear risk elements exist and the probability of default is somewhat greater. This probability is reflected in volatility of earnings and overall performance. The borrower in this category normally has limited access to public financial markets. The borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. Typical for this kind of borrower is the combination of reasonably sound asset and cash flow protection. The debt service capacity as measured by cash flow is deemed adequate. The borrower has reported profits for the past fiscal year and is expected to report a profit in the current year.

Acceptable - The risk elements for the Parent Company are sufficiently pronounced, although the borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.

Watchlist - This category represents the borrower for which unfavorable industry or company-specific risk factors represent a concern. Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. The borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility. It includes the borrower where the credit exposure is not a risk of loss at the moment, but the performance of the borrower has weakened, and unless present trends are reversed, could lead to losses.

Especially Mentioned - This category applies to the borrower that is characterized by a reasonable probability of default, manifested by some or all the following: (a) evidence of weakness in the borrower’s financial condition or creditworthiness; (b) unacceptable risk is generated by potential or emerging weaknesses as far as asset protection and/or cash flow is concerned; (c) the borrower has reached a point where there is a real risk that the borrower’s ability to pay the interest and repay the principal timely could be jeopardized; (d) the borrower is expected to have financial difficulties and exposure may be at risk. Closer account management attention is warranted.

Concerted efforts should be made to improve lender’s position (e.g., demanding additional collateral or reduction of account exposure). These potential weaknesses, if left uncorrected or unmitigated, would affect the repayment of the loan and, thus, increase credit risk to the Parent Company.

Substandard - This category represents the borrower where one or more of the following factors apply: (a) the collection of principal or interest becomes questionable regardless of scheduled payment date, by reason of adverse developments on account of a financial, managerial, economic, or political nature, or by important weaknesses in cover; (b) the probability of default is assessed at up to 50%. Substandard loans are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Parent Company because of unfavorable record or unsatisfactory characteristics. There exists in such loans the possibility of future loss to the Parent Company unless given closer supervision.

Doubtful - This category includes the borrower with “non-performing loan” status or with any portion of interest and/or principal payment is in arrears for more than ninety (90) days. The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful. Doubtful loans are loans or portions thereof which have the weaknesses inherent in those classified as “Substandard”, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

Loss - This category represents the borrower whose prospect for re-establishment of creditworthiness and debt service is remote. It also applies where the Parent Company will take or has taken title to the assets of the borrower and is preparing a foreclosure and/or liquidation of the borrower’s business. These are loans or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

The ratings of the borrowers covered by the BCS were mapped to the abovementioned CRRS grades in accordance with the approved guidelines by the BOD, as follows:

BCS Results	CRRS Grade	Description
> 98 to 100 points	3	Good
> 95 to 98 points	4	Satisfactory
> 87 to 95 points	5	Acceptable
> 83 to 87 points	6	Watchlist
80 to 83 points	7	Especially Mentioned
76 to < 80 points	8	Substandard
72 to < 76 points	9	Doubtful
68 to < 72 points	10	Loss

The Group's loans and receivables from customers were classified according to credit quality as follows:

Credit Quality Rating	Criteria
Neither Past Due Nor Impaired	
High	Loans with risk rating of 1 and 2
Standard	Loans with risk rating of 3 to 5
Sub-Standard	Generally, loans with risk rating of 6 to 8
Past Due and Impaired	
Past Due but not Impaired Impaired	Those that were classified as Past Due per BSP guidelines or those that are still in current status but have objective evidence of impairment; Generally, loans with risk rating of 9 to 10

For consumer loans (i.e., auto, housing, credit card) that are covered by application scorecards which provide either a pass/fail score, the basis for credit quality rating is the BSP classification and/or the status of the account.

The financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The following tables illustrate the Group's and the Parent Company's credit exposures.

Consolidated	**2018**				2017
	ECL Staging				
Corporate and commercial lending	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**	Total
Neither past due nor impaired					
High grade	**₱65,022**	**₱–**	**₱–**	**₱65,022**	₱56,547
Standard grade	**234,159**	**2,341**	**–**	**236,500**	222,688
Sub-Standard	**90,877**	**14,428**	**–**	**105,305**	81,679
Unrated	**438**	**8**	**–**	**446**	1,654
Past due but not impaired	**44**	**648**	**–**	**692**	2,341
Past due and impaired	**–**	**–**	**3,835**	**3,835**	4,235
Gross carrying amount	**₱390,541**	**₱17,425**	**₱3,835**	**₱411,800**	₱369,144

Consolidated	**2018**				2017
	ECL Staging				
Consumer Lending	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**	Total
Neither past due nor impaired					
High grade	**₱32,661**	**₱–**	**₱–**	**₱32,661**	₱28,208
Standard grade	**44,389**	**600**	**–**	**44,988**	6,650
Sub-Standard	**1,309**	**563**	**–**	**1,872**	4,088
Unrated	**1,782**	**1,613**	**–**	**3,395**	31,631
Past due but not impaired	**551**	**435**	**–**	**986**	3,149
Past due and impaired	**–**	**–**	**3,313**	**3,313**	134
Gross carrying amount	**₱80,692**	**₱3,211**	**₱3,313**	**₱87,215**	₱73,860

Consolidated	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Trade-related Lending	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱1,239	₱–	₱–	₱1,239	₱2,397
Standard grade	9,371	9	–	9,381	8,117
Sub-Standard	1,500	1,675	–	3,175	1,671
Unrated	–	–	–	–	–
Past due but not impaired	0	–	–	0	37
Past due and impaired	–	–	23	23	28
Gross carrying amount	₱12,110	₱1,684	₱23	₱13,818	₱12,250

Consolidated	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Others	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱12	₱–	₱–	₱12	₱317
Standard grade	0	–	–	0	1
Sub-Standard	0	–	–	0	–
Unrated	39	–	–	39	212
Past due but not impaired	1	5	–	5	5
Past due and impaired	–	–	–	–	8
Gross carrying amount	₱52	₱5	₱–	₱–	₱365

Parent Company	2018				2017
	ECL Staging				
Corporate and commercial lending	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱38,025	₱–	₱–	₱38,025	₱27,318
Standard grade	234,159	2,341	–	236,500	222,621
Sub-Standard	90,869	14,428	–	105,297	81,297
Unrated	438	8	–	446	1,654
Past due but not impaired	44	25	–	69	1,395
Past due and impaired	–	–	1,068	1,068	2,867
Gross carrying amount	₱363,535	₱16,801	₱1,068	₱381,404	₱337,152

Parent Company	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Consumer Lending	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱18	₱–	₱–	₱18	₱16
Standard grade	44,287	600	–	44,887	6,538
Sub-Standard	1,271	563	–	1,833	4,083
Unrated	1,782	1,613	–	3,395	31,631
Past due but not impaired	551	49	–	600	1,636
Past due and impaired	–	–	1,952	1,952	133
Gross carrying amount	₱47,908	₱2,824	₱1,952	₱52,685	₱44,037

Parent Company	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Trade–related Lending	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱359	₱–	₱–	₱359	₱835
Standard grade	9,371	9	–	9,381	8,118
Sub-Standard	1,500	1,675	–	3,175	1,670
Unrated	–	–	–	–	–
Past due but not impaired	0	–	–	0	37
Past due and impaired	–	–	23	23	28
Gross carrying amount	₱11,230	₱1,684	₱23	₱12,938	₱10,688

Parent Company	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Others	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱–	₱–	₱–	₱–	₱–
Standard grade	–	–	–	–	1
Sub-Standard	–	–	–	–	–
Unrated	39	–	–	39	53
Past due but not impaired	1	–		1	–
Past due and impaired			–	–	–
Gross carrying amount	₱40	₱–	₱–	₱40	₱54

Depository accounts with the BSP and counterparty banks, Trading and Investment Securities

For these financial assets, outstanding exposure is rated primarily based on external risk rating (i.e. Standard and Poor's (S&P), otherwise, rating is based on risk grades by a local rating agency or included under "Unrated", when the counterparty has no available risk grade.

The external risk rating of the Group's depository accounts with the BSP and counterparty banks, trading and investment securities, is grouped as follows:

Credit Quality Rating	External Credit Risk Rating	Credit Rating Agency
High grade	AAA, AA+, AA, AA–	S&P
	Aaa, Aa1, Aa2, Aa3	Moody's
	AAA, AA+, AA, AA–	Fitch
Standard grade	A+, A, A–, BBB+, BBB, BBB–	S&P
	A1, A2, A3, Baa1, Baa2, Baa3	Moody's
	A+, A, A–, BBB+, BBB, BBB–	Fitch
Substandard grade	BB+, BB, BB–, B/B+, CCC, R, SD & D	S&P
	Ba1, Ba2, Ba3, B1, B2, R, SD & D	Moody's
	BB+, BB, BB–, B/B+, CCC, R, SD & D	Fitch

Following is the credit rating scale applicable for foreign banks, and government securities (aligned with S&P ratings):

AAA – An obligor has extremely strong capacity to meet its financial commitments.

AA – An obligor has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors at a minimal degree.

A – An obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB and below:

BBB – An obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB – An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

B – An obligor is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

CCC – An obligor is currently vulnerable and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments.

CC – An obligor is currently vulnerable. The rating is used when a default has not yet occurred, but expects default to be a virtual certainty, regardless of the anticipated time to default.

R – An obligor is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

SD and D – An obligor is in default on one or more of its financial obligations including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in non-payment according to terms.

Due from other banks and government securities
The external risk rating of the Group's depository accounts with counterparty banks, trading and investment securities, is grouped as follows (aligned with the Philippine Ratings System):

Credit Quality Rating	External Credit Risk Rating
High grade	PRSAAA, PRSAa+, PRSAa, PRSAa–
Standard grade	PRSA+, PRSA, PRSA–, PRSBaa+, PRSBaa, PRSBaa–
Substandard grade	PRSBa+, PRSBa, PRSBa–, PRSB+, PRSB, PRSB–, PRSCaa+, PRSCaa, PRSCaa–, PRSCa+, PRSCa, PRSCa–, PRSC+, PRSC, PRSC–

PRSAaa – The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

PRSAa – The obligor's capacity to meet its financial commitment on the obligation is very strong.

PRSA – With favorable investment attributes and are considered as upper-medium grade obligations. Although obligations rated 'PRSA' are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitments on the obligation is still strong.

PRSBaa – An obligation rated 'PRS Baa' exhibits adequate protection parameters. However, adverse economic conditions and changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. PRSBaa–rated issues may possess certain speculative characteristics.

PRSBa – An obligation rated 'PRSBa' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties relating to business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

PRSB – An obligation rated 'PRSB' is more vulnerable to nonpayment than obligations rated 'PRSBa', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse economic conditions will likely impair the obligor's capacity to meet its financial commitment on the obligation. The issue is characterized by high credit risk.

PRSCaa – An obligation rated 'PRSCaa' is presently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The issue is considered to be of poor standing and is subject to very high credit risk.

PRSCa – An obligation rated "PRSCa" is presently highly vulnerable to nonpayment. Likely already in or very near default with some prospect for partial recovery of principal or interest.

PRSC – An obligation is already in default with very little prospect for any recovery of principal or interest.

The succeeding tables show the credit exposure of the Group and the Parent Company related to these financial assets.

Consolidated	2018				2017
	ECL Staging				
Investment securities at amortized cost	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱7,913	₱108	₱–	₱8,021	₱320
Standard grade	111,072	–	–	111,072	57,917
Sub-Standard	1,703	–	–	1,703	1,416
Unrated	40,765	1,396	152	42,313	–
Gross carrying amount	**₱161,454**	**₱1,503**	**₱152**	**₱163,109**	₱59,653

Consolidated	2018				2017
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Total	Total
Financial assets at FVOCI	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱674	₱–	₱–	₱674	₱8,062
Standard grade	9,371	–	–	9,371	28,528
Sub-Standard	–	–	–	–	1,515
Unrated	55	2	–	56	–
Past due but not impaired	10,100	2	–	10,102	38,105
Past due and impaired	674	–	–	674	8,062
Gross carrying amount	**₱10,100**	**₱2**	**₱–**	**₱10,102**	₱38,105

Consolidated			2018		
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Due from BSP	₱–	₱101,890	₱–	₱–	₱101,890
Due from other banks	944	8,303	17	–	9,264
Interbank loans receivable and SPURA	–	10,000	–	–	10,000
Financial assets at FVPL	911	4,100	53	–	5,064
	₱1,855	₱124,293	₱70	₱–	₱126,218

Consolidated			2017		
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Due from BSP	₱–	₱98,490	₱–	₱–	₱98,490
Due from other banks	4,245	10,787	13	4,245	15,045
Interbank loans receivable and SPURA	–	18,752	–	–	18,752
Financial assets at FVPL	1,194	10,013	85	1,194	11,292
	₱5,439	₱138,042	₱98	₱5,439	₱143,579

Parent Company		2018			2017
		ECL Staging			
Investment securities at amortized cost	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱7,235	₱108	₱–	₱7,343	₱8,062
Standard grade	103,873	–	–	103,873	25,672
Sub-Standard	1,303	–	–	1,303	1,485
Unrated	40,765	1,396	–	42,161	–
Gross carrying amount	₱153,176	₱1,503	₱–	₱154,679	₱35,219

Parent Company		2018			2017
		ECL Staging			
	Stage 1	Stage 2	Stage 3	Total	Total
Financial assets at FVOCI	12-month ECL	Lifetime ECL	Lifetime ECL		
Neither past due nor impaired					
High grade	₱15	₱–	₱–	₱15	₱320
Standard grade	8,141	–	–	8,141	55,182
Sub-Standard	–	–	–	–	1,166
Unrated	55	2	–	56	–
Past due but not impaired	8,211	2	–	8,213	56,668
Past due and impaired	15	–	–	15	320
Gross carrying amount	₱8,141	₱–	₱–	₱8,141	₱55,182

Parent Company	2018				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Due from BSP	₱–	₱95,093	₱–	₱–	₱95,093
Due from other banks	696	7,119	17	7	7,838
Interbank loans receivable and SPURA	–	7,000	–	–	7,000
Financial assets at FVPL	1,447	4,100	–	1,143	6,690
	₱2,143	₱113,312	₱17	₱1,150	₱116,621

Parent Company	2017				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Due from BSP	₱–	₱91,717	₱–	₱–	₱91,717
Due from other banks	4,124	9,921	13	–	14,058
Interbank loans receivable and SPURA	–	17,348	–	–	17,348
Financial assets at FVPL	1,194	9,877	85	–	11,156
	₱5,318	₱128,863	₱98	₱–	₱134,279

The tables below show the aging analysis of gross past due but not impaired loans and receivables that the Group and Parent Company held as of December 31, 2018 and 2017 (in millions). Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	Consolidated				
December 31, 2018	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and receivables					
Corporate and commercial lending	₱250	₱40	₱23	₱380	₱692
Consumer lending	718	41	19	208	986
Trade–related lending	–	–	–	–	–
Others	1	–	–	5	5
Total	₱969	₱80	₱42	₱593	₱1,684

	Consolidated				
December 31, 2017	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and receivables					
Corporate and commercial lending	₱919	₱186	₱296	₱940	₱2,341
Consumer lending	120	148	366	2,515	3,149
Trade–related lending	5	2	30	–	37
Others	–	–	–	27	27
Total	₱1,044	₱336	₱692	₱3,482	₱5,554

December 31, 2018	Parent Company Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and receivables					
Corporate and commercial lending	₱1	₱2	₱–	₱66	₱69
Consumer lending	600	–	–	–	600
Trade–related lending	–	–	–		–
Others	1	–	–	–	1
Total	₱602	₱2	₱–	₱66	₱669

December 31, 2017	Parent Company Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and receivables					
Corporate and commercial lending	₱872	₱122	₱211	₱189	₱1,394
Consumer lending	105	127	196	1,208	1,636
Trade–related lending	6	2	30	–	38
Total	₱983	₱251	₱437	₱1,398	₱3,068

The following table presents the carrying amount of financial assets of the Group and Parent Company as of December 31, 2018 and 2017 that would have been considered past due or impaired if not renegotiated:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Loans and advances to customers				
Corporate and commercial lending	**₱507,921**	₱807,247	**₱40,029**	₱224,74
Consumer lending	**110,885**	42,487	**110,885**	37,587
Total renegotiated financial assets	**₱618,805**	₱849,734	**₱150,914**	₱262,330

Impairment assessment (Prior to adoption of PFRS 9)
The main considerations for the loan impairment assessment include whether any payment of principal or interest is overdue by more than 90 days, or there are known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances
The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances
Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is no objective evidence of individual impairment yet. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment yet per an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Impairment assessment (PFRS 9)
The Group recognizes a credit loss allowance on a financial asset based on whether it has had a significant increase in credit risk since initial recognition. Accordingly, the Group categorizes its financial assets into three categories: stage 1 – financial asset that has not had a significant increase in credit risk; stage 2 – financial asset that has had a significant increase in credit risk; and stage 3 – financial asset in default.

Generally, the Group assesses the presence of a significant increase in credit risk based on the number of notches that a financial asset's credit risk rating has declined. When applicable, the Group also applies a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Further, the Group considers a financial asset as in default when (a) as a result of one or more loss events, there is objective evidence that its recoverable value is less than its carrying amount; (b) it is classified as doubtful or loss under prudential reporting; (c) it is in litigation; and/or (d) full repayment of principal and interest is unlikely without foreclosure of collateral, if any. When applicable, the Group also applies a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group then measures the credit loss allowance on a financial instrument at an amount equal to 12-month expected credit losses for items categorized as stage 1 and lifetime credit losses to items categorized as stage 2 and stage 3.

The Group modeled the following inputs to the expected credit loss formula separately. The formula is applied to each financial asset, with certain exceptions wherein a collective or other general approach is applied:

Exposure at Default (EAD)
The Group defines EAD as the principal and interests that would not be collected assuming the borrower's defaults during a future point in time. The Bank computes for a financial asset's EAD using the expected contractual cash flows during the contractual life of the financial instrument. A financial asset's EAD is defined as the sum of EAD from principal and EAD from interest.

Probability of default (PD)
The Group uses forward-looking PD estimates that are unbiased and probability-weighted using a range of possible outcomes. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio. The Group's PDs are mainly categoried into three: (a) corporate; (b) soverign; and (c) retail.

Loss given default (LGD)
The Group's LGD model considers certain factors such as the historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. Generally, the model utilizes the Bank's existing loan exposure rating system which is designed to capture these factors as well as the characteristics of collaterals related to an exposure. In cases wherein this does not apply, the Group looks into the standard characteristics of collaterals (e.g., car and housing loans) in order to estimate an LGD factor. In the case of exposures without collaterals (e.g., securities), the Group uses internationally-accepted standard LGD factors.

Credit Review
In accordance with BSP Circular 855, credit reviews are conducted on loan accounts to evaluate whether loans are granted in accordance with the Bank's policies, to assess loan quality and appropriateness of classification and adequacy of loan loss provisioning. Results of credit reviews are promptly reported to management to apprise them of any significant findings for proper corrective actions.

Market Risk
Market risk is the risk of loss that may result from changes in the value of a financial product. The Parent Company's market risk originates from its holdings of domestic and foreign–denominated debt securities, foreign exchange instruments, equities, foreign exchange derivatives and interest rate derivatives.

The RMG of the Parent Company is responsible for assisting the ROC with its responsibility for identifying, measuring, managing and controlling market risk. Market risk management measures the Parent Company market risk exposures through the use of VaR. VaR is a statistical measure that estimates the maximum potential loss from a portfolio over a holding period, within a given confidence level.

VaR assumptions
The Parent Company calculates the VaR in trading activities. The Parent Company uses the Historical Simulation Full Valuation approach to measure VaR for all treasury traded instruments, using a 99.00% confidence level and a 1–day holding period.

The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days. The validity of the VaR model is verified through back testing, which examines how frequently actual and hypothetical daily losses exceeds daily VaR. The Parent Company measures and monitors the VaR and profit and loss on a daily basis.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established for all trading positions and exposures are reviewed daily against the limits by management. Further, stress testing is performed for monitoring extreme events.

Limitations of the VaR Methodology

The VaR models are designed to measure market risk in a normal market environment using equally weighted historical data. The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow the same distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the assumptions. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Group would withstand an extreme market event.

A summary of the VaR position of the trading portfolio of the Parent Company is as follows:

	Interest Rate[1]	Foreign Exchange[2]	Price[3]	Interest Rate[4]	Interest Rate[5]
			(In Millions)		
2018					
31 December	**₱43.62**	**₱4.54**	**₱21.78**	**₱13.78**	**₱10.65**
Average daily	**52.11**	**18.69**	**30.17**	**6.35**	**4.40**
Highest	**121.89**	**63.74**	**56.30**	**13.78**	**19.03**
Lowest	**21.47**	**2.53**	**18.29**	**3.18**	**0.60**
2017					
31 December	₱120.05	₱7.78	₱45.24	₱4.00	₱1.76
Average daily	82.27	28.20	23.34	3.78	5.29
Highest	146.71	73.74	46.21	6.97	9.21
Lowest	37.58	2.99	3.43	1.44	1.48

1 Interest rate VaR for debt securities (Interest rate VaR for foreign currency denominated debt securities are translated to PHP using daily closing rate)

2 FX VaR is the bankwide foreign exchange risk

3 Price VaR for equity securities and futures

4 Interest rate VaR for FX swaps and FX forwards

5 Interest rate VaR for IRS

Interest Rate Risk

The Group's interest rate risk originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. The Parent Company follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors its assets and liabilities.

As of December 31, 2018 and 2017, 64.57% and 64.76% of the Group's total loan portfolio, respectively, comprised of floating rate loans which are repriced periodically by reference to the transfer pool rate which reflects the Group's internal cost of funds. In keeping with banking industry practice, the Group aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers.

Interest is paid on demand accounts, which constituted 22.81% and 24.29% of total deposits of the Parent Company as of December 31, 2018 and 2017, respectively.

Interest is paid on savings accounts and time deposits accounts, which constitute 35.56% and 41.64%, respectively, of total deposits of the Parent Company as of December 31, 2018, and 29.72% and 45.99%, respectively, as of December 31, 2017.

Savings account interest rates are set by reference to prevailing market rates, while interest rates on time deposits and special savings accounts are usually priced by reference to prevailing rates of short-term government bonds and other money market instruments, or, in the case of foreign currency deposits, inter-bank deposit rates and other benchmark deposit rates in international money markets with similar maturities.

The Group is likewise exposed to fair value interest rate risk due to its holdings of fixed rate government bonds as part of its financial assets at FVOCI/AFS and FVPL portfolios. Market values of these investments are sensitive to fluctuations in interest rates.

The following table provides for the average effective interest rates of the Group and of the Parent Company as of December 31, 2018 and 2017:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Peso				
Assets				
Due from BSP	**0.17%**	0.13%	**0.06%**	0.13%
Due from banks	**0.26%**	0.24%	**0.11%**	0.19%
Investment securities*	**4.52%**	4.21%	**4.36%**	4.10%
Loans and receivables	**7.26%**	5.53%	**6.18%**	5.22%
Liabilities				
Deposit liabilities	**1.96%**	1.15%	**1.71%**	1.04%
Bills payable	**3.59%**	2.99%	**3.59%**	2.99%
USD				
Assets				
Due from banks	**0.75%**	0.17%	**0.61%**	0.16%
Investment securities*	**4.16%**	3.60%	**3.88%**	3.61%
Loans and receivables	**4.07%**	3.40%	**3.93%**	3.40%
Liabilities				
Deposit liabilities	**1.48%**	1.13%	**1.45%**	1.12%
Bills payable	**2.89%**	1.94%	**2.86%**	1.94%

* Consisting of financial assets at FVPL, Financial assets at FVOCI and Investment securities at amortized cost.

The asset-liability gap analysis method is used by the Group to measure the sensitivity of its assets and liabilities to interest rate fluctuations. This analysis measures the Group's susceptibility to changes in interest rates. The repricing gap is calculated by first distributing the assets and liabilities contained in the Group's balance sheet into tenor buckets according to the time remaining to the next repricing date (or the time remaining to maturity if there is no repricing), and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and the total of repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, restraining the growth of its net income or resulting in a decline in net interest income.

The following tables set forth the repricing gap position of the Group and Parent Company as of December 31, 2018 and 2017 (in millions):

	Consolidated			
	2018			
	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱101,890	₱–	₱–	₱101,890
Due from other banks	9,455	–	–	9,455
Investment securities	12,301	3,432	174,500	190,232
Loans and receivables	255,491	38,683	211,634	505,808
Total financial assets	379,137	42,114	386,133	807,385
Financial Liabilities				
Deposit liabilities	291,698	17,893	412,532	722,123
Bills payable	34,505	4,507	815	39,827
Total financial liabilities	326,204	22,400	413,346	761,950
Repricing gap	₱52,934	₱19,714	(₱27,213)	₱45,435

	Consolidated			
	2017			
	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱98,490	₱–	₱–	₱98,490
Due from other banks	15,641	–	–	15,641
Investment securities	9,702	471	117,797	127,970
Loans and receivables	243,419	32,312	173,240	448,971
Total financial assets	367,252	32,783	291,037	691,072
Financial Liabilities				
Deposit liabilities	256,633	14,206	364,254	635,093
Bills payable	20,118	–	–	20,118
Total financial liabilities	276,751	14,206	364,254	655,211
Repricing gap	₱90,501	₱18,577	(₱73,217)	₱35,861

	Parent Company			
	2018			
	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱95,093	₱–	₱–	₱95,093
Due from other banks	7,838	–	–	7,838
Investment securities	5,782	3,355	169,588	178,725
Loans and receivables	232,067	26,695	182,672	441,435
Total financial assets	340,780	30,050	352,260	723,090
Financial Liabilities				
Deposit liabilities	241,100	14,877	382,266	638,243
Bills payable	34,505	4,507	815	39,827
Total financial liabilities	275,606	19,384	383,080	678,070
Repricing gap	₱65,174	₱10,666	(₱30,820)	₱45,020

	Parent Company 2017			
	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱91,717	₱–	₱–	₱91,717
Due from other banks	14,067	–	–	14,067
Investment securities	7,364	466	112,697	120,527
Loans and receivables	218,899	23,005	144,651	386,555
Total financial assets	332,047	23,471	257,348	612,866
Financial Liabilities				
Deposit liabilities	215,735	12,112	331,389	559,236
Bills payable	20,118	–	–	20,118
Total financial liabilities	235,853	12,112	331,389	579,354
Repricing gap	₱96,194	₱11,359	(₱74,042)	₱33,512

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses to parallel changes in the interest rate curve in a given 12-month period.

The following tables set forth the estimated change in the Group's and Parent Company's annualized net interest income due to a parallel change in the interest rate curve as of December 31, 2018 and 2017:

	Consolidated 2018 Change in interest rates (in basis points)			
	100bp rise	**50bp rise**	**50bp fall**	**100bp fall**
Change in annualized net interest income	**₱645**	**₱322**	**(₱322)**	**(₱645)**
As a percentage of the Group's net interest income for the year ended December 31, 2018	**2.80%**	**1.40%**	**(1.40%)**	**(2.80%)**

	Consolidated 2017 Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱1,046	₱523	(₱523)	(₱1,046)
As a percentage of the Group's net interest income for the year ended December 31, 2017	5.33%	2.66%	(2.66%)	(5.33%)

	Parent Company 2018 Change in interest rates (in basis points)			
	100bp rise	**50bp rise**	**50bp fall**	**100bp fall**
Change in annualized net interest income	**₱996**	**₱498**	**(₱498)**	**(₱996)**
As a percentage of the Parent Company's net interest income for the year ended December 31, 2018	**4.95%**	**2.48%**	**(2.48%)**	**(4.95%)**

	Parent Company			
	2017			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱1,049	₱525	(₱525)	(₱1,049)
As a percentage of the Parent Company's net interest income for the year ended December 31, 2017	6.46%	3.23%	(3.23%)	(6.46%)

The following tables set forth the estimated change in the Group's and Parent Company's income before tax and equity due to a reasonably possible change in the market prices of quoted bonds classified under financial assets at FVPL, AFS financial assets and financial assets at FVOCI, brought about by movement in the interest rate curve as of December 31, 2018 and 2017 (in millions):

	Consolidated			
	2018			
	Change in interest rates (in basis points)			
	25bp rise	**10bp rise**	**10bp fall**	**25bp fall**
Change in income before tax	**(₱51)**	**(₱20)**	**₱20**	**₱51**
Change in equity	**(113)**	**(45)**	**45**	**113**

	Consolidated			
	2017			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱146)	(₱58)	₱58	₱146
Change in equity	(637)	(255)	255	637

	Parent Company			
	2018			
	Change in interest rates (in basis points)			
	25bp rise	**10bp rise**	**10bp fall**	**25bp fall**
Change in income before tax	**(₱51)**	**(₱20)**	**₱20**	**₱51**
Change in equity	**(103)**	**(41)**	**41**	**103**

	Parent Company			
	2017			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱145)	(₱58)	₱58	₱145
Change in equity	(600)	(240)	240	600

Foreign Currency Risk

The Group's foreign exchange risk originates from its holdings of foreign currency-denominated assets (foreign exchange assets) and foreign currency-enominated liabilities (foreign exchange liabilities).

Foreign exchange liabilities generally consist of foreign currency-denominated deposits in the Group's FCDU account made in the Philippines or generated from remittances to the Philippines by persons overseas who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Group.

Foreign currency liabilities are generally used to fund the Group's foreign exchange assets which generally consist of foreign currency-denominated loans and investments in the FCDU. Banks are required by the BSP to match the foreign currency-denominated assets with liabilities held in the FCDU that are denominated in the same foreign currency. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency-denominated liabilities held in the FCDU.

The Group's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Group believes in ensuring its foreign currency is at all times within limits prescribed for financial institutions who are engaged in the same types of businesses in which the Group and its subsidiaries are engaged.

The table below summarizes the Group's and Parent Company's exposure to foreign exchange risk. Included in the table are the Group's and Parent Company's assets and liabilities at carrying amounts (stated in US Dollars), categorized by currencywith its PHP equivalent:

	Consolidated							
	2018				2017			
	USD	Other Currencies*	Total	PHP	USD	Other Currencies*	Total	PHP
Assets								
Cash and other cash items	$2,204	2,095	4,299	₱226,044	$2,447	3,173	5,620	₱280,624
Due from other banks	42,189	7,705	49,894	2,623,437	64,664	16,189	80,853	4,037,014
Financial assets at FVPL	15,988	–	15,988	840,625	60,427	–	60,427	3,017,118
Financial assets at FVOCI	14,640	–	14,640	769,771	–	–	–	–
AFS financial assets	–	–	–	–	71,057	6,324	77,381	3,863,641
Investment securities at amortized cost	116,716	–	116,716	6,136,946	–	–	–	–
HTM financial assets	–	–	–	–	31,952	9,791	41,742	2,084,196
Loans and receivables	42,471	12,985	55,455	2,915,835	30,809	7,385	38,194	1,907,050
Accrued interest receivable	1,038	19	1,057	55,562	992	133	1,125	56,164
Other assets	17,253	302	17,555	923,023	24,851	2	24,853	1,240,929
	252,498	23,106	275,604	14,491,243	287,199	42,998	330,197	16,486,736
Liabilities								
Deposit liabilities	66,162	109,191	175,353	9,220,065	59,445	36,388	95,833	4,784,917
Bills payables	354,416	57,130	411,546	21,639,069	128,720	132,510	261,230	13,043,213
Accrued interest and other expenses	1,554	7	1,561	82,090	512	7	519	25,900
Other liabilities	8,710	1,750	10,459	549,944	11,317	877	12,194	608,805
	430,842	168,077	598,919	31,491,168	199,994	169,782	369,776	18,462,835
Currency spot	(6,789)	(316)	(7,106)	(373,621)	(8,054)	-	(8,054.00)	(402,136)
Currency forwards	185,313	145,250	330,563	17,380,980	(59,709)	136,301	76,591.11	3,824,198
Net Exposure	$179	(38)	141	₱7,434	$19,442	9,516	28,958	₱1,445,964

Other currencies include EUR, CNY, JPY, GBP, AUD, SGD, CHF, CAD, NZD, AED, HKD.

	Parent Company							
	2018				2017			
	USD	Other Currencies*	Total	PHP	USD	Other Currencies*	Total	PHP
Assets								
Cash and other cash items	**$123**	**2,095**	**2,218**	**₱116,611**	$250	3,173	3,424	₱170,939
Due from other banks	**38,240**	**7,705**	**45,944**	**2,415,755**	56,536	16,189	72,726	3,631,190
Financial assets at FVPL	**15,988**	**–**	**15,988**	**840,625**	59,729	–	59,729	2,982,292
Financial assets at FVOCI	**–**	**–**	**–**	**–**	–	–	–	–
AFS financial assets								
Investment securities at	**–**	**–**	**–**	**–**	49,997	6,324	56,321	2,812,106
amortized cost	**69,961**	**–**	**69,961**	**3,678,571**	–	–	–	–
HTM financial assets	**–**	**–**	**–**	**–**	–	9,791	9,791	488,850
Loans and receivables	**35,151**	**12,985**	**48,136**	**2,530,985**	23,323	7,385	30,709	1,533,277
Accrued interest receivable	**75**	**19**	**94**	**4,967**	96	133	229	11,418
Other assets	**17,060**	**302**	**17,362**	**912,911**	24,790	2	24,792	1,237,880
	176,598	**23,106**	**199,704**	**10,500,426**	214,722	42,998	257,720	12,867,952
Liabilities								
Deposit liabilities	**402**	**109,191**	**109,593**	**5,762,373**	501	36,388	36,888	1,841,843
Bills payables	**354,416**	**57,130**	**411,546**	**21,639,069**	128,720	132,510	261,230	13,043,213
Accrued interest and other expenses	**1,433**	**7**	**1,440**	**75,729**	418	7	425	21,234
Other liabilities	**8,611**	**1,750**	**10,361**	**544,767**	9,050	877	9,927	495,639
	364,862	**168,077**	**532,939**	**28,021,937**	138,689	169,781	308,470	15,401,928
Currency spot	**(6,789)**	**(316)**	**(7,106)**	**(373,621)**	(8,054)	–	(8,054)	(402,136)
Currency forwards	**185,313**	**145,250**	**330,563**	**17,380,980**	(59,709)	136,301	76,591	3,824,198
Net Exposure	**($9,741)**	**(38)**	**(9,778)**	**(₱514,153)**	$8,269	9,517	17,787	₱888,086

**Other currencies include EUR, CNY, JPY, GBP, AUD, SGD, CHF, CAD, NZD, AED, HKD.*

The following table sets forth, for the period indicated, the impact of the range of reasonably possible changes in the US$ exchange rate and other currencies per Philippine peso on the pre-tax income and equity (in millions).

	Consolidated		
	Change in Foreign Exchange Rate	Sensitivity of Pretax Income	Sensitivity of Equity
2018			
USD	**2%**	**₱33**	**₱110**
Other	**1%**	**–**	**–**
USD	**(2%)**	**(33)**	**(110)**
Other	**(1%)**	**–**	**–**
2017			
USD	2%	₱134	₱595
Other	1%	3	3
USD	(2%)	(134)	(595)
Other	(1%)	(3)	(3)

	Parent Company		
	Change in Foreign Exchange Rate	Sensitivity of Pretax Income	Sensitivity of Equity
2018			
USD	**2%**	**₱33**	**₱95**
Other	**1%**	**–**	**–**
USD	**(2%)**	**(33)**	**(95)**
Other	**(1%)**	**–**	**–**
2017			
USD	2%	₱133	₱573
Other	1%	3	3
USD	(2%)	(133)	(573)
Other	(1%)	(3)	(3)

The impact in pre–tax income and equity is due to the effect of foreign currency behaviour to Philippine peso.

Equity Price Risk
Equity price risk is the risk that the fair values of equities change as a result of movements in both the level of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on the Group and Parent Company's equity as a result of a change in the fair value of equity instruments held as FVOCI due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (in millions):

	Consolidated	
	Change in equity index	Effect on Equity
2018	**+10%**	**6.8**
	–10%	**1.2**
2017	+10%	10.5
	–10%	4.1

	Parent Company	
	Change in equity index	Effect on Equity
2018	**+10%**	**7.7**
	–10%	**0.2**
2017	+10%	10.5
	–10%	4.1

Liquidity Risk and Funding Management
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Parent Company's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed of deposits reserves and high quality securities, the securing of money market lines, and the maintenance of repurchase facilities to address any unexpected liquidity situations.

The tables below show the maturity profile of the Parent Company's assets and liabilities, based on contractual undiscounted cash flows (in millions):

	December 31, 2018					
	On demand	**Less than1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Total**
Financial Assets						
Cash and other cash items	₱13,705	₱–	₱–	₱–	₱–	₱13,705
Due from BSP	95,093	–	–	–	–	95,093
Due from other banks	7,838	–	–	–	–	7,838
SPURA	–	8,998	–	–	–	9
Financial assets at FVPL	–	1,700	378	1,079	4,296	7,453
Financial assets at FVOCI	–	1,382	389	3,258	4,502	9,531
Loans and receivables	–	166,040	30,097	45,970	337,036	579,143
	116,636	178,120	30,865	50,306	345,834	712,772
Financial Liabilities						
Deposit liabilities						
Demand	145,560	–	–	–	–	145,560
Savings	226,944	–	–	–	–	226,944
Time	–	235,885	4,764	16,552	16,102	273,303
Bills payable	–	40,108	–	–	–	40,108
Manager's checks	–	2,070	–	–	–	2,070
Accrued interest and other expenses	–	3,279	–	–	–	3,279
Derivative liabilities	–	455	–	–	–	455
Other liabilities:						
Accounts payable	–	2,249	–	–	–	2,249
Acceptances payable	–	358	–	–	–	358
Due to PDIC	–	628	–	–	–	628
Margin deposits	–	3	–	–	–	3
Other credits – dormant	–	242	–	–	–	242
Due to the Treasurer of the Philippines	–	379	–	–	–	379
Miscellaneous	–	1,922	–	–	–	1,922
Total liabilities	372,504	287,578	4,764	16,552	16,102	697,499
Net Position	(₱255,867)	(₱113,646)	₱26,101	₱49,691	₱345,834	₱52,112

	December 31, 2017					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Financial Assets						
Cash and other cash items	₱11,160	₱–	₱–	₱–	₱–	₱11,160
Due from BSP	91,717	–	–	–	–	91,717
Due from other banks	14,067	–	–	–	–	14,067
SPURA	–	17,348	–	–	–	217.348
Financial assets at FVPL	–	2,673	844	760	14,001	18,278
AFS financial assets	–	8,360	4,802	4,786	35,082	53,031
Loans and receivables	–	149,393	23,651	25,443	268,251	466,738
	106,944	177,774	29,297	30,989	317,334	653,804
Financial Liabilities						
Deposit liabilities						
Demand	138,930	–	–	–	–	139,180
Savings	179,593	–	–	–	–	179,593
Time	–	235,825	799	5,012	348	241,984
Bills payable	–	20,177	–	–	–	20,177
Manager's checks	–	1,709	–	–	–	1,709
Accrued interest and other expenses	–	1,062	–	–	–	1,062
Derivative liabilities	–	268	–	–	–	268
Other liabilities:						
Accounts payable	–	1,828	–	–	–	1,828
Acceptances payable	–	470	–	–	–	470
Due to PDIC	–	532	–	–	–	532
Margin deposits	–	3	–	–	–	3
Other credits – dormant	–	214	–	–	–	214
Due to the Treasurer of the Philippines	–	34	–	–	–	34
Miscellaneous	–	510	–	–	–	510
Total liabilities	318,523	262,632	799	5,012	348	587,314
Net Position	(₱211,580)	(₱84,858)	₱28,498	₱25,977	₱317,398	₱85,186

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the MCO report, as well as an analysis of available liquid assets. Instead of relying solely on contractual maturities profile, the Parent Company uses Behavioral MCO to capture a going concern view. Furthermore, internal liquidity ratios and monitoring of large fund providers have been set to determine sufficiency of liquid assets over deposit liabilities. The Bank started monitoring and reporting to the BSP the Liquidity Coverage Ratio in 2016 and the Net Stable Funding Ratio in 2018. Liquidity is managed by the Parent and its subsidiaries on a daily basis, while scenario stress tests and sensitivity analysis are conducted periodically.

7. DUE FROM BSP AND OTHER BANKS

Due from BSP
This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Demand deposit account	**₱99,889,758**	₱95,790,000	**₱93,092,929**	₱89,017,023
Special deposit account	**2,000,000**	2,700,000	**2,000,000**	2,700,000
Others	**15**	14	**15**	14
	₱101,889,773	₱98,490,014	**₱95,092,944**	₱91,717,037

Due from Other Banks
This comprises of deposit accounts with:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Local banks	**₱5,284,825**	₱6,600,456	**₱4,140,002**	₱6,479,014
Foreign banks	**4,170,622**	9,041,020	**3,697,892**	7,587,605
	₱9,455,447	₱15,641,476	**₱7,837,894**	₱14,066,620

Interest Income on Due from BSP and Other Banks

This account consists of:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Due from BSP	**₱124,557**	₱213,879	₱266,204	**₱67,039**	₱112,851	₱246,888
Due from other banks	**135,818**	138,850	221,843	**101,994**	50,296	115,528
	₱260,375	₱352,729	₱488,047	**₱169,033**	₱163,147	₱362,416

8. INTERBANK LOANS REEECEIVABLE AND SECURITIES PURCHASED UNDER RESALE AGREEMENT

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Interbank loans receivable	**₱1,998,040**	₱–	**₱1,998,040**	₱–
SPURA	**10,000,000**	18,751,845	**7,000,000**	17,347,522
	₱11,998,040	₱18,751,845	**₱8,998,040**	₱17,347,522

Interbank Loans Receivable
As of December 31, 2018, interbank loans receivable consists of short-term foreign currency-denominated loans granted to other banks with annual interest rates of 2.2%.

Securities Purchased Under Resale Agreement
This account represents overnight placements with the BSP where the underlying securities cannot be sold or repledged to parties other than the BSP.

In 2018, 2017 and 2016, the interest rates of SPURA equals to 4.75%, 3.50%, and 2.90 %, respectively, for the Group and Parent Company.

9. TRADING AND INVESTMENT SECURITIES

Financial Assets at FVPL
This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Held for trading				
Government bonds (Note 28)	**₱633,893**	₱5,911,659	**₱633,893**	₱5,876,832
Treasury notes	**838,662**	1,893,192	**838,662**	1,792,621
Treasury bills	**1,214,170**	2,025,367	**1,214,170**	2,025,367
Private bonds	**3,189,063**	2,663,397	**2,282,598**	2,616,730
Quoted equity shares	**1,312,625**	–	**1,312,625**	–
	7,188,413	12,493,615	**6,281,948**	12,311,550
Financial assets designated at FVPL	**–**	3,411,686	**–**	3,411,686
Derivative assets (Note 25)	**407,848**	333,587	**407,848**	333,587
Total	**₱7,596,261**	₱16,238,888	**₱6,689,796**	₱16,056,823

As of December 31, 2017, financial assets designated at FVPL of the Parent Company consist of investments in shares of stocks which contain multiple embedded derivatives which are deemed not clearly and closely related to its equity host. In this regard, PAS 39 provides that if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid contract at FVPL unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited. On this basis, management has determined that the investments shall be designated as at FVPL.

