

SEC NO. 16962
FILE NO.

CHINA BANK SAVINGS, INC.
(COMPANY'S NAME)

CBS BUILDING
314 Sen. Gil J. Puyat Avenue, Makati City
(COMPANY'S ADDRESS)

988-95-55
(TELEPHONE NUMBER)

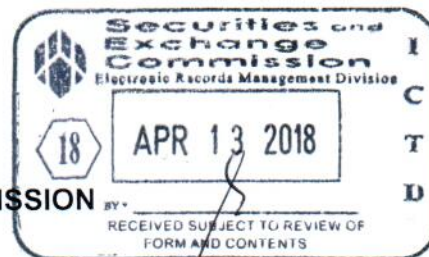
DECEMBER 31
(FISCAL YEAR ENDING MONTH AND DAY)

SEC FORM 17 – A
(FORM TYPE)

December 31, 2017
(PERIOD ENDED DATE)

N/A
(SECONDARY LICENSE TYPE AND FILE NUMBER)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 - A**



**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended : **December 31, 2017**
2. SEC Identification Number : **16962**
3. BIR Tax Identification Code : **000-504-532**
4. Exact name of registrant as specified in its charter : **China Bank Savings, Inc.**
5. Province, country or other jurisdiction or organization : **Makati City, Philippines**
6. Industry Classification Code : (SEC Use only)
7. Address of principal office : **CBS Building, 314 Sen. Gil J. Puyat Avenue, Makati City**
8. Registrant's telephone number, including area code : **(632) 988-95-55**
9. Former name, former address and former fiscal year, if changed since last report : **Former address: 6772 Ayala Avenue, Makati City**

10. Securities registered pursuant to Section 8 and 12 of the SRC and Section 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding and Amount of Debt Outstanding
Common stock - ₱100 par value	100,414,149
Preferred stock - ₱100 par value	21,642

11. Are any or all of the registrant's securities listed on a Stock Exchange?

Yes [] No [✓]

12. Check whether the issuer:

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

Yes [✓] No []

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

Yes [✓] No []

TABLE OF CONTENTS

	Page No.
PART I - BUSINESS AND GENERAL INFORMATION	
Item 1 Business.....	4
Item 2 Properties.....	23
Item 3 Legal Proceedings.....	30
Item 4 Submission of Matters to a Vote of Security Holders.....	30
PART II - OPERATIONAL AND FINANCIAL INFORMATION	
Item 5 Market for Registrant's Common Equity and Related Stockholder Matters...	31
Item 6 Management's Discussion and Analysis or Plan of Operation.....	32
Item 7 Financial Statements.....	40
Item 8 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.....	41
PART III - CONTROL AND COMPENSATION INFORMATION	
Item 9 Directors and Executive Officers of the Registrant.....	42
Item 10 Executive Compensation.....	50
Item 11 Security Ownership of Certain Beneficial Owners and Management.....	51
Item 12 Certain Relationships and Related Transactions.....	52
PART IV - CORPORATE GOVERNANCE	
Item 13 Corporate Governance.....	53
PART V - EXHIBITS AND SCHEDULES	
Item 14 Exhibits and Reports.....	79
(a) Exhibits	
(b) Reports on SEC Form 17-C	
SIGNATURES.....	81

PART I. BUSINESS AND GENERAL INFORMATION

Item 1. DESCRIPTION OF BUSINESS

1. Business Development

Corporate Policy

China Bank Savings (CBS or the Bank) is the retail lending arm of China Banking Corporation (China Bank or the Parent Bank) and one of the largest thrift bank in the country today. CBS is also a member of the SM Group (SM Investments Corporation), one of the country's largest and most successful conglomerates with businesses spanning between retail, mall operations, property development (residential, commercial, resorts/hotel), and financial services.

CBS began operations on September 8, 2008 following the acquisition of Manila Bank by China Bank in 2007. Subsequent mergers with Unity Bank, A Rural Bank, Inc. (Unity Bank) and Planters Development Bank (PDB) have bolstered CBS' position as a leading thrift bank in the industry. With over 160 operating branches nationwide and a strong platform for retail banking, personal, auto, housing and teachers' lending, and enterprise finance, CBS offers a wide array of industry-leading products and services to the mass-market, corporate, middle-market and small and medium-sized entities (SME) segments. It aims to provide customers with seamless one-stop shop services for as many financial needs as possible and committed to promoting financial inclusiveness, and uplifting the quality of consumers and entrepreneurs in line with its personalized brand of service.

Over the years, CBS has been continuously implementing improvements to focus on providing exceptional customer service by investing in various areas that include branch network expansion, system upgrades, new product innovations, and employing and developing the best people.

The Bank's customer acquisition strategy involves sourcing new customers from the general borrowing public through sales channels including direct mailing and direct sales. China Bank and CBS cooperate to ensure wider market coverage through their internal referral and customer acquisition process. CBS focuses on the "emerging mass-market" sector of the consumer banking market. On the funding side, the Bank's principal source is deposits from the general public.

