



August 1, 2018

PHILIPPINE STOCK EXCHANGE, INC.

Disclosure Department
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Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.

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6766 Ayala Avenue cor Paseo de Roxas
Makati City

Attention: **Ms. Kathlene Anne F. Famadico**
OIC - Issuer Compliance and Disclosure Department

Gentlemen:

We are pleased to furnish your good office with a copy of China Bank's latest news release, "China Bank first half earnings flat at P3.6B".

Thank you.

Very truly yours,

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

NEWS RELEASE

China Bank first half earnings flat at P3.6B

China Banking Corporation (China Bank, stock symbol CHIB) recorded a consolidated net income of P3.6 billion from January to June 2018—unchanged vs. the first half of last year. Core operating income (recurring income) grew 15% to P13.3 billion, driven by the sustained growth in core businesses. Total operating income stood at P13.1 billion, up 7%.

Net interest revenues rose 20% to P11.1 billion on the back of robust growth in loans and securities. Improving loan yields offset the rise in funding cost, leading to an improvement in net interest margin to 3.16% from 3.07%. Fee-based revenues were down 32% to P2.1 billion as the Bank reduced its reliance on securities trading.

Total assets rose 17% to P768.4 billion. Deposits expanded 18% to P653.4 billion, underpinned by a 32% increase in low cost funds to P374.6 billion, which funded the growth in lending. Loans grew 18% to P469.4 billion, driven by strong demand across all customer segments, with consumer lending growing by 21%. The resulting loans to deposit ratio was a healthy 72%.

Tighter loan monitoring and remedial efforts enabled the Bank to maintain asset quality amid the loan expansion. Non-performing loans (NPL) dropped P314 million or 4%, which led to an improved NPL ratio of 1.5%. NPL coverage improved to 107% from previous year's 93% at the consolidated level, and a healthier 181% at the parent bank level.

Total capital funds grew 4% to P83.6 billion. The Bank's common equity tier 1 (CET 1) and total capital adequacy ratios stood at 12.6% and 13.3%, respectively, well above the minimum regulatory requirement.

Recently, the Bank successfully raised P10.25 billion through a public offering of peso-denominated Long Term Negotiable Certificates of Time Deposits (LTNCD), the first tranche of its planned P20 billion LTNCD offering. Two times oversubscribed, it was the largest LTNCD issuance in the banking industry so far in 2018, and also the largest tranche of LTNCD done in China Bank's history. Proceeds of the fund raising activity will be used to support the Bank's strategic initiatives and expansion programs.

China Bank is among the country's top-scoring listed companies in the ASEAN Corporate Governance Scorecard (ACGS) for 2017—the only bank among the Philippine companies with scores of 100 points and above. The Bank is also a 2018 Pagtugon Awardee of the Bangko Sentral ng Pilipinas for its excellence in customer service. It is also the recipient of the Best Bank for Corporate Governance Philippines 2018 and the Best Investor Relations Bank awards from Global Banking & Finance Review. The same UK- based magazine also awarded the Bank's investment arm China Bank Capital Corporation, as the Best Bank for Debt Capital Markets Philippines 2018.

China Bank, founded in 1920, is the country's first privately owned local commercial bank. It is now one of the largest private universal banks in the Philippines providing a full range of banking products and services to corporate, commercial, and retail customers through 605 branches to date, including the 160 branches of its retail bank arm China Bank Savings (CBS). It also offers a wide range of allied financial services through its subsidiaries China Bank Capital Corp., China Bank Securities Corp., China Bank Insurance Brokers Inc., and Manulife China Bank Life Assurance Corp.

Contact:

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