Dividends earned by the Parent Company from its investment in shares designated at FVPL amounted to ₱118.64 million, and ₱82.83 million in 2018 and 2017, respectively (Note 21).

As of December 31, 2018 and 2017, HFT securities include fair value loss of ₱55.35 million and ₱65.56 million, respectively, for the Group, and fair value loss of ₱55.35 million and ₱69.22 million, respectively, for the Parent Company.

Effective interest rates for peso-denominated financial assets at FVPL for both the Group and the Parent Company range from 0.06% to 7.11% in 2018 and from 0.64% to 5.49% in 2017. Effective interest rates for foreign currency-denominated financial assets at FVPL for the Group range from 0.71% to 6.28% in 2018 and from 2.29% to 10.16% in 2017. Effective interest rates for foreign currency–denominated financial assets at FVPL for the Parent Company range from 0.71% to 6.28% in 2018 and from 2.29% to 10.16% in 2017.

Financial Assets at FVOCI
As of December 31, 2018, this account consists of:

	Consolidated	Parent Company
Quoted		
Government bonds (Notes 18 and 28)	**₱9,944,507**	**₱8,141,359**
Private bonds	**35,370**	**1,676**
Equities	**103,285**	**51,610**
	10,083,162	**8,194,645**
Unquoted		
Equities – net	**18,365**	**18,365**
	18,365	**18,365**
Total	**₱10,101,527**	**₱8,213,010**

Unquoted equity securities
This account comprises of shares of stocks of various unlisted private corporations. The Group has designated these equity securities as at FVOCI because they will not be sold in the foreseeable future.

Net unrealized gains (losses)
Financial assets at FVOCI include fair value losses of ₱367.05 million and ₱236.65 million for the Group and Parent Company as of December 31, 2018. The fair value gains or losses are recognized under OCI. Impairment loss on debt financial assets at FVOCI of the Group and the Parent Company amounted to ₱6.32 million in 2018.

Effective interest rates for peso-denominated financial assets at FVOCI for the Group range from 4.25% to 5.58% in 2018 and from 2.95% to 8.92% in 2017. Effective interest rates for peso-denominated financial assets at FVOCI for the Parent Company range from 4.25% to 5.58% in 2018 and from 2.95% to 8.92% in 2017.

Effective interest rates for foreign currency-denominated financial assets at FVOCI for both the Group and Parent Company range from 2.33% to 8.48% in 2018 and from 0.99% to 5.75% in 2017.

AFS Financial Assets
As of December 31, 2017, this account consists of:

	Consolidated	Parent Company
Quoted		
Government bonds (Notes 18 and 28)	₱35,229,504	₱32,373,344
Private bonds	11,090,438	10,483,794
Equities	67,903	67,903
	₱46,387,845	₱42,925,041
Unquoted		
Equities – net *	57,546	12,042
	57,546	12,042
Total	₱46,445,391	₱42,937,083

** Includes fully impaired equity investments with acquisition cost of ₱38.83 million for the Group and ₱6.32 million for the Parent Company as of December 31, 2017 (Note 16).*

Unquoted equity securities
This account comprises of shares of stocks of various unlisted private corporations.

Net unrealized gains (losses)
AFS financial assets include fair value losses of ₱1.81 billion for the Group and Parent Company as of December 31, 2017. The fair value gains or losses are recognized under OCI. No impairment loss was recognized in 2017.

In 2017, effective interest rates for peso-denominated AFS financial assets for the Group range from 1.34% to 7.00% in 2017 and effective interest rates for peso-denominated AFS financial assets for the Parent Company range from 2.08% to 7.00%.

Effective interest rates for foreign currency-denominated AFS financial assets for both the Group and Parent Company range from 0.99% to 5.75% in 2018 and from 0.37% to 7.45% in 2017.

Investment Securities at Amortized Cost
As of December 31, 2018, this account consists of:

	Consolidated	**Parent Company**
Government bonds (Note 18)	**₱107,986,234**	**₱101,388,184**
Private bonds	**55,122,532**	**53,291,150**
	163,108,766	**154,679,334**
Unamortized premium - net	**9,803,371**	**9,360,070**
Allowance	**(375,101)**	**(214,938)**
	₱172,537,036	**₱163,824,466**

Effective interest rates for peso-denominated investment securities at amortized cost for the Group range from 1.06% to 8.92% in 2018, 2.82% to 7.75% in 2017, and from 2.05% to 6.63% in 2016. Effective interest rates for foreign currency-denominated investment securities at amortized cost range from 0.58% to 7.37% in 2018, 8.50% to 8.93% in 2017, and from 0.21% to 8.50% in 2016.

Effective interest rates for peso-denominated investment securities at amortized cost of the Parent Company range from 1.06% to 8.92% in 2018, 2.82% to 5.25% in 2017 and from 4.13% to 9.13% in 2016. Effective interest rates for foreign currency-denominated investment securities at amortized cost range from 0.21% to 8.50% in 2018, 0.21% to 8.93% in 2017, and from 2.26% to 10.72% in 2016.

HTM Financial Assets
As of December 31, 2017, this account consists of:

	Consolidated	Parent Company
Government bonds (Note 18)	₱46,718,014	₱44,032,555
Private bonds	11,465,164	10,697,164
	58,183,178	54,729,719
Unamortized premium - net	7,103,089	6,803,774
	₱65,286,267	₱61,533,493

Effective interest rates for peso-denominated HTM financial assets for the Group range 2.05% to 6.63% in 2017, and from 1.35% to 9.13% in 2016. Effective interest rates for foreign currency-denominated HTM financial assets range from 0.21% to 8.93% in 2017, and from 2.26% to 10.72% in 2016.

Effective interest rates for peso-denominated HTM financial assets of the Parent Company range from 2.82% to 5.25% in 2017 and from 4.13% to 9.13% in 2016. Effective interest rates for foreign currency-denominated HTM financial assets range from 0.21% to 8.93% in 2017, and from 2.26% to 10.72% in 2016.

Reclassification of Financial Assets
2016 Reclassification
As allowed under PAS 39, the Group transferred certain securities from AFS financial assets to HTM financial assets on various dates in November 2017 (reclassification dates). The decision to effect this transfer was reached by balancing the need to reduce the market risk sensitivity of the balance sheet without reducing the portfolio of liquid assets.

As of December 31, 2017, details of reclassified financial assets follow:

Consolidated						
	Face Value	Carrying Value at Reclassification Date	Carrying Value as of December 31	Fair Value at Reclassification Date	Unamortized Net Unrealized Loss Deferred in Equity	Amortization
(in original currency)						
Philippine peso denominated government bonds	₱10,106,378	₱11,636,529	₱10,977,243	₱11,039,842	(₱544,126)	₱52,561
US dollar denominated government bonds	USD103,371	135,851	126,762	129,074	(6,372)	405

Parent						
	Face Value	Carrying Value at Reclassification Date	Carrying Value as of December 31	Fair Value at Reclassification Date	Unamortized Net Unrealized Loss Deferred in Equity	Amortization
(in original currency)						
Philippine peso denominated government bonds	₱9,856,378	₱11,350,542	₱10,704,207	₱10,765,719	(₱533,349)	₱51,474
US dollar denominated government bonds	USD96,871	126,204	118,144	120,350	(5,556)	298

As of December 31, 2017, had these securities not been transferred to HTM, additional fair value gain of ₱14.92 million and ₱7.86 million on Philippine peso denominated government bonds, for the Group and the Parent Company, respectively and additional fair values gain of USD2.85 million (₱142.30 million) and USD2.67 million (₱133.31 million) on US dollar denominated government bonds, for the Group and Parent Company, respectively, would have been charged against to the statement of comprehensive income.

The effective interest rates on Philippine peso denominated government bond at reclassification dates range from 3.05% to 5.25% for both the Group and Parent Company . The effective interest rates for US dollar denominated bonds range from 2.26% to 4.08% at the time of their reclassification for both the Group and Parent Company. The Group and Parent Company expect to recover 100% of the principal and the interest due on these transferred assets. These securities are also unimpaired as of December 31, 2017.

The unrealized losses deferred under 'Net unrealized gains (losses) on AFS Financial Assets' at reclassification date amounted to ₱584.82 million and USD5.85 million for Philippine peso denominated and US dollar denominated government bonds, respectively.

2008 Reclassification
In 2008, as approved by its BOD, the Parent Company identified assets for which it had a clear change of intent to hold the investments to maturity rather than to exit or trade these investments in the foreseeable future and reclassified those investments from AFS financial assets to HTM financial assets effective October 2, 2008.

As of October 2, 2008, the total carrying value of AFS financial assets reclassified to HTM financial assets amounted to ₱9.04 billion, with unrealized losses of ₱47.44 million deferred under 'Net unrealized gains (losses) on AFS financial assets'. HTM financial assets reclassified from AFS financial assets with total face amount ₱798.13 million matured in 2017.

As of December 31, 2017, HTM financial assets reclassified from AFS financial assets consist of government bonds which have the following balances:

	Face Value*	Original Cost	Carrying Value as of December 31	Fair Value at reclassification date	Unamortized Net Unrealized Loss Deferred in Equity	Amortization
2017	491,811	592,315	509,646	531,918	(4,427)	24,016

*Consist of US dollar–denominated bonds with face value of $9.85 million and $25.84 million as of December 31, 2018 and 2017, respectively.

Had these securities not been reclassified to HTM financial assets, additional fair value gain that would have been credited to the statement of comprehensive income amounted to ₱22.27 million, and ₱395.74 million in 2017 and 2016, respectively. Effective interest rate on the reclassified securities is 6.21%. The Parent Company expects to recover 100.00% of the principal and interest due on the reclassified investments. No impairment loss was recognized on these securities in 2017 and 2016.

Interest Income on Investment Securities
This account consists of:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Financial assets at FVOCI	**₱596,864**	₱–	₱–	**₱525,774**	₱–	₱–
AFS financial assets	**–**	1,309,755	1,538,173	**–**	1,176,831	1,439,037
Investment securities at amortized cost	**5,279,064**	–	–	**5,034,083**	–	–
HTM financial assets	**–**	2,246,355	1,539,908	**–**	2,098,194	1,441,882
	₱6,289,251	₱3,966,999	₱3,282,963	**₱5,973,180**	₱3,673,802	₱3,060,325

10. LOANS AND RECEIVABLES

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Loans and discounts				
Corporate and commercial lending	**₱411,800,451**	₱369,145,536	**₱381,404,349**	₱337,153,332
Consumer lending	**87,214,939**	73,858,213	**52,684,530**	44,035,292
Trade-related lending	**13,817,866**	12,249,287	**12,937,606**	10,688,002
Others*	**56,516**	364,975	**39,761**	54,551
	512,889,771	455,618,011	**447,066,246**	391,931,177
Unearned discounts	**(255,536)**	(307,886)	**(208,377)**	(267,099)
	512,634,235	455,310,125	**446,857,869**	391,664,078
Allowance for impairment and credit losses (Note 16)	**(6,829,280)**	(6,339,183)	**(5,425,713)**	(5,109,580)
	₱505,804,955	₱448,970,942	**₱441,432,156**	₱386,554,498

*Others include employee loans and foreign bills purchased.

The Group's and Parent Company's loans and discounts under corporate and commercial lending include unquoted debt securities with carrying amount of ₱1.10 billion and ₱1.00 billion as of December 31, 2017, respectively.

As of December 31, 2018, loans of the Parent Company amounting to ₱5.17 billion are rediscounted with the BSP (Note 18).

BSP Reporting

Information on the amounts of secured and unsecured loans and receivables (gross of unearned discounts and allowance for impairment and credit losses) of the Group and Parent Company are as follows:

	Consolidated				Parent Company			
	2018		2017		**2018**		2017	
	Amounts	**%**	Amounts	%	**Amounts**	**%**	Amounts	%
Loans secured by								
Real estate	**₱92,960,218**	**18.12**	₱71,900,048	15.78	**₱66,332,530**	**14.84**	₱44,232,910	11.29
Chattel mortgage	**25,512,590**	**4.97**	30,900,443	6.78	**12,063,924**	**2.70**	18,831,553	4.80
Deposit hold out	**3,839,704**	**0.75**	3,980,670	0.87	**3,027,964**	**0.68**	2,893,239	0.74
Shares of stock of other banks	**2,347,650**	**0.46**	5,060,000	1.11	**2,347,650**	**0.53**	5,060,000	1.29
Guarantee by the Republic of the Philippines	**5,746,500**	**1.12**	7,082,500	1.55	**5,746,500**	**1.29**	7,082,500	1.81
Others	**105,253,810**	**20.52**	80,947,148	17.77	**102,901,498**	**23.02**	78,703,585	20.08
	235,660,467	**45.95**	199,870,809	43.87	**192,420,066**	**43.04**	156,803,787	40.01
Unsecured loans	**277,229,304**	**54.05**	255,747,202	56.13	**254,646,180**	**56.96**	235,127,390	59.99
	₱512,889,771	**100.00**	₱455,618,011	100.00	**₱447,066,246**	**100.00**	₱391,931,177	100.00

Information on the concentration of credit as to industry of the Group and Parent Company follows:

	Consolidated			
	2018		2017	
	Amounts	**%**	Amounts	%
Real estate, renting and business services	**₱114,735,281**	**22.37**	₱113,424,302	24.89
Electricity, gas and water	**72,863,548**	**14.21**	53,514,587	11.75
Wholesale and retail trade	**55,339,970**	**10.79**	53,818,092	11.81
Transportation, storage and communication	**50,516,030**	**9.85**	40,464,073	8.88
Financial intermediaries	**49,687,486**	**9.69**	52,341,750	11.49
Manufacturing	**28,277,954**	**5.51**	29,583,222	6.49
Arts, entertainment and recreation	**25,456,962**	**4.96**	13,959,186	3.06
Accommodation and food service activities	**12,218,029**	**2.38**	12,260,862	2.69
Construction	**11,287,124**	**2.20**	8,732,720	1.92
Mining and quarrying	**9,839,723**	**1.92**	887,231	0.19
Agriculture	**7,134,717**	**1.39**	6,051,546	1.33
Education	**5,717,621**	**1.11**	3,869,247	0.85
Public administration and defense	**5,166,000**	**1.01**	6,232,000	1.37
Professional, scientific and technical activities	**4,319,666**	**0.84**	4,079,383	0.90
Others*	**60,329,660**	**11.26**	56,399,810	12.38
	₱512,889,771	**100.00**	₱455,618,011	100.00

*Others consist of administrative and support service, health, household and other activities.

	Parent Company			
	2018		2017	
	Amounts	**%**	Amounts	%
Real estate, renting and business services	**₱90,654,316**	**20.28**	₱91,809,744	23.42
Electricity, gas and water	**70,798,136**	**11.04**	52,050,493	13.28
Financial intermediaries	**48,096,511**	**10.76**	49,950,420	12.74
Wholesale and retail trade	**49,365,453**	**11.04**	46,238,179	11.80
Transportation, storage and communication	**47,756,466**	**10.68**	38,376,551	9.79
Manufacturing	**25,115,956**	**5.62**	25,622,331	6.54
Arts, entertainment and recreation	**25,318,150**	**5.66**	13,895,619	3.55
Accommodation and food service activities	**10,563,067**	**2.36**	10,285,048	2.62
Construction	**9,965,323**	**2.23**	7,349,908	1.88
Mining and quarrying	**9,835,453**	**2.20**	884,6864	0.23
Agriculture	**5,321,124**	**1.19**	4,442,522	1.13
Public administration and defense	**5,166,000**	**1.16**	6,232,000	1.59
Education	**4,872,451**	**1.09**	2,845,294	0.73
Professional, scientific and technical activities	**4,221,842**	**0.94**	3,760,091	0.96
Others*	**40,015,998**	**8.95**	38,188,292	9.74
	₱447,066,246	**100.00**	₱391,931,177	100.00

*Others consist of administrative and support service, health, household and other activities.

The BSP considers that loan concentration exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. As of December 31, 2018 and 2017, the Parent Company does not have credit concentration in any particular industry.

As of December 31, 2018 and 2017, secured and unsecured non-performing loans (NPLs) of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Secured	**₱2,771,745**	₱3,164,209	**₱493,929**	₱687,318
Unsecured	**3,173,971**	3,237,418	**2,140,143**	2,235,931
	₱5,945,716	₱6,401,627	**₱2,634,072**	₱2,923,249

Prior to January 1, 2018, NPLs generally refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches twenty percent (20.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs.

With the issuance of BSP Circular 941 *Amendments to the Regulations on Past Due and Non-Performing Loans* effective January 1, 2018, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Interest Income on Loans and Receivables

This account consists of:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Receivables from customers	**₱28,195,915**	₱21,663,571	17,812,793	**₱23,488,872**	₱17,455,018	₱14,055,123
Unquoted debt securities	**–**	88,076	76,459	**–**	81,999	67,164
	₱28,195,915	₱21,751,647	17,889,252	**₱23,488,872**	₱17,537,017	₱14,122,287

As of December 31, 2018 and 2017, 67.40% and 65.01%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2018 and 2017, 71.76% and 67.67%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.65% to 10.50% in 2018, from 2.08% to 10.50% in 2017, and from 1.00% to 11.00% in 2016 for foreign currency-denominated receivables and from 0.95% to 30.00% in 2018 and from 0.95% to 30.00% in 2017, and from 1.00% to 30.00% in 2016 for peso-denominated receivables.

11. EQUITY INVESTMENTS

This account consists of investments in:

A. Subsidiaries

	2018	2017
Equity Method:		
Balance at beginning of the year		
CBSI	**₱11,618,713**	₱11,047,530
CBCC	**1,512,899**	732,541
CBC–PCCI	**27,905**	22,853
CIBI	**401,215**	366,113
	13,560,733	12,169,037
Share in net income		
CBSI	**328,663**	514,396
CBCC	**358,796**	276,161
CBC–PCCI	**14,834**	5,851
CIBI	**(6,938)**	39,596
	695,356	836,004
Share in Other Comprehensive Income		
Items that recycle to profit or loss in subsequent periods:		
Net unrealized gain (loss) on FVOCI		
CBSI	**(25,338)**	24,765
CBCC	**(27,584)**	1,926
CIBI	**(16,978)**	(4,196)
	(69,900)	22,495
Cumulative translation adjustments		
CBSI	**5,791**	13,058
	5,791	13,058
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gain on defined benefit assets		
CBSI	**86,299**	18,964
CBCC	**2,344**	2,272
CBC–PCCI	**–**	(798)
CIBI	**–**	(298)
	88,642	20,140
Effect of PFRS 9 on Surplus:		
CBSI	**(397,055)**	–
	(397,055)	–

(Forward)

	2018	2017
Additional Investments		
CBSI	**₱500,000**	₱–
CBCC	**–**	500,000
	500,000	500,000
Cash Dividends		
CIBI	**(50,000)**	–
		–
Balance at end of the year		
CBSI	**12,117,074**	11,618,713
CBCC	**1,846,455**	1,512,899
CBC–PCCI	**42,739**	27,905
CIBI	**327,299**	401,215
	₱14,333,567	₱13,560,733

B. Associates:

	2018	2017
Equity Method:		
Balance at beginning of the year	**₱329,422**	₱276,559
Share in net income	**101,009**	73,133
Share in OCI:		
Items that do not recycle to profit or loss in subsequent periods		
Remeasurement loss on life insurance reserves	**31,374**	(12,221)
Items that recycle to profit or loss in subsequent periods:		
Net unrealized loss on FVOCI	**(126,713)**	(8,050)
Balance at end of the year	**₱335,092**	₱329,422

CBSI
Cost of investment includes the original amount incurred by the Parent Company from its acquisition of CBSI in 2007 amounting to ₱1.07 billion. The capital infusion to CBSI in 2018 amounting to ₱500 million was approved by the Parent Company's BOD on June 6, 2018.

Merger of CBSI with PDB
The BOD of both CBSI and PDB, in their meeting held on June 26, 2014, approved the proposed merger of PDB with CBSI, with the latter as the surviving bank. The terms of the Plan of Merger of CBSI with PDB were approved by CBSI and PDB's stockholders owning at least 2/3 of each corporation's outstanding common stocks in separate meetings held on August 14, 2014. The Plan of Merger permits the issuance of 1.23 PDB common shares for every CBSI common share.

On November 6, 2015, the BSP issued the Certificate of Authority on the Articles of Merger and the Plan of Merger, as amended, of CBSI and PDB.

On December 17, 2015, CBSI obtained SEC's approval of its merger with PDB, whereby the entire assets and liabilities of PDB shall be transferred to and absorbed by CBSI.

Acquisition of PDB
In 2014, the Parent Company made tender offers to non–controlling stockholders of PDB. As of December 31, 2014, the Parent Company owns 99.85% and 100.00% of PDB's outstanding common and preferred stocks, respectively.

As of December 31, 2014, the Parent Company's cost of investment in PDB consists of:

Acquisition of majority of PDB's capital stock	₱1,421,346
Additional capital infusion	1,300,000
Tender offers	255,354
	₱2,976,700

On March 31, 2015, the Parent Company made additional capital infusion to PDB amounting to ₱1.70 billion. Of the total cost of investment, the consideration transferred for the acquisition of PDB follows:

Acquisition of majority of PDB's capital stock	₱1,421,346
Tender offers	255,354
	₱1,676,700

In 2015, the MB of the BSP granted to the Group investment and merger incentives in the form of waiver of special licensing fees for 67 additional branch licenses in restricted areas. This is in addition to the initial investment and merger incentives of 30 new branches in restricted areas and 35 branches to be transferred from unrestricted to restricted areas granted to the Parent Company by the MB in 2014. These branch licenses were granted under the Strengthening Program for Rural Bank (SPRB) Plus Framework.

The branch licenses have the following fair values:

114 Commercial Bank branch licenses	₱2,280,000
18 Thrift Bank branch licenses	270,000
	2,550,000
Deferred tax liability	765,000
	₱1,785,000

On April 6, 2016, the Parent Company's BOD has approved the allocation of the 67 additional branch licenses in restricted areas as follows: 49 to the Parent Company and 18 to CBSI. Pursuant to a memorandum dated March 18, 2017, the 67 branch licenses were awarded as incentives by the Monetary Board as a result of the Parent Company's acquisition of PDB. Goodwill from acquisition of PDB is computed as follows:

Consideration transferred		₱1,676,700
Less: Fair value of identifiable assets and liabilities acquired (Note 15)		
Net liabilities of PDB	(₱725,207)	
Branch licenses, net of deferred tax liability (Note 13)	1,785,000	1,059,793
		₱616,907

CIBI
On December 7, 2018, the BOD of CIBI approved the declaration of the cash dividends of ₱50 million from the CIBI's unrestricted retained earnings for Stockholders on record as of December 15, 2018 payable on December 26, 2018.

CBCC
On April 1, 2015, the BOD approved the investment of the Parent Company in an investment house subsidiary, CBCC, up to the amount of ₱500.00 million, subject to the requirements of relevant regulatory agencies. On April 30, 2015, the BSP approved the request of the Parent Company to invest up to 100% or up to 500.00 million common shares in CBCC, subject to certain conditions. On November 27, 2015, the SEC approved the Articles of Incorporation and By–Laws of CBCC. It also granted CBCC the license to operate as an investment house. Actual capital infusion to CBCC amounted to ₱200.00 million and ₱300.00 million in 2016 and 2015, respectively.

On January 19, 2017, the BOD of CBCC approved the increase in authorized capital stock of CBCC from ₱500.00 million to ₱2.00 billion to enable CBCC to handle bigger deals. The approval was ratified by the BOD of the Parent Company on February 1, 2017. On April 27, 2017, the Parent Company paid CBCC ₱500.00 million for additional subscription of 50,000,000 shares.

CBCC acquisition of CBCSec (formerly ATC Securities, Inc.)
On May 19, 2016, the BOD of CBCC approved the acquisition of ATC Securities, Inc. (ATC).

On June 29, 2016, CBCC and the shareholders of ATC (the Original Shareholders) entered into an Agreement for the Purchase of Shares (Agreement), whereby CBCC agreed to buy, and the Original Shareholders agreed to sell, 3,800,000 shares representing 100% of the issued and outstanding shares of ATC.

The initial purchase price for the acquisition of ATC was set at ₱21,767,997.50, payable as follows:

a. 10% – on signing date of the Agreement (June 29, 2016)
b. 70% of the purchase price – on closing date (March 6, 2017)
c. 10% of the purchase price – upon receipt of Certificates Authorizing Registration and Tax Clearance Certificates
d. 10% of the purchase price – one year from the closing date (March 6, 2018), subject to any deduction for certain losses

On February 22, 2017, the Philippine Stock Exchange approved ATC's application for change in controlling interest through CBCC's acquisition of 100% of the issued and outstanding shares of ATC.

In view of the prolonged period since the Agreement was signed and the resulting change in the financial position, prospects, and other circumstances of ATC and its Original Shareholders, the parties agreed to negotiate an adjustment to the purchase price that is mutually acceptable to CBCC and the Original Shareholders.

On March 6, 2017, CBCC and the Original Shareholders agreed to fix the final purchase price of the acquisition at ₱26,704,341, and the Original Shareholders executed deeds of absolute sale of their respective shares in ATC in favor of CBCC. By virtue of this transaction, CBCC assumed ownership and control of ATC.

On March 6, 2017, CBCC and ATC entered into a Subscription Agreement, whereby CBCC subscribed to 7,200,000 common shares of ATC at a price of ₱10.00 per share or a total subscription price of ₱72.00 million.

The fair values of identifiable assets and liabilities arising from the acquisition as of March 6, 2017 are as follows:

Assets	
Cash and cash equivalents	₱9,196,017
Accounts receivable	348,024
Computer software (net)	559,375
Office equipment (net)	149,264
Trading rights	8,500,000
Prepaid expenses	1,755,945
Condominium	12,063,309
Other assets	3,004,295
Total Assets	**35,576,228**
Liabilities	
Accounts payable	406,250
Payable to customer	2,256,733
Payable to clearing house	61,519
Other liabilities	56,820
Total Liabilities	**2,781,321**
Net Book Value	**₱32,794,907**

The acquisition by CBCC of ATC Securities, Inc. resulted in recognition of gain on bargain purchase which is determined as follows:

Cost of acquisition	₱26,704,341
Less net assets recognized	32,794,907
Gain on bargain purchase	**₱6,090,566**

The gain from a bargain purchase identified as the excess of the fair value of the net assets of ATC Securities, Inc. over the cost of acquisition is mainly attributable to the mutually agreed price that accounts for intention of the Original Shareholders to ultimately retire from the business, prevention of further outlay of funds from the Original Shareholders to ensure compliance with regulatory capital requirements and their relative ability to divest of the said shares in an expeditious manner.

Gain on bargain purchase is included under 'Miscellaneous income' in the consolidated statements of income (Note 21).

Cash flow on acquisition follows:

Cash and cash equivalents acquired from ATC Securities, Inc.	₱9,196,017
Cash paid	24,033,906
Net Cash Outflow	**₱14,837,889**

From the date of acquisition, CBCSec's operating income and net income included in the consolidated statement of income amounted to ₱6.37 million. If the acquisition had taken place at the beginning 2017, the Group's total operating income and net income in 2017 would have increased by ₱5.69 million.

On July 6, 2017, the SEC approved the change of name from ATC Securities, Inc. to China Bank Securities Corporation.

On August 23, 2017, CBCC subscribed to the remaining 4,000,000 unissued common shares of CBCSec at a price of ₱10.00 per share or a total subscription price of ₱40.00 million, to provide CBCSec with sufficient capital buffer as its transition and ramps up its operations as the equities brokerage house of the Group.

CBC Assets One (SPC) Inc.
CBC Assets One (SPC) Inc. was incorporated on June 15, 2016 as a wholly–owned special purpose company of CBCC for asset–backed securitization. It has not yet commenced commercial operations.

Investment in Associates
Investment in associates in the consolidated and Parent Company's financial statements pertain to investment in MCB Life and CBC–PCCI's investment in Urban Shelters (accounted for by CBC–PCCI in its financial statements as an investment in an associate) which is carried at nil amount as of December 31, 2018 and 2017.

The following tables show the summarized financial information of MCB Life:

	2018	2017
Total assets	**₱34,832,490**	₱31,656,389
Total liabilities	**34,007,106**	30,834,456
Equity	**825,384**	821,933

	2018	2017
Revenues	**₱9,176,931**	6,268,405
Benefits, claims and operating expenses	**8,898,029**	6,066,765
Income (loss) before income tax	**278,902**	201,640
Net income (loss)	**₱252,522**	₱182,833

MCB Life
On August 2, 2006, the BOD approved the joint project proposal of the Parent Company with Manufacturers Life Insurance Company (Manulife). Under the proposal, the Parent Company will invest in a life insurance company owned by Manulife, and such company will be offering innovative insurance and financial products for health, wealth and education through the Parent Company's branches nationwide. The life insurance company was incorporated as The Pramerica Life Insurance Company Inc. in 1998. The name was changed to Manulife China Bank Life Assurance Corporation on March 23, 2007. The Parent Company acquired 5.00% interest in MCB Life on August 8, 2007. This investment is accounted for as an investment in an associate by virtue of the Bancassurance Alliance Agreement which provides the Parent Company to be represented in MCB Life's BOD and, thus, exercise significant influence over the latter.

The BSP requires the Parent Company to maintain a minimum of 5.00% ownership over MCB Life in order for MCB Life to be allowed to continue distributing its insurance products through the Parent Company's branches.

On September 12, 2014, the BSP approved the request of the Parent Company to raise its capital investment in MCB Life from 5.00% to 40.00% of its authorized capital through purchase of ₱1.75 million common shares.

On December 5, 2018, the Parent Company's BOD approved the additional capital infusion in the amount of ₱40.00 million in MCB Life. This represents 40% of the ₱100.00 million total capital infusion in MCB Life with the balance of ₱60.00 million to be provided by Manulife Philippines. On top of complying with the higher capital requirements for insurance companies, the additional capital will improve MCB Life's capacity to underwrite more business and enhance its competitive position.

Commission income earned by the Parent Company from its bancassurance agreement amounting to ₱357.79 million, ₱360.01 million, ₱383.48 million in 2018, 2017 and 2016, respectively, is included under 'Miscellaneous income' in the statements of income (Note 20).

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The composition of and movements in this account follow:

	Consolidated					
	Land (Note 23)	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction–in–Progress	2018 Total
Cost						
Balance at beginning of year	₱3,345,404	₱7,893,528	₱1,941,742	₱1,855,565	₱61,489	₱15,097,728
Additions		631,734	23,978	315,486	86,804	1,058,002
Disposals/transfers*	(127,141)	(616,184)	(176,307)	18,832	(123,565)	(1,024,365)
Balance at end of year	3,218,263	7,909,078	1,789,413	2,189,883	24,728	15,131,365
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	6,079,049	1,103,650	1,038,017	–	8,220,716
Depreciation and amortization	–	704,124	94,836	211,907	–	1,010,867
Disposals/transfers*	–	(423,065)	(134,512)	6,901	–	(550,676)
Balance at end of year	–	6,360,108	1,063,974	1,256,825	–	8,680,907
Allowance for Impairment Losses (Note 16)						
Balance at beginning of year	–	–	1,148	–	–	1,148
Reclassification	–	–	(1,148)	–	–	(1,148)
Balance at end of year	–	–	–	–	–	–
Net Book Value at End of Year	₱3,218,263	₱1,548,970	₱725,439	₱933,058	₱24,728	₱6,450,458

*Includes transfers from investment properties amounting to ₱20.13 million.

	Consolidated					
	Land (Note 23)	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction–in–Progress	2017 Total
Cost						
Balance at beginning of year	₱3,345,404	₱7,163,737	₱1,893,525	₱1,482,415	₱86,405	₱13,971,486
Additions	–	988,658	73,800	679,305	10,410	1,752,173
Disposals/transfers*	–	(258,867)	(25,583)	(306,155)	(35,326)	(625,931)
Balance at end of year	3,345,404	7,893,528	1,941,742	1,855,565	61,489	15,097,728
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	5,562,502	1,013,296	897,049	–	7,472,847
Depreciation and amortization	–	674,334	74,625	183,435	–	932,394
Disposals/transfers*	–	(157,787)	15,729	(42,467)	–	(184,525)
Balance at end of year	–	6,079,049	1,103,650	1,038,017	–	8,220,716
Allowance for Impairment Losses (Note 16)						
Balance at beginning of year	–	–	2,371	–	–	2,371
Reclassification	–	–	(1,223)	–	–	(1,223)
Balance at end of year	–	–	1,148	–	–	1,148
Net Book Value at End of Year	₱3,345,404	₱1,814,479	₱836,944	₱817,548	₱61,489	₱6,875,864

*Includes transfers from investment properties amounting to ₱10.82 million

	Parent Company					
	Land (Note 23)	**Furniture, Fixtures and Equipment**	**Buildings**	**Leasehold Improvements**	**Construction–in–Progress**	**2018 Total**
Cost						
Balance at beginning of year	**₱2,786,310**	**₱6,668,301**	**₱1,085,668**	**₱1,351,869**	**₱61,486**	**₱11,953,634**
Additions	**–**	**498,101**	**16,235**	**223,957**	**86,804**	**825,097**
Disposals/transfers*	**–**	**(537,615)**	**2,127**	**(39,802)**	**(123,565)**	**(698,855)**
Balance at end of year	**2,786,310**	**6,628,787**	**1,104,030**	**1,536,024**	**24,725**	**12,079,876**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**5,189,416**	**543,875**	**755,761**	**–**	**6,489,052**
Depreciation and amortization	**–**	**557,586**	**36,010**	**148,934**	**–**	**742,530**
Disposals/transfers*	**–**	**(365,749)**	**618**	**(51,961)**	**–**	**(417,092)**
Balance at end of year	**–**	**5,381,253**	**580,503**	**852,734**	**–**	**6,814,490**
Net Book Value at End of Year	**₱2,786,310**	**₱1,247,534**	**₱523,527**	**₱683,290**	**₱24,725**	**₱5,265,386**

*Includes transfers from investment properties amounting to ₱20.13 million.

	Parent Company					
	Land (Note 23)	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction–in–Progress	2017 Total
Cost						
Balance at beginning of year	₱2,786,310	₱6,082,009	₱1,077,608	₱1,093,494	₱80,139	₱11,119,560
Additions	–	786,776	40,422	550,076	10,410	1,387,684
Disposals/transfers*	–	(200,484)	(32,362)	(291,701)	(29,063)	(553,610)
Balance at end of year	2,786,310	6,668,301	1,085,668	1,351,869	61,486	11,953,634
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	4,775,377	517,491	682,711	–	5,975,579
Depreciation and amortization	–	537,338	26,456	115,273	–	679,067
Disposals/transfers*	–	(123,299)	(72)	(42,223)	–	(165,594)
Balance at end of year	–	5,189,416	543,875	755,761	–	6,489,052
Net Book Value at End of Year	₱2,786,310	₱1,478,885	₱541,793	₱596,108	₱61,486	₱5,464,582

*Includes transfers from investment properties amounting to ₱10.82 million.

The Group adopted the deemed cost model as of January 1, 2004 and considered the carrying value of the land determined under its previous accounting method (revaluation method) as the deemed cost of the asset as of January 1, 2005. Accordingly, revaluation increment amounting to ₱1.28 billion was closed to surplus (Note 23) in 2011.

As of December 31, 2018 and 2017, the gross carrying amount of fully depreciated furniture, fixtures and equipment still in use amounted to ₱3.47 billion and ₱2.89 billion, respectively, for the Group and ₱2.61 billion and ₱2.31 billion, respectively, for the Parent Company.

Gain on sale of furniture, fixtures and equipment amounting to ₱1.81 million, ₱2.11 million and ₱2.97 million in 2018, 2017 and 2016, respectively, for the Group and ₱1.60 million, ₱1.69 million and ₱2.17 million in 2018, 2017 and 2016, respectively, for the Parent Company are included in the statements of income under 'Miscellaneous income' account (Note 21).

In 2016, depreciation and amortization amounting to ₱842.22 million and ₱595.81 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

13. INVESTMENT PROPERTIES

The composition of and movements in this account follow:

	Consolidated		
	Land	Buildings and Improvements	2018 Total
Cost			
Balance at beginning of year	₱4,605,061	₱2,646,549	₱7,251,610
Additions	135,099	408,334	543,433
Disposals/write–off/transfers*	(454,309)	(395,136)	(849,445)
Balance at end of year	4,285,851	2,659,747	6,945,598
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	742,071	742,071
Depreciation and amortization	–	170,978	170,978
Disposals/write–off/transfers*	–	(32,285)	(32,285)
Balance at end of year	–	880,764	880,764
Allowance for Impairment Losses (Note 16)			
Balance at beginning of year	1,028,013	409,370	1,437,383
Write–off	(85,454)	(76,697)	(162,151)
Balance at end of year	942,559	332,673	1,275,232
Net Book Value at End of Year	₱3,343,292	₱1,446,310	₱4,789,602

*Includes transfers to bank premises amounting to ₱20.13 million (Note 12).

	Consolidated		
	Land	Buildings and Improvements	2017 Total
Cost			
Balance at beginning of year	₱4,730,076	₱2,788,397	₱7,518,473
Additions	299,806	279,283	579,089
Disposals/write–off/transfers*	(424,821)	(421,131)	(845,952)
Balance at end of year	4,605,061	2,646,549	7,251,610
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	755,763	755,763
Depreciation and amortization	–	191,338	191,338
Disposals/write–off/transfers*	–	(205,030)	(205,030)
Balance at end of year	–	742,071	742,071
Allowance for Impairment Losses (Note 16)			
Balance at beginning of year	1,028,013	384,958	1,412,971
Reversal during the year	–	24,412	24,412
Disposals/write–off/reclassification*	1,028,013	409,370	1,437,383
Balance at end of year	3,577,048	1,495,108	5,072,156
Net Book Value at End of Year	₱4,730,076	₱2,788,397	₱7,518,473

*Includes transfers to bank premises amounting to ₱10.82 million (Note 12).

	Parent Company		
	Land	**Buildings and Improvements**	**2018 Total**
Cost			
Balance at beginning of year	**₱1,859,355**	**₱1,397,668**	**₱3,257,023**
Additions	**135,099**	**125,671**	**260,770**
Disposals/write–off/transfers*	**(574,177)**	**(193,400)**	**(767,577)**
Balance at end of year	**1,420,277**	**1,329,939**	**2,750,216**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**–**	**500,102**	**500,102**
Depreciation and amortization	**–**	**89,928**	**89,928**
Disposals/write–off/transfers*	**–**	**(149,575)**	**(149,575)**
Balance at end of year	**–**	**440,455**	**440,455**
Allowance for Impairment Losses (Note 16)			
Balance at beginning and end of year	**1,004,729**	**201,689**	**1,206,418**
Write–off	**(85,454)**	**–**	**(85,454)**
Balance at end of year	**919,275**	**201,689**	**1,120,964**
Net Book Value at End of Year	**₱501,002**	**₱687,795**	**₱1,188,797**

*Includes transfers to bank premises amounting to ₱20.13 million (Note 12).

	Parent Company		
	Land	Buildings and Improvements	2017 Total
Cost			
Balance at beginning of year	₱2,019,065	₱1,511,349	₱3,530,414
Additions	40,573	86,079	126,652
Disposals/write-off/transfers*	(200,283)	(199,760)	(400,043)
Balance at end of year	1,859,355	1,397,668	3,257,023
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	563,120	563,120
Depreciation and amortization	–	104,638	104,638
Disposals/write-off/transfers*	–	(167,656)	(167,656)
Balance at end of year	–	500,102	500,102
Allowance for Impairment Losses (Note 16)			
Balance at beginning and end of year	1,004,729	201,689	1,206,418
Net Book Value at End of Year	₱854,626	₱695,877	₱1,550,503

*Includes transfers to bank premises amounting to ₱10.82 million (Note 12).

The Group's investment properties consist entirely of real estate properties acquired in settlement of loans and receivables. The difference between the fair value of the investment property upon foreclosure and the carrying value of the loan is recognized under 'Gain on asset foreclosure and dacion transactions' in the statements of income.

In 2016, depreciation and amortization amounting to ₱173.01 million and ₱98.92 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

Details of rental income earned and direct operating expenses incurred on investment properties follow:

	Consolidated		
	2018	2017	2016
Rent income on investment properties	**₱35,323**	₱32,499	₱20,190
Direct operating expenses on investment properties generating rent income	**1,451**	924	4,767
Direct operating expenses on investment properties not generating rent income	**66,011**	52,029	67,619

	Parent Company		
	2018	2017	2016
Rent income on investment properties	**₱10,994**	₱8,250	₱39,734
Direct operating expenses on investment properties generating rent income	**649**	799	886
Direct operating expenses on investment properties not generating rent income	**29,584**	33,405	44,089

Rent income earned from leasing out investment properties is included under 'Miscellaneous income' in the statements of income (Note 21).

On August 26, 2011, the Parent Company was registered as an Economic Zone Information Technology (IT) Facilities Enterprise with the Philippine Economic Zone Authority (PEZA) to operate and maintain a proposed 17-storey building located inside the CBP-IT Park in Barangays Mabolo, Luz, Hipodromo, Carreta, and Kamputhaw, Cebu City, for lease to PEZA-registered IT enterprises, and to be known as Chinabank Corporate Center. This registration is under PEZA Registration Certificate No. 11-03-F.

Under this registration, the Parent Company is entitled to five percent (5.00%) final tax on gross income earned from locator IT enterprises and related operations in accordance with existing PEZA rules. The Parent Company shall also be exempted from the payment of all national and local taxes in relation to this registered activity.

14. GOODWILL AND INTANGIBLE ASSETS

Goodwill
Goodwill represents the excess of the acquisition costs over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

The Group attributed the goodwill arising from its acquisition of CBSI and PDB to factors such as increase in geographical presence and customer base due to the branches acquired. None of the goodwill recognized is expected to be deductible for income tax purposes. CBSI as surviving entity from the merger with PDB, is the identified CGU for this goodwill. The Parent Company's Retail Banking Business (RBB) has been identified as the CGU for impairment testing of the goodwill from its acquisition of CBSI.

As of December 31, 2018 and 2017, amount of goodwill per CGU follows:

	Consolidated	Parent Company
RBB	₱222,841	₱222,841
CBSI	616,907	–
Total	₱839,748	₱222,841

The recoverable amount of the CGUs have been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period, which do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. Other than loans and deposits growth rates, the significant assumptions, and the most sensitive, used in computing for the recoverable values of the CGUs follow:

	2018		2017	
	RBB	**CBSI**	RBB	CBSI
Discount rate	**7.12%**	**9.81%**	6.41%	7.83%
Terminal value growth rate	**1.00%**	**1.00%**	1.00%	1.00%

With regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount as of December 31, 2018 and 2017.

Branch Licenses
Branch licenses of the Group arose from the acquisitions of CBSI, Unity Bank, and PDB. As of December 31, 2018 and 2017, details of branch licenses in the Group's and Parent Company's financial statements follow:

	Consolidated	**Parent Company**
Branch license from CBSI acquisition	**₱420,600**	**₱398,000**
Branch license from Unity Bank acquisition	**347,400**	**–**
Branch license from PDB acquisition (Note 11)	**2,839,500**	**–**
Total	**₱3,607,500**	**₱398,000**

The individual branches have been identified as the CGU for impairment testing of the branch licenses. The recoverable amounts of the CGUs for impairment testing of the branch licenses have been determined based on the higher between fair value less cost to sell and value-in-use calculations.

FVLCD is based on special licensing fee of BSP on branches operating on identified restricted areas. Value-in-use calculation uses cash flow projections from financial budgets approved by senior management covering a five-year period, which do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested.

The calculation of the value-in-use of the CGU is most sensitive to the following assumptions:

- Discount rates
- Terminal value growth rate used to extrapolate cash flows beyond the budget period

With regard to the assessment of value-in-use of the CGU, the Parent Company recognized an impairment loss related to certain unrestricted branch licenses from the acquisition of CBSI amounting to ₱57.00 million in 2017.

Capitalized software costs

The movements in the account follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Cost				
Balance at beginning of year	**₱714,230**	₱549,156	**₱591,256**	₱445,444
Additions	**144,123**	165,074	**154,055**	145,814
Disposals/Writeoff/Reclass	**142,386**	–	**149,794**	–
Balance at end of year	**1,000,739**	714,230	**895,105**	591,258
Accumulated Depreciation and Amortization				
Balance at beginning of year	**217,697**	123,940	**188,395**	94,861
Depreciation and amortization	**115,840**	93,757	**115,450**	93,535
Disposals/Writeoff/Reclass	**73,740**	–	**73,729**	–
Balance at end of year	**407,277**	217,697	**377,574**	188,396
Net Book Value at End of Year	**₱593,462**	₱496,533	**₱517,531**	₱402,862

15. OTHER ASSETS

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Financial assets				
Accounts receivable	**₱2,595,023**	₱2,884,628	**₱1,480,760**	₱1,686,205
SCR	**1,121,035**	979,046	**224,035**	208,496
RCOCI	**129,142**	179,935	**117,227**	83,636
Others	**491,475**	369,034	**175,540**	157,380
	4,336,675	4,412,643	**1,997,562**	2,135,717
Nonfinancial assets				
Net plan assets (Note 24)	**777,827**	995,050	**756,160**	991,386
Prepaid expenses	**246,053**	124,526	**208,632**	114,121
Creditable withholding taxes	**338,618**	378,143	**338,618**	321,231
Security deposit	**272,541**	231,838	**193,216**	205,400
Documentary stamps	**215,696**	309,642	**149,078**	182,778
Sundry debits	**358,051**	235,136	**166,951**	71,552
Miscellaneous	**433,502**	298,882	**–**	–
	2,642,288	2,573,217	**1,812,655**	1,886,468
	6,978,963	6,985,860	**3,810,217**	4,022,185
Allowance for impairment and credit losses (Note 16)	**(759,404)**	(766,965)	**(477,454)**	(540,960)
	₱6,219,558	₱6,218,895	**₱3,332,763**	₱3,481,225

Accounts receivable
Accounts receivable also includes non-interest bearing advances to officers and employees, with terms ranging from 1 to 30 days and receivables of the Parent Company from automated teller machine (ATM) transactions of clients of other banks that transacted through any of the Parent Company's ATM terminals.

Sales Contract Receivable
This refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

SCR bears fixed interest rate per annum in 2018 and 2017 ranging from 5.00% to 10.00% and 5.00% to 10.25%, respectively.

Miscellaneous
Miscellaneous consists mainly of unissued stationery and supplies, inter-office float items, and deposits for various services.

16. ALLOWANCE FOR IMPAIRMENT AND CREDIT LOSSES

Changes in the allowance for impairment and credit losses are as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Balances at beginning of year				
Loans and receivables	**₱8,121,175**	₱6,654,995	**₱6,500,542**	₱5,709,025
Investment properties	**1,437,383**	1,412,971	**1,206,418**	1,206,418
Accrued interest receivable	**201,647**	179,339	**58,269**	62,019
AFS financial assets	**128,171**	38,742	**6,323**	6,323
Investment securities at amortized cost	**–**	–	**83,618**	–
Bank premises, furniture, fixtures and equipment	**1,148**	2,371	**–**	–
Intangible assets	**–**	–	**–**	–
Other assets	**781,424**	718,434	**540,960**	614,366
	10,670,948	9,006,852	**8,396,130**	7,598,151
Provisions charged to operations	**141,076**	754,171	**(1,957)**	423,922
Accounts charged off and others	**(1,260,874)**	(1,012,065)	**(1,109,856)**	(1,100,523)
	(1,119,798)	(257,894)	**(1,111,813)**	(676,601)
Balances at end of year				
Loans and receivables (Note 10)	**6,829,280**	6,339,183	**5,425,713**	5,109,580
Investment properties (Note 13)	**1,275,232**	1,437,383	**1,120,965**	1,206,418
Accrued interest receivable	**303,555**	165,452	**45,247**	58,269
AFS financial assets (Note 9)	**(4,023)**	38,827	**–**	–
Investment securities at amortized cost	**375,102**	–	**214,938**	–
Bank premises, furniture, fixtures and equipment (Note 12)	**–**	1,148	**–**	–
Other assets (Note 15)	**772,004**	766,965	**477,454**	540,960
	₱9,551,150	₱8,748,958	**₱7,284,317**	₱6,921,550

At the current level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance to cover any losses that may be incurred from the non-collection or non-realization of its loans and receivables and other risk assets.

The separate valuation allowance of acquired loans and receivables from PDB amounting to ₱1.59 billion was not recognized by the Group on the effectivity date of acquisition as these receivables were measured at fair value at acquisition date. Any uncertainties about future cash flows of these receivables were included in their fair value measurement (Note 11). Also, the separate valuation allowance of acquired investment properties from PDB amounting to ₱199.15 million was not recognized by the Group on the effectivity date of acquisition as these properties were measured at fair value on acquisition date.

The tables below illustrate the movements of the allowance for impairment and credit losses during the year (effect of movements in ECL due to transfers between stages are shown in the total column):

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Corporate and commercial lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	₱1,567,376	₱2,540,760	₱1,866,388	₱5,974,524
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(14,441)	28,817	–	14,376
Transfer from Stage 1 to Stage 3	(239)	–	16,030	15,791
Transfer from Stage 2 to Stage 1	88,811	(610,794)	–	(521,983)
Transfer from Stage 2 to Stage 3	–	(127)	12,175	12,048
Transfer from Stage 3 to Stage 1	835	–	(1,524)	(689)
Transfer from Stage 3 to Stage 2	–	402	(41,564)	(41,162)
New financial assets originated or purchased	1,659,492	82,660	326,658	2,068,810
Changes in PDs/LGDs/EADs	(133,642)	(1,009,545)	9,740	(1,133,447)
Financial assets derecognised during the period	(282,839)	(29,273)	(530,585)	(842,697)
Total net P&L charge during the period	1,317,977	(1,537,860)	(209,070)	(428,953)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(110,226)	(19,240)	(67,211)	(196,677)
Total movements without P&L impact	(110,226)	(19,240)	(67,211)	(196,677)
Loss allowance at December 31, 2018	₱2,775,127	₱983,660	₱1,590,107	₱5,348,894

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	₱98,783	₱180,441	₱1,262,884	₱1,542,108
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(222)	919	–	697
Transfer from Stage 1 to Stage 3	(1,548)	–	73,986	72,438
Transfer from Stage 2 to Stage 1	628	(2,447)	–	(1,819)
Transfer from Stage 2 to Stage 3	–	(567)	143,142	142,575
Transfer from Stage 3 to Stage 1	188	–	(12,493)	(12,305)
Transfer from Stage 3 to Stage 2	–	31	(4,990)	(4,959)
New financial assets originated or purchased	130,472	(270,546)	54,037	(86,037)
Changes in PDs/LGDs/EADs	1,952	(3,359)	(824)	(2,231)
Financial assets derecognised during the period	(2,032)	112,104	132,792	242,864
Total net P&L charge during the period	129,438	(163,865)	385,650	351,223
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(4,839)	–	(506,957)	(511,796)
Total movements without P&L impact	(4,839)	–	(506,957)	(511,796)
Loss allowance at December 31, 2018	₱223,382	₱16,576	₱1,141,577	₱1,381,535

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Trade-related lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	₱56,619	₱5,195	₱33,872	₱95,686
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	48,922	25,774	–	74,696
Changes in PDs/LGDs/EADs	–	–	–	–
Financial assets derecognised during the period	(51,863)	(587)	1,225	(51,225)
Total net P&L charge during the period	(2,941)	25,187	1,225	23,471
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	(4,608)	(15,697)	(20,305)
Total movements without P&L impact	–	(4,608)	(15,697)	(20,305)
Loss allowance at December 31, 2018	₱53,678	₱25,774	₱19,400	₱98,852

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Investments in debt instruments (AC)				
Loss allowance at January 1, 2018	₱5,818	₱532,164	₱151,836	₱689,818
Total net P&L charge during the period	142,818	(8,989)	–	133,828
Write-offs, foreclosures and other movements	60,312	(508,858)	–	(448,545)
Loss allowance at December 31, 2018	₱208,949	₱14,317	₱151,836	₱375,102

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Investments in debt instruments (FVOCI)				
Loss allowance at January 1, 2018	₱4,061	₱–	₱–	₱4,061
Total net P&L charge during the period	(565)	2	–	(564)
Write-offs, foreclosures and other movements	–	–	–	–
Loss allowance at December 31, 2018	₱3,496	₱2	₱–	₱3,498

	Consolidated						
	2017						
	Loans and Receivables					AFS Financial Assets	
	Corporate and Commercial Lending	Consumer Lending	Trade–related Lending	Others	Total	Unquoted Equity Securities	Accrued Interest Receivable
Balance at beginning of year	₱4,593,387	₱1,631,460	₱277,623	₱152,525	₱6,654,995	₱38,742	₱179,339
Provisions (recoveries) during the year	224,815	453,404	158	–	678,377	–	37,821
Transfers/others	(897,841)	(5,000)	(91,205)	(143)	(994,189)	85	(51,708)
Balance at end of year	₱3,920,361	₱2,079,864	₱186,576	₱152,382	₱6,339,183	₱38,827	₱165,452
Individual impairment	₱950,102	₱925,165	₱54,429	₱151,836	₱2,081,532	₱38,827	₱165,452
Collective impairment	2,970,259	1,154,699	132,147	546	4,257,651	–	–
	₱3,920,361	₱2,079,864	₱186,576	₱152,382	₱6,339,183	₱38,827	₱165,452

	Parent Company			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate and commercial lending	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Loss allowance at January 1, 2018	₱1,463,125	₱2,504,510	₱1,145,534	₱5,113,169
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(12,166)	26,542	–	14,376
Transfer from Stage 1 to Stage 3	(149)	–	15,940	15,791
Transfer from Stage 2 to Stage 1	87,675	(609,658)	–	(521,983)
Transfer from Stage 2 to Stage 3	–	(91)	12,139	12,048
Transfer from Stage 3 to Stage 1	3	–	(692)	(689)
Transfer from Stage 3 to Stage 2	–	402	(41,564)	(41,162)
New financial assets originated or purchased	1,560,644	79,805	97,884	1,738,333
Changes in PDs/LGDs/EADs	(133,642)	(1,009,545)	9,740	(1,133,447)
Financial assets derecognised during the period	(209,096)	(10,947)	(262,008)	(482,051)
Total net P&L charge during the period	1,293,269	(1,523,492)	(168,561)	(398,784)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(110,226)	(19,240)	(67,211)	(196,677)
Total movements without P&L impact	(110,226)	(19,240)	(67,211)	(196,677)
Loss allowance at December 31, 2018	₱2,646,168	₱961,778	₱909,762	₱4,517,708

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	₱72,857	₱13,726	₱708,170	₱794,753
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(222)	919	–	697
Transfer from Stage 1 to Stage 3	(1,548)	–	73,986	72,438
Transfer from Stage 2 to Stage 1	628	(2,447)	–	(1,819)
Transfer from Stage 2 to Stage 3	–	(567)	143,142	142,575
Transfer from Stage 3 to Stage 1	188	–	(12,493)	(12,305)
Transfer from Stage 3 to Stage 2	–	31	(4,990)	(4,959)
New financial assets originated or purchased	27,182	1,999	74,735	103,916
Changes in PDs/LGDs/EADs	1,952	(3,359)	(824)	(2,231)
Financial assets derecognised during the period	(2,032)	(4,581)	19,358	12,745
Total net P&L charge during the period	26,148	(8,005)	292,914	311,057
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(4,839)	–	(287,062)	(291,901)
Total movements without P&L impact	(4,839)	–	(287,062)	(291,901)
Loss allowance at December 31, 2018	₱94,166	₱5,721	₱714,022	₱813,909

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Trade-related lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2018	₱44,695	₱5,195	₱33,872	₱83,762
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	48,922	25,774	–	74,696
Changes in PDs/LGDs/EADs	–	–	–	–
Financial assets derecognised during the period	(44,695)	(587)	1,225	(44,057)
Total net P&L charge during the period	4,227	25,187	1,225	30,639
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	(4,608)	(15,697)	(20,305)
Total movements without P&L impact	–	(4,608)	(15,697)	(20,305)
Loss allowance at December 31, 2018	₱48,922	₱25,774	₱19,400	₱94,096

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Investments in debt instruments (AC)				
Loss allowance at January 1, 2018	₱–	₱532,164	₱–	₱532,164
Total net P&L charge during the period	140,309	(8,989)	–	131,320
Write-offs, foreclosures and other movements	60,312	(508,858)	–	(448,545)
Loss allowance at December 31, 2018	₱200,622	₱14,317	₱–	₱214,938

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Investments in debt instruments (FVOCI)				
Loss allowance at January 1, 2018	₱4,061	₱–	₱–	₱4,061
Total net P&L charge during the period	(565)	2	–	(564)
Write-offs, foreclosures and other movements	–	–	–	–
Loss allowance at December 31, 2018	₱3,496	₱2	₱–	₱3,498

	Parent Company						
	2017						
	Loans and Receivables					AFS Financial Assets	
	Corporate and Commercial Lending	Consumer Lending	Trade–related Lending	Others	Total	Unquoted Equity Securities	Accrued Interest Receivable
Balance at beginning of year	₱4,381,126	₱1,061,364	₱265,846	₱689	₱5,709,025	₱6,323	₱62,019
Provisions (recoveries) during the year	138,503	252,010	158	–	390,671	–	141
Transfers/others	(898,767)	–	(91,206)	(143)	(990,116)	–	(3,891)
Balance at end of year	₱3,620,862	₱1,313,374	₱174,798	₱546	₱5,109,580	₱6,323	₱58,269
Individual impairment	728,378	925,165	46,061	–	1,699,604	6,323	58,269
Collective impairment	2,892,484	388,209	128,737	546	3,409,976	–	–
	₱3,620,862	₱1,313,374	₱174,798	₱546	₱5,109,580	₱6,323	₱58,269

The corresponding movement of the gross carrying amount of the financial asset are shown below:

	Consolidated			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Corporate and commercial lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱343,382,501	₱21,959,934	₱3,803,100	₱369,145,536
Transfers:				
Transfer from Stage 1 to Stage 2	(2,204,591)	2,204,591	–	–
Transfer from Stage 1 to Stage 3	(541,790)	–	541,790	–
Transfer from Stage 2 to Stage 1	5,741,579	(5,741,579)	–	–
Transfer from Stage 2 to Stage 3	–	(110,906)	110,906	–
Transfer from Stage 3 to Stage 1	4,599	-	(4,599)	–
Transfer from Stage 3 to Stage 2	–	58,581	(58,581)	–
Movements in outstanding balance	(12,748,731)	(1,385,560)	(68,568)	(14,202,859)
Financial assets derecognised during the period	(146,379,371)	(4,302,610)	(647,546)	(151,329,527)
New financial assets purchased or originated	203,356,235	4,842,239	204,531	208,403,004
Write-offs	(49,904)	–	(45,800)	(95,704)
Foreclosures	(20,000)	(100,000)	–	(120,000)
Gross carrying amount as at December 31, 2018	**₱390,540,527**	**₱17,424,690**	**₱3,835,233**	**₱411,800,451**

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱59,172,559	₱11,538,435	₱3,147,219	₱73,858,213
Transfers:				
Transfer from Stage 1 to Stage 2	(297,371)	297,371	–	–
Transfer from Stage 1 to Stage 3	(695,183)	–	695,183	–
Transfer from Stage 2 to Stage 1	385,789	(385,789)	-	–
Transfer from Stage 2 to Stage 3	–	(241,795)	241,795	–
Transfer from Stage 3 to Stage 1	94,603	–	(94,603)	–
Transfer from Stage 3 to Stage 2	–	7,300	(7,300)	–
Movements in outstanding balance	(5,137,045)	(841,339)	(42,527)	(6,020,911)
Financial assets derecognised during the period	(6,609,339)	(7,913,933)	(310,274)	(14,833,546)
New financial assets purchased or originated	33,786,248	750,348	213,449	34,750,046
Write-offs	(568)	–	(503,842)	(504,409)
Foreclosures	(8,052)	–	(26,400)	(34,452)
Gross carrying amount as at December 31, 2018	**₱80,691,641**	**₱3,210,598**	**₱3,312,700**	**₱87,214,939**

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Trade-related lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱11,023,818	₱1,185,331	₱40,138	₱12,249,287
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	3,437,693	–	–	3,437,693
Financial assets derecognised during the period	(13,581,251)	(1,180,722)	(1,122)	(14,763,096)
New financial assets purchased or originated	11,229,908	1,684,378	–	12,914,287
Write-offs	–	(4,608)	(12,455)	(17,063)
Foreclosures	–	–	(3,242)	(3,242)
Gross carrying amount as at December 31, 2018	**₱12,110,169**	**₱1,684,378**	**₱23,319**	**₱13,817,866**

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Investments in amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱106,283,139	₱1,491,862	–	₱107,775,001
Transfers:				
Transfer from Stage 1 to Stage 2	(1,503,373)	1,503,373	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	1,015,768	(1,015,768)	–	–
Transfer from Stage 2 to Stage 3	–	(508,880)	508,880	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	–	–	–	–
Financial assets derecognised during the period	(1,499,195)	–	(508,880)	(2,008,075)
New financial assets purchased or originated	59,725,675	3,678,571	–	63,404,246
Other movements	3,556,344	32,786	151,836	3,740,965
Gross carrying amount as at December 31, 2018	**₱167,578,357**	**₱5,181,944**	**₱151,836**	**₱172,912,137**

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Investments at FVOCI (debt)	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱7,139,941	₱–	₱–	₱7,139,941
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	–	–	–	–
Financial assets derecognised during the period	(1,301,024)	–	–	(1,301,024)
New financial assets purchased or originated	5,548,115	–	–	5,548,115
Other movements	(1,392,669)	–	–	(1,392,669)
Gross carrying amount as at December 31, 2018	**₱9,994,362**	**₱–**	**₱–**	**₱9,994,362**

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Corporate and commercial lending	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱314,896,868	₱20,860,133	₱1,396,331	₱337,153,332
Transfers:				
Transfer from Stage 1 to Stage 2	(1,614,808)	1,614,808	–	–
Transfer from Stage 1 to Stage 3	(16,150)	–	16,150	–
Transfer from Stage 2 to Stage 1	5,416,311	(5,416,311)	–	–
Transfer from Stage 2 to Stage 3	–	(22,537)	22,537	–
Transfer from Stage 3 to Stage 1	471	–	(471)	–
Transfer from Stage 3 to Stage 2	–	58,581	(58,581)	–
Movements in outstanding balance	(13,147,095)	(1,041,488)	(12,753)	(14,201,336)
Financial assets derecognised during the period	(138,623,015)	(3,962,344)	(410,260)	(142,995,619)
New financial assets purchased or originated	196,692,368	4,810,531	160,778	201,663,677
Write-offs	(49,904)	-	(45,800)	(95,705)
Foreclosures	(20,000)	(100,000)	-	(120,000)
Gross carrying amount as at December 31, 2018	**₱363,535,045**	**₱16,801,373**	**₱1,067,931**	**₱381,404,350**

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
<u>Consumer lending</u>	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱35,519,556	₱7,085,076	₱1,430,659	₱44,035,292
Transfers:				
Transfer from Stage 1 to Stage 2	(297,371)	297,371	–	–
Transfer from Stage 1 to Stage 3	(695,183)	–	695,183	–
Transfer from Stage 2 to Stage 1	385,789	(385,789)	–	–
Transfer from Stage 2 to Stage 3	–	(241,795)	241,795	–
Transfer from Stage 3 to Stage 1	94,603	–	(94,603)	–
Transfer from Stage 3 to Stage 2	–	7,300	(7,300)	–
Movements in outstanding balance	(4,831,880)	(902,628)	(42,526)	(5,777,034)
Financial assets derecognised during the period	(4,044,525)	(3,588,822)	(141,242)	(7,774,589)
New financial assets purchased or originated	21,786,039	553,104	180,687	22,519,829
Write-offs	(568)	–	(283,947)	(284,514)
Foreclosures	(8,052)	–	(26,400)	(34,452)
Gross carrying amount as at December 31, 2018	**₱47,908,408**	**₱2,823,817**	**₱1,952,306**	**₱52,684,532**

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
<u>Trade-related lending</u>	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱9,462,533	₱1,185,331	₱40,138	₱10,688,002
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	–	–	–	–
Financial assets derecognised during the period	(9,462,533)	(1,180,722)	(1,122)	(10,644,378)
New financial assets purchased or originated	11,229,908	1,684,378	–	12,914,287
Write-offs	–	(4,608)	(12,455)	(17,063)
Foreclosures	–	–	(3,242)	(3,242)
Gross carrying amount as at December 31, 2018	**₱11,229,908**	**₱1,684,378**	**₱23,319**	**₱12,937,606**

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Investments in amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱101,081,352	₱1,491,862	₱–	₱102,573,214
Transfers:				
Transfer from Stage 1 to Stage 2	(1,503,373)	1,503,373	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	1,015,768	(1,015,768)	–	–
Transfer from Stage 2 to Stage 3	–	(508,880)	508,880	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	–	–	–	–
Financial assets derecognised during the period	(1,499,195)	–	(508,880)	(2,008,075)
New financial assets purchased or originated	56,300,580	3,678,571	–	59,979,151
Other movements	3,462,329	32,786	–	3,495,114
Gross carrying amount as at December 31, 2018	**₱158,857,460**	**₱5,181,944**	**₱–**	**₱164,039,404**

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Investments at FVOCI (debt)	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2018	₱5,147,303	₱–	₱–	₱5,147,303
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Movements in outstanding balance	–	–	–	–
Financial assets derecognised during the period	(1,107,221)	–	–	(1,107,221)
New financial assets purchased or originated	5,265,658	–	–	5,265,658
Other movements	(1,164,380)	–	–	(1,163,733)
Gross carrying amount as at December 31, 2018	**₱8,141,359**	**₱–**	**₱–**	**₱8,141,359**

While the Group recognizes through the statement of income the movements in the expected credit losses computed using the models, the Group also complies with BSP's regulatory requirement to appropriate a portion of its retained earnings at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 23). In 2018, the amount of retained earnings appropriated for this purpose increased by ₱340.41 million for both the Group and the Parent Company.

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Provision for impairment and credit losses	**₱141,076**	₱754,171	₱850,546	**(₱1,957)**	₱423,922	₱521,475
Retained earning, appropriated	**340,409**	–	–	**340,409**	–	–
	₱481,485	₱754,171	₱850,546	**₱338,452**	₱423,922	₱521,475

17. DEPOSIT LIABILITIES

As of December 31, 2018 and 2017, 33.64% and 36.13% respectively, of the total deposit liabilities of the Group and 37.56% and 40.19% of the parent are subject to periodic interest repricing. The remaining deposit liabilities bear annual fixed interest rates ranging from 0.13% to 4.55% in 2018, 0.13% to 3.65% in 2017, 0.13% to 3.25% in 2016, 0.13% to 2.75% in 2015 and 2014.

Interest Expense on Deposit Liabilities
This account consists of:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Demand	**₱257,129**	₱233,984	₱197,595	**₱182,521**	₱163,524	₱143,917
Savings	**3,491,085**	1,120,422	819,991	**3,429,446**	1,072,849	567,447
Time	**7,873,305**	5,167,529	3,813,969	**6,124,047**	3,974,430	2,917,763
	₱11,621,609	₱6,521,935	₱4,831,555	**₱9,738,032**	₱5,210,803	₱3,629,127

BSP Circular No. 830 requires reserves against deposit liabilities. As of December 31, 2018 and 2017, due from BSP amounting to ₱100.06 billion and ₱95.90 billion, respectively, for the Group and ₱93.26 billion and ₱89.17 billion, respectively, for the Parent Company were set aside as reserves for deposit liabilities per latest report submitted BSP. As of December 31, 2018 and 2017, the Group is in compliance with such regulation.

Long Term Negotiable Certificates of Deposits (LTNCD)
On August 3, 2016, the BOD of the Parent Company approved the issuance of LTNCD of up to ₱20.00 billion in tranches of ₱5.00 billion to ₱10.00 billion each and with tenors ranging from 5 to 7 years to support the Group's strategic initiatives and business growth. On October 27, 2016, the Monetary Board of the BSP approved the LTNCD issuances. On November 18, 2016, the Parent Company issued the first tranche at par with aggregate principal amount of ₱9.58 billion due May 18, 2022. The LTNCDs bear a fixed coupon rate of 3.65% per annum, payable quarterly in arrears. Subject to BSP rules, the Group has the option to pre-terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest.

On June 2, 2017, the Parent Company issued at par LTNCDs with aggregate principal amount of ₱6.35 billion due December 22, 2022, representing the second tranche of the ₱20.00 billion.

On March 7, 2018, the BOD approved the Bank's Peso funding program of up to ₱50.00 billion via a combination of LTNCD and/or Retail Bonds and/or Commercial Papers.

On July 12, 2018, the Parent Company issued at par LTNCDs with aggregate principal amount of ₱10.25 billion due January 12, 2024, representing the first tranche of the ₱20 billion LTNCD approved by BSP on June 14, 2018. The LTNCDs bear a fixed coupon rate of 4.55% per annum, payable quarterly in arrears. The ₱20.00 billion LTNCD program is part of the Group's funding program amounting to ₱50.00 billion.

The LTNCDs are included under the 'Time deposit liabilities' account.

18. BILLS PAYABLE

Bills Payable
The Group's and the Parent Company's bills payable consist of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Interbank loans payable	**₱28,426,800**	₱16,378,274	**₱28,426,800**	₱16,378,274
Trade finance	**5,804,832**	3,739,757	**5,804,832**	3,739,757
BPS rediscounting (Note 10)	**4,132,800**	–	**4,132,800**	–
Promissory Notes	**1,462,100**	–	**1,462,100**	–
	₱39,826,532	₱20,118,031	**₱39,826,532**	₱20,118,031

Interbank loans payable
Interbank loans payable consists of short-term dollar-denominated borrowings of the Parent Company with annual interest ranging from 3.11% to 4.73% and from 0.12% to 2.28% in 2018 and 2017, respectively.

As of December 31, 2018, the carrying amount of foreign currency-denominated investment securities at amortized cost and FVOCI pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱13.32 billion and ₱0.73 billion, respectively. The carrying amount of peso-denominated investment securities at amortized cost pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱20.69 billion. The fair value of investment securities at amortized cost pledged as collateral amounted to ₱31.86 billion as of December 31, 2018 (Note 9).

As of December 31, 2017, the carrying amount of foreign currency-denominated HTM and AFS financial assets pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱3.43 billion and ₱3.72 billion, respectively. The carrying amount of peso-denominated HTM, AFS and HFT financial assets pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱10.25 billion, ₱0.10 billion and ₱0.49 billion, respectively. The fair value of HTM financial assets pledged as collateral amounted to ₱13.24 billion as of December 31, 2017 (Note 9).

As of December 31, 2018 and 2017, margin deposits amounting to ₱930.82 billion and ₱497.26 million, respectively, are deposited with various counterparties to meet the collateral requirements for its interbank loans payable.

Trade finance
As of December 31, 2018 and 2017, trade finance consists of the Parent Company's borrowings from financial institutions using bank trade assets as the basis for borrowing foreign currency. The refinancing amount should not exceed the aggregate amount of trade assets.

19. ACCRUED INTEREST AND OTHER EXPENSES

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Accrued interest payable	**₱1,737,659**	₱813,068	**₱1,513,147**	₱707,342
Accrued payable for employee benefits	**958,643**	963,774	**958,643**	956,348
Accrued taxes and other licenses	**229,059**	116,158	**149,088**	96,153
Accrued lease payable	**198,759**	166,246	**198,759**	162,875
Accrued other expenses payable	**718,405**	568,373	**522,515**	361,230
	₱3,842,525	₱2,627,619	**₱3,342,152**	₱2,283,948

20. OTHER LIABILITIES

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Financial liabilities				
Accounts payable	**₱3,426,924**	₱3,131,826	**₱2,248,710**	₱1,827,956
Due to PDIC	**628,142**	531,645	**628,142**	531,645
Acceptances payable	**348,738**	469,518	**357,832**	469,518
Other credits-dormant	**241,720**	281,008	**241,720**	213,681
Due to the Treasurer of the Philippines	**386,930**	43,174	**378,871**	33,950
Margin deposits	**3,359**	3,004	**3,359**	3,004
Expected credit losses on off-balance sheet exposures	**1,629,150**	–	**1,619,131**	–
Miscellaneous (Note 23)	**682,487**	938,901	**301,701**	430,041
	7,347,450	5,399,076	**5,779,466**	3,509,795
Nonfinancial liabilities				
Withholding taxes payable	**325,508**	202,174	**270,346**	155,320
Retirement liabilities (Note 24)	**8,686**	119,451	**–**	–
	334,194	321,625	**270,346**	155,320
	₱7,681,644	₱5,720,701	**₱6,049,812**	₱3,665,115

Accounts payable includes payables to suppliers and service providers, and loan payments and other charges received from customers in advance.

Off-balance sheet exposures (Note 30) subject to ECL include syndicated and long-term lines. ECL for these exposures that was recognized on January 1, 2018 to ₱1.67 billion for the Group and ₱1.61 billion for the Parent Company.

Miscellaneous mainly includes sundry credits, inter–office float items, and dormant deposit accounts.

21. OTHER OPERATING INCOME AND MISCELLANEOUS EXPENSES

Service Charges, Fees and Commissions
Details of this account are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Service and collection charges:						
Deposits	**₱606,051**	₱540,323	₱597,294	**₱606,051**	₱539,941	₱535,397
Loans	**330,520**	276,054	214,237	**330,520**	34,758	40,301
Remittances	**303,817**	311,768	302,184	**47,397**	311,768	302,184
Others	**109,290**	112,725	114,791	**107,652**	99,116	93,452
	1,349,677	1,240,870	1,228,506	**1,091,620**	985,583	971,334
Fees and commissions	**1,427,605**	1,200,854	894,963	**438,107**	409,415	348,114
	₱2,777,283	₱2,441,724	₱2,123,469	**₱1,529,727**	₱1,394,998	₱1,319,448

Trading and securities gain - net
This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
AFS financial assets	**(₱2,104)**	₱363,350	₱918,673	**(₱2,451)**	₱340,351	₱856,031
Financial assets designated at FVPL (Note 9)	**(36,766)**	170,352	111,615	**(40,831)**	170,352	111,615
Held-for-trading (Note 9)	**–**	(55,257)	(135,709)	**–**	(55,257)	(135,709)
Financial assets at FVOCI	**(224,583)**	–	–	**(224,583)**	–	–
Derivative assets (Note 25)	**(19,827)**	(3,510)	23,510	**(19,827)**	(3,510)	23,510
Financial asset at amortized cost	**(11,728)**	–	–	**(11,728)**	–	–
HTM financial assets	**–**	5,025	–	**11,728**	5,025	–
	(₱271,552)	₱479,960	₱918,089	**(₱275,964)**	₱399,760	₱852,870

Miscellaneous Income
Details of this account are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Bancassurance (Note 11)	**₱357,786**	₱360,009	₱383,483	**₱357,786**	₱360,009	₱383,483
Dividends (Note 9)	**127,084**	91,073	193,229	**126,386**	91,073	193,229
Recovery of charged off assets	**144,924**	199,014	18,734	**100,517**	184,272	10,523
Rental on bank premises	**111,572**	111,651	91,591	**80,388**	83,911	67,134
Fund transfer fees	**49,171**	59,682	50,658	**49,171**	59,682	50,658
Rental safety deposit boxes	**26,341**	24,933	24,627	**26,341**	24,825	24,269
Miscellaneous income (Notes 12, 13 and 15)	**444,863**	670,161	116,122	**389,545**	587,884	70,801
	₱1,261,741	₱1,516,523	₱878,445	**₱1,130,134**	₱1,391,657	₱800,097

On April 11, 2017, the Bureau of Treasury (BTr) paid the Group the final tax withheld (FWT) from the proceeds of the Poverty Eradication and Alleviation Certificates (PEACe) bonds last October 18, 2011, plus 4.00% interest per annum from October 19, 2011 to April 10, 2017. Total settlement amount were paid in the form of 3-year Retail Treasury Bonds with interest of 4.25% per annum. The settlement resulted in gain amounting to ₱381.65 million and ₱356.77 million for the Group and Parent Company, respectively, which is presented under 'Miscellaneous income' in 2017.

Miscellaneous Expenses
Details of this account are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Information technology	**₱231,895**	₱402,314	₱108,458	**₱231,895**	₱339,214	₱227,627
Service charges	**500,459**	219,430	225,889	**452,540**	219,430	225,889
Litigations	**198,011**	176,602	117,363	**65,157**	22,815	43,261
Freight	**37,593**	38,909	34,331	**24,352**	27,953	27,354
Broker's fee	**35,843**	39,129	12,403	**31,891**	39,128	12,403
Clearing and processing fee	**22,024**	21,252	27,379	**17,355**	16,320	24,525
Membership fees and dues	**17,756**	18,642	29,329	**16,260**	17,160	28,135
Miscellaneous expense	**1,011,053**	951,274	518,834	**779,702**	808,638	352,295
	₱2,054,634	₱1,867,552	₱1,073,986	**₱1,619,152**	₱1,490,658	₱941,489

22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following tables present both the Group's and Parent Company's assets and liabilities as of December 31, 2018 and 2017 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the respective reporting date:

	Consolidated					
	2018			2017		
	Within Twelve Months	Over Twelve Months	Total	Within Twelve Months	Over Twelve Months	Total
Financial assets						
Cash and other cash items	₱15,639,474	₱–	₱15,639,474	₱12,685,984	₱–	₱12,685,984
Due from BSP	101,889,773	–	101,889,773	98,490,014	–	98,490,014
Due from other banks	9,455,447	–	9,455,447	15,641,476	–	15,641,476
Interbank loans receivable and SPURA	11,998,040	–	11,998,040	18,751,845	–	18,751,845
Financial assets at FVPL	6,273,368	1,322,894	7,596,262	12,730,270	3,508,618	16,238,888
Financial assets at FVOCI						
AFS financial assets – gross	1,364,962	8,732,542	10,097,504	7,389,865	39,094,353	46,484,218
Investment securities at amortized cost						
HTM financial assets	9,893,261	163,018,876	172,912,137	628,196	64,658,071	65,286,267
Loans and receivables – gross	166,260,382	346,629,390	512,889,772	163,581,848	292,036,163	455,618,011
Accrued interest receivable – gross	6,000,736	–	6,000,736	3,883,957	–	3,883,957
Other assets – gross	3,294,964	1,121,036	4,416,000	3,188,970	1,223,673	4,412,643
	332,070,407	520,824,738	852,895,145	336,972,425	400,520,878	737,493,303
Nonfinancial assets						
Bank premises, furniture, fixtures and equipment – net of accumulated depreciation and amortization	–	6,450,458	6,450,458	–	6,877,012	6,877,012
Investment properties – net of accumulated depreciation	–	6,064,835	6,064,835	–	6,509,539	6,509,539
Deferred tax assets	–	2,514,889	2,514,889	–	1,778,081	1,778,081
Investments in associates	–	335,092	335,092	–	329,422	329,422
Intangible assets	–	4,215,199	4,215,199	–	4,104,032	4,104,032
Goodwill	–	839,748	839,748	–	839,748	839,748
Other assets – gross	1,351,634	1,211,331	2,562,965	1,281,008	1,292,209	2,573,217
	1,351,634	21,631,552	22,983,186	1,281,008	21,730,043	23,011,051
Allowance for impairment and credit losses (Note 16)			(9,551,150)			(8,748,958)
Unearned discounts (Note 10)			(255,535)			(307,886)
			(9,806,685)			(9,056,844)
			₱866,071,646			₱751,447,510
Financial liabilities						
Deposit liabilities	682,760,286	39,363,010	722,123,296	602,734,404	32,358,989	635,093,393
Bills payable	39,826,532	–	39,826,532	20,118,031	–	20,118,031
Manager's checks	2,577,175	–	2,577,175	2,441,042	–	2,441,042
Accrued interest and other expenses*	2,098,994	352,335	2,451,329	1,114,252	267,189	1,381,441
Derivative liabilities	455,150	–	455,150	267,533	–	267,533
Other liabilities	6,110,225	1,213,812	7,324,037	5,399,076	–	5,399,076
	733,828,362	40,929,157	774,757,519	632,074,338	32,626,178	664,700,516
Nonfinancial liabilities						
Accrued interest and other expenses	161,542	1,229,654	1,391,196	105,468	1,140,710	1,246,178
Deferred tax liabilities	–	1,231,145	1,231,145	–	1,161,653	1,161,653
Income tax payable	477,585	–	477,585	362,041	–	362,041
Other liabilities	325,508	32,102	357,610	202,174	119,451	321,625
	₱734,792,997	₱43,422,058	₱778,215,055	₱632,744,021	₱35,047,992	₱667,792,013

*Accrued interest and other expenses include accrued interest payable and accrued other expenses payable (Note 19).

	Parent Company					
	2018			2017		
	Within Twelve Months	**Over Twelve Months**	**Total**	Within Twelve Months	Over Twelve Months	Total
Financial assets						
Cash and other cash items	**₱13,705,304**	**₱–**	**₱13,705,304**	₱11,160,173	₱–	₱11,160,173
Due from BSP	**95,092,944**	**–**	**95,092,944**	91,717,037	–	91,717,037
Due from other banks	**7,837,894**	**–**	**7,837,894**	14,066,620	–	14,066,620
SPURA	**8,998,040**	**–**	**8,998,040**	17,347,522	–	17,347,522
Financial assets at FVPL	**5,366,903**	**1,322,894**	**6,689,796**	12,633,520	3,423,303	16,056,823
AFS financial assets – gross	**1,059,474**	**7,153,536**	**8,213,010**	6,733,105	36,210,301	42,943,406
HTM financial assets	**6,852,074**	**157,187,330**	**164,039,404**	346,208	61,187,285	61,533,493
Loans and receivables – gross	**144,064,744**	**303,001,501**	**447,066,245**	136,176,920	255,754,257	391,931,177
Accrued interest receivable – gross	**5,171,374**	**–**	**5,171,374**	3,247,352	–	3,247,352
Other assets – gross	**1,773,527**	**224,035**	**1,997,562**	1,927,221	208,496	2,135,717
	289,922,279	**468,889,296**	**758,811,575**	295,355,678	356,783,642	652,139,320
Nonfinancial assets						
Bank premises, furniture, fixtures and equipment – net of accumulated depreciation and amortization	**–**	**5,265,386**	**5,265,386**	–	5,464,582	5,464,582
Investment properties – net of accumulated depreciation	**–**	**2,309,762**	**2,309,762**	–	2,756,921	2,756,921
Deferred tax assets	**–**	**1,739,219**	**1,739,219**	–	1,297,271	1,297,271
Investments in subsidiaries	**–**	**14,333,567**	**14,333,567**	–	13,560,733	13,560,733
Investment in associates	**–**	**335,092**	**335,092**	–	329,422	329,422
Intangible assets	**–**	**915,531**	**915,531**	–	800,861	800,861
Goodwill	**–**	**222,841**	**222,841**	–	222,841	222,841
Other assets – gross	**1,056,495**	**756,160**	**1,812,655**	895,082	991,386	1,886,468
	1,056,495	**25,877,558**	**26,934,054**	895,082	25,424,017	26,319,099
Allowances for impairment and credit losses (Note 16)			**(7,284,317)**			(6,921,550)
Unearned discounts (Note 10)			**(208,377)**			(267,099)
			(7,492,694)			(7,188,649)
			₱778,252,935			₱671,269,770
Financial liabilities						
Deposit liabilities	**606,235,158**	**32,008,204**	**638,243,362**	534,657,559	24,578,420	559,235,979
Bills payable	**39,826,532**	**–**	**39,826,532**	20,118,031	–	20,118,031
Manager's checks	**2,069,812**	**–**	**2,069,812**	1,709,248	–	1,709,248
Accrued interest and other expenses*	**2,035,662**	**–**	**2,035,662**	1,068,572	–	1,068,572
Derivative liabilities	**455,150**	**–**	**455,150**	267,533	–	267,533
Other liabilities	**5,779,467**	**–**	**5,779,467**	3,509,795	–	3,509,795
	656,401,780	**32,008,204**	**688,409,985**	561,330,738	24,578,420	585,909,158
Nonfinancial liabilities						
Accrued interest and other expenses	**149,088**	**1,157,402**	**1,306,490**	96,153	1,119,223	1,215,376
Income tax payable	**414,233**	**–**	**414,233**	339,155	–	339,155
Other liabilities	**270,346**	**–**	**270,346**	155,320	–	155,320
	₱657,235,448	**₱33,165,606**	**₱690,401,055**	₱561,921,366	₱25,697,643	₱587,619,009

*Accrued interest and other expenses include accrued interest payable and accrued other expenses payable (Note 19).

23. EQUITY

The Parent Company's capital stock consists of (amounts in thousands, except for number of shares):

	2018		2017	
	Shares	**Amount**	Shares	Amount
Common stock – ₱10.00 par value				
Authorized – shares	**3,300,000,000**		3,300,000,000	
Issued and outstanding				
Balance at beginning of year	**2,684,771,716**	**₱26,847,717**	2,002,027,836	₱20,020,278
Stock rights	**–**	**–**	483,870,967	4,838,710
Additional issuance of shares	**1,128,096**	**11,281**	–	–
Stock dividends*	**–**	**–**	198,872,913	1,988,729
	2,685,899,812	**₱26,858,998**	2,684,771,716	₱26,847,717

*The stock dividends declared include fractional shares equivalent to 1,009 and 1,060 in 2018 and 2017, respectively.

The Parent Company shares are listed in the Philippine Stock Exchange.

Stock Rights Offering
On February 22, 2017, the BOD authorized the Parent Company to conduct a rights issue by way of offering common shares to certain eligible shareholders. The BSP approved the stock rights offering on March 6, 2017.

Each eligible shareholder was entitled to one share, at ₱31.00 apiece, per 4.1375 existing common shares as of April 19, 2017. The stock rights offering yielded a subscription of 483,870,967 common shares which were listed at the Philippine Stock Exchange on May 10, 2017. The total proceeds of the stock rights offering amounted to ₱14.9 billion, net of stock issuance cost of ₱52.09 million which was deducted from additional paid in capital.

The additional capital enabled the Parent Company to grow its loan portfolio, expand its branch network, and support its other strategic business initiatives.

Increase in the Parent Company's Authorized Capital Stock
On March 15, 2017 and May 4, 2017 the BOD approved and the stockholders ratified, respectively, the increase in the Parent Company's authorized capital stock from ₱25.00 billion to ₱33.00 billion, or from ₱2.50 billion to ₱3.30 billion shares with par value of 10.00 per share. The increase in the Parent Company's authorized capital stock was subsequently approved by the BSP and the SEC on August 2, 2017 and September 29, 2017, respectively.

On June 7, 2017, the Parent Company and the Trust and Asset Management Group (on behalf of the CBC Employees Retirement Plan) entered into a subscription agreement whereas the latter will subscribe to 1,128,096 new common shares of the Parent Company at a subscription price per share equal to the higher between the closing price of the Parent Company's stock dividend or the par value of ₱10.00 per share.

On January 24, 2018, the BOD of the Parent Company, during a special board meeting, confirmed the issuance of the shares to CBC Employees Retirement Plan in accordance with the subscription agreement which was paid at a subscription price of ₱33.40 per share (closing price of the Group's shares at the Philippine Stock Exchange on October 20, 2018 which is the record date of the Parent Company's stock dividend).

The summarized information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares*
April 12, 1991	100,000
October 7, 1993	150,000
August 30, 1994	200,000
July 26, 1995	250,000
September 12, 1997	500,000
September 5, 2005	1,000,000
September 14, 2007	1,600,000
September 5, 2008	2,000,000
August 29, 2014	2,500,000
September 29, 2017	3,300,000

* *Restated to show the effects of the ten–for–one stock split in 2012*

As reported by the Parent Company's transfer agent, Stock Transfer Service, Inc., the total number of stockholders is 1,928 and 1,934 as of December 31, 2018 and 2017, respectively.

Dividends
Details of the Parent Company's cash dividend payments follow:

Cash Dividends

Date of Declaration	Date of Record	Date of Payment	Cash Dividend Per Share
May 03, 2018	May 17, 2018	June 01, 2018	0.83
May 04, 2017	May 18, 2017	June 02, 2017	0.80
May 05, 2016	May 23, 2016	June 03, 2016	1.00
May 07, 2015	August 12, 2015	September 09, 2015	1.00
May 08, 2014	September 19, 2014	October 15, 2014	1.00
May 02, 2013	July 19, 2013	August 14, 2013	1.20

Stock Dividends

Date of Declaration	Date of Record	Date of Payment	Stock Dividend Per Share
March 15, 2017	October 20, 2017	November 03, 2017	8%
May 05, 2016	May 23, 2016	June 03, 2016	8%
May 07, 2015	August 12, 2015	September 09, 2015	8%
May 08, 2014	September 19, 2014	October 15, 2014	8%
May 02, 2013	July 19, 2013	August 14, 2013	10%

Surplus
The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2018 and 2017, surplus includes the amount of ₱1.28 billion, net of deferred tax liability of ₱547.40 million, representing transfer of revaluation increment on land which was carried at deemed cost when the Group transitioned to PFRS in 2005 (Note 12). This amount will be available to be declared as dividends upon sale of the underlying land.

In the consolidated financial statements, a portion of the Group's surplus corresponding to the net earnings of the subsidiaries and associates amounting to ₱1.64 billion and ₱851.57 million as of December 31, 2018 and 2017, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

Reserves

In compliance with BSP regulations, 10.00% of the Parent Company's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Parent Company's authorized capital stock.

Upon adoption of PFRS 9, BSP requires appropriation of a portion of the Group's Retained Earnings at an amount necessary to bring to at least 1% the allowance for credit losses on loans.

As of January 1, 2018 and December 31, 2018, the accumulated amount of appropriation to surplus reserves amounted to ₱2.43 billion and ₱2.75 billion, respectively. Appropriation for the year amounted to ₱312.82 million (Note 16).

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes as of December 31, 2018 and 2017.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets (RWA), should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and RWA are computed based on BSP regulations. RWA consists of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

On August 4, 2006, the BSP, under BSP Circular No. 538, issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II capital adequacy framework. The BSP guidelines took effect on July 1, 2007. Thereafter, banks were required to compute their CAR using these guidelines.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard & Poor's, Moody's and Fitch, while PhilRatings were used on peso-denominated exposures to Sovereigns, MDBs, Banks, LGUs, Government Corporations, Corporates.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular took effect on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and this ratio shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2016. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The CAR of the Group and the Parent Company as of December 31, 2018 as reported to the BSP are shown in the table below.

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
	(Amounts in Million Pesos)			
CET 1 Capital	**₱84,726**	₱78,086	**₱81,957**	₱77,161
Less: Regulatory Adjustments	**10,492**	7,434	**17,208**	13,854
	74,234	70,652	**64,749**	63,307
Additional Tier 1 Capital		–	–	–
Less: Regulatory Adjustments		–	–	–
		–	**–**	–
Net Tier 1 Capital	**74,234**	70,652	**64,749**	63,307
Tier 2 Capital	**5,659**	3,970	**4,982**	3,410
Less: Regulatory Adjustments	**–**	–	**–**	–
Net Tier 2 Capital	**5,659**	3,970	**4,982**	3,410
Total Qualifying Capital	**₱79,893**	₱74,622	**₱69,731**	₱66,717

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
	(Amounts in Million Pesos)			
Credit RWA	**₱565,777**	₱480,956	**₱498,030**	₱451,457
Market RWA	**5,154**	7,665	**5,204**	7,540
Operational RWA	**39,470**	36,047	**31,877**	28,526
Total RWA	**₱610,401**	₱524,668	**₱535,110**	₱487,523
CET 1 capital ratio	**12.16%**	13.47%	**12.10%**	14.02%
Tier 1 capital ratio	**12.16%**	13.47%	**12.10%**	14.02%
Total capital ratio	**13.09%**	14.22%	**13.03%**	14.78%

The Parent Company has complied with all externally imposed capital requirements throughout the period.

The issuance of BSP Circular No. 639 covering the ICAAP in 2009 supplements the BSP's risk–based capital adequacy framework under Circular No. 538. In compliance with this circular, the Parent Company has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Parent Company. The level and structure of capital are assessed and determined in light of the Parent Company's business environment, plans, performance, risks and budget, as well as regulatory edicts. BSP requires submission of an ICAAP document every March 31. The Group has complied with this requirement.

24. RETIREMENT PLAN

The Group has separate funded noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. The retirement plans are administered by the Parent Company's Trust Group which acts as the trustee of the plans. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation studies of the retirement plans were made as of December 31, 2018.

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The amounts of net defined benefit asset in the balance sheets follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Net plan assets (Note 15)	**₱777,827**	₱995,050	**₱756,159**	₱991,386
Retirement liabilities (Note 20)	**(8,686)**	(119,451)	**–**	–
	₱769,141	₱875,599	**₱756,159**	₱991,386

The movements in the defined benefit asset, present value of defined benefit obligation and fair value of plan assets follow:

	Consolidated 2018											
		Net benefit cost				Remeasurements in OCI						
	January 1, 2018	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Changes in remeasurement gains (losses)	Contribution by employer	December 31, 2018
	(a)	(c)	(d)	(e) = c + d	(f)	(g)	(h)	(i)		(j) = g + h + i	(k)	(l) = a + b + e + f + j + k
Fair value of plan assets	₱4,868,423	₱–	₱272,914	₱272,914	(₱275,805)	(₱619,071)	₱–	₱–		(₱619,071)	₱612,788	₱4,859,249
Present value of defined benefit obligation	3,992,824	431,972	223,936	655,907	(275,805)	–	38,390	(321,209)		(282,819)		4,090,108
Net defined benefit asset	₱875,599	(₱431,972)	₱48,978	(₱382,994)	–	(₱619,071)	(₱38,390)	₱321,209		(₱336,251)	₱612,788	₱769,141

Presented under Compensation and fringe benefits in the statements of income.

	Consolidated 2017											
		Remeasurements in OCI										
				Net benefit cost								
	January 1, 2017	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Changes in remeasurement gains (losses)	Contribution by employer	December 31, 2017
	(a)	(c)	(d)	(e) = c + d	(f)	(g)	(h)	(i)		(j) = g + h + i	(k)	(l) = a + b + e + f + j + k
Fair value of plan assets	₱4,521,109	₱–	₱217,203	₱217,203	(₱288,014)	(₱153,076)	₱–	–	₱–	(₱153,076)	₱571,200	₱4,868,423
Present value of defined benefit obligation	3,911,041	375,598	188,654	564,252	(288,014)	–	48,675	(243,130)	–	(194,455)	–	3,992,824
Net defined benefit asset	₱610,068	(₱375,598)	₱28,549	(₱347,049)	₱–	(₱153,076)	(₱48,675)	₱243,130	₱–	₱41,379	₱571,200	₱875,599

Presented under Compensation and fringe benefits in the statements of income.

	Parent Company 2018										
		Net benefit cost				Remeasurements in OCI					
	January 1, 2018	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Changes in remeasurement gains (losses)	Contribution by employer	December 31, 2018
	(a)	(c)	(d)	(e) = c + d	(f)	(g)	(h)	(i)	(j) = g + h + i	(k)	(l) = a + b + e + f + j + k
Fair value of plan assets	₱4,558,199	₱–	₱255,259	₱255,259	(235,193)	(₱590,629)	₱–	₱–	(₱590,629)	₱480,000	₱4,467,637
Present value of defined benefit obligation	3,566,814	324,756	199,742	324,956	(235,193)	–	97,785	(245,646)	(147,861)	–	3,711,477
Net defined benefit asset	₱991,386	(₱324,756)	₱55,518	(₱69,697)	–	(₱590,629)	₱97,785	245,646	(₱442,768)	₱480,000	₱756,160

Presented under Compensation and fringe benefits in the statements of income.

	Parent Company 2017										
		Net benefit cost				Remeasurements in OCI					
	January 1, 2017	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Changes in remeasurement gains (losses)	Contribution by employer	December 31, 2017
	(a)	(c)	(d)	(e) = c + d	(f)	(g)	(h)	(i)	(j) = g + h + i	(k)	(l) = a + b + e + f + j + k
Fair value of plan assets	₱4,315,996	₱–	₱206,736	₱206,736	(₱273,001)	(₱141,532)	₱–	₱–	(₱141,532)	₱450,000	₱4,558,199
Present value of defined benefit obligation	3,561,242	264,989	170,583	435,573	(273,001)	–	50,525	(207,525)	(157,000)	–	3,566,813
Net defined benefit asset	₱754,754	(₱264,989)	₱36,153	(₱288,837)	₱–	(₱141,532)	(₱50,525)	₱207,525	₱15,468	₱450,000	₱991,386

**Presented under Compensation and fringe benefits in the statements of income.*

The Group and the Parent Company is recommended to contribute to its defined benefit pension plan in 2019 amounting to ₱614.33 million and ₱453.28 million.

In 2018 and 2017, the major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Parent Company shares (Note 29)	**31.54%**	36.30%	**33.76%**	38.75%
Equity instruments	**23.83%**	20.97%	**21.76%**	21.59%
Cash and cash equivalents	**10.17%**	9.94%	**9.07%**	7.54%
Debt instruments	**19.39%**	14.74%	**19.39%**	12.93%
Other assets	**15.08%**	18.05%	**16.03%**	19.19%
	100.00%	100.00%	**100.00%**	100.00%

The following table shows the breakdown of fair value of the plan assets:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Due from BSP	**₱–**	₱–	**₱–**	–
Deposits in banks	**479,650**	486,822	**399,395**	345,702
Financial assets at FVPL	**868,381**	993,381	**839,145**	967,053
AFS financial assets		–		–
Quoted debt securities	**969,754**	513,233	**832,834**	404,197
Quoted equity securities	**46,101**	33,652	**15,023**	23,121
Parent Company shares	**1,487,360**	1,777,250	**1,487,360**	1,777,250
Investments in unit investment trust fund	**145,203**	199,557	**117,097**	179,913
Corporate bonds	**8,750**	8,750	**8,750**	8,750
Loans and receivable	**523,483**	688,029	**520,663**	685,179
Investment properties*	**162,323**	143,799	**162,323**	143,799
Other assets	**25,444**	52,078	**23,019**	51,219
	₱4,716,449	₱4,896,551	**₱4,405,609**	₱4,586,183

* Investment properties comprise properties located in Manila.

The carrying value of the plan assets of the Group and Parent Company amounted to ₱4.7 billion and ₱4.90 billion, respectively, as of December 31, 2018, and ₱4.41 billion and ₱4.59 billion, respectively, as of December 31, 2018

The principal actuarial assumptions used in 2018 and 2017 in determining the retirement asset (liability) for the Group's and Parent Company's retirement plans are shown below:

		2018				
	Parent	**CBSI**	**CIBI**	**CBC–PCCI**	**CBCC**	**CBSC**
Discount rate:						
January 1	**5.60%**	**5.63%**	**5.82%**	**5.82%**	**5.85%**	**5.85%**
December 31	**7.15%**	**7.27%**	**7.33%**	**7.33%**	**7.38%**	**7.4%**
Salary increase rate	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**

		2017				
	Parent	CBSI	CIBI	CBC–PCCI	CBCC	CBSC
Discount rate:						
January 1	4.79%	5.08%	5.14%	5.14%	5.19%	–
December 31	5.60%	5.63%	5.82%	5.82%	5.85%	5.85%
Salary increase rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

The sensitivity analysis below has been determined based on the impact of reasonably possible changes of each significant assumption on the defined benefit liability as of the end of the reporting period, assuming all other assumptions were held constant:

December 31, 2018	**Parent**	**CBSI**	**CIBI**	**CBC–PCCI**	**CBCC**	**CBSC**
Discount rate						
(+1%)	**(₱84,696)**	**(₱28,746)**	**(₱469)**	**(₱1,980)**	**(₱1,001)**	**(₱206)**
(–1%)	**133,008**	**37,942**	**608**	**2,504**	**1,260**	**272**
Salary increase rate						
(+1%)	**126,701**	**36,802**	**598**	**2,443**	**1,236**	**268**
(–1%)	**(83,078)**	**(28,456)**	**(470)**	**(1,969)**	**(1,002)**	**(207)**

December 31, 2017	**Parent**	**CBSI**	**CIBI**	**CBC–PCCI**	**CBCC**	**CBSC**
Discount rate						
(+1%)	(₱176,120)	(₱39,471)	(₱1,138)	(₱6,434)	(₱1,157)	(₱218)
(–1%)	266,156	50,838	1,568	11,519	1,460	285
Salary increase rate						
(+1%)	250,898	48,520	1,504	11,019	1,414	272
(–1%)	(171,429)	(38,611)	(1,115)	(6,328)	(1,146)	(212)

The weighted average duration of the defined benefit obligation are presented below:

	December 31, 2018	December 31, 2017
Parent Company	**13**	13
CBSI	**18**	18
CIBI	**19**	19
CBC–PCCI	**19**	19
CBCC	**23**	22
CBSC	**25**	–

The maturity analyses of the undiscounted benefit payments as of December 31, 2018 and 2017 are as follows:

December 31, 2018	**Parent**	**CBSI**	**CIBI**	**CBC–PCCI**	**CBCC**	**CBSC**
1 year and less	**₱1,020,830**	**₱9,552**	**₱1,578**	**₱538**	**₱–**	**₱–**
More than 1 year to 5 years	**1,112,345**	**81,367**	**1,306**	**17,652**	**–**	**–**
More than 5 years to 10 years	**2,349,644**	**210,666**	**10,410**	**36,531**	**5,015**	**–**
More than 10 years to 15 years	**2,537,302**	**715,066**	**5,796**	**54,937**	**–**	**–**
More than 15 years to 20 years	**4,117,126**	**972,734**	**–**	**141,549**	**103,091**	**3,741**
More than 20 years	**27,553,459**	**11,606,160**	**455,722**	**1,097,718**	**381,490**	**182,074**

December 31, 2017	Parent	CBSI	CIBI	CBC–PCCI	CBCC	CBSC
1 year and less	₱927,473	₱12,666	₱–	₱17,059	₱–	₱–
More than 1 year to 5 years	935,382	70,067	1,571	8,957	–	2,038
More than 5 years to 10 years	2,183,572	178,995	16,915	47,035	5,212	665
More than 10 years to 15 years	2,452,767	635,724	8,790	60,509	13,184	–
More than 15 years to 20 years	3,614,035	1,034,331	–	151,035	103,356	1,751
More than 20 years	22,632,896	10,283,386	477,064	1,267,884	402,263	164,340

25. DERIVATIVE FINANCIAL INSTRUMENTS

Occasionally, the Parent Company enters into forward exchange contracts as an accommodation to its clients. These derivatives are not designated as accounting hedges. The aggregate notional amounts of the outstanding buy US dollar currency forwards as of December 31, 2018 and 2017 amounted to US$515.77 million and US$228.48 million, respectively, while the sell US dollar forward contracts amounted to US$313.38 million and US$164.89 million, respectively. Weighted average buy US dollar forward rate as of December 31, 2018 is ₱53.52 and ₱51.13 in 2017, while the weighted average sell US dollar forward rates are ₱51.41 and ₱53.60, respectively.

The aggregate notional amounts of the outstanding buy Euro currency forwards as of December 31, 2018 and 2017 amounted to €127.10 million and €113 million, respectively. The weighted average buy Euro forward rates as of December 31, 2018 are ₱59.95 and ₱59.32 in December 31, 2017.

The aggregate notional amounts of the outstanding Futures as of December 31, 2018 and December 31, 2017 amounted to US$5 million and nil, respectively.

The aggregate notional amounts of the outstanding IRS as of December 31, 2018 and 2017 amounted to ₱11.367 billion and ₱9.99 billion, respectively.

The aggregate notional amounts of the outstanding buy US Dollar NDF as of December 31, 2018 and 2017 amounted to US$40.00 million and US$5.00 million, respectively. The weighted average buy NDF rate as of December 31, 2018 is ₱52.93 and ₱49.85 in December.
As of December 31, 2018 and 2017, the fair values of derivatives follow:

	2018		2017	
	Derivative Asset	**Derivative Liability**	Derivative Asset	Derivative Liability
Currency forwards	**₱339,190**	**₱362,689**	₱294,873	₱235,787
IRS	**58,390**	**90,530**	28,963	31,746
Futures	**–**	**1,931**	–	–
Warrants	**10,268**	**–**	9,751	–
	₱407,848	**₱455,150**	₱333,587	₱267,533

Fair Value Changes of Derivatives
The net movements in fair value changes of derivative instruments are as follows:

	2018	2017
Balance at beginning of year	**₱66,053**	(₱26,910)
Fair value changes during the year	**(288,211)**	132,805
Settled transactions	**174,855**	(39,841)
Balance at end of year	**(₱47,302)**	₱66,054

The net movements in the value of the derivatives are presented in the statements of income under the following accounts:

	2018	2017	2016
Foreign exchange gain (loss)	**(₱82,585)**	₱96,401	(₱283,973)
Trading and securities gain (loss)* (Note 21)	**(30,771)**	(3,437)	23,510
	(₱113,356)	₱92,964	(₱260,463)

*Net movements in the value related to embedded credit derivatives and IRS.

26. LEASE CONTRACTS

The lease contracts are for periods ranging from one to 25 years from the dates of contracts and are renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%.

Annual rentals on these lease contracts included in 'Occupancy cost' in the statements of income in 2018, 2017 and 2016 amounted to ₱844.24 million, ₱782.30 million and ₱681.05 million, respectively, for the Group, and ₱541.24 million, ₱518.47 million and ₱450.53 million, respectively, for the Parent Company.

Future minimum rentals payable of the Group and the Parent Company under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Within one year	**₱557,275**	₱601,876	**₱543,366**	₱551,239
After one year but not more than five years	**2,349,845**	2,230,498	**1,898,564**	1,984,453
After five years	**1,119,114**	1,335,370	**713,620**	915,394
	₱4,026,233	₱4,167,744	**₱3,155,550**	₱3,451,086

The Group and the Parent Company have also entered into commercial property leases on its investment properties (Note 13).

Future minimum rentals receivable under noncancellable operating leases follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Within one year	**10,906**	₱26,521	**₱9,068**	₱19,913
After one year but not more than five years	**19,688**	19,246	**13,202**	1,042
After more than five years	**15,466**	7,810	**–**	–
	₱46,060	₱₱53,577	**₱22,270**	₱20,955

27. INCOME AND OTHER TAXES

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9337, An Act Amending National Internal Revenue Code, provides that RCIT rate shall be 30.00% while interest expense allowed as a deductible expense is reduced to 33.00% of interest income subject to final tax.

An MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% gross income tax.

Interest income on deposit placements with other FCDUs and OBUs is taxed at 7.50% (now 15% effective January 1, 2018), while all other income of the FCDU is subject to the 30.00% corporate tax.

Relevant Tax Updates
Republic Act 10963, The Tax Reform for Acceleration and Inclusion (TRAIN), is first package of the comprehensive tax reform program of the government. The bill was signed into law on December 19, 2017 and took effect on January 1, 2018, amending some provisions of the old Philippine tax system.

Except for resident foreign corporations, which is still subject to the existing rate of 7.5%, tax on interest income of foreign currency deposit was increased to 15% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds and others are now subjected to a higher rate.

RR 4-2011
On March 15, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 4-2011 which prescribed the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU and within RBU.

On April 6, 2015, the Bank and other member banks of the Bankers Association of the Philippines (BAP), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati (Makati Trial Court). Further, in Civil Case No. 15-287, the Bank and other BAP member banks assailed the validity of RR 4-2011 on the ground, among others, that (a) the RR violates the petitioner-banks substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribes method of allocation; and (e) it violates the equal protection clause of the Constitution.

On April 8, 2015, the Makati Trial Court issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 25, 2015, Makati Trial Court issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 4-2011 against the Bank and other BAP member banks, including issuing Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the Makati Trial Court issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Bank and other BAP member banks are concerned.

On May 25, 2018, the Makati Trial Court issued a decision annulling RR 4-2011 and making the Writ of Preliminary Injunction permanent.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue.

The provision for income tax consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Current						
Final tax	**₱908,756**	₱677,450	₱498,750	**₱836,560**	₱607,136	₱458,011
RCIT	**1,070,191**	977,968	907,782	**926,792**	829,109	785,800
MCIT	**46,051**	–	–	**–**	–	–
	2,024,998	1,655,418	1,406,532	**1,763,352**	1,436,245	1,243,811
Deferred	**246,424**	(166,241)	(279,980)	**495,882**	206,239	(160,672)
	₱2,271,422	₱1,489,177	₱1,126,552	**₱2,259,234**	₱1,642,484	₱1,083,139

The details of net deferred tax assets (liabilities) follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Net deferred tax assets on:				
Allowance for impairment and credit losses	**₱2,806,637**	₱2,567,623	**₱2,340,436**	₱2,076,465
Revaluation Increment on land (Notes 11 and 22)	**(547,405)**	(547,405)	**(547,405)**	(547,405)
Fair value adjustments on asset foreclosure and dacion transactions - net of depreciated portion	**346,238**	(29,533)	**25,437**	(222)
Net defined benefit asset	**(243,812)**	(297,416)	**(228,277)**	(297,416)
Others	**151,403**	84,812	**149,029**	65,849
	₱2,514,889	₱1,778,080	**₱1,739,219**	₱1,297,271

	Consolidated	
	2018	2017
Net deferred tax liabilities on:		
Fair value adjustments on asset foreclosure and dacion transactions - net of depreciated portion	**₱245,547**	₱210,577
Fair value adjustments on net assets (liabilities) of PDB and Unity Bank	**812,84)**	805,515
Others	**169,095**	145,501
	₱1,229,316	₱1,161,653

The Group did not set up deferred tax assets on the following temporary differences as it believes that it is highly probable that these temporary differences will not be realized in the near foreseeable future:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Allowance for impairment and credit losses	**₱2,809,469**	₱2,306,353	**₱163,062**	₱–
Accrued compensated absences	**–**	171,431	**–**	65,384
NOLCO	**329,959**	–	**–**	–
Excess of MCIT over RCIT	**46,122**	–	**–**	–
Others	**34,572**	371,427	**–**	–
	₱3,220,122	₱2,849,211	**₱163,062**	₱65,384

As of December 31, 2018, details of the Subsidiary's NOLCO are as follows:

InceptionYear	Original Amount	Used Amount	Expired Amount	Remaining Balance	Expiry Year
2015	₱–	₱–	₱–	₱–	2015
2016	–	–	–	–	2016
2017	–	–	–	–	2017
2018	329,959	–	–	329,959	2018
	₱329,959	₱–	₱–	₱329,959	

As of December 31, 2018, details of the excess of MCIT over RCIT of the Subsidiary follow:

InceptionYear	Original Amount	Used Amount	Expired Amount	Remaining Balance	Expiry Year
2015	₱35,414	₱35,313	₱101	₱–	2016
2016	–	–	–	–	2017
2017	–	–	–	–	2018
2018	46,122	–	–	46,122	2019
	₱81,536	₱35,313	₱101	₱46,122	

The reconciliation of the statutory income tax to the provision for income tax follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Statutory income tax	**₱3,116,258**	₱2,703,632	₱2,276,256	**₱3,110,883**	₱2,746,937	₱2,262,431
Tax effects of						–
FCDU income	**(250,305)**	(498,029)	(549,881)	**(252,809)**	(496,062)	(543,591)
Non-taxable income	**(984,372)**	(939,179)	(219,042)	**(895,392)**	(837,850)	(179,507)
Interest income subjected to final tax	**(318,857)**	(279,914)	(464,491)	**(276,675)**	(266,103)	(604,445)
Nondeductible expenses	**827,904**	771,915	243,937	**676,253**	612,065	146,205
Others	**(119,204)**	(269,248)	(160,227)	**(103,027)**	(116,503)	2,046
Provision for income tax	**₱2,271,422**	₱1,489,177	₱1,126,552	**₱2,259,224**	₱1,642,484	₱1,083,139

28. TRUST OPERATIONS

Securities and other properties (other than deposits) held by the Parent Company in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying balance sheets since these are not assets of the Parent Company (Note 30).

In compliance with the requirements of current banking regulations relative to the Parent Company's trust functions : (a) government bonds included under HFT financial assets and AFS financial assets with total face value of ₱1.781 billion and ₱1.176 billion as of December 31, 2018 and 2017, respectively, are deposited with the BSP as security for the Parent Company's faithful compliance with its fiduciary obligations (Note 9); and (b) a certain percentage of the Parent Company's trust fee income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function equals 20.00% of the Parent Company's authorized capital stock.

29. 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. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- significant investors
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post–employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are normally made in the ordinary course of business and based on the terms and conditions discussed below.

Transactions with Retirement Plans
Under PFRS, certain post–employment benefit plans are considered as related parties. The Group has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. Income earned by the Group and Parent Company from such services amounted to ₱47.60 million and ₱44.38 million, respectively, in 2018, ₱42.89 million and ₱41.69 million, respectively, in 2017, and ₱44.35 million and ₱41.41 million, respectively, in 2016.

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.

A summary of transactions with related party retirement plans follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Deposits in banks	**₱560,672**	₱486,822	**₱399,395**	₱345,702
AFS financial assets	**1,479,097**	1,777,250	**1,479,097**	1,777,250
Dividend income	**45,301**	47,751	**45,301**	47,751
Interest income	**16,882**	2,037	**13,311**	1,520
Total market value of shares	**1,479,097**	1,777,250	**1,479,097**	1,777,250
Number of shares held	**54,579**	51,571	**54,579**	51,571

In 2016, dividend income and interest income of the retirement plan from investments and placements in the Parent Company amounted to ₱44.21 million and ₱2.07 million, respectively, for the Group, and ₱44.21 million and ₱1.17 million, respectively, for the Parent Company.

AFS financial assets represent shares of stock of the Parent Company. Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

Remunerations of Directors and other Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the ManCom to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Short–term employee benefits	**₱533,995**	₱482,345	₱380,394	**₱441,361**	₱408,311	₱315,284
Post–employment benefits	**5,064**	2,501	4,774	**4,418**	2,501	2,194
	₱539,059	₱484,846	₱385,168	**₱445,778**	₱410,812	₱317,478

Members of the BOD are entitled to a per diem of ₱500.00 for attendance at each meeting of the Board or of any committees and to four percent (4.00%) of the Parent Company's net earnings, with certain deductions in accordance with BSP regulation. Non-executive directors do not receive any performance-related compensation. Directors' remuneration covers all Parent Company's Board activities and membership of committees and subsidiary companies.

The Group also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables below.

Other Related Party Transactions
Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Transactions between the Group and its associated companies also qualify as related party transactions. Details of the Parent Company's subsidiaries and associate are disclosed in Notes 1 and 10.

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

	December 31, 2018		
Category	**Amount / Volume**	**Outstanding Balance**	**Terms and Conditions**
Significant Investor			
Loans and receivables		**₱6,766,500**	Partially secured Loans with interest rate of 2 - 5.12% and maturity of two to seven years.
Issuances	**₱86,125,000**		
Repayments	**(2,350,000)**		
Deposit liabilities		**374**	These are checking accounts with annual average rate of 0.13%.
Deposits	**2,532,609**		
Withdrawals	**(2,532,493)**		
Associate			
Deposit liabilities		**166,372**	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	**487,691**		
Withdrawals	**(399,123)**		
Key Management Personnel			
Loans and receivables		**488**	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	**388**		
Repayments	**(39,213)**		
Deposit liabilities		**79,241**	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	**406,225**		
Withdrawals	**(350,120)**		
Other Related Parties			
Deposit liabilities		**238,933**	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**35,337,503**		
Withdrawals	**(35,165,054)**		

	December 31, 2017		
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans and receivables		₱6,682,725	Partially secured Loans with interest rate of 2 - 5.12% and maturity of two to seven years.
Issuances	₱5,624,213		
Repayments	(1,651,488)		
Deposit liabilities		257	These are checking accounts with annual average rate of 0.13%.
Deposits	3,164,475		
Withdrawals	(3,164,441)		

(Forward)

Category	Amount / Volume	Outstanding Balance	Terms and Conditions
	December 31, 2017		
Associate			
Deposit liabilities		₱77,722	These are savings accounts with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	₱1,175,969		
Withdrawals	(1,386,319)		
Key Management Personnel			
Loans and receivables		39,312	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	417		
Repayments	2,238		
Deposit liabilities		18,772	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	279,554		
Withdrawals	(276,612)		
Other Related Parties			
Deposit liabilities		51,563	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	16,038,034		
Withdrawals	(16,008,489)		

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2018, 2017, and 2016 follow:

	Significant Investor			Associate		
	2018	2017	2016	**2018**	2017	2016
Interest income	**₱42,601**	₱169,706	₱138,944	**–**	₱–	₱–
Interest expense	**3**	61	12	**168**	1,849	1,513

	Key Management Personnel			Other Related Parties		
	2018	2017	2016	**2018**	2017	2016
Interest income	**₱7,921**	₱17,102	₱385	**₱–**	₱–	₱–
Interest expense	**2,121**	47	40	**2,129**	69	11

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.

Parent Company
Related party transactions of the Parent Company by category of related party, except those already presented in the Group disclosures, are presented below.

Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
	December 31, 2018		
Significant Investor			
Loans and receivables		**₱6,766,500**	These are secured loans with interest rate of 5.13% and maturity of four years; collateral includes shares of stocks with fair value of ₱28.44 billion
Issuances	**₱86,125,000**		
Repayments	**(2,350,000)**		
Deposit liabilities		**374**	These are checking accounts with annual average rate of 0.13%.
Deposits	**2,532,609**		
Withdrawals	**(2,532,493)**		

(Forward)

	December 31, 2018		
Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Subsidiaries			
Deposit liabilities		**₱114,339**	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**₱3,668,567**		
Withdrawals	**(3,587,029)**		
Associate			
Deposit liabilities		**166,291**	These are savings accounts with annual average interest rates ranging from0.25% to 1.00%.
Deposits	**487,691**		
Withdrawals	**(399,123)**		
Key Management Personnel			
Loans and receivables		**488**	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%
Issuances	**388**		
Repayments	**(39,213)**		
Deposit liabilities		**14,569**	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	**365,236**		
Withdrawals	**(369,439)**		
Other Related Parties			
Deposit liabilities			These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**35,229,849**	**113,937**	
Withdrawals	**(35,167,475)**		

	December 31, 2017		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Loans and receivables		₱6,682,725	These are secured loans with interest rate of 5.13% and maturity of four years; collateral includes shares of stocks with fair value of ₱28.44 billion
Issuances	₱5,624,213		
Repayments	(1,651,488)		
Deposit liabilities		257	These are checking accounts with annual average rate of 0.13%.
Deposits	3,164,475		
Withdrawals	(3,164,441)		
Subsidiaries			
Deposit liabilities		32,801	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	330,111		
Withdrawals	(311,528)		

	December 31, 2017		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Associate			
Deposit liabilities		77,722	These are savings accounts with annual average interest rates ranging from0.25% to 1.00%.
Deposits	1,175,969		
Withdrawals	(1,386,319)		

	December 31, 2017		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Loans and receivables		₱6,682,725	These are secured loans with interest rate of 5.13% and maturity of four years; collateral includes shares of stocks with fair value of ₱28.44 billion
Key Management Personnel			
Loans and receivables		952	Unsecured Officer's accounts from Credit card with interest of 3% and currently maturing and Fully secured OEL accounts with interest of 6%
Issuances	417		
Repayments	(714)		
Deposit liabilities		18,772	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	279,554		
Withdrawals	(276,612)		
Other Related Parties			
Deposit liabilities		51,563	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	16,038,034		
Withdrawals	(16,008,489)		

In 2017, the Parent Company sold its investment property to a related party for a total cash selling price of ₱161.58 million and recognized gain of ₱142.61 million.

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2018, 2017 and 2016 in relation to amounts due from related parties.

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2018, 2017 and 2016 follow:

	Subsidiaries			Associate		
	2018	2017	2016	**2018**	2017	2016
Interest expense	**₱375**	₱46	₱33	**₱168**	₱1,849	₱1,513

	Key Management Personnel			Other Related Parties		
	2018	2017	2016	**2018**	2017	2016
Interest income	**₱11,277**	₱46	₱56	**₱–**	₱–	₱–
Interest expense	**19**	47	40	**131**	69	11

	Significant Investor		
	2018	2017	2016
Interest income	**₱42,601**	₱169,706	₱138,944
Interest expense	**3**	61	12

Outright purchases and outright sale of debt securities of the Parent Company with its subsidiaries in 2018 and 2017 follow:

	Subsidiaries	
	2018	2017
Peso–denominated		
Outright purchase	**₱817,030**	₱675,016
Outright sale	**4,246,628**	18,902,488
Dollar – denominated (equity)		
Outright purchase	**5,117**	–
Outright sale	**41,400**	–

The following table shows the amount and outstanding balance of other related party transactions included in the financial statements:

	Subsidiaries		
	2018	2017	**Nature, Terms and Conditions**
Balance Sheet			
Accounts receivable	**₱1,242**	₱2,741	This pertains to various expenses advanced by CBC in behalf of CBSI
Security deposits	**2,270**	2,736	This pertains to the rental deposits with CBSI for office space leased out to the Parent Company
Accounts payable	**4,858**	10,607	This pertains to various unpaid rental to CBSI

	Subsidiaries			
	2018	2017	2016	**Nature, Terms and Conditions**
Income Statement				
Miscellaneous income	**₱1,800**	₱1,800	₱1,800	Human resources functions provided by the Parent Company to its subsidiaries (except CBC Forex and Unity Bank) 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	**19,937**	24,532	22,255	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	**204,749**	193,651	169,658	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements

Regulatory Reporting

As required by the BSP, the Group discloses loan transactions with its and affiliates and investees and with certain directors, officers, stockholders and related interests (DOSRI). Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non–risk as defined in the regulations.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Total outstanding DOSRI loans	**₱10,273,436**	₱11,507,281	**₱10,268,296**	₱11,500,850
Percent of DOSRI loans granted under regulations existing prior to BSP Circular No. 423	**–**	–	**–**	–
Percent of DOSRI loans granted under BSP Circular No. 423	**–**	–	**–**	–
Percent of DOSRI loans to total loans	**2.00%**	2.54%	**2.30%**	2.95%
Percent of unsecured DOSRI loans to total DOSRI loans	**1.78%**	1.52%	**1.77%**	1.51%
Percent past due DOSRI loans to total DOSRI loans	**–**	–	**–**	–
Percent of non–performing DOSRI loans to total DOSRI loans	**–**	–	**–**	–

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

30. COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these transactions.

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Trust department accounts (Note 28)	**₱133,806,226**	₱131,813,251	**₱133,806,226**	₱131,577,983
Committed credit lines	**122,804,833**	152,806,666	**122,280,671**	150,471,220
Unused commercial letters of credit (Note 29)	**20,978,009**	21,596,174	**20,829,020**	21,383,196
Foreign exchange bought	**37,359,690**	18,736,175	**37,359,690**	18,736,175
Foreign exchange sold	**24,678,551**	15,179,964	**24,678,551**	15,179,964
Credit card lines	**12,568,703**	10,359,997	**12,568,703**	10,359,997
IRS receivable	**11,366,980**	9,991,390	**11,366,980**	9,991,390
Outstanding guarantees issued	**944,262**	3,079,993	**420,100**	744,547
Inward bills for collection	**2,563,604**	2,386,848	**2,563,604**	2,386,848
Standby credit commitment	**3,149,787**	2,274,398	**3,149,787**	2,274,398
Spot exchange sold	**3,624,709**	1,399,180	**3,624,709**	1,399,180
Spot exchange bought	**3,247,995**	996,333	**3,247,995**	996,333
Deficiency claims receivable	**287,647**	291,831	**287,647**	219,831
Late deposits/payments received	**495,347**	127,832	**458,675**	116,313
Outward bills for collection	**55,135**	93,772	**53,211**	91,943
Others	**1,846**	1,614	**1,694**	1,354

There are several suits, assessments or notices and claims that remain contested. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.

31. SEGMENT INFORMATION

The Group'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 Group'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 Group's funding operations by 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 Group's businesses are organized to cater to the banking needs of market segments, facilitate customer engagement, ensure timely delivery of products and services as well as achieve cost efficiency and economies of scale. Accordingly, the corresponding segment information for all periods presented herein are restated to reflect such change.

The Group reports its primary segment information to the Chief Operating Decision Maker (CODM) on the basis of the above-mentioned segments. The CODM of the Group is the President.

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 performance measure, not the 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 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 Group has no significant customers which contributes 10.00% or more of the consolidated revenues.

The Group's asset producing revenues are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented.

The following tables present relevant financial information regarding business segments measured in accordance with PFRS as of and for the years ended December 31, 2018, 2017 and 2016:

	Lending Business			Retail Banking Business		
	2018	2017	2016	**2018**	2017	2016
Results of Operations						
Net interest income						
Third party	**₱19,034,015**	₱13,876,995	₱11,234,520	**(₱871,505)**	₱855,933	₱477,635
Intersegment	**(12,956,205)**	(8,438,704)	(6,185,045)	**11,763,393**	7,915,744	7,067,165
	6,077,810	5,438,291	5,049,475	**10,891,888**	8,771,677	7,544,800
Other operating income	**1,794,959**	1,317,298	907,182	**1,619,591**	1,465,962	1,234,356
Total revenue	**7,872,769**	6,755,589	5,956,657	**12,511,479**	10,237,639	8,779,156
Other operating expense	**(1,559,750)**	(2,294,490)	(2,228,638)	**(7,138,661)**	(6,536,859)	(5,759,880)
Income before income tax	**6,313,019**	4,461,099	3,728,019	**5,372,818**	3,700,780	3,019,276
Provision for income tax	**210,176**	236,856	96,461	**–**	–	(6,833)
Net income	**₱6,523,195**	₱4,697,955	₱3,824,480	**₱5,372,818**	₱3,700,780	₱3,012,443

(Forward)

	Lending Business			Retail Banking Business		
	2018	2017	2016	**2018**	2017	2016
Total assets	**₱376,187,705**	₱299,052,197	₱251,890,331	**₱471,540,704**	₱431,622,883	₱361,036,278
Total liabilities	**4,819,787**	1,171,742	2,233,433	**499,955,967**	444,030,414	365,417,688
Depreciation and amortization	**73,475**	61,988	51,266	**437,201**	378,597	313,745
Provision for impairment and credit losses	**(₱328,404)**	₱668,360	₱916,974	**₱103,780**	238,645	126,025
Capital expenditures	**₱66,105**	₱63,136	₱451,770	**₱148,179**	₱118,378	₱647,525

	Financial Markets			Other Business and Support Units		
	2018	2017	2016	**2018**	2017	2016
Results of Operations						
Net interest income						
Third party	**₱4,028,486**	₱1,661,494	₱2,039,741	**₱735,189**	₱3,231,982	₱2,942,296
Intersegment	**(434,176)**	1,124,033	(424,779)	**1,626,988**	(601,073)	(457,341)
	3,594,310	2,785,527	1,614,962	**2,362,177**	2,630,909	2,484,955
Other operating income	**522,523**	879,737	1,386,223	**1,721,223**	2,438,697	1,566,985
Total revenue	**4,116,833**	3,665,264	3,001,185	**4,083,401**	5,069,606	4,051,943
Other operating expense	**(916,021)**	(1,264,773)	(959,151)	**(8,582,525)**	(6,619,869)	(5,253,750)
Income before income tax	**3,200,812**	2,400,491	2,042,034	**(4,499,124)**	(1,550,263)	(1,201,807)
Provision for income tax	**(730,643)**	(547,624)	(388,807)	**(1,750,956)**	(1,178,409)	(827,373)
Net income	**₱2,470,169**	₱1,852,867	₱1,653,227	**(₱6,250,080)**	(₱2,728,672)	(₱2,029,180)
Total assets	**₱170,463,397**	₱168,052,729	₱128,281,917	**(₱152,120,165)**	(₱147,280,299)	(₱108,010,515)
Total liabilities	**₱88,040,610**	₱140,321,883	₱124,409,814	**₱185,398,690**	₱82,267,974	₱77,750,872
Depreciation and amortization	**₱49,433**	₱41,852	₱30,449	**₱737,576**	₱735,052	₱729,326
Provision for impairment and credit losses	**₱51,689**	₱–	₱–	**₱314,011**	(₱152,834)	(₱192,453)
Capital expenditures	**₱60,838**	₱63,795	₱230,076	**₱299,388**	₱389,402	(₱193,719)

	Total		
	2018	2017	2016
Results of Operations			
Net interest income			
Third party	**₱22,926,186**	₱19,626,404	₱16,694,192
Intersegment	**–**	–	–
	22,926,186	19,626,404	16,694,192
Other operating income	**5,658,296**	6,101,694	5,094,746
Total revenue	**28,584,482**	25,728,098	21,788,941
Other operating expense	**(18,196,956)**	(16,715,991)	(14,201,419)
Income before income tax	**10,387,526**	9,012,107	7,587,522
Provision for income tax	**(2,271,422)**	(1,489,177)	(1,126,552)
Net income	**₱8,116,104**	₱7,522,930	₱6,460,970
Total assets	**866,071,642**	₱751,447,510	₱633,198,011
Total liabilities	**₱778,215,053**	₱667,792,013	₱569,811,807
Depreciation and amortization	**₱1,297,685**	₱1,217,489	₱1,124,786
Provision for impairment and credit losses	**₱141,076**	₱754,171	₱850,546
Capital expenditures	**₱574,510**	₱634,711	₱1,135,652

The Group's share in net income (loss) of an associate included in other operating income amounting to ₱101.01 million, ₱73.13 million and (₱89.38 million) in 2018, 2017 and 2016, respectively are reported under 'Other Business and Support Units'.

32. EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year (adjusted for stock dividends).

The following reflects the income and share data used in the basic earnings per share computations:

	2018	2017	2016
a. Net income attributable to equity holders of the parent	**₱8,110,379**	₱7,513,972	₱6,458,296
b. Weighted average number of common shares outstanding (Note 23)	**2,685,826**	2,581,182	2,243,086
c. EPS (a/b)	**₱3.02**	₱2.91	₱2.88

As of December 31, 2018, 2017 and 2016, there were no outstanding dilutive potential common shares.

33. FINANCIAL PERFORMANCE

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Return on average equity	**9.54%**	10.01%	10.42%	**9.54%**	10.01%	10.32%
Return on average assets	**1.04%**	1.12%	1.16%	**1.17%**	1.27%	1.33%
Net interest margin	**3.10%**	3.11%	3.20%	**2.97%**	2.91%	3.03%

34. SUPPLEMENTARY INFORMATION FOR CASH FLOW ANALYSIS

The following is a summary of certain non–cash investing activities that relate to the analysis of the statements of cash flows:

	Consolidated		
	2018	2017	2016
Addition to investment properties from settlement of loans	**₱523,343**	₱579,089	₱784,415
Fair value gain in AFS financial assets	**(451,786)**	158,946	405,722
Cumulative translation adjustment	**(52,900)**	(15,970)	(3,637)
Addition to chattel mortgage from settlement of loans	**626,182**	559,283	334,553

	Parent Company		
	2018	2017	2016
Addition to investment properties from settlement of loans	**₱240,680**	₱126,652	₱296,844
Fair value gain in AFS financial assets	**(381,791)**	113,020	405,722
Cumulative translation adjustment	**(58,792)**	(16,197)	(3,637)
Addition to chattel mortgage from settlement of loans	**20,135**	10,824	19,088

The following table shows the reconciliation analysis of liabilities arising from financing activities for the period ended December 31, 2018:

	2018		2017	
Balance at beginning of year		**₱20,118,031**		₱16,954,998
Cash flows during the year				
Proceeds	**184,568,424**		252,268,556	
Settlement	**(171,215,735)**	**13,352,688**	(249,219,839)	3,048,717
Non–cash changes				
Foreign exchange movement	**4,132,800**		71,613	
Amortization of transaction cost	**2,223,012**	**6,355,812**	42,703	114,316
Balance at end of year		**₱39,826,532**		₱20,118,031

35. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The amendments to PFRS 7 require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table.

December 31, 2018						
				Effects of remaining rights of set–off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
SPURA	₱7,000,000		₱7,000,000	₱7,000,000	₱7,000,000	₱0
Currency forwards	129,322		129,322	33,933		95,389
IRS	28,198		28,198	3,481		24,717
	₱7,157,525		₱7,157,525	₱7,037,414	₱7,000,000	₱120,105
Financial liabilities						
Bills payable	₱27,372,201		₱27,372,201	₱34,689,129	₱32,547,479	₱0
Currency forwards	52,249		52,249	33,933		18,316
IRS	20,963		20,963	4,481		17,481
	₱27,448,413		₱27,448,413	₱34,726,543	₱32,547,479	₱35,798

Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set–off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
December 31, 2017						
	[a]	[b]	[c]	[d]		[e]
Financial assets						
SPURA	₱18,751,845		₱18,751,845	₱18,751,845	₱18,749,98	₱1,865
Currency forwards	117,562		117,562	32,748	–	84,814
IRS	28,963	–	28,963	8,361	–	20,602
	₱146,525	₱–	₱146,525	₱41,109	₱–	₱105,416
Financial liabilities						
Bills payable	₱14,306,179					
Currency forwards	62,555	₱–	₱14,306,179	₱17,984,923	₱17,453,765	₱–
IRS	31,745	–	62,555	32,748	–	29,807
	₱31,745	₱–	₱31,745	₱8,361	₱–	₱23,384

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated and parent company financial statements were authorized for issue by the Parent Company's BOD on March 1, 2019.

37. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR NO. 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the details of percentage and other taxes paid or accrued by the Parent Company in 2018.

Gross receipts tax	₱1,195,417
Documentary stamps tax	1,019,554
Local taxes	67,618
Fringe benefit tax	11,227
Others	14,131
Balance at end of year	₱2,307,948

Withholding Taxes
Details of total remittances of withholding taxes in 2018 and amounts outstanding as of December 31, 2018 are as follows:

	Total remittances	Amounts outstanding
Final withholding taxes	₱1,701,246	₱235,888
Withholding taxes on compensation and benefits	494,956	29,057
Expanded withholding taxes	134,058	9,050
	₱2,330,259	₱273,994

CHINA BANK BRANCHES
102-4, 102-6

MAKATI MAIN (HO)
CBC Bldg., 8745 Paseo de Roxas
cor. Villar Sts., Makati City
Trunkline: 885-5555 (Private Exchange
Connecting All Departments)
Fax Nos.: 892-0220; 817-1325

BINONDO BUSINESS CENTER
CBC Bldg., Dasmariñas
cor. Juan Luna Sts., Binondo, Manila
Trunklines: 247-5388; 8855-222
(Private Exchange
Connecting All
Departments)
Fax Nos.: 241-7058; 242-7225

METRO MANILA

A. BONIFACIO-MAUBAN
G/F Urban Oasis Residences,
423-431., A. Bonifacio Ave.,
Brgy. San Jose, Quezon City
Tel. Nos.: 282-1991/94
Fax No.: 282-1994

ALABANG HILLS
G/F RBC-MDC Corporate Center,
Don Jesus Blvd., Alabang Hills Village,
Muntinlupa City
Tel. Nos.: 877-8567; 877-8604
Fax No.: 877-8604

ALVARADO
Alvarado St., Binondo, Manila
Tel. Nos.: 562-3863; 562-3866
Fax No.: 562-3866

ANONAS
Anonas cor. Marang Sts.,
Brgy. Quirino, Project 2, Quezon City
Tel. Nos.: 277-9397; 277-9398

ANTIPOLO CITY
G/F BudgetLane Arcade, No. 6,
Provincial Road, Brgy. San Jose,
Antipolo City, Rizal
Tel. Nos.: 650-3277; 650-2087
695-1509;
Fax No.: 650-2640

ANTIPOLO CITY-TAKTAK
Sumulong Highway cor. Taktak Road,
Brgy. Dela Paz, Antipolo City, Rizal
Tel. Nos.: 721-6320; 721-6316

ANTIPOLO-SUMULONG HIGHWAY
No. 219 Sumulong Highway,
Brgy. Mambugan, Antipolo City, Rizal
Tel. Nos.: 632-7309; 632-7573
655-8087
Fax No.: 632-7309

ARANETA AVE.
Philippine Whithasco Bldg.
420 Araneta Ave., cor. Bayani St.,
Quezon City
Tel. Nos.: 731-2252; 731-2261
732-4153; 731-2243
410-6753
Fax No.: 410-3026

ARNAIZ AVE.
United Life Assurance Bldg.,
A. Arnaiz Ave. (Pasay Road), Makati City
Tel. Nos.: 541-1506; 541-1552

ARRANQUE
Don Felipe Bldg., 675 Tomas Mapua St.,
Sta. Cruz, Manila
Tel. Nos.: 733-3477; 734-4777
733-7704; 733-8335 to 40
734-4497; 734-4501/06
Fax No.: 733-3481

AURORA BLVD.-NEW MANILA
Aurora Blvd., Brgy. Valencia,
Quezon City
Tel. Nos.: 727-4192; 727-4171
Fax No.: 727-4192

ASUNCION
Units G6 & G7 Chinatown Steel Towers,
Asuncion St., San Nicolas, Manila
Tel. Nos.: 241-2311/52/59/61
Fax No.: 241-2352

AYALA-ALABANG
G/F, CBC Bldg., Acacia Ave.,
Madrigal Business Park, Ayala Alabang,
Muntinlupa City
Tel. Nos.: 807-0673-74
850-3785/9640/8888
Fax No.: 850-8670

AYALA AVE.-AMORSOLO
G/F Teleperformance Bldg.,
Ayala Ave., Makati City
Tel. Nos.: 541-7348; 541-5958
Fax No.: 541-5958

AYALA-COLUMNS
G/F The Columns Tower 3,
Ayala Ave., Makati City
Tel. Nos.: 915-3672/3673
915-3674/3675
Fax No.: 915-3672

BACLARAN-F.B. HARRISON
BAGPI Main Bldg., 2935 F.B. Harrison
cor. Ortigas St., Pasay City
Tel. Nos.: 838-6187; 838-5038
Fax No.: 838-5038

BALINTAWAK-BONIFACIO
657 A. Bonifacio Ave.
Balintawak, Quezon City
Tel. Nos.: 361-3449; 361-7825
362-3660; 361-0450
Fax No.: 361-0199

BALUT
North Bay Shopping Center Honorio
Lopez Boulevard, Balut, Tondo, Manila
Tel. Nos.: 253-9921/29; 253-9620
251-1182/86
Fax No.: 253-9917

BANAWE
CBC Bldg., 680 Banawe Ave.,
Sta. Mesa Hts., District I, Quezon City
Tel. Nos.: 743-7486/88; 416-7028
743-7030/711-8694
Fax No.: 743-7487

BANAWE-CALAMBA
119 Banawe St. cor. Calamba St.
Quezon City
Tel. Nos.: 732-1060; 740-4864
743-8967
Fax No.: 740-4864

BEL-AIR
2/F Saville Bldg., Gil Puyat Ave.
cor. Paseo de Roxas St., Makati City
Tel. Nos.: 897-2212
899-4186/0685
Fax No.: 890-4062

BEL-AIR-JUPITER
Buendia Car Exchange,
Jupiter St., Makati City
Tel. Nos.: 403-5970; 403-6062
Fax No.: 403-6062

BETTER LIVING SUBD.
128 Doña Soledad Ave., Parañaque City
Tel. Nos.: 556-3467; 556-3468
556-3470
Fax No.: 556-3470

BF HOMES
Aguirre cor. El Grande Aves.,
United BF Homes, Parañaque City
Tel. Nos.: 825-6138/6891/6828
Fax No.: 825-5979

BF HOMES-AGUIRRE
Margarita Centre, Aguirre Ave.
cor. Elsie Gaches St., BF Homes,
Parañaque City
Tel. Nos.: 799-4707/4942
659-3359/3360; 556-5845
Fax No.: 659-3359

BF RESORT VILLAGE
BF Resort Drive cor. Gloria Diaz St.,
BF Resort Village, Talon Dos,
Las Piñas City
Tel. Nos.: 873-4542; 873-4541
873-4540
Fax No.: 873-4543

BGC-ICON PLAZA
G/F Icon Plaza Bldg., 25th cor. 5th Sts.
Bonifacio South, Fort Bonifacio
Global City, Taguig City
Tel. Nos.: 777-1943; 800-1474
Fax No.: 777-1943

BGC-ONE WORLD PLACE
G/F One World Place, 32nd Ave.,
Fort Bonifacio Global City, Taguig City
Tel. Nos.: 869-6309; 843-2448
Fax No.: 843-2448

BGC-W TOWER
G/F W Tower 39th St., North Bonifacio
Triangle BGC, Taguig City,1634
Tel. Nos.: 552-3311; 551-9072
Fax No.: 551-9072

BGC-WORLD PLAZA
G/F (Unit 5) World Plaza, L4B5 E-Square
Information Technology Park,
Crescent Park West, 5th Ave.,
Bonifacio Global City, Taguig City
Tel. Nos.: 541-3447; 541-4220
Fax No.: 541-4220

BINANGONAN
National Highway, Bo. Tagpos,
Binangonan, Rizal
Tel. Nos.: 669-1530; 669-1659
Fax No.: 669-1530

BLUMENTRITT
1777-1781 Cavite cor. Leonor
Rivera St., Blumentritt, Sta. Cruz, Manila
Tel. Nos.: 742-0254; 711-8589
Fax No.: 711-8541

BO. KAPITOLYO
G/F P&E Bldg., 12 United cor. First Sts.,
Bo. Kapitolyo, Pasig City
Tel. Nos.: 634-8370/8915/3697
Fax No.: 634-7504

BONNY SERRANO
G/F Greenhills Garden Square,
297 Col. Bonny Serrano Ave.,
Quezon City
Tel. Nos.: 410-0677; 997-8043
997-8031
Fax No.: 410-0677

CAINTA
CBC Bldg., (Beside Sta. Lucia East
Mall), Felix Ave. (Imelda Ave.),
Cainta, Rizal
Tel. Nos.: 646-0691/93; 645-9974
682-1795
Fax No.: 646-0050

CAINTA-POBLACION
A. Bonifacio Ave., Poblacion,
Cainta, Rizal
Tel. Nos.: 637-1935; 637-6634
Fax No.: 637-6634

CAPITOL HILLS
G/F 88 Design Pro Bldg., Capitol Hills,
Old Balara, Quezon City
Tel. Nos.: 952-7776/7805/7804
Fax No.: 952-7806

CIRCUIT MAKATI
Level 3, Ayala Mall, Circuit Makati,
Hippodromo St., Brgy. Carmona,
Makati City
Tel. Nos.: 403-8301/02
Fax No.: 403-8302

CENTURY CITY-KNIGHTSBRIDGE
Unit 17 & 18 Knightsbridge Residences,
Century City, Kalayaan Ave., Makati City
Tel. Nos.: 866-3937; 866-3803

COMMONWEALTH AVE.
LGF Ever Gotesco Mall, Commonwealth
Center Commonwealth Ave.
cor. Don Antonio Road, Quezon City
Tel. Nos.: 932-0818/0820
431-5000/01
Fax No.: 932-0822

COMMONWEALTH AVE. EXT.-CASA MILAN
ALX Center Bldg.,
Commonwealth Ave. Ext.
North Fairview, Quezon City
Tel. No.: 463-5714
Fax No.: 277-2592

CONGRESSIONAL AVE.
G/F Unit C The Arete Square,
Congressional Ave., Project 8,
Quezon City
Tel. Nos.: 351-8648; 351-8645
351-8646
Fax No.: 351-8645

CONGRESSIONAL AVE. EXTENSION-MIRA NILA
CBC Bldg., Congressional Ave. Ext.,
Quezon City
Tel. Nos.: 932-2372; 932-2370
Fax No.: 932-2370

CORINTHIAN HILLS
G/F The Clubhouse, Corinthian Hills,
Temple Drive, Brgy. Ugong Norte,
Quezon City
Tel. Nos.: 637-3170/3180/1915
Fax No.: 637-1905

CUBAO-ARANETA
Shopwise Arcade Bldg.,
Times Square St., Araneta Shopping
Center, Cubao, Quezon City
Tel. Nos.: 911-2369/70
438-3830-32; 911-2397
Fax No.: 911-2432

CUBAO-AURORA
911 Aurora Boulevard Extension
cor. Miami St., Cubao, Quezon City
Tel. Nos.: 912-5164/57
913-4675/76; 911-3524
Fax No.: 912-5167

CUBAO-P.TUAZON
No. 287 P. Tuazon Ave.
near cor. 18th Ave., Brgy. San Roque,
Cubao, Quezon City
Tel. Nos.: 911-5896; 911-8416
Fax No.: 911-8416

CULIAT-TANDANG SORA
G/F Royal Midway Plaza,
No. 419, Tandang Sora Ave.
Brgy. Culiat, 1128 Quezon City
Tel. Nos.: 288-2575; 288-5114
Fax No.: 288-2575

D. TUAZON
148 D. Tuazon St., Brgy. Lourdes,
Sta. Mesa Heights, Quezon City
Tel. Nos.: 731-2516/2508
Fax No.: 731-0592

DAMAR VILLAGE
Clubhouse, Damar Village, Quezon City
Tel. Nos.: 442-3581; 367-5517
Fax No.: 367-5517

DASMARIÑAS VILLAGE
2283 Pasong Tamo Ext.
cor. Lumbang St., Makati City
Tel. Nos.: 894-2392/93; 813-2958
Fax No.: 894-2355

DILIMAN-MATALINO
J&L Bldg., #23 Matalino St.,
Diliman, Quezon City
Tel. Nos.: 936-8729; 937-5004
Fax No.: 937-5004

DIVISORIA-STA. ELENA
New Divisoria Condominium Center
632 Sta. Elena St., Binondo, Manila
Tel. Nos.: 247-1435/36/37
Fax No.: 247-1436

DON ANTONIO
G/F Royale Place, Don Antonio Ave.,
Brgy. Old Balara, Quezon City
Tel. Nos.: 932-9477
952-9678/9354
Fax No.: 952-9344

DEL MONTE AVE.
No. 497 Del Monte Ave.
Bgry. Manresa, Quezon City
Tel. Nos.: 413-2826; 413-2825
961-8828; 871-2745
Fax No.: 361-1101

DEL MONTE-MATUTUM
No. 202 Del Monte Ave. near cor.
Matutum St., Brgy. St. Peter,
Quezon City
Tel. Nos.: 731-2535; 731-2571
413-2118; 416-7791
Fax No.: 416-7791

E. RODRIGUEZ-ACROPOLIS
G/F Suncrest Bldg.,
E. Rodriguez Jr. Ave., Quezon City
Tel. Nos.: 654-3607; 654-3586
Fax No.: 654-3586

E. RODRIGUEZ-CORDILLERA
No. 291 (G/F Units 285 & 287)
E. Rodriguez Sr. Blvd.,
Brgy. Doña Josefa, Quezon City
Tel. Nos.: 257-1512; 256-5292
Fax No.: 257-1512

E. RODRIGUEZ-HILLCREST
No. 402 E. Rodriguez Sr. Blvd.,
Cubao, Quezon City
Tel. Nos.: 571-8927; 571-8928
571-8929
Fax No.: 571-8927

E. RODRIGUEZ SR. BLVD.
CBC Bldg., #286 E. Rodriguez Sr. Blvd.,
Brgy. Damayang Lagi, Quezon City
Tel. Nos.: 416-3166; 722-5860
722-5893
Fax No.: 726-2865

EASTWOOD CITY
Unit D, Techno Plaza One, Eastwood
City Cyberpark, E. Rodriguez Jr. Ave.,
(C-5) Bagumbayan, Quezon City
Tel. Nos.: 706-3491/3493/1979
706-3320/3448
Fax No.: 438-5531

EDSA-KALOOKAN
No. 531 (Lot 5 Block 30)
EDSA near cor. Biglang Awa St.,
Kalookan City
Tel. Nos.: 442-4338; 442-4339
442-4340
Fax No.: 442-4339

EDSA-TIMOG AVE.
G/F Richwell Corporate Center,
102 Timog Ave., Brgy. Sacred Heart,
Quezon City
Tel. Nos.: 441-5225; 441-5226
441-5227
Fax No.: 441-5228

ELCANO
G/F Elcano Tower, Elcano St.,
San Nicolas, Manila
Tel. Nos.: 244-6760; 244-6765
244-6779
Fax No.: 244-6760

ERMITA
Ground Floor A, Ma. Natividad Bldg.,
#470 T. M. Kalaw cor. Cortada Sts.,
Ermita, Manila
Tel. Nos.: 525-6477; 536-7794
525-6544; 523-0074
523-9862
Fax No.: 525-8137

ESPAÑA
España cor. Valencia Sts.,
Sampaloc, Manila
Tel. Nos.: 741-9572/6209
741-6208/9565
Fax No.: 741-6207

EXAMINER
No. 1525 Quezon Ave. cor. Examiner
St., West Triangle, Quezon City
Tel. Nos.: 376-3313/3314
376-3317/3318
Fax No.: 376-3315

EVANGELISTA
Evangelista cor. Gen. Estrella Sts.,
Bangkal, Makati City
Tel. Nos.: 759-5095; 759-5096
856-0434; 856-0433
Fax No.: 759-5096

FAIRVIEW
G/F Angelenix House, Fairview Ave.
cor. Camaro St., Quezon City
Tel. Nos.: 937-5597; 938-9636
937-8086; 461-3004
Fax No.: 937-8086

FAIRVIEW TERRACES
LGF Fairview Terraces, Quirino Highway
cor. Maligaya Drive, Brgy. Pasong Putik,
Novaliches, Quezon City
Tel. Nos.: 285-5956; 285-6058
Fax No.: 285-5956

FILINVEST CORPORATE CITY
G/F Wilcon Depot, Alabang-Zapote road
cor. Bridgeway Ave., Filinvest
Corporate City, Alabang, Muntinlupa
Tel. Nos.: 775-0097/0126
842-1993/2198
Fax No.: 775-0322

FILINVEST CORP. CITY-COMMERCENTER
G/F Commercenter Alabang,
Commerce Ave. cor. Filinvest Ave.,
Filinvest Corporate City, Alabang,
Muntinlupa City
Tel. Nos.: 805-0824; 805-0827
Fax No.: 805-0146

FILINVEST CORP. CITY-NORTHGATE
G/F Aeon Centre Bldg., Northgate
Cyberzone, Filinvest Corporate City,
Alabang, Muntinlupa City
Tel. Nos.: 776-1985; 551-5569
Fax No.: 776-1985

FIVE E-COM CENTER
G/F Five E-com Center, Harbor Drive,
MOA Complex, Pasay City
Tel. Nos.: 815-1883; 815-1884
815-1887
Fax No.: 815-1883

FORT BONIFACIO GLOBAL CITY
G/F Marajo Tower, 26th St. cor. 4th Ave.,
Fort Bonifacio Global City, Taguig City
Tel. Nos.: 799-9072/9074
856-4416/4891/5196
Fax No.: 856-4416

GEN. LUIS-KATIPUNAN
CBC Bldg., Gen. Luis St.
cor. Katipunan SB Road,
Brgy. Nagkaisang Nayon, Novaliches,
Quezon City
Tel. Nos.: 285-5664; 285-5665
Fax No.: 285-5665

GIL PUYAT AVE.
Mitsu Bldg., No. 65 Sen. Gil Puyat Ave.,
Brgy. Palanan, Makati City
Tel. Nos.: 844-0492/94; 844-0688/90
Fax No.: 844-0497

GIL PUYAT-ELIZABETH PLACE
G/F Elizabeth Place,
Gil Puyat Ave., Makati City
Tel. Nos.: 776-0502; 776-3234
Fax No.: 766-0502

GIL PUYAT AVE.-REPOSO
No. 331 Gil Puyat Ave., Makati City
Tel. Nos.: 541-3739; 541-3735
Fax No.: 541-3735

GREENBELT 1
G/F Greenbelt 1, Legaspi St. near
cor. Paseo de Roxas, Makati City
Tel. Nos.: 836-1387; 836-1405
836-1406
Fax No.: 836-1406

GREENHILLS
G/F Gift Gate Bldg., Greenhills Shopping
Center, San Juan, Metro Manila
Tel. Nos.: 721-0543/56; 721-3189
727-9520; 724-5078
724-6173; 727-2798
Fax No.: 726-7661

GREENHILLS-ANNAPOLIS
Mercedes 1 Condominium,
Annapolis St., Greenhills, San Juan City
Tel. Nos.: 470-3385; 470-3380
Fax No.: 470-3380

GREENHILLS-CONNECTICUT
G/F Missouri Square Bldg.,
Missouri cor. Connecticut St.,
Northeast Greenhills, San Juan City
Tel. Nos.: 997-3452; 997-3455
Fax No.: 997-3452

GREENHILLS-ORTIGAS
CBC Bldg., 14 Ortigas Ave.
Greenhills, San Juan, Metro Manila
Tel. Nos.: 723-0530/01; 723-0502/04
726-1492
Fax Nos.: 723-0556; 725-9025

HEROES HILLS
Quezon Ave. cor. J. Abad Santos St.,
Heroes Hills, Quezon City
Tel. Nos.: 351-4359/5121; 411-3375
412-5697
Fax No.: 351-5121

HOLY SPIRIT DRIVE
CBC Bldg., Lot 18 Block 6
Holy Spirit Drive, Don Antonio Heights,
Brgy. Holy Spirit, Quezon City
Tel. Nos.: 355-8665; 277-7257
Fax No.: 355-8665

ILAYA
#947 APL-YSL Bldg.,
Ilaya, Tondo, Manila
Tel. Nos.: 245-2416; 245-2548
245-2557
Fax No.: 245-2545

INTRAMUROS
No. 409 A. Soriano Ave.,
Intramuros, Manila
Tel. Nos.: 528-4241; 536-1044
536-5971; 310-5122
Fax No.: 536-1044

J. ABAD SANTOS AVE.
2159 J. Abad Santos Ave.,
cor. Batangas St., Tondo, Manila
Tel. Nos.: 255-1201 to 02
255-1204
Fax No.: 255-1203

J. ABAD SANTOS AVE.-QUIRICADA
J. Abad Santos Ave. near cor.
Quiricada St., Manila
Tel. Nos.: 253-6803; 253-6804
Fax No.: 253-0603

JUAN LUNA
G/F Aclem Bldg., 501 Juan Luna St.,
Binondo, Manila
Tel. Nos.: 247-3570/3795/3786
480-0211
Fax No.: 247-3795

KALAYAAN AVE.
G/F PPS Bldg., Kalayaan Ave.,
Quezon City
Tel. Nos.: 332-3858; 332-3859
332-3860
Fax No.: 332-3859

KALOOKAN
CBC Bldg., 167 Rizal Ave. Extension,
Grace Park, Kalookan City
Tel. Nos.: 364-0515/35
364-0717/31
364-0494; 364-9948
366-9457
Fax No.: 364-9864

KALOOKAN-8th AVE.
No. 279 Rizal Ave. cor. 8th Ave.,
Grace Park, Kalookan City
Tel. Nos.: 287-0001; 287-0262
Fax No.: 287-0262

KALOOKAN-10th AVE.
No. 275 10th Ave. cor. 3rd St.,
Grace Park, Kalookan City
Tel. Nos.: 287-5484; 287-5489
Fax No.: 287-5489

KALOOKAN-CAMARIN
L8B4 La Forteza Subd.,
Brgy. 175, Camarin, Kalookan City
Tel. Nos.: 442-6830; 442-7541
Fax No.: 442-6825

KALOOKAN-MONUMENTO
779 MacArthur Highway, Kalookan City
Tel. Nos.: 364-2571; 361-3270
921-3043
Fax No.: 361-3270

KAMIAS
G/F CRM Bldg. II, 116 Kamias Road
cor. Kasing-Kasing St., Quezon City
Tel. Nos.: 433-6007; 920-7367
920-8770
Fax No.: 920-5723

KAMUNING
#47 SKY47 Bldg., Kamuning Road,
Quezon City
Tel. Nos.: 287-3369; 287-3368
Fax No.: 287-3368

KARUHATAN
No. 253-B MacArthur Highway
cor. Bizotte St., Karuhatan,
Valenzuela City
Tel. Nos.: 291-0431/0175
440-0033
Fax No.: 440-0033

CHINA BANK BRANCHES

KATIPUNAN AVE.-ST. IGNATIUS
CBC Bldg., No. 121 Katipunan Ave.,
Brgy. St. Ignatius, Quezon City
Tel. Nos.: 913-5532; 912-5003
913-3226
Fax No.: 913-5532

KATIPUNAN AVE.-LOYOLA HEIGHTS
Elizabeth Hall, Katipunan Ave.,
Loyola Heights, Quezon City
Tel. Nos.: 287-9218; 287-9221
Fax No.: 287-9221

LAGRO
CBC Bldg., Lot 32 Blk 125, Quirino
Highway, Greater Lagro, Quezon City
Tel. Nos.: 372-8226; 372-8223
Fax No.: 372-8223

LAS PIÑAS
CBC Bldg., Alabang-Zapote Road
cor. Aries St., Pamplona Park Subd.,
Las Piñas City
Tel. Nos.: 874-6204; 874-6210
Fax No.: 874-6414

LAS PIÑAS-MANUELA
Alabang-Zapote Road
cor. Philamlife Ave., Pamplona Dos,
Las Piñas City
Tel. Nos.: 872-9801/9572/9533
871-0770
Fax No.: 871-0771

LAS PIÑAS-MARCOS ALVAREZ AVE.
Metro Towne Center,
2020 Marcos Alvarez Ave.,
Talon V, Moonwalk, Las Piñas City
Tel. Nos.: 838-9865; 838-9786
Fax No.: 838-9756

LAS PIÑAS-NAGA ROAD
Lot 3, Naga Road, Pulanglupa 2,
Las Piñas City
Tel. Nos.: 541-1671; 541-1674
Fax No.: 541-1674

LAVEZARES
No. 412 Lavezares St.,
San Nicolas, Manila
Tel. Nos.: 521-6978; 521-7132
521-7128
Fax No.: 521-6978

LEGASPI VILLAGE-AMORSOLO
G/F CAP Bldg., Herrera cor.
Amorsolo Sts., Legaspi Village,
Makati City
Tel. Nos.: 832-6871; 833-5668
Fax No.: 833-5668

LEGASPI VILLAGE-AIM
G/F Cacho-Gonzales Bldg.,
101 Aguirre cor. Trasierra Sts.,
Legaspi Village, Makati City
Tel. Nos.: 818-8156; 818-0734
818-9649; 894-5882 to 85
Fax No.: 818-0240

LEGASPI VILLAGE-C. PALANCA
Suite A, Basic Petroleum Bldg.
104 C. Palanca Jr. St.
Legaspi Village, Makati City
Tel. Nos.: 894-5915/18; 810-1464
Fax No.: 894-586

LEGASPI VILLAGE-ESTEBAN
G/F PPI Bldg., No. 109 Esteban St.,
Legaspi Village, Makati City
Tel. Nos.: 800-6147; 805-4820
Fax No.: 805-4820

LEGASPI VILLAGE-PEREA
G/F Greenbelt Mansion, 106 Perea St.,
Legaspi Village, Makati City
Tel. Nos.: 893-2273/2272/2827
Fax No.: 893-2272

LEGASPI VILLAGE-SALCEDO
G/F Fedman Suites, 199 Salcedo St.,
Legaspi Village, Makati City
Tel. Nos.: 893-7680; 893-2618
759-2462; 893-1503
816-0905
Fax No.: 893-3746

M. DELA FUENTE-TRABAJO MARKET
#771 M. dela Fuente St. (Trabajo Market
area), Sampaloc, Manila
Tel. Nos.: 522-2083; 522-2028
Fax No.: 522-2083

MACAPAGAL AVE.-ASEANA SQUARE
Aseana Square (Caltex Area),
D. Macapagal Ave., Aseana City,
Parañaque City
Tel. Nos.: 533-4147; 296-7246
296-7235
Fax No.: 296-7246

MACAPAGAL AVE.-BIOPOLIS
G/F The Biopolis, Central Business Park
1-A 076/01, Diosdado Macapagal Ave.,
Pasay City
Tel. Nos.: 838-9677; 838-9679
Fax No.: 838-9679

MACAPAGAL AVE.-DOUBLEDRAGON
DD Meridian Park Plaza, Macapagal Ave.
cor. EDSA Ext., Pasay City
Tel. Nos.: 838-3805; 838-3804
Fax No.: 838-3804

MAGALLANES VILLAGE
G/F DHI Bldg., No. 2 Lapu-Lapu Ave.
cor. EDSA, Magallanes Village,
Makati City
Tel. Nos.: 757-0272/0240
852-1290; 852-1245
Fax No.: 852-1245

MAKATI AVE.
G/F CBC Bldg., Makati Ave.
cor. Hercules St., Makati City
Tel. Nos.: 890-6971 to 74
Fax No.: 890-6975

MAKATI-COMEMBO
No. 46 JP Rizal Ext.,
Brgy. Comembo, Makati City
Tel. Nos.: 802-2616; 802-2614
802-2613
Fax No.: 802-2613

MAKATI-JP RIZAL
JP Rizal cor. Honradez Sts.,
Makati City
Tel. Nos.: 815-6036 to 38
Fax No.: 815-6038

MAKATI-KALAYAAN AVE.
Kalayaan Ave., Makati City
Tel. Nos.: 838-7253; 838-7252
Fax No.: 838-7253

MALABON-CONCEPCION
Gen. Luna cor. Paez Sts.,
Concepcion, Malabon
Tel. Nos.: 281-0102/03/04/05
281-0293
Fax No.: 281-0106

MALABON-GOV. PASCUAL
CBC Bldg., Gov. Pascual Ave.,
Malabon City
Tel. Nos.: 352-1816; 352-1817
352-1822; 961-2147
Fax No.: 352-1822

MALABON-POTRERO
CBC Bldg., MacArthur Highway,
Potrero, Malabon
Tel. Nos.: 448-0524/25
361-8671/7056
Fax No.: 448-0525

MALANDAY
CBC Bldg., MacArthur Highway,
Malanday, Valenzuela City
Tel. Nos.: 432-9787; 292-6956/57
445-3201; 432-9785
Fax No.: 292-6956

MANDALUYONG-BONI AVE.
G/F VOS Bldg., Boni Ave.
cor. San Rafael St., Mandaluyong City
Tel. Nos.: 746-6283/85; 534-2289
Fax No.: 534-1968

MANDALUYONG-BONI SAN ROQUE
#768 Bonifacio Ave. cor. San Roque St.
Brgy. Barangka Ilaya, Mandaluyong City
Tel. Nos.: 581-3861; 581-3867
Fax No.: 581-3867

MANDALUYONG-D. GUEVARA
G/F 19 Libertad Plaza, Domingo
Guevara St., Mandaluyong City
Tel. Nos.: 534-5528; 534-5529
Fax No.: 534-5529

MANDALUYONG-PIONEER
UG-05 Globe Telecom Plaza Tower I
Pioneer St., Mandaluyong City
Tel. Nos.: 746-6949; 635-4198
632-1399
Fax No.: 746-6948

MANILA-MACEDA
Daguman Bldg., Maceda St.,
Sampaloc, Manila
Tel. Nos.: 521-6644; 521-6643
Fax No.: 521-6644

MARIKINA-STA. ELENA
250 J.P. Rizal St., Sta. Elena,
Marikina City
Tel. Nos.: 646-4281; 646-4277
646-4279; 646-1807
Fax No.: 646-1807

MARIKINA-FAIRLANE
G/F E & L Patricio Bldg.,
No. 809 J.P. Rizal Ave.,
Concepcion Uno, Marikina City
Tel. Nos.: 997-0684; 997-0897
998-1817
Fax No.: 997-0897

MARIKINA-GIL FERNANDO
Block 9, Lot 14 Gil Fernando Ave.,
Marikina City
Tel. Nos.: 646-0780; 646-8032
358-2138
Fax No.: 646-8032

MARIKINA-SSS VILLAGE
Lilac St., Rancho Estate IV,
Concepcion Dos, Marikina City
Tel. Nos.: 948-5135; 941-7709
997-3343
Fax No.: 942-0048

MASANGKAY
959-961 G. Masangkay St.,
Binondo, Manila
Tel. Nos.: 244-1828/35/48/56/59
Fax No.: 244-1833

MASANGKAY-LUZON
1192 G. Masangkay St.,
Sta. Cruz, Manila
Tel. Nos.: 255-0739; 254-9974
254-9335
Fax No.: 254-9974

MAYON
480 Mayon St., Maharlika
Sta. Mesa Heights, Quezon City
Tel. Nos.: 731-9054/2766
741-2409
Fax No.: 731-2766

MINDANAO AVE.
G/F LJC Bldg., 189 Mindanao Ave.
Bahay Toro, Quezon City
Tel. Nos.: 277-4768; 277-4782
Fax No.: 277-4768

MUNTINLUPA-PUTATAN
G/F Teknikos Bldg., National Highway,
Brgy. Putatan, Muntinlupa City
Tel. Nos.: 511-0980; 808-1817
Fax No.: 808-1819

N. DOMINGO
G/F The Main Place, No. 1 Pinaglabanan
cor. N. Domingo Sts., San Juan City
Tel. Nos.: 470-2915; 470-2916
470-2917
Fax No.: 470-2916

NAVOTAS
No. 500 M. Naval St. near cor.
Lacson St., Brgy. North Bay Boulevard
North (NBBN), Navotas City
Tel. Nos.: 283-0752 to 54
Fax No.: 283-0752

NOVALICHES-GULOD
858 Krystle Building, Quirino Highway,
Gulod, Novaliches, Quezon City
Tel. Nos.: 937-1133/36
Fax No.: 936-1037

NOVALICHES-STA. MONICA
G/F E & V Bldg., Quirino Highway cor.
Dumalay St., Novaliches, Quezon City
Tel. Nos.: 288-3683; 288-2302
Fax No.: 288-3683

NOVALICHES-SANGANDAAN
CBC Bldg., Quirino Highway
cor. Tandang Sora Ave.,
Brgy. Sangandaan, Novaliches
Quezon City
Tel. Nos.: 935-3049; 935-3491
Fax No.: 935-2130

NOVALICHES-TALIPAPA
528 Copengco Bldg., Quirino Highway,
Talipapa, Novaliches, Quezon City
Tel. Nos.: 936-2202; 936-3311
936-7765
Fax No.: 936-2202

NOVALICHES- ZABARTE
G/F C.I. Bldg., 1151 Quirino Highway
cor. Zabarte Road, Brgy. Kaligayahan,
Novaliches, Quezon City
Tel. Nos.: 461-7691; 461-7694
461-7698
Fax No.: 461-7691

NUEVA
Unit Nos. 557 & 559 G/F Ayson Bldg.,
Yuchengco St., Binondo, Manila
Tel. Nos.: 247-6374; 247-6396
247-0493; 480-00-66
Fax No.: 247-6396

ONGPIN
G/F Se Jo Tong Bldg.,
808 Ongpin St., Sta. Cruz, Manila
Tel. Nos.: 733-8962 to 66
735-5362
Fax No.: 733-8964

OROQUIETA
1225-1227, Oroquieta St.,
Sta. Cruz, Manila
Tel. Nos.: 521-6648; 521-6650
Fax No.: 521-6648

ORTIGAS-ADB AVE.
LGF City & Land Mega Plaza
ADB Ave. cor. Garnet Rd.
Ortigas Center, Pasig City
Tel. Nos.: 687-2457/58
687-2226/3263
Fax No.: 687-2457

ORTIGAS AVE. EXT.-RIVERSIDE
Unit 2-3 Riverside Arcade, Ortigas Ave. Extension cor. Riverside Drive, Brgy. Sta. Lucia, Pasig City
Tel. Nos.: 748-1808; 748-4426
655-7403; 655-8350
Fax No.: 655-8350

ORTIGAS CENTER
Unit 101 Parc Chateau Condominium Onyx cor. Sapphire Sts., Ortigas Center, Pasig City
Tel. Nos.: 633-7960/70/53/54
634-0178
Fax No.: 633-7971

ORTIGAS COMPLEX
G/F Padilla Bldg., F. Ortigas Jr. Road (formerly Emerald Ave.), Ortigas Center, Pasig City
Tel. Nos.: 634-3469; 631-2772
Fax No.: 633-9039

ORTIGAS-JADE DRIVE
Unit G-03, Antel Global Corporate Center, Jade Drive, Ortigas Center, Pasig City
Tel. Nos.: 638-4489; 638-4490
638-4510; 638-4540
Fax No.: 638-4540

ORTIGAS-TEKTITE
Unit EC-06B PSE Center (Tektite) Ortigas Center, Pasig City
Tel. Nos.: 637-0231; 637-0238
Fax No.: 637-0231

PACO
Gen. Luna cor. Escoda St., Paco, Manila
Tel. Nos.: 526-6492; 536-6630/31/72
Fax No.: 536-6657

PACO-ANGEL LINAO
Unit 1636 & 1638 Angel Linao St. Paco, Manila
Tel. Nos.: 242-2849; 242-3416
Fax No.: 242-2849

PACO-OTIS
G/F Union Motor Corp Bldg., 1760 Dra. Paz Guazon St., Paco, Manila
Tel. Nos.: 561-6902; 561-6981
564-2247
Fax No.: 561-6981

PADRE FAURA
G/F Regal Shopping Center, A. Mabini cor. P. Faura Sts., Ermita, Manila
Tel. Nos.: 526-0586; 527-3202
527-7865
Fax No.: 527-3202

PARAÑAQUE-BACLARAN
Quirino Ave. cor. Aragon St., Baclaran, Parañaque City
Tel. Nos.: 581-1057; 663-0435
Fax No.: 663-0435

PARAÑAQUE-MOONWALK
Milky Way St. cor. Armstrong Ave., Moonwalk, Parañaque City
Tel. Nos.: 846-9729; 846-9739
846-9771
Fax No.: 846-9739

PARAÑAQUE-NAIA
Ninoy Aquino Ave., Brgy. San Dionisio, Parañaque City
Tel. Nos.: 541-8857; 541-8858
Fax No.: 541-8857

PARAÑAQUE-SAN ANTONIO VALLEY
San Antonio Shopping Center, San Antonio Road, Brgy. San Antonio Valley 1, Parañaque City
Tel. Nos.: 816-2448; 816-2451
Fax No.: 816-2451

PARAÑAQUE-SUCAT
No. 8260 (between AMA Computer School and PLDT), Dr. A. Santos Ave., Brgy. San Isidro, Parañaque City
Tel. Nos.: 820-8951/52; 820-2044
825-2501
Fax No.: 825-9517

PASAY-LIBERTAD
CBC Bldg., 184 Libertad St., Antonio Arnaiz Ave., Pasay City
Tel. Nos.: 551-7159; 834-8978
831-0306; 831-0498
Fax No.: 551-7160

PASAY-ROXAS BLVD.
GF Unit G-01 Antel Seaview Towers 2626 Roxas Blvd., Pasay City
Tel. Nos.: 551-9067/68/69
833-5048
Fax No.: 551-1768

PASIG-A. MABINI
A. Mabini St., Brgy. Kapasigan, Pasig City
Tel. Nos.: 534-5178; 634-4028
Fax No.: 534-5178

PASIG-C. RAYMUNDO
G/F MicMar Apartments No. 6353 C. Raymundo Ave., Brgy. Rosario, Pasig City
Tel. Nos.: 642-3652; 628-3912
628-3922
Fax No.: 576- 4134

PASIG-DELA PAZ
Amang Rodriguez Ave., Brgy. Dela Paz, Pasig City
Tel. Nos.: 637-7874; 637-7876
Fax No.: 637-7874

PASIG-MERCEDES
Commercial Motors Corp. Compound Mercedes Ave., Pasig City
Tel. Nos.: 628-0197/0209/0201
Fax No.: 628-0211

PASIG-SAN JOAQUIN
No. 43 M. Concepcion Ave., San Joaquin, Pasig City
Tel. Nos.: 997-2815; 997-2816
997-2817
Fax No.: 997-2815

PASIG-SANTOLAN
G/F Felmarc Business Center, Amang Rodriguez Ave., Santolan, Pasig City
Tel. Nos.: 646-0635; 682-3474
682-3514; 681-4575
Fax No.: 646-0514

PASIG-SM SUPERCENTER
G/F SM Supercenter Pasig, Frontera Drive, C-5, Ortigas, Pasig City
Tel. Nos.: 706-3207/3208/3209
Fax No.: 706-3208

PASIG-VALLE VERDE
G/F Reliance IT Center, E. Rodriguez Jr. Ave., Ugong, Pasig City
Tel. Nos.: 706-9242; 706-9243
Fax No.: 706-9243

PASO DE BLAS
G/F CYT Bldg., No. 178 Paso de Blas, Valenzuela City
Tel. Nos.: 292-3215/3213/3216
Fax No.: 444-8850

PASONG TAMO BAGTIKAN
G/F Trans-Phil House 1177 Chino Roces Ave. cor. Bagtikan St., Makati City
Tel. Nos.: 403-4820; 403-4821
403-4822; 738-7591
Fax No.: 403-4821

PASONG TAMO-CITYLAND
Units UG30-UG32 Cityland Pasong Tamo Tower, 2210 Pasong Tamo St., Makati City
Tel. Nos.: 817-9337/47/51/60/82
Fax No.: 817-9351

PASONG TAMO-LA FUERZA
La Fuerza Plaza 1, Chino Roces Ave., Makati City
Tel. Nos.: 541-8850; 541-8851
Fax No.: 541-8851

PATEROS
G/F Adela Bldg., M. Almeda St., Brgy. San Roque, Pateros
Tel. Nos.: 531-6929; 531-6810
654-3079
Fax No.: 654-3079

PHILAM
#8 East Lawin Drive, Philam Homes, Quezon City
Tel. Nos.: 927-9841; 924-2872
929-5734
Fax No.: 929-3115

PROJECT 8-SHORTHORN
Shorthorn St., Project 8, Quezon City
Tel. Nos.: 373-3363; 373-3369
Fax No.: 373-3363

PUREZA
G/F Solicarel Bldg. Ramon Magsaysay Blvd. near cor. Pureza St., Sta. Mesa, Manila
Tel. Nos.: 241-3313; 241-3314
Fax No.: 241-3314

QUEZON AVE.
No. 18 G & D Bldg., Quezon Ave. cor. D. Tuazon St., Quezon City
Tel. Nos.: 712-3676; 712-0424
740-7779/80; 712-1105
416-8891
Fax No.: 712-3006

QUEZON AVE.-SCT. CHUATOCO
Estuar Bldg., No.880 Quezon Ave., Brgy. Paligsahan, Quezon City
Tel. Nos.: 351-0563; 351-0567
Fax No.: 351-0563

QUIAPO
216-220 Villalobos St., Quiapo, Manila
Tel. Nos.: 733-2052/59/61
733-6282/86
Fax No.: 733-6282

REGALADO AVE.
CBC Bldg., Regalado Ave., North Fairview, Quezon City
Tel. Nos.: 921-5678; 921-5359
Fax No.: 921-5359

REGALADO AVE.-WEST FAIRVIEW
CBC Bldg., Regalado Ave. cor. Bulova St., Quezon City
Tel. Nos.: 936-2554; 936-2556
Fax No.: 936-2554

RIZAL-ANGONO
Lot 3 Blk. 4 M.L Quezon Ave. Richmond Subd., Angono, Rizal
Tel. Nos.: 633-5198; 633-7513
Fax No.: 633-7513

RIZAL-SAN MATEO
#63 Gen. Luna cor. Simon St., Banaba, San Mateo, Rizal
Tel. Nos.: 650-2230; 650-1837
Fax No.: 650-1837

ROCKWELL-ORTIGAS
G/F Tower 1 Rockwell Business Center, Ortigas Ave., Pasig City
Tel. Nos.: 470-4704; 470-2984
Fax No.: 470-2984

ROOSEVELT AVE.
CBC Bldg., #293 Roosevelt Ave., San Francisco Del Monte, Quezon City
Tel. Nos.: 371-5133 to 35
410-2160; 410-1957
371-2766
Fax No.: 371-2765

ROOSEVELT AVE.-FRISCO
G/F Norita Bldg., #51 H. Francisco St. cor. Roosevelt Ave., Brgy. Paraiso, Quezon City
Tel. Nos.: 709-7552; 921-0866
Fax No.: 921-0866

SALCEDO VILLAGE-L.P. LEVISTE
Unit 1-B G/F The Athenaeum San Agustin-LP Leviste St., Salcedo Village, Makati City
Tel. Nos.: 869-3128; 869-3132
869-3134
Fax No.: 869-3132

SALCEDO VILLAGE-TORDESILLAS
G/F Prince Tower Condominium 14 Tordesillas St., Salcedo Village, Makati City
Tel. Nos.: 813-4901/32/33
813-4944/52
Fax No.: 813-4933

SALCEDO VILLAGE-VALERO
G/F Valero Tower, 122 Valero St. Salcedo Village, Makati City
Tel. Nos.: 892-7768/69; 812-9207
893-8188/96
Fax No.: 892-7769

SALES-RAON
611 Sales St., Quiapo, Manila
Tel. Nos.: 734-5806; 734-7427
734-6959
Fax No.: 734-6959

SAN ANTONIO VILLAGE-KAMAGONG
Kamagong near cor. St. Paul Sts., San Antonio Village, Makati City
Tel. Nos.: 777-4950; 777-4951
Fax No.: 777-4951

SAN ANTONIO VILL.-P. OCAMPO
JM Macalino Auto Center, P. Ocampo St. cor. Dungon St., San Antonio Village, Makati
Tel. Nos.: 869-5648; 869-5649
Fax No.: 869-5651

SAN JUAN
17 (new) F. Blumentritt St., San Juan, M. M.
Tel. Nos.: 724-8263; 726-4826
744-5616 to 18
723-7333
Fax No.: 723-4998

SAN JUAN-J. ABAD SANTOS
Unit 3 Citiplace Bldg., 8001 Jose Abad Santos St., Little Baguio, San Juan City
Tel. Nos.: 470-8292; 656-8329
Fax No.: 656-8329

SCT. BORROMEO
G/F The Forum Bldg., 71- A Sct. Borromeo St., Diliman, Quezon City
Tel. Nos.: 426-1431; 426-1340
Fax No.: 426-1431

SHAW-HAIG
G/F First of Shaw Bldg., Shaw Blvd. cor. Haig St., Mandaluyong City
Tel. Nos.: 534-1073; 534-0744
718-0218; 621-6459
Fax No.: 576-3841

CHINA BANK BRANCHES

SHAW-PASIG
G/F RCC Center,
No. 104 Shaw Boulevard, Pasig City
Tel. Nos.: 634-5018/19; 634-3343/44
747-7812; 634-3340
Fax No.: 634-3344

SHAW-SUMMIT ONE
Unit 102 Summit One Office Tower
530 Shaw Boulevard, Mandaluyong City
Tel. Nos.: 531-3970; 531-5736
531-4058; 531-1304
533-8723; 533-4948
Fax No.: 531-9469

SM AURA PREMIER
L/G SM Aura Premier, McKinley
Parkway, Fort Bonifacio Global City,
Taguig City
Tel. Nos.: 808-9727; 808-9701
Fax No.: 808-9701

SM CITY BICUTAN
LGF, Bldg. B, SM City Bicutan
Doña Soledad Ave.
cor. West Service Rd., Parañaque City
Tel. Nos.: 821-0600/0700
777-9347
Fax No.: 821-0500

SM CITY BF PARAÑAQUE
G/F SM City BF Parañaque,
Dr. A. Santos Ave. cor. President's Ave.,
Parañaque City
Tel. Nos.: 825-3201; 825-2990
825-3095; 820-0911
Fax No.: 825-1062

SM CITY MARIKINA
G/F SM City Marikina, Marcos Highway,
Brgy. Calumpang, Marikina City
Tel. Nos.: 477-1845/46/47
799-6105
Fax No.: 477-1847

SM CITY SAN LAZARO
UGF (Units 164-166) SM City
San Lazaro, Felix Huertas St.
cor. A.H. Lacson Extension,
Sta. Cruz, Manila
Tel. Nos.: 742-1572; 742-2330
493-7115
Fax No.: 732-7935

SM CITY TAYTAY
Unit 147 Bldg. B, SM City Taytay, Manila
East Road, Brgy. Dolores, Taytay, Rizal
Fax No.: 286-5844; 286-5979
661-2276; 661-2277
Fax No.: 661-2235

SM CITY FAIRVIEW
LGF, SM City Fairview, Quirino Ave.
cor. Regalado Ave., Fairview,
Quezon City
Tel. Nos.: 417-2878; 939-3105
Fax No.: 418-8228

SM MALL OF ASIA
G/F Main Mall Arcade, SM Mall of Asia,
Bay Blvd., Pasay City
Tel. Nos.: 556-0100/0102/0099
625-2246
Fax No.: 556-0099

SM MEGAMALL
LGF Bldg. A, SM Megamall,
E. Delos Santos Ave. cor.
J. Vargas St., Mandaluyong City
Tel. Nos.: 633-1611/12
633-1788/89
638-7213 to15
Fax Nos.: 633-4971 or 633-1788

SM CITY MASINAG
SM City Masinag, Marcos Highway,
Brgy. Mayamot, Antipolo City
Tel. Nos.: 655-8764; 655-9124
655-8771
Fax No.: 655-9124

SM CITY NORTH EDSA
Cyberzone Carpark Bldg.,
SM City North Ave. cor. EDSA,
Quezon City
Tel. Nos.: 456-6633; 454-8108/21
925-4273
Fax No.: 927-2234

SM CITY NORTH TOWERS
SM City North EDSA North Towers,
SM City North EDSA Complex,
Quezon City
Tel. Nos.: 241-2172; 251-5122

EDSA-PHILAM
917 EDSA, Brgy. Philam, Quezon City
Tel. Nos.: 374-2345; 374-2362
287-3106
Fax No.: 287-3106

SM SOUTHMALL
UGF SM Southmall
Alabang-Zapote Road, Talon 1,
Almanza, Las Piñas City
Tel. Nos.: 806-6116/19; 806-3536
806-3547
Fax No.: 806-3548

SOLEMARE
G-11 Solemare Parksuites,
5A Bradco Ave., Aseana Business Park,
Parañaque City
Tel. Nos.: 366-3237; 366-3219
366-3199
Fax No.: 366-3199

SOLER-168
G/F R & S Bldg., Soler St., Manila
Tel. Nos.: 242-1041; 242-1674
242-1685
Fax No.: 242-1041

SOUTH TRIANGLE
G/F Sunshine Blvd. Plaza,
Quezon Ave. cor. Sct. Santiago and
Panay Ave., Bgry. South Triangle,
Quezon City
Tel. Nos.: 277-7947; 277-7948
Fax No.: 277-7947

STA. MESA
1-B G. Araneta Ave.,
Brgy. Doña Imelda, Quezon City
Tel. Nos.: 516-0764; 516-0765
516-0766
Fax No.: 516-0765

STO. CRISTO
622-39 Sto. Cristo St., Binondo, Manila
Tel. Nos.: 242-4673; 242-5361
241-1243; 242-5449
242-3670; 242-4668
Fax No.: 242-4672; 242-4761

STO. CRISTO-C.M. RECTO
858 Sto. Cristo St., Manila
Tel. Nos.: 562-9651; 562-9652

STO. DOMINGO AVE.
Sto. Domingo Ave., Quezon City
Tel. Nos.: 251-6005; 251-5852

T. ALONZO
Abeleda Business Center
908 T. Alonzo cor. Espeleta Sts.,
Sta. Cruz, Manila
Tel. Nos.: 733-9581/82
734-3231 to 33
Fax No.: 733-9582

TAFT AVE.-NAKPIL
G Square Taft Ave. cor. Nakpil St.,
Malate, Manila
Tel. Nos.: 681-2830; 631-9745

TAFT AVE.-QUIRINO
2178 Taft Ave. near cor.
Quirino Ave., Malate, Manila
Tel. Nos.: 521-7825; 527-3285
527-6747
Fax No.: 527-3285

TANDANG SORA-VISAYAS AVE.
#250 Tandang Sora Ave., Quezon City
Tel. Nos.: 426-3818; 426-3541

TAYTAY-SAN JUAN
Velasquez St., Sitio Bangiad,
Brgy. San Juan, Taytay, Rizal
Tel. No.: 998-6649
Fax No.: 998-6649

TAYTAY-ORTIGAS EXENSION
Ortigas Ave. Ext., Taytay, Rizal
Tel. No.: 727-1667
Fax No.: 727-1667

TIMOG AVE.
G/F Prince Jun Condominium,
42 Timog Ave., Quezon City
Tel. Nos.: 371-4523/24; 371-4522/06
Fax No.: 371-4503

TRINOMA
Unit P002, Level P1, Triangle North of
Manila, North Ave. cor. EDSA,
Quezon City
Tel. Nos.: 901-5570-5573
Fax No.: 901-5573

TOMAS MAPUA-LAGUNA
CBC Bldg., Tomas Mapua St.
Sta. Cruz, Manila
Tel. Nos.: 495-0302; 711-9849
Fax No.: 495-0302

TOMAS MORATO-E. RODRIGUEZ
1427 Tomas Morato Ave., Quezon City
Tel. Nos.: 470-3037; 477-1472

TOMAS MORATO EXTENSION
QY Bldg., Tomas Morato Ave.,
Quezon City
Tel. Nos.: 373-4960; 373-4961
Fax No.: 373-4961

999 MALL
Unit 3D-5; 3D-7 999 Shopping Mall
Bldg. 2 Recto-Soler Sts., Binondo,
Manila
Tel. Nos.: 523-1216/1217
523-1218/1219
Fax No.: 523-1215

TUTUBAN PRIME BLOCK
Rivera Shophouse, Podium Area,
Tutuban Center Prime Block,
C.M. Recto Ave. cor. Rivera St., Manila
Tel. Nos.: 255-1414/15
Fax No.: 255-5441

UP TECHNO HUB
UP AyalaLand Techno Hub,
Commonwealth Ave., Quezon City
Tel. Nos.: 441-1331/1332
441-1334/738-4800
Fax No.: 441-1332

UP VILLAGE-MAGINHAWA
LTR Bldg., No. 46 Maginhawa St.,
UP Village, Quezon City
Tel. Nos.: 373-3349; 373-3354

V.LUNA BRA NCH
G/F AGGCT Bldg., No. 32 V. Luna
cor. Matapat Sts., Brgy. Pinyahan,
Quezon City
Tel. Nos.: 772-8992; 772-8564
Fax No.: 772-8564

VALENZUELA
CBC Bldg., MacArthur Highway
cor. V. Cordero St., Marulas,
Valenzuela City
Tel. Nos.: 293-8920; 293-6160
293-5088 to 90
293-8919
Fax No.: 293-5091

VALENZUELA-GEN. LUIS
AGT Bldg., 425 Gen. Luis St.
Paso de Blas, Valenzuela City
Tel. Nos.: 443-6160/61
983-3861/62
Fax No.: 443-6161

VALENZUELA-MALINTA
MacArthur Highway, Brgy. Malinta,
Valenzuela City
Tel. Nos.: 282-2160; 282-2013
Fax No.: 282-2013

VISAYAS AVE.
CBC Bldg., Visayas Ave. cor.
Congressional Ave. Ext., Quezon City
Tel. Nos.: 454-0189; 925-2173
455-4334/35
Fax No.: 925-2155

WEST AVE.
82 West Ave., Quezon City
Tel. Nos.: 924-3131/3143
924-6363; 920-6258
411-6010/6011
928-3270
Fax No.: 924-6364

XAVIERVILLE
65 Xavierville Ave., Loyola Heights,
Quezon City
Tel. Nos.: 433-8696; 929-1265
927-9826
Fax No.: 929-3343

LUZON

ALBAY
Rizal St. cor. Gov. Reynold St.,
Old Albay District, Legazpi City
Tel. Nos.: (052) 742-0893
(052) 742-0894
Fax No.: (052) 742-0894

ANGELES CITY
CBC Bldg., 949 Henson St.,
Angeles City
Tel. Nos.: (045) 887-1549; 323-5343
887-1550/2291
625-8660/61
Fax No.: (045) 625-8661

ANGELES CITY-BALIBAGO
Diamond Square, Service Road
MacArthur Highway cor. Charlotte St.
Balibago, Angeles City, Pampanga
Tel. Nos.: (045) 892-5136
892-5144
Fax No.: (045) 892-5136

ANGELES CITY-MARQUEE MALL
G/F Marquee Mall, Angeles City,
Pampanga
Tel. Nos.: (045) 436-4013
304-0850; 889-0975
Fax No.: (045) 304-0850

ANGELES-MACARTHUR HIGHWAY
CBC Bldg., San Pablo St. cor.
MacArthur Highway, Angeles City
Tel. Nos.: (045) 323-5793
887-6028; 625-9362
Fax No.: (045) 887-6029

ANGELES-STO. ROSARIO
Angeles Business Center Bldg.,
Teresa Ave., Nepo Mart Complex,
Angeles City, Pampanga
Tel. Nos.: (045) 888-5175; 322-9596
Fax No.: (045) 888-5175

APALIT
CBC Bldg., MacArthur Highway,
San Vicente, Apalit, Pampanga
Tel. No.: (045) 652-1131
Fax No.: (045) 302-9560

BAGUIO CITY
G/F Juniper Bldg., A. Bonifacio Rd.,
Baguio City
Tel. Nos.: (074) 442-9581; 443-5908
443-8659 to 60
442-9663
Fax No.: (074) 442-9663

BAGUIO CITY-ABANAO
G/F Paladin Hotel, No. 136 Abanao Ext.
cor. Cariño St., Baguio City
Tel. Nos.: (074) 424-4837; 424-4838
Fax No.: (074) 424-4838

BALANGA CITY
G/F Dilig Bldg., Don Manuel Banzon St.,
Balanga City, Bataan
Tel. Nos.: (047) 237-9388/89
791-1779
Fax No.: (047) 791-1779

BALER
Provincial Road, Barrio Suklayain,
Baler, Aurora
Tel. Nos.: (042) 724-0026
703-3331-(manila line)
Fax No.: (042) 724-0026

BALIWAG
Km. 51, Doña Remedios Trinidad (DRT)
Highway, Baliwag, Bulacan
Tel. Nos.: (044) 766-1066/5257
673-5338
Fax No.: (044) 766-5257

BATAAN-DINALUPIHAN
GNI Bldg., San Ramon Highway
cor. Doña Rosa St. and Mabini Ext.,
Dinalupihan, Bataan
Tel. Nos.: (047) 636-1451/52

BATANGAS CITY
P. Burgos St., Batangas City
Tel. Nos.: (043) 723-0953
520-6118 (Manila Line)
Fax Nos.: 520-6118
(043) 402-9157

BATANGAS-BALAYAN
CBC Bldg., Barrio Ermita,
Balayan, Batangas
Tel. Nos.: (043) 741-5028
(043) 741-5180

BATANGAS-BAUAN
62 Kapitan Ponso St., Bauan, Batangas
Tel. Nos.: (043) 702-4481; 702-5383
Fax No.: (043) 702-4481

BATANGAS-LEMERY
Miranda Bldg., Ilustre Ave.,
Lemery, Batangas
Tel. Nos.: (043) 409-3467; 984-0206
Fax No.: (043) 409-3467

BATANGAS CITY-KUMINTANG ILAYA
CBC Bldg., Brgy. Kumintang Ilaya,
Batangas City, Batangas
Tel. No.: (043) 702-6823
Fax No.: (043) 702-6826

BATANGAS-ROSARIO
Dr. Gualberto Ave., Brgy. Namunga,
Rosario, Batangas
Tel. Nos.: (043) 312-3748; 312-3776
Fax No.: (043) 312-3748

BATANGAS-SAN JUAN
Rizal St. near cor. Gen. Luna St.,
Poblacion, San Juan, Batangas
Tel. Nos.: (043) 740-0280
(043) 740-0282

BATANGAS-TANAUAN
J.P. Laurel Highway,
Tanauan City, Batangas
Tel. Nos.: (043) 702-8956; 702-8957
Fax No.: (043) 702-8956

BULACAN-BALAGTAS
MacArthur Highway, Brgy. San Juan,
Balagtas, Bulacan
Tel. Nos.: (044) 769-4376; 769-0359
Fax No.: (044) 769-4376

BULACAN-GUIGUINTO
CBC Bldg., Cagayan Valley Road,
Brgy. Sta. Rita, Guiguinto, Bulacan
Tel. Nos.: (044) 764-0879
(044) 764-0886

BULACAN-PLARIDEL
CBC Bldg., Cagayan Valley Road,
Plaridel, Bulacan
Tel. Nos.: (044) 931-2332; 325-0069
Fax No.: (044) 931-2293

BULACAN-STA. MARIA
J.P Rizal cor. C. de Guzman St.,
Poblacion, Sta. Maria
Tel. Nos.: (044) 288-2006
815-2951; 913-0334
Fax No.: (044) 288-2006

CABANATUAN CITY
Melencio cor. Sanciangco Sts.
Cabanatuan City
Tel. Nos.: (044) 600-4265
463-0935 to 36
Fax No.: (044) 463-0936

CABANATUAN-MAHARLIKA
CBC Bldg., Maharlika Highway
Cabanatuan City
Tel. Nos.: (044) 463-8586/87
463-7964; 600-3590
940-2395
Fax No.: (044) 463-8587

CALAPAN CITY
J.P. Rizal St., San Vicente,
Calapan City, Oriental Mindoro
Tel. Nos.: (043) 288-8978/8508
441-0382
Fax No.: (043) 441-0382

CAMALANIUGAN
CBC Bldg., National Highway,
Camalaniugan, Cagayan
Tel. Nos.: (078) 377-2836
377-2837
Fax No.: (078) 377-2837

CANDON CITY
CBC Bldg., National Road,
Poblacion, Candon City, Ilocos Sur
Tel. Nos.: (077) 674-0574
674-0554
Fax No.: (077) 674-0574

CARMONA
CBC Bldg., Paseo de Carmona
Brgy. Maduya, Carmona, Cavite
Tel. Nos.: (046) 430-1969/1277
430-3568
475-3941 (Manila line)
Fax No.: (046) 430-1277

CAUAYAN CITY
G/F Prince Christopher Bldg.
Maharlika Highway, Cauayan City,
Isabela
Tel. Nos.: (078) 652-1849
897-1338; 652-0061
Fax No.: (078) 652-1849

CAVITE-DASMARIÑAS
G/F CBC Bldg., Gen. E. Aguinaldo
Highway, Dasmariñas, Cavite
Tel. Nos.: (046) 416-5036/39/40
584-40-83 (Manila line)
Fax No.: (046) 416-5036

CAVITE-GEN. TRIAS
Lot 12 Brookeside Lane 5 Arnaldo
Highway, Brgy. San Francisco,
Gen. Trias City, Cavite
Tel. Nos.: (046) 482-8993
(046) 482-8995

CAVITE-IMUS
G/F CBC Bldg., Nueno Ave.
Tanzang Luma, Imus, Cavite
Tel. Nos.: (046) 970-8726/64
471-2637; 471-7094
Fax No.: (046) 471-2637

CAVITE-MOLINO
Patio Jacinto, Molino Road,
Molino 3, Bacoor, Cavite
Tel. Nos.: (046) 431-0632
484-6295
Fax No.: (046) 431-0901

CAVITE-ROSARIO
G/F CBC Bldg., Gen Trias Drive,
Rosario, Cavite
Tel. Nos.: (046) 437-0057 to 59
Fax No.: (046) 437-0058

CAVITE-SILANG
CBC Bldg., J.P Rizal St.
Poblacion, Silang, Cavite
Tel. Nos.: (046) 413-5095
413-4826; 413-5500
413-5417
Fax No.: (046) 413-5095

CLARK FREEPORT ZONE
Stotsenberg Lifestyle Center, Quirino
Sr. cor. N. Aquino Sts., Clark Freeport
Zone, Angeles City, Pampanga
Tel. Nos.: (045) 499-8060
499-8062; 499-8063
Fax No.: (045) 499-8063

DAET
Vinzons Ave., Daet, Camarines Norte
Tel. Nos.: (054) 440-0066
440-0067
Fax No.: (054) 472-1358

DAGUPAN-PEREZ
Siapno Bldg., Perez Boulevard,
Dagupan City
Tel. Nos.: (075) 522-2562 to 64
Fax No.: (075) 522-8308

DAGUPAN-M.H. DEL PILAR
Carried Realty Bldg.,
No. 28 M.H. del Pilar St., Dagupan City
Tel. Nos.: (075) 523-5606
522-8929 632-0430
632-0583
Fax No.: (075) 523-5606

DOLORES
CBC Bldg., MacArthur Highway,
Dolores, City of San Fernando,
Pampanga
Tel. Nos.: (045) 963-3413 to 15
860-1780/81
Fax No.: (045) 963-1014

ILOCOS NORTE-SAN NICOLAS
National Highway, Brgy. 2 San Baltazar,
San Nicolas, Ilocos Norte
Tel. Nos.: (077) 600-0994; 600-0995
Fax No.: (077) 600-0995

IRIGA CITY
Highway 1, J.P Rizal St., San Roque,
Iriga City, Camarines Sur
Tel. Nos.: (054) 299-7000; 456-1498
Fax No.: (054) 456-1498

ISABELA-ILAGAN
G/F North Star Mall, Maharlika Highway,
Brgy. Alibagu, Ilagan, Isabela
Tel. Nos.: (078) 323-0179; 323-0178
Fax No.: (078) 323-0179

ISABELA-ROXAS
National Road, Brgy. Bantug,
Roxas, Isabela
Tel. Nos.: (078) 376-0422; 376-0434
Fax No.: (078) 642-0022

GAPAN
G/F Waltermart Center-Gapan,
Maharlika Highway, Brgy. Bayanihan,
Gapan, Nueva Ecija
Tel. Nos.: (044) 486-0217
486-0434; 486-0695
Fax No.: (044) 486-0434

GUAGUA
Yabut Bldg., Plaza Burgos,
Guagua, Pampanga
Tel. Nos.: (045) 458-1043
458-1045; 458-1046
Fax No.: (045) 458-1043

LA TRINIDAD
G/F SJV Bulasao Bldg.,
Km. 4, La Trinidad, Benguet
Tel. Nos.: (074) 422-2065/2590
309-1663
Fax No.: (074) 422-2065

LA UNION-AGOO
National Highway, San Jose Norte,
Agoo, La Union
Tel. Nos.: (072) 682-0350; 682-0391
Fax No.: (072) 682-0350

LA UNION-SAN FERNANDO
Roger Pua Phee Bldg.,
National Highway, Brgy. 3,
San Fernando, La Union
Tel. Nos.: (072) 607-8931/8932
607-8933/8934
Fax No.: (072) 607-8934

LAGUNA-BIÑAN
G/F Raja Cordelle Bldg.,
National Highway, Brgy. San Vicente,
Biñan, Laguna
Tel. Nos.: (049) 511-3196
245-0440 (Manila Line)
Fax No.: (049) 511-3196

LAGUNA-CABUYAO
G/F Centro Mall,
Cabuyao City, Laguna
Tel. Nos.: (049) 544-2287; 544-2289
Fax No.: (049) 544-2287

LAGUNA-CALAMBA
CBC Bldg., National Highway,
Crossing, Calamba, Laguna
Tel. Nos.: (049) 545-7134 to 38
Fax No.: (049) 545-7138

LAGUNA-LOS BAÑOS
National Road, San Antonio,
Los Baños, Laguna
Tel. Nos.: (049) 557-3223; 557-3224

LAGUNA-SAN PEDRO
No. 365 Brgy. Nueva, National Highway,
San Pedro City, Laguna
Tel. Nos.: 816-3864; 816-4862

LAGUNA-STA. CRUZ
A. Regidor St., Sta. Cruz, Laguna
Tel. Nos.: (049) 501-4977
501-4107; 501-4085
Fax No.: (049) 501-4107

LAOAG CITY
Liberato Abadilla St., Brgy. 17
San Francisco, Laoag City
Tel. Nos.: (077) 772-1024/27
771-4688; 771-4417
Fax No.: (077) 772-1035

CHINA BANK BRANCHES

LEGAZPI CITY
G/F Emma Chan Bldg.,
F. Imperial St., Legazpi City
Tel. Nos.: (052) 480-6048
480-6519; 214-3077
Fax No.: 429-1813 (Direct-Mla line)

LIPA CITY-TAMBO
Tambo, Lipa City, Batangas
Tel. Nos.: (043) 757-6331; 757-6332

LUCENA CITY
233 Quezon Ave., Lucena City
Tel. Nos.: (042) 373-2317
373-3872/80/87
660-7861
Fax No.: (042) 373-3879

MABALACAT-DAU
R.D. Policarpio Bldg., MacArthur
Highway, Dau, Mabalacat, Pampanga
Tel. Nos.: (045) 892-4969; 892-6040
Fax No.: (045) 892-6040

MALOLOS CITY
G/F Graceland Mall, BSU Grounds,
MacArthur Highway, Guinhawa,
Malolos City, Bulacan
Tel. Nos.: (044) 794-5840; 662-2013
Fax No.: (044) 794-5840

MARILAO
G/F, SM City Marilao, Km. 21,
Brgy. Ibayo, Marilao, Bulacan
Tel. Nos.: (044) 815-8956/8957
Fax No.: (044) 815-8956

MARIVELES-FAB
Tamayo's Bldg., Ave. of the Philippines,
Brgy. Malaya, Freeport Area of Bataan
(FAB), Mariveles, Bataan
Tel. Nos.: (047) 633-9569/9699

MASBATE
Espinosa Bldg., Zurbito St.,
Masbate City, Masbate
Tel. Nos.: (056) 333-2363/65
Fax No.: (056) 333-2365

MEYCAUAYAN
CBC Bldg., Malhacan Road,
Meycauayan, Bulacan
Tel. Nos.: (044) 815-6889; 815-6961
815-6958
Fax No.: (044) 815-6961

NAGA CITY
Centro-Peñafrancia St., Naga City
Tel. Nos.: (054) 472-1359; 472-1358
473-7920
Fax No.: 250-8169 (Manila line)

NUEVA ECIJA-STA. ROSA
CBC Bldg., Maharlika Highway,
Poblacion, Sta. Rosa, Nueva Ecija
Tel. Nos.: (044) 333-6215; 940-1407
Fax No.: (044) 333-6215

OCC. MINDORO-SAN JOSE
Liboro cor. Rizal St., San Jose,
Occidental Mindoro
Tel. Nos.: (043) 491-0095
491-0096
Fax No.: (043) 491-0095

OLONGAPO-DOWNTOWN
No. 2 cor. 20th St.,
East Bajac-Bajac, Olongapo City
Tel. No.: (047) 610-9826

PANGASINAN-ALAMINOS CITY
Marcos Ave., Brgy. Palamis,
Alaminos City, Pangasinan
Tel. Nos.: (075) 551-3859; 654-0286
Fax No.: (075) 654-0296

PANGASINAN-BAYAMBANG
CBC Bldg., No. 91, Poblacion Sur,
Bayambang, Pangasinan
Tel. Nos.: (075) 632-5776; 632-5775
Fax No.: (075) 632-5776

PANGASINAN-ROSALES
CBC Bldg., Calle Dewey,
Rosales, Pangasinan
Tel. Nos.: (075) 633-3852; 633-3853
Fax No.: (075) 633-3852

PANGASINAN-URDANETA
EF Square Bldg., MacArthur Highway,
Poblacion, Urdaneta City, Pangasinan
Tel. Nos.: (075) 632-2637; 632-0541
656-2022; 656-2618
Fax No.: (075) 656-2618

PASEO DE STA. ROSA
Unit 3, Paseo 5, Paseo de Sta. Rosa,
Sta. Rosa City, Laguna
Tel. Nos.: (049) 837-1831
502-3016; 502-2859
827-8178
420-8042 (Manila line)
Fax No.: 420-8042 (Manila line)

QUEZON-CANDELARIA
Pan Philippine Highway cor. Del Valle
St., Poblacion, Candelaria, Quezon
Tel. Nos.: 797-4298; 797-4299

SAN FERNANDO
CBC Bldg., V. Tiomico St.
City of San Fernando, Pampanga
Tel. Nos.: (045) 961-3542/49
963-5458 to 60
961-5651; 860-1925
892-3211
Fax No.: (045) 961-8352

SAN FERNANDO-SINDALAN
Jumbo Jenra Sindalan,
Brgy. Sindalan, San Fernando City,
Pampanga
Tel. Nos.: (045) 866-5464; 455-0569
Fax No.: (045) 861-3081

SAN JOSE CITY
Maharlika Highway, Brgy. Malasin,
San Jose City
Tel. Nos.: (044) 958-9094; 958-9096
511-2898
Fax No.: (044) 958-9094

SAN PABLO CITY
M. Paulino St., San Pablo City
Tel. Nos.: (049) 562-5481 to 84
Fax No.: (049) 562-5485

SANTIAGO CITY
Navarro Bldg., Maharlika Highway near
cor. Bayaua St., Santiago City, Isabela
Tel. Nos.: (078) 682-7024 to 26
Fax No.: (078) 305-2445

SM CITY BACOOR
LGF SM City Bacoor, Tirona Highway
cor. Aguinaldo Highway,
Bacoor, Cavite
Tel. Nos.: (046) 417-0572/0746
417-0623/0645
Fax No.: (046) 417-0583

SM CITY CABANATUAN
UGF SM City Cabanatuan,
Maharlika Highway, Brgy. H.
Concepcion
Cabanatuan City, Nueva Ecija
Tel. Nos.: (044) 958-1916; 486-5501

SM CITY CLARK
G/F (Units 172-173) SM City Clark,
M. Roxas St., CSEZ, Angeles City,
Pampanga
Tel. Nos.: (045) 499-0252 to 54
Fax No.: (045) 499-0254

SM CITY DASMARIÑAS
LGF SM City Dasmariñas, Governor's
Drive, Pala-pala, Dasmariñas, Cavite
Tel. Nos.: 046) 424-1134
Fax No.: (046) 424-1133

SM CITY LIPA
G/F (Units 1111-1113) SM City Lipa, Ayala
Highway, Brgy. Maraouy,
Lipa City, Batangas
Tel. Nos.: (043) 784-0212; 784-0213
Fax No.: (043) 784-0212

SM CITY NAGA
SM City Naga, CBD II,
Brgy. Triangulo, Naga City
Tel. Nos.: (054) 472-1366; 472-1367
Fax No.: 250-8183 (Manila Line)

SM CITY OLONGAPO
SM City Olongapo, Magsaysay Dr.
cor. Gordon Ave., Brgy. Pag-asa,
Olongapo City, Zambales
Tel. Nos.: (047) 602-0039; 602-0040
Fax No.: (047) 602-0038

SM CITY PAMPANGA
Unit AX3 102, Bldg. 4, SM City
Pampanga, Mexico, Pampanga
Tel. Nos.: 455-0304/0305/0306/0307
Fax No.: (045) 455-0307

SM CITY SAN JOSE DEL MONTE
UGF SM City San Jose Del Monte,
San Jose Del Monte City, Bulacan
Tel. Nos.: (044) 913-1562; (Manila
Line) 985-3067
Fax No.: (044) 913-1562

SM CITY SAN PABLO
G/F SM City San Pablo
National Highway, Brgy. San Rafael,
San Pablo City, Laguna
Tel. Nos.: (049) 521-0071 to 72
Fax No.: (049) 521-0072

SM CITY STA. ROSA
G/F SM City Sta. Rosa, Bo. Tagapo,
Sta. Rosa, Laguna
Tel. Nos.: (049) 534-4640/4813
Fax No.: 901-1632 (Manila Line)

SM CITY TELABASTAGAN
SM City Telabastagan,
San Fernando City, Pampanga
Tel. Nos.: (045) 403-9306
Fax No.: (045) 403-9306

SOLANO
National Highway, Brgy. Quirino,
Solano, Nueva Vizcaya
Tel. Nos.: (078) 326-6559/60/61
Fax No.: (078) 326-6561

SORSOGON
CBC Bldg., Ramon Magsaysay Ave.,
Sorsogon City, Sorsogon
Tel. Nos.: (056) 211-1610; 421-5105
Fax No.: (02) 429-1124 – Manila Line

SUBIC BAY FREEPORT ZONE
CBC Bldg., Subic Bay Gateway Park,
Rizal Highway, Subic Bay Freeport Zone
Tel. Nos.: (047) 252-1568
252-1575; 252-1591
Fax No.: (047) 252-1575

TABACO CITY
Ziga Ave. cor. Berces St.,
Tabaco City, Albay
Tel. Nos.: (052) 487-7150; 830-4178
Fax No.: 429-1811

TAGAYTAY CITY
Foggy Heights Subdivision,
E. Aguinaldo Highway,
Tagaytay City, Cavite
Tel. Nos.: (046) 483-0609; 483-0608
Fax No.: (046) 483-0609

TALAVERA
CBC Bldg., Marcos District,
Talavera, Nueva Ecija
Tel. Nos.: (044) 940-2620; 940-2621
Fax No.: (044) 940-2620

TARLAC
CBC Bldg., Panganiban
near cor. F. Tanedo St.,
Tarlac City, Tarlac
Tel. Nos.: (045) 982-7771 to 75
Fax No.: (045) 982-7772

TARLAC-BAMBAN
National Road, Bgry. Anupul,
Bamban, Tarlac
Tel. No.: (045) 925-0402
Fax No.: (045) 925-0402

TARLAC-CAMILING
Savewise Super Market, Poblacion,
Camiling, Tarlac
Tel. Nos.: (045) 491-6445
934-5085; 934-5086
Fax No.: (045) 934-5085

TARLAC-CONCEPCION
G/F Descanzo Bldg., F. Timbol St.,
San Nicolas Poblacion,
Concepcion, Tarlac
Tel. Nos.: (045) 491-2987; 491-3028
Fax No.: (045) 491-3113

TARLAC-PANIQUI
Cedasco Bldg., M. H del Pilar St.,
Poblacion, Paniqui, Tarlac
Tel. Nos.: (045) 491-8465; 491-8464
Fax No.: (045) 491-8465

TARLAC-SAN RAFAEL
CBC Bldg., Brgy. San Rafael,
Tarlac City, Tarlac
Tel. Nos.: (045) 456-0150; 456-0121
Fax No.: (045) 456-0121

THE DISTRICT IMUS
G/F The District Imus, Anabu II,
Imus, Cavite
Tel. Nos.: (046) 416-1417; 416-4294
Fax No.: (046) 416-4212

TRECE MARTIRES
G/F Waltermart, Governor's Drive
cor. City Hall Road, Brgy. San Agustin,
Trece Martires City, Cavite
Tel. Nos.: (046) 460-4897; 460-4898
460-4899
Fax No.: (046) 460-4898

TUGUEGARAO CITY
A. Bonifacio St., Tuguegarao, Cagayan
Tel. Nos.: (078) 844-0175; 844-0831
846-1709
Fax No.: (078) 844-0836

TUGUEGARAO-BALZAIN
Balzain Highway, Tuguegarao City,
Cagayan
Tel. Nos.: (078) 396-2207; 396-2208
Fax No.: (078) 396-2207

VIGAN CITY
Burgos St. near cor. Rizal St.,
Vigan City, Ilocos Sur
Tel. Nos.: (077) 722-6968, 674-2272
Fax No.: (077) 722-6948

VIRAC
Gogon, Virac, Catanduanes
Tel. Nos.: (052) 811-4321; 811-4322
Fax No.: (052) 811-4321

ZAMBALES-BOTOLAN
National Highway, Brgy. Batonlapoc
Botolan, Zambales
Tel. Nos.: (047) 811-1322; 811-1372
Fax No.: (047) 811-1322

VISAYAS

ANTIQUE-SAN JOSE
Felrosa Bldg., Gen. Fullon St.
cor. Cerdena St., San Jose, Antique
Tel. Nos.: (036) 540-7095; 540-7097
Fax No.: (036) 540-7096

BACOLOD-ARANETA
CBC Bldg., Araneta cor.
San Sebastian Sts., Bacolod City
Tel. Nos.: (034) 435-0247/48
433-3818/19
433-7152/53; 709-1618
Fax No.: (034) 435-0247

BACOLOD-LACSON
Soliman Bldg., Lacson cor.
Luzurriaga Sts., Bacolod City,
Negros Occidental
Tel. Nos.: (034) 474-2451; 474-2452

BACOLOD-LIBERTAD
Libertad St., Bacolod City,
Negros Occidental
Tel. Nos.: (034) 435-1645; 435-1646
Fax No.: (034) 435-1645

BACOLOD-MANDALAGAN
Lacson St., Mandalagan,
Bacolod City, Negros Occidental
Tel. Nos.: (034) 441-0500; 441-0388
709-0067
Fax No.: (034) 709-0067

BACOLOD-NORTH DRIVE
Anesa Bldg., B.S. Aquino Drive,
Bacolod City
Tel. Nos.: (034) 435-0063 to 65
709-1658
Fax No.: (034) 435-0065

BAYBAY
Magsaysay Ave., Baybay, Leyte
Tel. Nos.: (053) 335-2899/98
563-9228
Fax No.: (053) 563-9228

BORONGAN
Balud II, Poblacion, Borongan,
Eastern Samar
Tel. Nos.: (055) 560-9948; 560-9938
261-5888
Fax No.: (055) 560 9938

CALBAYOG CITY
Cajurao cor. Gomez Sts., Balud,
Calbayog Dist., Calbayog City, Samar
Tel. Nos.: (055) 209-1358; 533-8842
Fax No.: (055) 533-8842

CATARMAN
Cor. Rizal & Quirino Sts.,
Jose P. Rizal St., Catarman,
Northern Samar
Tel. Nos.: (055) 251-8802/8821
500-9921
Fax No.: (055) 500-9921

CATBALOGAN
CBC Bldg., Del Rosario St.
cor. Taft Ave., Catbalogan City, Samar
Tel. Nos.: (055) 251-2897/98
543-8121
Fax No.: (055) 543-8279

CEBU-AYALA
Unit 101 G/F Insular Life Cebu Business
Center, Mindanao Ave. cor. Biliran Road,
Cebu Business Park, Cebu City
Tel. Nos.: (032) 262-1839; 260-6524
Fax No.: (032) 260-6524

CEBU-BANAWA
G/F The J Block, Duterte St.,
Banawa, Guadalupe, Cebu City, Cebu
Tel. Nos.: (032) 340-9561; 416-3827
Fax No.: (032) 416-3827

CEBU-BANILAD
CBC Bldg., AS Fortuna St.,
Banilad, Cebu City
Tel. Nos.: (032) 346-5870/81
416-1001
Fax No.: (032) 344-0087

CEBU-BASAK-SAN NICOLAS
N. Bacalso Ave., Basak,
San Nicolas, Cebu City, Cebu
Tel. Nos.: (032) 340-8113; 414-4742
Fax No.: (032) 414-4742

CEBU-BOGO
Sim Bldg., P. Rodriguez St.,
Bogo City, Cebu
Tel. Nos.: (032) 434-7119; 266-3251
Fax No.: (032) 434-7119

CEBU BUSINESS CENTER
CBC Bldg., Samar Loop cor.
Panay Road, Cebu Business Park,
Cebu City
Tel. Nos.: (032) 239-3760
to 239-3764
Fax No.: (032) 238-1438

CEBU-CARCAR
Dr. Jose Rizal St., Poblacion I,
Carcar, Cebu
Tel. Nos.: (032)487-8103; 487-8209
266-7093
Fax No.: (032) 487-8103

CEBU-CONSOLACION
G/F SM City Consolacion,
Brgy. Lamac, Consolacion, Cebu
Tel. Nos.: (032) 260-0024; 260-0025
Fax No.: (032) 423-9253

CEBU-ESCARIO
Units 3 & 5 Escario Central,
Escario Road, Cebu City, City
Tel. Nos.: (032) 416-5860; 520-9229
Fax No.: (032) 520-9229

CEBU-F. RAMOS
F. Ramos St., Cebu City
Tel. Nos.: (032) 253-9463; 254-4867
412-5858
Fax No.: (032) 253-9461

CEBU-GORORDO
No 424. Gorordo Ave., Bo. Camputhaw,
Lahug District, Cebu City, Cebu
Tel. Nos.: (032) 414-0509; 239-8654
Fax No.: (032) 239-8654

CEBU-GUADALUPE
CBC Bldg., M. Velez St.,
cor. V. Rama Ave., Guadalupe, Cebu City
Tel. Nos.: (032) 254-7964; 254-8495
254-1916
Fax No.: (032) 032-416-5988

CEBU-IT PARK
G/F The Link, Cebu IT Park,
Apas, Cebu City, Cebu
Tel. Nos.: (032) 266-2559; 262-0982
Fax No.: (032) 266-2559

CEBU-LAHUG
JY Square Mall, No. 1 Salinas Dr.,
Lahug, Cebu City
Tel. Nos.: (032) 417-2122; 233-0977
234-2062
Fax No.: (032) 234-2062

CEBU-LAPU LAPU PUSOK
G/F Goldberry Suites, President Quezon
National Highway, Pusok, Lapu-Lapu
City
Tel. Nos.: (032) 340-2098; 494-0631
340-2099
Fax No.: (032) 340-2098/ 494-0631

CEBU-LAPU LAPU CENTRO
G.Y dela Serna St., Opon, Poblacion,
Lapu Lapu City, Cebu
Tel. Nos.: (032) 231-3247; 493-5078
Fax No.: (032) 231-3247

CEBU-MAGALLANES (MAIN)
CBC Bldg., Magallanes
cor. Jakosalem Sts., Cebu City
Tel. Nos.: (032) 255-0022/23/25/28
253-0348; 255-6093
255-0266; 412-1877
Fax No.: (032) 255-0026

CEBU-MANDAUE
SV Cabahug Bldg.
155-B SB Cabahug St., Brgy. Centro,
Mandaue City, Cebu
Tel. Nos.: (032) 346-5636/37
346-2083; 344-4335
422-8188
Fax No.: (032) 346-2083

CEBU-MANDAUE-CABANCALAN
M.L. Quezon St., Cabancalan,
Mandaue City, Cebu
Tel. Nos.: (032) 421-1364; 505-9908
Fax No.: (032) 421-1364

CEBU-MANDAUE-J CENTRE MALL
LGF J Centre Mall, A.S Fortuna Ave.,
Mandaue City, Cebu
Tel. Nos.: (032) 520-2898; 421-1567
Fax No.: (032) 520-2898

CEBU-MANDAUE NORTH ROAD
G/F Units G1-G3, Basak Commercial
Bldg. (Kel-2) Basak, Mandaue City
Tel. Nos.: (032) 345-8861; 345-8862
420-6767
Fax No.: (032) 420-6767

CEBU-MANDAUE NRA
G/F Bai Hotel Cebu, Ouano Ave.
cor. Seno Blvd., North Reclamation
Area, Mandaue City, Cebu
Tel. No.: (032) 272-6985

CEBU-MINGLANILLA
Unit 9, Plaza Margarita Lipata,
Minglanilla, Cebu
Tel. Nos.: (032) 239-7234; 490-6025
Fax No.: (032) 239-7235

CEBU-NAGA
Leah's Square, National South Highway,
East Poblacion, Naga City, Cebu
Tel. Nos.: (032) 238-7623; 489-8218
Fax No.: (032) 489-8218

CEBU-SM CITY
Upper G/F, SM City Cebu, Juan Luna
cor. A. Soriano Ave., Cebu City
Tel. Nos.: (032) 232-0754/55
231-9140; 412-9699
Fax No.: (032) 232-1448

CEBU-SM SEASIDE CITY
LGF SM Seaside City Cebu,
South Road Properties,
6000 Cebu City, Cebu
Tel. Nos.: (032) 262-1772
Fax No.: (032) 262-1772

CEBU-SUBANGDAKU
G/F A.D. Gothong I.T. Center,
Subangdaku, Mandaue City, Cebu
Tel. Nos.: (032) 344-6561; 422-3664
344-6621
Fax No.: (032) 344-6621

CEBU-TALAMBAN
Unit UG-7 Gaisano Grand Mall,
Brgy. Talamban, Cebu City
Tel. Nos.: (032) 236-8944; 418-0796
Fax No.: (032) 236-8944

CEBU-TALISAY
CBC Bldg., 1055 Cebu South National
Road, Bulacao, Talisay City, Cebu
Tel. Nos.: (032) 272-3342/48
491-8200
Fax No.: (032) 272-3346

DUMAGUETE CITY
CBC Bldg., Real St.,
Dumaguete City, Negros Oriental
Tel. Nos.: (035) 422-8058; 225-5442
225-5441; 225-4284
225-5460
Fax No.: (035) 422-5442

NEGROS OCC.-KABANKALAN
CBC Bldg., National Highway,
Brgy. 1, Kabankalan, Negros Occidental
Tel. Nos.: (034) 471-3349; 471-3364
471-3738
Fax No.: (034) 471-3349

ILOILO-IZNART
G/F John A. Tan Bldg.,
Iznart St., Iloilo City
Tel. Nos.: (033) 337-9477
509-9868; 300-0644
Fax No.: (033) 337-9566

ILOILO-JARO
CBC Bldg., E. Lopez St.
Jaro, Iloilo City, Iloilo
Tel. Nos.: (033) 320-3738; 320-3791
Fax No.: (033) 503-2955

ILOILO-MABINI
A. Mabini St., Iloilo City
Tel. Nos.: (033) 335-0295; 335-0370
509-0599
Fax No.: (033) 335-0370

ILOILO-MANDURRIAO
Benigno Aquino Ave., Brgy. San Rafael,
Mandurriao, Iloilo City, Iloilo
Tel. Nos.: (033) 333-3988; 333-4088
Fax No.: (033) 501-6078

ILOILO-RIZAL
CBC Bldg., Rizal cor. Gomez Sts.,
Brgy. Ortiz, Iloilo City
Tel. Nos.: (033) 336-0947; 338-2136
509-8838
Fax No.: (033) 338-2144

KALIBO
Waldolf Garcia Bldg.,
Osmeña Ave., Kalibo, Aklan
Tel. Nos.: (036) 500-8088; 500-8188
268-2988
Fax No.: (036) 500-8188

MAASIN CITY
G/F SJC Bldg., Tomas Oppus St.,
Brgy. Tunga-Tunga, Maasin City,
Southern Leyte
Tel. Nos.: (053) 381-2287; 381-2288
570-8488
Fax No.: (053) 570-8488

MARIVELES-FAB
Tamayo's Bldg., Ave. of the Philippines,
Brgy. Malaya, Freeport Area of Bataan
(FAB), Mariveles, Bataan
Tel. Nos.: (047) 633-9569; 633-9699

NEGROS OCC.-SAN CARLOS
Rizal cor. Carmona Sts.,
San Carlos, Negros Occidental
Tel. Nos.: (034) 312-5818; 312-5819
729-3276
Fax No.: (034) 729-3276

ORMOC CITY
CBC Bldg., Real cor. Lopez Jaena Sts.,
Ormoc City, Leyte
Tel. Nos.: (053) 255-3651 to 53
Fax No.: (053) 561-8348

CHINA BANK BRANCHES

PUERTO PRINCESA CITY
Malvar St. near cor. Valencia St.,
Puerto Princesa City, Palawan
Tel. Nos.: (048) 434-9891-93
Fax No.: (048) 434-9892

ROXAS CITY
1063 Roxas Ave. cor. Bayot Drive,
Roxas City, Capiz
Tel. Nos.: (036) 621-3203; 621-1780
522-5775
Fax No.: (036) 621-3203

SILAY CITY
Rizal St., Silay City, Negros Occidental
Tel. Nos.: (034) 714-6400; 495-5452
495-0480
Fax No.: (034) 495-0480

TACLOBAN CITY
Uytingkoc Bldg., Avenida Veteranos,
Tacloban City, Leyte
Tel. Nos.: (053) 325-7706 to 08
523-7700/7800
Fax No.: (053) 523-7700

TAGBILARAN CITY
G/F Melrose Bldg., Carlos P. Garcia Ave.,
Tagbilaran City, Bohol
Tel. Nos.: (038) 501-0688; 501-0677
411-2484
Fax No.: (038) 501-0677

MINDANAO

BUTUAN CITY
CBC Bldg., J.C. Aquino Ave.
Butuan City
Tel. Nos.: (085) 341-5159; 341-7445
(085) 815-3454/55
225-2081
Fax No.: (085) 815-3455

SM CDO DOWNTOWN PREMIER
(formerly Cagayan de Oro-Borja)
G/F SM CDO Downtown Premier,
Cagayan de Oro City
Tel. Nos.: (088) 857-2212; 857-3742
(088) 859-1063; 859-1054
Fax No.: (088) 857-2212

CAGAYAN DE ORO-CARMEN
G/F GT Realty Bldg., Max Suniel St.
cor. Yakal St., Carmen,
Cagayan de Oro City
Tel. Nos.: (08822) 723-091; 724-372
(088) 858-3902/03
Fax Nos.: (088) 858-3903
(08822) 724-372

CAGAYAN DE ORO-DIVISORIA
RN Abejuela St., South Divisoria,
Cagayan de Oro City
Tel. Nos.: (08822) 722-641
(088) 857-5759
Fax No.: (088) 857-4200

CAGAYAN DE ORO-LAPASAN
CBC Bldg., Claro M. Recto Ave.,
Lapasan, Cagayan de Oro City
Tel. Nos.: (08822) 722-240; 724-540
726-242
(088) 856-132 5/1326
Fax No.: (088) 856-1325/1326

CAGAYAN DE ORO-PUERTO
Luis A.S. Yap Bldg., Zone 6,
Brgy. Puerto, Cagayan de Oro City,
Misamis Oriental
Tel. Nos.: (088) 880-7183; 880-7185
Fax No.: (088) 880-7185

CDO-GAISANO CITY MALL
G/F Gaisano City Mall, C. M. Recto cor.
Corrales Extension, Cagayan de Oro City
Tel. Nos.: (08822) 745-877; 745-880
(088) 880-1051; 880-1052
Fax No.: (08822) 745-880

COTABATO CITY
No. 76 S.K. Pendatun Ave.,
Cotabato City, Maguindanao
Tel. Nos.: (064) 421-4685/4653
Fax No.: (064) 421-4686

DAVAO-BAJADA
B.I. Zone Bldg., J.P. Laurel Ave.,
Bajada, Davao City
Tel. Nos.: (082) 221-0184; 221-0319
Fax No.: (082) 221-0568

DAVAO-BUHANGIN
Buhangin Road, Davao City
Tel. Nos.: (082) 300-8335; 227-9764
221-5970
Fax No.: (082) 221-5970

DAVAO CITY-CALINAN
Davao-Bukidnon National Highway –
Riverside, Calinan Proper, Davao City
Tel. Nos.: (082) 224 – 9229
(082) 224-9135

DAVAO-INSULAR VILLAGE (formerly
Davao-Lanang)
Insular Village I, Km. 8, Lanang,
Davao City
Tel. Nos.: (082) 300-1892
234-7166;234-7165
Fax No.: (082) 300-1892

DAVAO-MA-A
G/F Lapeña Bldg., MacArthur Highway,
Matina, Davao City
Tel. Nos.: (082) 295-0472; 295-1072

DAVAO-MATINA
Km. 4 MacArthur Highway,
Matina, Davao City
Tel. Nos.: (082) 297-4288; 297-4455
297-5880/81
Fax No.: (082) 297-5880

DAVAO-MONTEVERDE
Doors 1 & 2, Sunbright Bldg.,
Monteverde Ave., Brgy. 27-C,
Poblacion District, Davao City
Tel. Nos.: (082) 225-3680; 225-3679
Fax No.: (082) 225-3680

DAVAO-PANABO CITY
PJ Realty, Barangay New Pandan,
Panabo City, Davao del Norte
Tel. Nos.: (084) 628-4057; 628-4065
Fax No.: (084) 628-4053

DAVAO-RECTO
CBC Bldg., C.M. Recto Ave.
cor. J. Rizal St., Davao City
Tel. Nos.: (082) 221-4481/7028
221-6021/6921/4163
226-3851; 226-2103
Fax No.: (082) 221-8814

DAVAO-STA. ANA
R. Magsaysay Ave. cor. F. Bangoy St.,
Sta. Ana District, Davao City
Tel. Nos.: (082) 227-9501/51
227-9601; 221-1054/55
221-6672
Fax No.: (082) 226-4902

DAVAO-SM LANANG
G/F SM Lanang Premier,
J. P. Laurel Ave., Davao City
Tel. Nos.: (082) 285-1064; 285-1053
Fax No.: (082) 285-1520

DAVAO-TAGUM
153 Pioneer Ave.,
Tagum, Davao del Norte
Tel. Nos.: (084) 655-6307/08
400-2289/90
Fax No.: (084) 400-2289

DAVAO-TORIL
MacArthur Highway cor. St. Peter St.,
Crossing Bayabas, Toril, Davao City
Tel. Nos.: (082) 303-3068; 295-2334
295-2332
Fax No.: (082) 295-2332

DIPOLOG CITY
CBC Bldg., Gen Luna cor.
Gonzales Sts., Dipolog City
Tel. Nos.: (065) 212-6768 to 69
908-2008
Fax No.: (065) 212-6769

GEN. SANTOS CITY
CBC Bldg., I. Santiago Blvd.,
Gen. Santos City
Tel. Nos.: (083) 553-1618; 552-8288
Fax No.: (083) 553-2300

GEN. SANTOS CITY-DADIANGAS
M. Roxas Ave. cor. Lapu-Lapu St.,
Brgy. Dadiangas East, Gen. Santos City,
South Cotabato
Tel. Nos.: (083) 552-8576
Fax No.: (083) 552-8290

ILIGAN CITY
Lai Bldg., Quezon Ave. Extension
Pala-o, Iligan City
Tel. Nos.: (063) 221-5477/79
492-3009; 221-3009
Fax No.: (063) 492-3010

ILIGAN CITY-SOLANA DISTRICT
Andres Bonifacio Highway,
Brgy. San Miguel, Iligan City,
Lanao del Norte
Tel. Nos.: (063) 224-7664; 224-7665

KIDAPAWAN CITY
G/F EVA Bldg., Quezon Blvd.
cor. Tomas Claudio St.,
National Highway, Kidapawan City
Tel. Nos.: (064) 278-3509; 278-3510
Fax No.: (064) 278-3509

KORONADAL CITY
Gen. Santos Drive cor. Aquino St.,
Koronadal City, South Cotabato
Tel. Nos.: (083) 228-7838; 228-7839
520-1788
Fax No.: (083) 228-7839

MALAYBALAY CITY
Bethelda Bldg., Sayre Highway,
Malaybalay City, Bukidnon
Tel. No.: (088) 813-3372
Fax No.: 813-3373

MIDSAYAP
CBC Bldg., Quezon Ave.,
Poblacion 2, Midsayap, Cotabato
Tel. No.: (064) 229-9700
Fax No.: (064) 229-9750

OZAMIZ CITY
Gomez cor. Kaamino Sts.,
Ozamiz City
Tel. Nos.: (088) 521-2658 to 60
Fax No.: (088) 521-2659

PAGADIAN CITY
Marasigan Bldg.,
F.S. Pajares Ave., Pagadian City
Tel. Nos.: (062) 215-2781/82
925-1116
Fax No.: (062) 214-3877

SURIGAO CITY
CBC Bldg., Amat St.,
Barrio Washington, Surigao City,
Surigao del Norte
Tel. Nos.: (086) 826-3958, 826-3968
Fax No.: (086) 826-3958

VALENCIA
A. Mabini St., Valencia, Bukidnon
Tel. Nos.: (088) 828-2048/49
222-2356; 222-2417
Fax No.: (088) 828-2048

ZAMBOANGA CITY
CBC Bldg., Gov. Lim Ave.
cor. Nuñez St., Zamboanga City
Tel. Nos.: (062) 991-2978/79
991-1266
Fax No.: (062) 991-1266

ZAMBOANGA-GUIWAN
G/F Yang's Tower, M.C. Lobregat National
Highway, Guiwan, Zamboanga City
Tel. Nos.: (062) 984-1751; 984-1754
Fax No.: (062) 984-1751

ZAMBOANGA-SAN JOSE GUSU
Yubenco Supermarket, San Jose Gusu,
Zamboanga City, Zamboanga del Sur
Tel. Nos.: (062) 995-6154; 955-6155
Fax No.: (062) 955-6154

SOON-TO-OPEN

SOLER-ARRANQUE
#715 T. Alonzo St. near cor.
CM Recto Ave. (Arranque Market Area),
Sta. Cruz, Manila

PASIG-ROSARIO
Ortigas Ave. Ext., Rosario, Pasig City

NOVALICHES-BAGBAG
No. 658 Quirino Highway, Bagbag,
Novaliches, Quezon City

KANLAON
Kanlaon near cor. N. Roxas Sts.,
Quezon City

CHINA BANK SAVINGS BRANCHES

METRO MANILA AND RIZAL

BUENDIA
CBS Bldg.
314 Sen. Gil Puyat Ave., Makati City
Tel. No.: (02) 812-9359
Trunkline: (02) 884-7600 locals 3900 to 3902 and 7645

ACACIA ESTATES-SAVEMORE
Acacia Taguig Town Center
Acacia Estates, Ususan, Taguig City
Tel. Nos.: (02) 633-5472; 633-3245

ADRIATICO-HYPERMARKET
M.H. Del Pilar, Adriatico
Malate, Manila
Tel. No.: (02) 525-6286
Mobile No.:0917-5807061

ALABANG HILLS
Alabang Commercial Citi Arcade
Don Jesus Boulevard
Alabang, Muntinlupa City
Tel. Nos.: (02) 828-4854
403-2801

AMANG RODRIGUEZ-SAVEMORE
Amang Rodriguez Ave.
cor. Evangelista St.
Santolan, Pasig City
Tel. No.: (02) 654-0564
Mobile No.:0917-5105962

AMORANTO AVE.
Unit 101 R Place Bldg.
255 N.S Amoranto Sr. Ave.
Quezon City
Tel. Nos.: (02) 966-9075; 251-6592
Mobile. No.0917 805-6964

ANGONO
Manila East Road cor. Don Benito St.
Brgy. San Roque, Angono Rizal
Tel. No.: (02) 651-1782
Fax No: (02) 651-1779

ANONAS-SAVEMORE
Maamo St., Road Lot 30
V. Luna St. and Anonas Extension
Sikatuna, Quezon City
Tel. No.: (02) 351-4928
Mobile No.:0917 863-6157

ANTIPOLO
EMS Bldg. , M.L. Quezon
cor. F. Dimailig St., Brgy. San Roque
Antipolo City, Rizal
Tel. No.: (02) 697-1066
Fax No.: (02) 697-0224

ARANETA CENTER C.O.D.-SAVEMORE
LG Savemore Market
Gen. Romulo St., Araneta Center
Cubao, Quezon City
Tel. No.: (02) 921-3149
Mobile No.:0917 809-9670

AYALA AVE.
VGP Center
6772 Ayala Ave., Makati City
Tel. Nos.: (02) 988-9555
loc. 8101-8104

BACLARAN
3751 Quirino Ave., cor. Sta. Rita St.
Baclaran, Parañaque City
Tel. Nos.: 975-2172; 816-1956
Mobile No.:0917 703-2503

BANAWE
247-249 Banawe St.
Sta. Mesa Heights, Brgy. Lourdes
Quezon City
Tel. Nos.: (02) 412-6249; 256-4941

BANGKAL
Amara Bldg.
1661 Evangelista St.
Bangkal, Makati City
Tel. Nos.: (02) 621-3459; 621-3461

BINONDO-JUAN LUNA
694-696 Juan Luna St.
Binondo, Manila
Tel. Nos.: (02) 254-7337; 964-1327
Mobile No.:0917 510-6072

BLUMENTRITT
1677 Blumentritt St.
near Oroquieta St., Sta. Cruz, Manila
Tel. No.: (02) 968-4759
Mobile No.:0917 827-3205

BONI AVE.
Raymond Tower Boni
615 Boni Ave. Plainview
Mandaluyong City

COMMONWEALTH AVE.
JocFer Bldg.
Commonwealth Ave.
Brgy. Holy Spirit, Quezon City
Tel. Nos.: (02) 957-0559; 282-5946
282-5975; 988-9555
loc. 4857
Mobile No.:0917 521-3469

CUBAO
Fernandina 88 Condominium
222 P. Tuazon Boulevard
Araneta Center, Cubao, Quezon City
Tel. Nos.: (02) 913-5209; 913-4903

DEL MONTE
392 Del Monte Ave.
Brgy. Sienna, Quezon City
Tel. No.: (02) 741-2447
Fax No.: 741-8285

DIVISORIA
Bank Space Unit U01
Dragon 8 Shopping Center
3/Flr., C.M Recto Avenue
cor. Dagupan St., Divisoria, Manila
Tel. Nos.: (02) 616-1146; 247-3300
247-3299
Mobile No.:0917 317-5106

E. RODRIGUEZ SR.-HEMADY
G/F, Hemady Square, E. Rodriguez
Ave. cor. Doña Hemady St.
New Manila, Quezon City
Tel. Nos.: (02) 987-4966; 531-9676
Mobile No.:0917 808-5214

ESPAÑA-SUNMALL
G/F, Sun Mall Residences
España Boulevard cor. Mayon St.
Brgy. Sta. Teresita, Quezon City
Tel. Nos.: (02) 244-2477; 987-4962
Mobile No: 0917 810-3097

FELIX HUERTAS-JT CENTRALE
#1686 V. Fugoso St.
cor. Felix Huertas Sta. Cruz, Manila
Tel. Nos.: (02) 247-3177; 796-2421
Mobile No: 0917 553-8446

FILINVEST CORPORATE CITY
BC Group Bldg., East Asia Drive
near cor. Commerce Ave.
Filinvest Corporate City
Alabang, Muntinlupa City
Tel. No.: (02) 511-1152
Fax No: (02) 511-1145

FTI– TAGUIG HYPERMARKET
DBP Ave., Food Terminal Incorporated
Western Bicutan, Taguig City
Tel. Nos.: (02) 834-0408; 507-4090

G. ARANETA AVE.
195 G. Araneta Ave.
Quezon City
Tel No.: (02) 978-6448
Mobile No.: 0917-8287829

GIL PUYAT-BAUTISTA
Lot 25 Blk 74 Bautista St.
cor. Sen. Gil Puyat Ave., Makati
Tel. No.: (02) 838-2312

GREENHILLS-ORTIGAS AVE.
G/F, VAG Bldg., Ortigas Ave.
Greenhills, San Juan City
Tel. Nos.: (02) 721-0105; 724-752

GREENHILLS-WILSON
219 Wilson St., Greenhills
San Juan City
Tel .Nos.: (02) 748-7625; 584-5946

KALOOKAN
Augusto Bldg., Rizal Ave.
Grace Park, Kalookan City
Tel. Nos.: (02) 365-7593; 363-2752
Mobile No.:0917 572 9118

KALOOKAN-MABINI
AJ Bldg.
353 A. Mabini St., Kalookan City
Tel.Nos.: (02) 961-2628; 709-3435

KATIPUNAN AVE.
One Burgundy Condominium
Katipunan Ave., Loyola Heights
Quezon City
Tel. Nos.: (02) 931-1123; 211-7882
Fax No.: (02) 288-4360
Mobile No.:0917 628-3318

LAGRO
G/F, Bonaza Bldg.
Quirino Highway, Greater Lagro
Novaliches, Quezon City
Tel. Nos.: (02) 936-4988; 461-7214

LAS PIÑAS-ALMANZA UNO
Alabang - Zapote Road
Almanza Uno, Las Piñas City
Tel. Nos.: (02) 551-4724; 966-9001
Mobile No.:0917 817-3526

MAKATI-CHINO ROCES
Graceland Plaza
2176 Chino Roces Ave.
Pio del Pilar, Makati City
Tel. Nos.: (02) 831-0477; 964-1322
831-0486

MAKATI-JP RIZAL
882 J.P. Rizal St.
Poblacion, Makati City
Tel. Nos.: (02) 890-1026; 890-1027
Mobile No.:0917 510-5919

MALABON-SAVEMORE
Francis Market, Governor Pascual
cor. M.H. Del Pilar St.,Tinajeros
Malabon City
Tel. Nos.: (02) 931-6326; 931- 6323

MANDALUYONG
Paterno's Bldg.
572 New Panaderos St.
Brgy.Pag-asa, Mandaluyong City
Tel. Nos.: (02) 238-3745, 238-3744

MANDALUYONG-SHAW BOULEVARD
500 Shaw Tower, 500 Shaw Boulevard
Mandaluyong City
Tel. Nos.: (02) 941-9412; 941 -9231

MANILA-STA.ANA SAVEMORE
Savemore Pedro Gil St.
Sta. Ana, Manila
Tel. Nos.: (02) 523-8606; 987-4975
523-8574

MARIKINA
33 Bayan-Bayanan Ave.
Brgy. Concepcion 1, Marikina City
Tel. Nos.: (02) 477-2445; 477-2443

MARIKINA-GIL FERNANDO AVE.
CTP Bldg.
Gil Fernando Ave., Marikina City
Tel. Nos.: (02) 681-2810; 645-8169

McKINLEY HILL
Commerce & Industry Plaza
Upper Basement
McKinley Town Center
Fort Bonifacio ,Taguig City
Tel. Nos.: (02) 586-8176

MUÑOZ JACKMAN
Upper Ground Floor, Jackman Building
Jackman Plaza, EDSA – Muñoz
Quezon City
Tel. Nos.: (02) 442-6282; 442-4829
Mobile No.:0917 863-6069

NEPA-Q MART-SAVEMORE
G/F, 770 Saint Rose Bldg.
EDSA and K-G St.
West Kamias, Quezon City
Tel. Nos.: (02) 351-4883; 351-4884

CHINA BANK SAVINGS BRANCHES

NINOY AQUINO AVE.
Skyfreight Bldg.,
G/F Ninoy Aquino Ave.
cor. Pascor Drive, Parañaque City
Tel. Nos.: (02) 843-2447; 239-0574

NOVA PLAZA MALL-SAVEMORE
Novaliches Plaza Mall
Quirino Highway cor. Ramirez St.
Novaliches Proper, Quezon City
Tel. Nos.: (02) 983-1512; 983-1511

ORTIGAS-CITRA
Unit B1, OMM Citra Bldg.
San Miguel Ave. Ortigas Center,
Pasig City
Tel. Nos.: (02) 637-9778; 637-9824
637-2018

ORTIGAS CENTER
Hanston Square , San Miguel Ave.
Ortigas Center, Pasig City
Tel. Nos.: (02) 654-1912; 477-3439
Mobile No.:0917 807-8394

PARAÑAQUE-BETTER LIVING
90 Doña Soledad Ave.
Better Living Subdivision
Bicutan, Parañaque City
Tel. Nos.: (02) 831 -8507

PARAÑAQUE-BF HOMES
284 Aguirre Ave.
B.F. Homes, Parañaque City
Tel. Nos.: (02) 553-5412; 553-5414
Mobile No.:0917 510-5911

PARAÑAQUE-JAKA PLAZA
Jaka Plaza Center
Dr. A. Santos Ave. (Sucat Road)
Brgy. San Isidro, Parañaque City
Tel. No.: (02) 820-6093
Fax No.: (02) 820-6091

PARAÑAQUE-LA HUERTA
1070 Quirino Ave.
La Huerta, Parañaque City
Tel.Nos.: (02) 893-1226; 893-1227

PARAÑAQUE-MOONWALK
Kassel Residence
E. Rodriguez Ave.
Moonwalk, Parañaque City
Tel. Nos.: (02) 664-1923, 957-2339
Mobile No.: 0917-621-8321

PASAY-LIBERTAD
533 Cementina St.
Libertad, Pasay City
Tel. Nos.: 541-1697; 541-1698
709-3435; 961-2628

PASIG-CANIOGAN
KSN Bldg., C. Raymundo Ave.
Caniogan, Pasig City
Tel. No.: (02) 957-0817
Mobile No.:0917 520-6966

PASIG MUTYA
Richcrest Bldg.,
Caruncho cor. Market Ave.
San Nicolas, Pasig City
Tel. No.: (02) 642-2870
Fax No.: (02) 640-7085

PASIG-PADRE BURGOS
114 Padre Burgos St.
Kapasigan, Pasig City
Tel. Nos.: (02) 650-3356; 650-3354
Mobile No.:0917 574-7874

PASO DE BLAS
Andoks Bldg., 629 Gen. Luis St.
Malinta Interchange – NLEX
Paso de Blas, Valenzuela City
Tel.Nos.: (02) 984-8258 ; 443-5069

PATEROS
500 Elisco Road
Sto. Rosario, Pateros City
Tel. No.: (02) 641-9556

PATEROS-ALMEDA
120 M. Almeda St.
Pateros City
Tel. Nos.: (02) 641-6768; 641-6760

PEDRO GIL
LKE Bldg.
Pedro Gil St. cor.
Pasaje Rosario, Paco, Manila
Tel. Nos.: (02) 354-3117; 521-4056

PLAZA STA. CRUZ
MBI Bldg.
Plaza Sta. Cruz, Sta. Cruz, Manila
Tel. No.: (02) 734-0534

QUEZON AVE.-PALIGSAHAN
1184-A Ben-Lor Bldg.
Brgy. Paligsahan, Quezon City
Tel. Nos.: (02) 376-4548; 376-4546

QUEZON AVE.
GJ Bldg., 385 Quezon Ave.
West Triangle, Quezon City
Tel. Nos.: (02) 332-2639; 332-2638
Mobile No.:0917 538-2423

QUIAPO-ECHAGUE
Carlos Palanca cor. P. Gomez St.
Echague, Quiapo, Manila
Tel. Nos.: (02) 959-4450

QUIAPO-QUEZON BOULEVARD
416 Quezon Boulevard
Quiapo, Manila
Tel. Nos.: (02) 247-3297; 247-3298

RADA
HRC Center, 104 Rada St.
Legaspi Village, Makati City
Tel. Nos.: (02) 810-9369; 818-2368
812-2577
Fax No.: (02) 810-9370

ROOSEVELT
342 Roosevelt Ave., Quezon City
Tel No.: (02) 957-0796
Mobile No.:0917 520-4972

SAN JUAN CITY
Madison Square
264 N. Domingo St.
Brgy. Pasadena, San Juan City
Tel. No.: (02) 507-4147
Mobile No.:0917 561-5639

SOUTH TRIANGLE
Sunnymede IT Center
Ground Floor, Quezon Avenue
South Triangle, San Juan City
Tel. No.: (02) 959-4515

STA. MESA
4128 Ramon Magsaysay Boulevard
Sta. Mesa Manila
Tel. Nos.: (02) 507-6515; 252-3289
252-3286
Mobile No.:0917 835-3352

TAFT MASAGANA-SAVEMORE
Parkview Plaza, Trida Bldg.
Taft Ave. cor. T.M. Kalaw St.
Ermita, Manila
Tel. Nos.: (02) 554-0617; 554-0697

TANDANG SORA
Cecile Ville Bldg. III
670 Tandang Sora Ave.
cor. General Ave., Tandang Sora
Quezon City
Mobile No.:0917 801-7585

TAYTAY
C. Gonzaga Bldg. II
Manila East Road, Taytay, Rizal
Tel. No.: (02) 623-6113
Mobile No.:0917 578-6978

TAYUMAN
1925-1929 Rizal Ave.
near cor. Tayuman St.
Sta. Cruz, Manila
Tel. Nos.: (02) 230-3091; 247-0683
586-1618

TIMOG
Jenkinsen Tower Condominium
80 Timog Ave., Quezon City
Tel. Nos.: (02) 371-8303; 371-8304
371-8305

TWO E-COM
Two E-Com Center Tower B
Ocean Drive cor. Bayshore Drive
Mall of Asia Complex, Pasay City
Tel. Nos.: (02) 802-3068; 802-5583
587-4753
Mobile No.:0917 506-8303

UN AVE.
552 United Nations Ave.
Ermita, Manila
Tel. Nos.: (02) 400-5468; 400-5467

VALENZUELA-MARULAS
92 J Ong Juanco Bldg.
MacArthur Highway, Marulas
Valenzuela City
Tel. Nos.: (02) 291-6542; 291-6541

VISAYAS AVE.
Wilcon City Center Mall,
Upper Ground Floor
Visayas Ave. , Quezon City
Tel. Nos.: (02) 990-7717; 990-6544

NORTH LUZON

ANGELES-RIZAL
639 Rizal St., Angeles City
Tel. Nos.: (045) 458-0297; 458-0298
884-7600 loc 4833
Fax No.: (045) 888-4971

ANGELES-SAN JOSE
Sto. Rosario St.
San Jose, Angeles City
Tel. Nos.: (045) 409-0234; 887-6433
(02) 988-9555 loc. 4785

ARAYAT
Cacutud, Arayat, Pampanga
Tel. Nos.: (045) 409-9559; 885-2390

BAGUIO-SESSION
B 108 Lopez Bldg., Session Road
cor. Assumption Road, Baguio City
Tel. Nos.: (074) 446-3993; 446-3994
Mobile No.:0917 868-3506

BALAGTAS
Ultra Mega Supermarket
MacArthur Highway
Burol 1st Balagtas, Bulacan
Tel.Nos. (044) 693-1849
(02) 884-7600 loc. 4316

BALANGA-D.M. BANZON
D.M. Banzon St.
Balanga City, Bataan
Tel. Nos.: (047) 237-3667; 237-3666

BALIBAGO
JEV Bldg., MacArthur Highway
Balibago, Angeles City
Tel. Nos.: (045) 892-3325; 332-1030

BALIUAG
Mariano Ponce Bldg.
Plaza Naning, Baliuag, Bulacan
Tel. Nos.: (044) 766-2014; 673-1338
(02) 884-7600 loc. 4312

CABANATUAN-BAYAN
Duran Bldg.
Burgos Ave., Cabanatuan City
Tel. Nos.: (044) 600-2888; 463-0441
(02) 884-7600 loc. 432

DAGUPAN
Lyceum-North Western University
Ground Floor, Tapuac District
Dagupan City
Tel. Nos.: (075) 523-3637
(02) 988-9555 loc. 4802

DAU
MacArthur Highway
Dau, Mabalacat, Pampanga
Tel. Nos.: (045) 892-2216; 892-2215
(02) 988-9555 loc. 4868

DOLORES
STCI Bldg., MacArthur Highway
Brgy. San Agustin
City of San Fernando, Pampanga
Tel. No.: (045) 649-3150
Fax No.: (045) 649-3724

GUAGUA
Plaza Burgos, Guagua, Pampanga
Tel. Nos.: (045) 901-0641; 901-0640
901-0966

GUIGUINTO-RIS
RIS-5 Industrial Complex
68 Mercado St.
Tabe, Guiguinto, Bulacan
Tel. No.: (044) 235-7630
Mobile No.:0917 848-5249

LA UNION
A.G. Zambrano Bldg.
Quezon Ave.
San Fernando City , La Union
Tel. No.: (072) 700-3800
Fax No.: (072) 242-0414

LAOAG CITY
LC Square Bldg.
J.P. Rizal cor. M.V. Farinas Sts.
Laoag City, Ilocos Norte
Tel. No.: (077) 600-1008
600-1009

LINGAYEN
The Hub - Lingayen Bldg.
Poblacion, Lingayen, Pangasinan
Mobile No.:0917 848-6063

MACABEBE
Poblacion, Macabebe, Pampanga
Tel. No.: (045) 435-5507

MALOLOS
Canlapan St., Sto. Rosario
City of Malolos, Bulacan
Tel. No.: (044) 794-2793
Mobile No.:0917 835-4684

MALOLOS-CATMON
Paseo del Rosario
Catmon, City of Malolos, Bulacan
Tel. No.: (044) 791-2461
Fax No.: (044) 662-7819

MEYCAUAYAN
Mancon Bldg.
MacArthur Highway, Calvario
Meycauayan, Bulacan
Tel. Nos.: (044) 884-0099; 228-2416
(02) 884-7600 loc. 4326

MOUNT CARMEL
Km. 78 MacArthur Highway
Brgy.Saguin, City of San Fernando
Pampanga
Tel.Nos.: (045) 435-6055
(02) 884-7600 loc. 4330

PLARIDEL
0226 Cagayan Valley Road
Banga 1st, Plaridel, Bulacan
Tel. Nos.: (044) 795-0105; 670-1067

OLONGAPO
City View Hotel Bldg.
25 Magsaysay Drive
New Asinan, Olongapo City
Tel. No.: (047) 222-1891
Mobile No.:0917 807-8509

ORANI
National Road
Balut, Orani, Bataan
Tel. Nos.: (047) 638-1282
(02) 988-9555 loc. 4871

PORAC
Cangatba, Porac, Pampanga
Tel. No.: (045) 329-3188
Mobile No.:0917 870-3305

SAN FERNANDO
Khy Trading Bldg.
San Fernando – Gapan Road
City of San Fernando, Pampanga
Tel. Nos.: (045) 961-1415
286 – 6811
(02) 988-9555 loc. 4812
Mobile No.:0917 851-5172

SAN FERNANDO-BAYAN
JSL Bldg., Consunji St.
City of San Fernando, Pampanga
Tel.No.: (045) 961-8168; 961-4575
(02) 884-7600 loc. 4320

SAN ILDEFONSO-SAVEMORE
Savemore Bldg.
Cagayan Valley Road
Poblacion, San Ildefonso, Bulacan
Tel. Nos.: (044) 797-0742; 797-0974
(02) 988-9555 loc. 4853

SAN JOSE DEL MONTE
Giron Bldg.
Gov. Halili Ave., Tungkong Mangga
City of San Jose del Monte, Bulacan
Tel. Nos.: (044) 233-6501
(02) 988-9555 loc. 4001
Mobile No.:0917 835-4675

SAN MIGUEL
Norberto St., San Miguel, Bulacan
Tel. Nos.: (044) 764-0162
(02) 884-7600 loc. 4311
Fax No.: (044) 764-0826

SAN NARCISO
Brgy. Libertad, San Narciso, Zambales
Tel. No.: (047) 913-2245; 913-2288

SAN RAFAEL
Cagayan Valley Road
cor. Cruz na Daan, San Rafael, Bulacan
Tel. Nos.: (044) 815-8915; 913-7629
(02) 988-9555 loc. 4799

SANTIAGO-VICTORY NORTE
JECO Bldg., Maharlika Highway
cor. Quezon St., Victory Norte
Santiago City, Isabela
Tel Nos.: (078) 305-0260; 305-0252
(02) 884-7600 loc. 4374

STA. ANA
Poblacion, Sta. Ana, Pampanga
Tel.Nos.: (045) 409-0335; 409-9818
(02) 988-9555 loc. 4793

STA. MARIA
Gen. Luna cor. De Leon St.
Poblacion, Sta. Maria, Bulacan
Tel. Nos.: (044) 288-2453
(02) 884-7600 loc. 4319
Fax No.: (044) 641-1150

STA. RITA
San Vicente, Sta. Rita, Pampanga
Tel. Nos.: (045) 900-0658
(02) 988-9555 loc. 4791

SUBIC
Baraca,Subic, Zambales
Tel. Nos.: (047) 232-6104; 232-6105
(02) 988-9555 loc. 4852

TARLAC-MACARTHUR
MacArthur Highway
San Nicolas, Tarlac City
Tel.Nos.: (045) 982-9652
(02) 884-7600 loc. 4337
Fax No.: (045) 982-9653

TUGUEGARAO
Metropolitan Cathedral Parish Rectory
Complex Rizal St., Tuguegarao City
Tel.Nos.: (078) 844-0484
(02) 884-7600 loc.4338

URDANETA
MacArthur Highway, Nancayasan
Urdaneta City, Pangasinan
Tel. Nos.: (075) 656-2331
(02) 884-7600 loc. 4372
Fax No.: (075) 522-0498

VIGAN
G/F, Plaza Maestro Convention Center
Florentino St., Barangay I, Vigan City
Ilocos Sur
Tel. Nos.: (077) 674-0300
884-7600 local 4359

SOUTH LUZON

BACOOR-MOLINO
Avon Bldg., 817 Molino Road
Molino III, City of Bacoor, Cavite
Tel. Nos.: (046) 431-9907; 235-7542
(02) 988-9555 loc. 4878
Mobile No.:0917 561-5883

BACOOR-TALABA
Coastal Road cor. Aguinaldo Highway,
Brgy.Talaba, City of Bacoor, Cavite
Tel. Nos.: (046) 417-5930; 417-5940
(02) 884-7600 loc. 4369

BATANGAS-P. BURGOS
No. 4 Burgos St., Batangas City
Tel. Nos.: (043) 723-1510; 723-7652
(02) 884-7600 loc. 4324

BIÑAN
Nepa Highway
San Vicente,Biñan City, Laguna
Tel.Nos.: (049) 511-3638
(02) 884-7600 loc. 4327
Fax No.: (049) 429-4878

CALAMBA
HK Bldg. II, National Highway
Brgy. Halang, Calamba City, Laguna
Tel.Nos.: (049) 306-0238; 306-0234
(02) 988-9555
loc. 4844 and 4845

CAVITE CITY
485 P. Burgos St., Barangay 34
Caridad, Cavite City, Cavite
Tel. Nos.: (046) 417-3102
(02) 988-9555 loc. 4879
Mobile No: 0917 561-5780

DARAGA-ALBAY
N & H Bldg., Rizal St.
Brgy. San Roque, Daraga, Albay
Tel. Nos.: (052) 483-0706;
(02) 988-9555 loc. 4822

DASMARIÑAS
Veluz Plaza Bldg.
Zone 1, Aguinaldo Highway
Dasmariñas City, Cavite
Tel. Nos.: (046) 416-0510; 416-0501
(02) 884-7600 loc. 4368

IMUS-TANZANG LUMA
OLMA Bldg.
Aguinaldo Highway
Tanzang Luma, Imus City, Cavite
Tel. Nos.: (046) 471-4715; 476-0927
(02) 884- 7600 loc. 4349
Fax No.: (046)471-9413

LAGUNA-STA. CRUZ
E & E Bldg., Pedro Guevarra Ave.
Sta. Cruz, Laguna
Tel. Nos.: (049) 501-3084
(02) 988-9555 loc. 4817
Mobile No.:0917 561-5715

LEGAZPI CITY
F. Imperial St., Barangay Bitano
Legazpi City, Albay
Tel. Nos.: (052) 225-5155
Mobile No.:0917-836-0093

LIPA-CM RECTO
China Bank Savings Bldg.
C.M Recto Ave., Lipa City
Tel. Nos.: (043) 75-1414; 756-1022
(02) 884-7600 loc. 4325

LOS BAÑOS-CROSSING
Lopez Ave., Batong Malake
Los Baños, Laguna
Tel. Nos.: (049) 536-2596; 536-0549
(02) 884-7600 loc. 4375

LUCENA
Merchan cor. Evangelista St.
Lucena City
Tel. Nos.: (042) 660-6964
(02) 884-7600 loc. 4347
Fax No.: (042) 710-6964

NAGA
RL Bldg., Panganiban St.
Lerma, Naga City, Camarines Sur
Tel.Nos.: (054) 472- 5424;472-1947
(02) 884-7600 loc. 4373

CHINA BANK SAVINGS BRANCHES

SAN PABLO-RIZAL AVE.
China Bank Savings Bldg.
Rizal Ave. cor. A. Fule St. (former
Lopez Jaena) San Pablo City
Tel. No.: (049) 562-0697
(02) 884-7600 loc. 4322

SAN PEDRO
Gen-Ber Bldg., National Highway
Landayan, San Pedro City, Laguna
Tel. Nos.: (02) 847-0585; 869-8220
(02) 988-9555 loc. 4837

STA. ROSA
Sta. Rosa-Tagaytay Highway
Sta. Rosa City, Laguna
Tel.Nos.: (049) 502-9134
(02) 988-9555 loc. 4872

STA. ROSA-BALIBAGO
Old National Highway
cor. Roque Lazaga St.
Sta. Rosa City, Laguna
Tel. Nos.: (049) 534-1167
(02) 520-8448

STO. TOMAS
The Lifestyle Strip, Maharlika Highway
San Antonio, Sto. Tomas, Batangas
Tel. Nos.: (043) 318-0582; 778-3247
(02) 884-7600 loc. 4389

TAGAYTAY-SAVEMORE
Mendez Crossing West
Tagaytay-Nasugbu Highway
cor. Mendez-Tagaytay Road
Tagaytay City
Tel. Nos.: (046) 413-3871;413-3872
(02) 988-9555 loc. 4876
Mobile No.:0917 561-5334

TANAUAN CITY
China Bank Savings Bldg.
Jose P. Laurel National Highway
Darasa, Tanauan City, Batangas
Mobile No.:0917 863-6160

VISAYAS – MINDANAO

BACOLOD
SKT Saturn Bldg.
Lacson cor. Rizal St.
Bacolod City, Negros Occidental
Tel.Nos. (034) 435-6983; 435-7143
708-2041; (02) 988-9555
loc. 4810 and 4811

CAGAYAN DE ORO
GAW Bldg., Sergio Osmeña St.
Cogon District, Cagayan de Oro City
Tel. Nos.: (088) 859-0169; 859-0740
852-2006

CEBU-LAHUG
G/F, Skyrise IT Bldg.
Brgy. Apas, Lahug, Cebu City
Tel. No.: (032) 236-0810

CEBU-MANDAUE
A. Del Rosario Ave.
Mantuyong, Mandaue City, Cebu
Tel. Nos.: (032) 520-2770; 422-8019
(02) 884-7600 loc 4310

CEBU-MANGO
JSP Mango Realty Bldg.
Gen. Maxilom Ave. cor.
Echavez St., Cebu City
Tel. Nos.: (032) 231-4304; 231-4736
(02) 884-7600 loc. 4346

CEBU MANDAUE-BASAK
Cebu North Road
Basak, Mandaue City, Cebu
Tel. No.: (032) 346-6959
Fax No.: (032) 346-8814

DAVAO
Brgy. 9-A Poblacion Dist.
E.Quirino Avenue, Davao City
Tel. Nos.: (082) 881-3873
(02) 884-7600 local 4140

DAVAO-RECTO
C. Villa Abrille Bldg.
C.M. Recto Ave., Davao City
Tel. Nos.: (082) 305-5808
(02) 884-7600 loc. 4344
(082) 227-1802

GENERAL SANTOS
Go Chay Ching Bldg.
#10 I. Santiago Boulevard
General Santos City
Tel. Nos.: (083) 552-6329; 552-6330
(02) 884-7600 loc. 4350

KALIBO-CITYMALL
CityMall, F. Quimpo St. connecting
Mabini and Toting Reyes St.
Kalibo, Aklan
Tel. No.: (036) 268-4379
Mobile No.:0917 804-7837

ILOILO-IZNART
G/F Golden Finance Bldg.
Iznart St., Iloilo City
Tel. Nos.: (033) 335-0213; 321-0940
(02) 988-9555
loc. 4863 and 4864

ILOILO-JARO
Lopez Jaena cor. El 98 St.
Jaro, Iloilo
Tel. Nos.: (033) 320-0370; 320-0426
(02) 988- 9555
loc 4861 and 4862

ROXAS AVE.-CAPIZ CITYMALL
CityMall-Roxas City
Roxas Ave., Barangay VI
Roxas City, Capiz
Tel. No.: (036) 620-0977

TAGUM-CITYMALL
T-01 & T-02 CityMall, Purok Ne Baysa
Visayan Village, Maharlika Highway
Tagum City, Davao del Norte
Tel. Nos.: (084) 216-8116; 216-8117
(02) 884-7600 loc. 4981

TALISAY NEGROS-SAVEMORE
Savemore Talisay
Mabini St., Zone 12, Paseo Mabini
Talisay City, Negros Occidental
Tel. Nos.: (034) 441-6264; 441-6267

ZAMBOANGA-CITYMALL
CityMall, Don Alfaro St.
Tetuan, Zamboanga City
Tel.No.: (062) 955-8709

CHINA BANK SAVINGS BUSINESS OFFICES

SALES OFFICES & BUSINESS CENTERS

BAGUIO SALES OFFICE
B108 Lopez Bldg., 2nd Floor
Session Road cor. Assumption Road
Baguio City
Tel Nos.: (02) 884-7600 local 4232

CAGAYAN DE ORO SALES OFFICE
Sergio Osmeña St.
Cogon District, Cagayan De Oro City
Tel. No.: (02) 884-7600 local 4234

CEBU BUSINESS CENTER
JSP Plaza Bldg., 2nd Floor
General Maxilom cor. Echaves St.
Cebu City
Tel. Nos.: (032) 232-5061; 232- 6263
(02) 884-7600 locals 4207
4209; 4205; 4206

DAVAO BUSINESS CENTER
8990 Corporate Center,
3rd Floor Quirino Ave., Davao City
Tel. Nos.: (082) 298-4569
(02) 884-7600 local 4218

GENERAL SANTOS SALES OFFICE
Go Chay Ching Bldg.
10 I. Santiago Boulevard
General Santos City
Tel. Nos.: (083) 301-5042
(02) 884-7600 local 4271

ILOILO SALES OFFICE
Lopez Jaena cor. El 98 St.
Jaro, Iloilo City
Tel. Nos.: (02) 884-7600
locals 4219 and 4225

IMUS SALES OFFICE
OLMA Bldg.
Aguinaldo Highway
Tanzang Luma, Imus City, Cavite
Tel. Nos.: (046) 416-4992
(02) 884-7600 local 4268

LA UNION BUSINESS CENTER
A.G. Zambrano Bldg.
Quezon Ave.
San Fernando City, La Union
Tel. Nos.: (072) 888-7477
(02) 884-7600 local 4227

LIPA SALES OFFICES
China Bank Savings Bldg.
2nd Floor C.M Recto Ave.
Lipa City
Tel. Nos.: (043) 756-5003
(02) 884-7600 local 4253

LEGAZPI SALES OFFICE
F. Imperial Street, Brgy. Bitano
Legazpi City, Albay
Tel. Nos.: (02) 884-7600 locals 4202
4251, 4263, and 4261

MARIKINA SALES OFFICE
CTP Bldg., 3rd Floor
Gil Fernando Ave., Marikina City
Tel. Nos.: (02) 645-9819
(02) 884-7600 local 4238

PLARIDEL SALES OFFICE
0226 Cagayan Valley Road, 2nd Floor
Banga 1st, Plaridel, Bulacan
Tel. Nos.: (02) 884-7600 locals 4202
4251 and 4251

SAN FERNANDO PAMPANGA BUSINESS CENTER
JSL Bldg., 3rd Floor
Consunji St., City of San Fernando,
Pampanga
Tel. Nos.: (045) 961-0005; 961-0008
(02) 884-7600 locals 4221
4236; and 4237

SAN PABLO SALES OFFICE
China Bank Savings Bldg.
2nd Floor, Rizal Ave. cor. A. Fule St.
San Pablo City
Tel. Nos.: (049) 800-3917

SANTIAGO SALES OFFICE
Jeco Bldg.
Maharlika Highway
Victory Norte, Santiago City
Tel. No.: (02) 884-7600 local 4374

URDANETA SALES OFFICE
China Bank Savings,
MacArthur Highway
Nancayasan, Urdaneta City
Pangasinan
Tel Nos.: (075) 522-0498
(075) 656-2331
(02) 884-7600 local 4372

APD SALARY LOAN CENTERS

NATIONAL CAPITAL REGION:
APD Lending Center Quezon Avenue
2nd Floor, G.J. Bldg.
385 Quezon Avenue, Quezon City
Tel Nos.: (02) 372-7926; 978-7754
Mobile No.: 0905 558-2542

CORDILLERA AUTONOMOUS REGION:
APD Lending Center Baguio
8990 B 108 Lopez Bldg.
Session Road cor. Assumption Road
Baguio City
Tel No.: (074) 619-2097
Mobile No.: 0927 345-8502

REGION 1 – NORTHERN LUZON
APD Lending Center La Union
A.G Zambrano Bldg.
Quezon Avenue, San Fernando City
La Union
Tel No.: (072) 687-2218
Mobile Nos.: 0905 465-6289
0927-345-8502

APD Lending Center Lingayen
The Hub-Lingayen Bldg.
Poblacion, Lingayen, Pangasinan
Mobile Nos.: 0926 277-7864
0946 069-4222

APD Lending Center Vigan
Quezon Avenue corner Mabini Street
Vigan City
Mobile No.: 0917 836-4204

REGION 2 – CAGAYAN VALLEY
APD Lending Center Tuguegarao
Ground Floor, Metropolitan Cathedral
Parish Rectory Complex
Rizal Street, Tuguegarao City
Tel No.: (078) 375-4471
Mobile No.: 0917 353-6503

REGION 3 – CENTRAL LUZON
APD Lending Center San Fernando Pampanga
JSL Bldg., Consunji Street
City of San Fernando, Pampanga
Tel No.: (045) 280-8215
Mobile No.: 0917 552-3389

REGION 4A – CALABARZON
APD Lending Center Taytay
2nd Floor, C Gonzaga Bldg. 2
Manila East Road, Taytay, Rizal
Tel No.: (02) 633-3988
Mobile No.: 0919 7540-1907

APD Lending Center Lucena
Merchan corner Evangelista Street
Lucena City
Tel No.: (042) 717-9387

APD Lending Center San Pablo, Laguna
China Bank Savings Bldg.
Rizal Avenue corner A. Fule Street
(former Lopez Jaena) San Pablo City
Tel No.: (049) 521-3991
Mobile No.: 0939 109-6360

APD Lending Center Tanauan, Batangas
2nd Floor, China Bank Savings Bldg.
J.P. Laurel National Highway
Darasa, Tanauan City, Batangas
Mobile No.: 0917 856-4718

REGION 5 – BICOL REGION
APD Lending Center Legaspi
2nd Floor Lot 4-6 Blk 20 PCS-1617
Sol's Subdivision, Purok 5
37 Bitano, Legazpi City
Tel. No.: (052) 483-7783
Mobile No.: 0977 459-0839

APD Lending Center Naga
RL Bldg., 2nd Floor
Panganiban Drive, Lerma, Naga City
Tel. No.: (054) 881-2557

REGION 6 – NEGROS ISLAND
APD Lending Center Bacolod City
SKT Saturn Bldg.
Lacson corner Rizal Street
Bacolod City
Tel No.: (034) 474-2262
Mobile No.: 0922 811-2680

REGION 6 – PANAY ISLAND
APD Lending Center Iloilo
Golden Finance Building
Iznart Street, Iloilo City
Tel No.: (033) 320-5309
Mobile No.: 0927 567-7973

APD Lending Center Roxas City
Ground Floor, T-114 CityMall Roxas
Roxas Avenue, Brgy. VI, Roxas City
Tel. No.: 988-9555 loc 4144

REGION 7 – CENTRAL VISAYAS
APD Lending Center Cebu
Skyrise IT Bldg., Brgy. Apas
Lahug, Cebu City
Tel No.: (032) 238-7820
Mobile No.: 0917 303-3932

REGION 10 – NORTHERN MINDANAO
APD Lending Center Cagayan de Oro
Sergio Osmeña Street
Cogon District, Cagayan de Oro City
Tel. No.: (088) 859 3075 / 8652
Mobile No.: 0935 565-2010

REGION 11 – DAVAO REGION
APD Lending Center Davao City
8990 Corporate Center, 3rd Floor
Quirino Avenue, Davao City
Tel No.: (082) 287-6824
Mobile No.: 0977 463-4707

APD Lending Center Tagum
CityMall Maharlika Highway corner
10 I. Santiago Boulevard
Lapu-Lapu Extension
Brgy. Magupo, Tagum City
Tel No.: 084 216-8245
Mobile No.: 0925 542-1223

REGION 12 – SOCCSKSARGEN
APD Lending Center General Santos
Go Chay Ching Bldg.
10 I. Santiago Boulevard
General Santos City
Tel No.: (083) 554-0211
Mobile No.: 0907 881-5270

CHINA BANK BUSINESS OFFICES

CONSUMER BANKING CENTERS

CBG Bacolod Center
China Bank - Bacolod Araneta
2/F CBC Bldg., Araneta St.
Bacolod City
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Fax No.: (034) 435-0647
Email: ihsaplagio@chinabank.ph
Center Head: Ivy H. Saplagio

CBG Batangas Center
China Bank - Batangas City
3/F CBC Bldg., P. Burgos St.
Batangas City
Tel. Nos.: (043) 723-7127
723-4294
Fax No.: (02) 520-6161
Email: egricardo@chinabank.ph
Center Head: Evelyn G. Ricardo

CBG Cabanatuan Center
China Bank - Cabanatuan, Maharlika
2/F CBC Bldg., Brgy. Dicarma,
Maharlika Highway, Cabanatuan City,
Nueva Ecija
Tel. Nos.: (044) 600-1575; 4631063
Fax No.: (044) 464-0099
Email: ergatdula@chinabank.ph
Contact Person: Emilie R. Gatdula

CBG Cagayan de Oro Center
China Bank Cagayan de Oro Divisoria
2/F CBC Bldg. R.N. Abejuela St.
Divisoria, Cagayan de Oro City
Tel. Nos.: (088) 859-1232
856-2409
Fax Nos.: (088) 856-2409
Email: rdmatela@chinabank.ph
Center Head: Rhea D. Matela (OIC)

CBG Cebu Center
China Bank - Cebu Business Park
2/F CBC Corporate Center,
Samar Loop cor. Panay Road
Cebu Business Park, Cebu City
Tel. Nos.: (032) 416-1606
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(032) 416-1915
(032) 239-3733
Fax No.: (032) 346-4450
Email: khltan@chinabank.ph
Center Head:
Kinard Hutchinson L. Tan

CBG Dagupan Center
China Bank - Dagupan-Perez
Siapno Bldg., Perez Boulevard
Dagupan City
Tel. Nos.: (075) 522-8471
522-8472
Fax No.: (075) 522-8472
Email: mpmacaranas@chinabank.ph
Center Head: Maricris P. Macaranas

CBG Davao Center
China Bank - Davao-Recto
2/F CBC Bldg., C.M. Recto
cor. J. Rizal Sts., Davao City
Tel. Nos.: (082) 226-2103
(082) 221-4163
Fax No.: (082) 222-5021
Email: rcsanchez@chinabank.ph
Center Head: Renato C. Sanchez II

CBG Iloilo Center
China Bank - Iloilo-Rizal
2/F CBC Bldg., Rizal cor. Gomez Sts.
Brgy. Ortiz, Iloilo City
Tel. Nos.: (033) 336-7918
336-7909
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CBG Pampanga Center
China Bank - San Fernando
2/F CBC Bldg., V. Tiomico St.
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Geraldine U. Go
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Matina, Davao City

Mc Queen Benigno-Jamora
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mqbjamora@chinabank.ph
(082) 297-2335

SUBSIDIARIES AND AFFILIATE

China Bank Savings

A subsidiary of China Banking Corporation

CBS Bldg., 314 Sen. Gil Puyat Avenue, Makati City
Tel. No.: (632) 988-9555
www.cbs.com.ph

China Bank Savings, Inc. (CBS) began operations on September 8, 2008 following the acquisition of Manila Bank by China Bank in 2007. Subsequent mergers with Unity Bank and Planters Development Bank have bolstered CBS as a leading thrift bank in the industry. With 162 branches nationwide and a strong platform for retail banking, auto, housing, teachers and enterprise finance, the Bank is dedicated to servicing the needs of entry-level customers, the broad consumer market and the strategic Small and Medium Enterprise (SME) sector. CBS is committed to promoting financial inclusiveness and uplifting the quality of life of consumers and entrepreneurs, in line with its *Easy Banking for You* brand of service.

BOARD OF DIRECTORS

Chairman
Ricardo R. Chua

Vice Chair
Nancy D. Yang

Directors
William C. Whang
Alberto Emilio V. Ramos
Alexander C. Escucha
Rosemarie C. Gan
Jose Lim Osmeña Jr.
Patrick D. Cheng

Independent Directors
Alberto S. Yao
Margarita L. San Juan
Philip S.L. Tsai

Acting Corporate Secretary
Atty. Odel C. Janda

MANAGEMENT COMMITTEE

President
Alberto Emilio V. Ramos

Senior Vice Presidents
Jose F. Acetre
Assets Recovery Group Head

Agerico G. Agustin
Banking Group Head

Maria Teresita R. Dean
SME Lending Group Head

First Vice Presidents
Atty. Josephine F. Fernandez
Human Resources Division Head

Jan Nikolai M. Lim
Consumer Lending Group Head

Luis Bernardo A. Puhawan
Controller and Controllership Group Head

Vice Presidents
James Christian T. Dee
Treasurer and Treasury Head

Arthur S. Esquivel
Chief Marketing Officer

Niel C. Jumawan
APD Lending Group Head

Sonia B. Ostrea
Centralized Operations Group Head

WITH INTERLOCKING POSITION IN CHINA BANK

Marilyn G. Yuchenkang
Chief Audit Executive

Editha N. Young
Chief Technology Officer

Hanz Irvin S. Yoro
Information Security Head

SUBSIDIARIES AND AFFILIATE

CHINABANK CAPITAL

28F BDO Equitable Tower
8751 Paseo de Roxas, Makati City
Tel. No.: (632) 885-5009
Fax No.: 556-6712

China Bank Capital Corporation (CBCapital) is China Bank's investment house subsidiary. China Bank Capital provides a wide range of services that include debt and equity capital raising, corporate finance, financial advisory, and securitization to public and private companies. China Bank Capital has acted as issue manager, arranger, and underwriter in various landmark deals.

BOARD OF DIRECTORS

Chairman
Ricardo R. Chua

Vice Chairman
Romeo D. Uyan, Jr.

Directors
William C. Whang
Ryan Martin L. Tapia
Alberto Emilio V. Ramos
Lilian Yu

Independent Directors
Philip S. L. Tsai
Alberto S. Yao
Margarita L. San Juan

Corporate Secretary
Atty. Leah M. Quiambao

Compliance and Risk Officer
Alexis Deo C. Manalo

MANAGEMENT TEAM

President
Ryan Martin L. Tapia

Head of Origination and Client Coverage
Michael L. Chong

Head of Execution and Treasurer
Juan Paolo E. Colet

Head of Distribution
Grace T. Chua

Legal Officer
Leah M. Quiambao

Senior Deal Officer
Maria Angelica C. Balangue

CHINABANK SECURITIES

28F BDO Equitable Tower
8751 Paseo de Roxas, Makati City
Tel. No.: (632) 230-6661 to 6663

China Bank Securities Corporation (CBSecurities) is the stock brokerage arm of China Bank Capital Corporation. China Bank Securities complements China Bank Capital's equity underwriting activities covering initial, follow-on and secondary public offerings in terms of distribution and marketing to retail and institutional clients. Clients of the China Bank Group likewise benefit by way of access to stock brokerage services covering execution of stock transactions at the Philippine Stock Exchange (both peso- and dollar-denominated listed stocks) as well as a suite of research reports on listed companies, industry sectors and markets, in general.

BOARD OF DIRECTORS

Chairman
William C. Whang

Vice Chairman
Romeo D. Uyan, Jr.

Directors
Marisol M. Teodoro
Ryan Martin L. Tapia
Lilian Yu

Independent Director
Alberto S. Yao

MANAGEMENT TEAM

President and Chief Executive Officer
Marisol M. Teodoro

Research Director
Garie G. Ouano

Treasurer, Corporate Secretary and Business Operations Director
Mary Antonette E. Quiring

Sales and Trading Director
Julius M. German

Associated Person and Compliance Director
Kristina S. Wy-Cacayan

CHINABANK PROPERTIES AND COMPUTER CENTER, INC.

4/F & 15/F China Bank Bldg.
8745 Paseo de Roxas cor. Villar St., Makati City
Tel. Nos.: (632) 885-5555; 885-5053; 885-5060
885-5051; 885-5052
Fax No.: (632) 885-5047; 885-9458

CBC Properties and Computer Center, Inc. (CBC-PCCI) was created on April 14,1982 to provide computer-related services solely to the China Bank group. It manages the Bank's electronic banking and e-commerce requirements, including sourcing, developing and maintaining software and hardware, financial systems, access devices and networks to foster the safety and soundness of China Bank's technology infrastructure and keep its processing capabilities in top shape.

BOARD OF DIRECTORS

Chairman
Gilbert U. Dee

Directors
Peter S. Dee
Ricardo R. Chua
William C. Whang
Rosemarie C. Gan

Corporate Secretary
Atty. Leilani B. Elarmo

MANAGEMENT TEAM

President
Peter S. Dee

Treasurer
William C. Whang

General Manager
Phillip M. Tan

Chief Technology Officer
Editha N. Young

Vice President
Augusto P. Samonte

CHINABANK INSURANCE BROKERS, INC.

8/F VGP Center, 6772 Ayala Ave.
Makati City 1226, Philippines
Tel. No.: (632) 885-5555
VGP Center: (632) 751-6000

Chinabank Insurance Brokers, Inc. (CIBI) is a wholly-owned subsidiary of the Bank established on November 3, 1998 as a full service insurance brokerage. It provides direct insurance brokerage for retail and corporate customers, with a wide and comprehensive range of plans for life and non-life insurance. Under the Non-Life insurance category, CIBI offers Property, Motor, Marine, Accident, Bonds, Construction All Risk and Liability for the bank clients.

DIRECTORS AND OFFICERS

Chairman
Patrick D. Cheng

Director
William C. Whang

Independent Directors
Philip S.L. Tsai
Margarita L. San Juan

Director and President
Rosa Maria L. Musico

Corporate Secretary
Belenette C. Tan

Manulife China Bank Life Assurance Corporation

a joint venture between Manulife Philippines and China Banking Corporation

10th Floor NEX Tower,
6786 Ayala Avenue,
Makati City 1229, Philippines
Customer Care: (632) 884-7000
Domestic Toll-free: 1-800-1-888-6268
E-mail : phcustomercare@manulife.com
www.manulife-chinabank.com.ph

Manulife China Bank Life Assurance Corporation (MCBLife) is a strategic alliance between Manulife Philippines and China Bank. MCBLife provides a wide range of innovative insurance products and services to China Bank and China Bank Savings customers. MCBLife aims to ensure that every client receives the best possible solution to meet his or her individual financial and insurance needs. In 2014, China Bank raised its equity stake to 40% in MCBLife.

DIRECTORS AND OFFICERS

Chairman
Joachim Wessling

Director/President & CEO
Jude Pijush Gomes

Directors
William C. Whang
Alberto Emilio V. Ramos
Ryan S. Charland
Ka Ming Dai

Independent Directors
Rhoda Regina R. Rara
Janette L. Peña
Conrado Favorito

Chief Financial Officer/ Treasurer
Katerina Suarez

Corporate Secretary
Basilio O. Visaya, Jr.

PRODUCTS AND SERVICES

102-2, 102-7

DEPOSITS & RELATED SERVICES

Peso Deposits
Checking
- ChinaCheck Plus

Savings
- Passbook Savings
- ATM Savings
- MoneyPlus Savings
- SSS Pensioner's Account
- Premium Savings Account

Time Deposit
- Regular Time Deposit
- Diamond Savings

Foreign Currency Deposits (USD, EUR, RMB and JPY)
- Savings
- Time

Cash Card
Manager's/Gift Check/Demand Draft
Safety Deposit Box
Night Depository Services
Cash Delivery and Deposit Pick-up Services

LOANS & CREDIT FACILITIES

Corporate Notes and Loans
Commercial Loans
Loan Syndications
Project Finance Facilities
Structured Financing
Trade Financing
Working Capital and Revolving Credit Facilities
Receivable Factoring
Consumer Loans
- HomePlus Real Estate Loans
- AutoPlus Vehicle Loans
- Contract to Sell Financing
- Credit Cards

INTERNATIONAL BANKING PRODUCTS & SERVICES

Letters of Credit
Standby Letters of Credit
Shipping Guarantee
Documents against Payment
Documents against Acceptance
Open Account
Advance Payments
Trust Receipt Loans
Negotiation of Export Letter of Credit
Import/Export Finance
Customs and Duties Tax Payments
Advising of Letters of Credit and Standby Letters of Credit
Telegraphic Transfer (Domestic and International)
Foreign Currency Accounts (Time Deposit, and Savings)
Foreign Currency Loans
Foreign Currency Bank Drafts
Purchase and Sale of Foreign Exchange
Inward and Outward Remittance Service - Domestic and International

INVESTMENT BANKING SERVICES

Arranging and Underwriting of Debt and Equity Financing Transactions
Debt Financing
- Bonds
- Syndicated Loans
- Corporate Notes
- Structured Loan
- Project Finance
- LTNCD
- Short Dated Notes/QB Notes

Equity Financing
- Initial Public Offering (Common Shares)
- Follow On Offering (Common Shares)
- Preferred Shares
- Convertible/Exchangeable Shares

Others
- Financial Advisory
- Mergers & Acquisition Advisory
- Corporate Restructuring
- Valuation
- Securitization

OVERSEAS KABABAYAN SERVICES

China Bank Remittance
Overseas Kababayan Savings (OKS) Account (PHP and USD)

TRUST SERVICES

Unit Investment Trust Funds
- China Bank Money Market Fund
- China Bank Cash Fund
- China Bank Short-Term Fund
- China Bank Intermediate Fixed Income Fund
- China Bank Fixed Income Fund
- China Bank Balanced Fund
- China Bank Equity Fund
- China Bank High Dividend Equity Fund
- China Bank Dollar Fund

Wealth Management
- Investment Management Arrangement
- Personal Management Trust

Corporate Trust Services
- Escrow Services
- Employee Benefit Plan
- Collecting and Paying Agency
- Facility Agency, Security Trusteeship and Paying Agency

TREASURY SERVICES

Peso-Denominated Government and Corporate Bond Issues and Perpetual Notes
Dollar-Denominated Government and Corporate Bond Issues and Perpetual Notes
LTNCD
Treasury Certificate of Deposit
Promissory Notes
Foreign Exchange
- Spot, Forward and Swaps

Derivatives
- Interest Rate and Cross Currency Swaps

INSURANCE PRODUCTS

Bancassurance

- Protection
  - Base Protect Plus
- Education
  - MCBL Invest
- Wealth
  - Platinum Invest Elite
  - MCBL Enrich Max
  - MCBL Affluence Income
- Retirement
  - MCBL Enrich
  - MCBL Invest
- Group Insurance
  Group Yearly Renewable Term
  Group Personal Accident
  Group Credit Life

Non-Life Insurance

- Fire Insurance
  - Residential
    - Condominium Insurance
  - Commercial
    - Industrial All-Risk Insurance
    - Commercial All-Risk Insurance
  - Trust Receipts
- Motor Car Insurance
  - Individual
  - Fleet Program
- Marine Insurance
  - Hull Insurance
  - Cargo Insurance
- Engineering Insurance
  - Contractors ALL-Risk Insurance
  - Electronic Equipment Insurance
  - Erectors All- Risk Insurance
  - Machinery Breakdown Insurance
  - Equipment Floater
- Liability Insurance
  - Comprehensive General Liability Insurance
  - Product Liability Insurance
  - Professional Indemnity Insurance
  - Directors and Officers Liability Insurance
- Crime Insurance
  - Money, Security & Payroll Insurance
  - Fidelity Insurance
  - Cyber Crime Insurance
  - Kidnap and Ransom Insurance
- Bonds
  - Surety Bonds
    - Bidder Bond
    - Surety/Downpayment Bond
    - Performance Bond
    - Warranty Bond
    - Heirs Bond
  - Fidelity Bonds
- Employee Benefit
  - Group Personal Accident Insurance
  - Group Life Insurance
  - HMO
  - Travel Insurance

PAYMENT & SETTLEMENT SERVICES

Electronic Banking Channels

- China Bank Automated Teller Machine (ATM)
- China Bank TellerPhone
- China Bank Online
- China Bank Mobile Banking App
- Cash Accept Machine
- Point-of-Sale (POS)

CASH MANAGEMENT SOLUTIONS

China Bank Online Corporate

- Basic Services
  - Balance Inquiry and Transaction Reporting
  - Intra & Inter-bank Transfer of Funds to Own &/or Third Party Account(s)
  - Buy &/or Sell Foreign Currency
  - Sure Sweep
  - Bills Payment
- Self-Service Functionalities
  - Account Portfolio
  - Transaction History
  - Forgotten Credentials
  - Bank Certificate
  - Checkbook Reorder
  - Stop Payment Order

Liquidity Management Via China Bank Online Corporate

- Sure Sweep
  - Funds Consolidation (many to one account)
  - Funds Distribution (one to many accounts)
- Corporate Inter-Bank Fund Transfer

Receivables Management

- Automatic Debit Arrangement (ADA)
- Check Depot
- Bills Pay Plus
- Check Pay Solution
- Collection Arrangement Report (via China Bank Online Corporate)

Payables Management

- Direct Debit Arrangement
- Auto Credit Arrangement (ACA)
- Check Writing Services
  - Check Write Plus Software
  - Check Write Plus Outsourcing
- Payroll Services
  - Payroll
  - China Pay Software
  - Payroll Processing

POS Solutions

- China Debit POS
- POS Cash Out

Trade and Settlement Solutions

- Electronic Invoicing & Payment Solution
- SCCP Broker's Solution

Government Payments and Collections

- Easy Tax Filing and Payment Solution
- BIR eTax Payments
- eGov Payments
  - Social Security System (SSS)
  - Philippine Health Insurance Corporation (PhilHealth)
  - Pag-IBIG
- SSS Sickness, Maternity, and Employee Compensation (SSS SMEC)

CHINA BANK SECURITIES

Stock Brokerage
Securities and Investment Research

GRI CONTENT INDEX

102-55

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GENERAL DISCLOSURES

GRI Standard	Disclosure		Page Number	Omission
GRI 101: Foundation 2016				
General Disclosures				
GRI 102:	**Organizational Profile**			
General Disclosures 2016	102-1	Name of the organization	2	
	102-2	Activities, brands, products, and services	2, 142-143	
	102-3	Location of headquarters	2, 148	
	102-4	Location of operations	2, 124-138	
	102-5	Ownership and legal form	2, 78	
	102-6	Markets served	2, 124-138	
	102-7	Scale of the organization	12, 43, 142	
	102-8	Information on employees and other workers	43	
	102-9	Supply chain	74	
	102-10	Significant changes to the organization and its supply chain	No changes	
	102-11	Precautionary Principle or approach	53, 70	
	102-12	External initiatives	60	
	102-13	Membership of associations	Trust Officers Association of the Philippines; ACI Philippines; Association of Bank Compliance Officers, Inc.; Association of Bank Remittance Officers, Inc.; Association of Philippine Correspondent Banking Officers, Inc.; Bankers' Association of the Philippines; Bankers' Institute of the Philippines, Inc.; Bank Marketing Association of the Philippines; Business Continuity Mangers Association of the Philippines; Chamber of Thrift Banks; Credit Card Association of the Philippines; Credit Management Association of the Philippines; Financial Executives of the Philippines; Fund Managers Association of the Philippines; Good Governance Advocates and Practitioners of the Philippines; Information Security Officers Group; Investment House Association of the Philippines Money Market Association of National Advertisers; Personnel Management Association; Philippine Business for the Environment; Philippine Payments Management, Inc.; Public Relations Society of the Philippines; UNISDR Private Sector Alliance for Disaster Resilient Societies; Various Local Business Clubs	

GRI Standard	Disclosure		Page Number	Omission
	Strategy			
	102-14	Statement from senior decision-maker	6	
	102-15	Key impacts, risks, and opportunities	6	
	Ethics and integrity			
	102-16	Values, principles, standards, and norms of behavior	3, 61	
	102-17	Mechanisms for advice and concerns about ethics	60, 73-75	
	Governance			
	102-18	Governance structure	68	
	102-19	Delegating authority	64	
	102-23	Chair of the highest governance body	62	
	102-24	Nominating and selecting the highest governance body	63	
	102-28	Evaluating the highest governance body's performance	63	
	Stakeholder engagement			
	102-40	List of stakeholder groups	19	
	102-41	Collective bargaining agreements	44	
	102-42	Identifying and selecting stakeholders	18	
	102-43	Approach to stakeholder engagement	19	
	102-44	Key topics and concerns raised	19	
	Reporting Practice			
	102-45	Entities included in the consolidated financial statements	As listed in Note 1 of Financial Statement: China Bank Insurance Brokers, Inc., CBC Properties and Computer Center, Inc., China Bank Savings, Inc., China Bank Capital Corporation, CBC Assets One, Inc., China Bank Securities Corporation	
	102-46	Defining report content and topic Boundaries	18	
	102-47	List of material topics	18	
	102-48	Restatements of information	There are no restatements of information.	
	102-49	Changes in reporting	Identified water as a non-material topic for this reporting period.	
	102-50	Reporting period	i	
	102-51	Date of most recent report	i	
	102-52	Reporting cycle	i	
	102-53	Contact point for questions regarding the report	81	
	102-54	Claims of reporting in accordance with the GRI Standards	i	
	102-55	GRI Content Index	i, 144-147	
	102-56	External assurance	This report is not externally assured.	

MATERIAL TOPICS

GRI Standard		Disclosure	Page Number	Omission
GRI 200 Economic Standard Series				
Economic Performance				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	52	
	103-3	Evaluation of the management approach	52	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	52	
Indirect Economic Impacts				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	18	
	103-2	The management approach and its components	27-29	
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impacts	14, 27-29	
Anti-corruption				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	74	
	103-3	Evaluation of the management approach	74	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	74	
	205-3	Confirmed incidents of corruption and actions taken	There are no confirmed incidents of corruption.	
GRI 300 Environmental Standard Series				
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	53	
	103-3	Evaluation of the management approach	53	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	53	
	302-2	Energy consumption outside of the organization	53	
	302-3	Energy Intensity	53	
Emissions				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	53	
	103-3	Evaluation of the management approach	53	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	No available data yet, but systems are being put in place for data gathering for the next reporting cycle.	
	305-2	Energy indirect (Scope 2) GHG emissions	53	
	305-3	Other indirect (Scope 3) GHG emissions	53	
GRI 400 Social Standard Series				
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	43-45	
	103-3	Evaluation of the management approach	43-45	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	43, 45	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	44	

GRI Standard	Disclosure		Page Number	Omission
Occupational Health and Safety				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	45	
	103-3	Evaluation of the management approach	The policies are in place and we continue to review our evaluation of our programs for a healthy workplace, and to enhance its measurements.	
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities	We are enhancing our tracking system.	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	44	
	103-3	Evaluation of the management approach	44	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	44	
	404-2	Programs or upgrading employee skills and transition assistance programs	44	
	China Bank Indicator	Percentage and number of employees promoted per year	44	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	43, 61	
	103-3	Evaluation of the management approach	43, 61	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	43, 61	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	18	
	103-2	The management approach and its components	55-57	
	103-3	Evaluation of the management approach	55-57	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	55	
Customer Privacy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18	
	103-2	The management approach and its components	38	
	103-3	Evaluation of the management approach	The management approach is deemed successful since there are no substantiated complaints on breach of customer privacy.	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no substantiated complaints on customer privacy breach.	

INVESTOR INFORMATION

ANNUAL STOCKHOLDERS' MEETING

May 2, 2019, Thursday, 4:00 p.m.
Penthouse, China Bank Building
8745 Paseo de Roxas cor. Villar St.
Makati City 1226, Philippines

SHAREHOLDER SERVICES

For inquiries or concerns regarding dividend payments, account status, change of address or lost or damaged stock certificates, please get in touch with:

Stocks and External Relations
Office of the Corporate Secretary
China Banking Corporation
11/F China Bank Building
8745 Paseo de Roxas cor. Villar St.
Makati City 1226, Philippines

Contact persons:
Atty. Angeli Anne L. Gumpal / Mr. Jaime G. Dela Cruz

Tel. No.: (+632) 885-5132; 230-6987
Fax No.: (+632) 885-5135
Email: aalgumpal@chinabank.ph
ocsstocks@chinabank.ph

Stock Transfer Service, Inc.
Unit 34-D Rufino Pacific Tower
6784 Ayala Ave.
Makati City 1226, Philippines

Contact persons:
Antonio M. Laviña
Ricardo D. Regala, Jr.

Tel. Nos.: (+632) 403-2410; 403-2412; 403-9853
Fax No.: (+632) 403-2414

We welcome letters or all such communications on matters pertaining to the management of the Bank, stockholders' rights, or any other bank-related issues of importance. Stockholders who wish to communicate with any or all of the members of the China Bank Board of Directors may send letters to:

Atty. Corazon I. Morando
Vice President and Corporate Secretary
China Banking Corporation
11/F China Bank Building
8745 Paseo de Roxas cor. Villar St.
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Email: ocsstocks@chinabank.ph
jldanas@chinabank.ph
aalgumpal@chinabank.ph

INVESTOR INQUIRIES

We welcome inquiries from investors, analysts, and the financial community. For information about the developments at China Bank, please contact:

Alexander C. Escucha
Senior Vice President and Head
Investor & Corporate Relations Group
China Banking Corporation
28/F BDO Equitable Tower
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Tel. No.: (+632) 885-5609
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Website: www.chinabank.ph

CUSTOMER INFORMATION

We welcome inquiries from customers and other stakeholders. Please contact:

Customer Contact Center
Remittance & Cards Business Group
China Bank Tellerphone (Available 24/7)
Hotline # (+632) 88-55-888
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1-800-1888-5888 (PLDT)

Email: online@chinabank.ph
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www.facebook.com/chinabank.ph
Twitter Page:
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CHINABANK
Since 1920

CHINA BANKING CORPORATION
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Makati City 1226, Philippines

www.chinabank.ph

POST-CONSUMER RECOVERED FIBER
The cover of this China Bank Annual Financial & Sustainability Report is printed on Radiance New Evolution White 280gsm. Radiance is an uncoated felt-marked paper that captures the extraordinary printing definition and effects of a coated paper, certified by the Forest Stewardship Council (FSC) which promotes environmentally appropriate, socially beneficial, and economically viable management of the world's forest.

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