The Bank's website www.cbs.com.ph/ has been enhanced to support the corporate branding campaign. The secure site was provided with a fresh look that reflects the Bank's vibrant image and authentic commitment to entry-level customers, families, young professionals, and entrepreneurs.

The Bank has unveiled its new Corporate Vision, Mission and Core Values Statement. The Bank also introduced the **Easy Banking for You** corporate tagline, with the promise of fast, efficient and friendly service for customers and colleagues alike.

CBS has recently completed the migration of IT platform, migrating to the new Finacle Core Banking Solution (FCBS) to improve technology, operating efficiency and service quality. This latest upgrade provides the Bank with the requisite technology infrastructure to handle the

surge in volume and complexity of customer transactions, broader range of financial products and services, as well as the management and analysis of customer information. By running all key business applications on the enhanced platform, the Bank expects data quality improvement and timeliness of generating internal, external and regulatory reports, especially for decision-making process. This also positions the Bank to have a better understanding of its customers and make us more agile in developing products and services to suit their needs.

Vision

To be the leading savings bank preferred by the markets we serve.

Mission

As the leading savings bank, we deliver the best in banking, thus:

We provide wealth-building and practical products and services that fulfill the dreams and uplift the markets we serve.

We value our employees by nurturing, developing and rewarding them, as they are vital to our success.

We maintain the highest ethical standards through good corporate governance; deliver maximum and sustainable returns for our shareholders; and serve our communities to help promote better lives.

Core Values

In doing business, CBS is guided by these values:

- ***Integrity.*** Doing the right thing to everyone at all times.
- ***Teamwork.*** We work together in harmony and we respect each other to achieve our shared goals.
- ***Pursuit of Excellence.*** We have high performance standards that exceed expectations of our customers and shareholders.
- ***Customer Focus.*** We build and maintain solid and lasting relationships that result in customer loyalty.
- ***Concern for People.*** We provide an equitable, respectful, and safe working environment for all our employees.
- ***Fairness and Firmness.*** We make decisions free from discrimination and we are resolute in our decisions.

Form and Year of Organization

The Bank reopened to the public on June 26, 1999 as a thrift bank in accordance with the Monetary Board (MB) Resolution No. 512 dated April 21, 1999. Under MB Resolution No. 512, the Bank was allowed to reopen its seventy-two (72) branches as provided in the Bank's operating plan.

In 2007, China Bank acquired the majority shareholdings of the Bank. Following the change in its majority owners, the Bank continues to operate as a thrift bank. In 2008, the Bank transferred its other existing branches and unused branch licenses to China Bank to

improve cost efficiency and branch networking. As of December 31, 2017, the Bank has one hundred sixty (160) branches.

The Bank's original Certificate of Incorporation was issued by the Philippine Securities and Exchange Commission (SEC) on May 23, 1960. On August 20, 2009, the Board of Directors approved the amendment of the Bank's Articles of Incorporation to extend its corporate term for another fifty (50) years, from and after May 23, 2010, the end of the original term of the Bank's corporate existence. The amendment to the Articles of Incorporation to extend the Bank's corporate term was subsequently approved by the Stockholders of the Bank, who own/represent at least two thirds (2/3) of the outstanding capital stock, at the Annual Stockholders' meeting held in October 2009. The Amended Articles of Incorporation was approved by the SEC on March 25, 2010.

The registered office address of the Bank is at CBS Building, 314 Sen. Gil Puyat Avenue, Makati City.

Bankruptcy, Receivership or Similar Proceedings

The Bank is not subject to any bankruptcy, receivership or similar proceedings.

Material Reclassification Merger, Consolidation or Purchase or Sale of Assets

Merger between the Bank and Unity Bank, A Rural Bank Inc.

The Board of Directors of the Bank and Unity

Bank, in their meetings held last June 6, 2013 and June 11, 2013, respectively, approved the proposed merger with Unity Bank, with the Bank as the surviving entity. The Plan of Merger was approved by the stockholders of both banks in their meetings held on July 18, 2013 and July 19, 2013, respectively. Unity Bank is 99.95% owned by China Bank, having acquired the former on November 20, 2012 under the Strengthening Program for Rural Banks (SPRB) Plus of the Bangko Sentral ng Pilipinas (BSP).

On December 10, 2013, the BSP approved the issuance of Certificate of Authority to register the approved Plan of Merger and Articles of Merger of the Bank and Unity Bank, with the Bank as the surviving entity. Thereafter, on January 20, 2014, the SEC formally issued the Certificate of the Filing of Articles and Plan of Merger by and between the Bank (surviving corporation) and Unity Bank (absorbed corporation). The merger was effected via a share-for-share exchange.

Merger between the Bank and Planters Development Bank

On June 26, 2014, the Board of Directors of both the Bank and PDB approved the Plan and Articles of Merger of the Bank and PDB, with the former as the surviving corporation. PDB is a 99.85% owned subsidiary of China Bank. The stockholders of both PDB and the Bank approved, ratified and confirmed the Plan and Articles of Merger on August 14, 2014. An amended Plan of Merger was approved by the Board of Directors of both Banks on January 29, 2015.

On August 19, 2015 and December 17, 2015, the MB of the BSP and the SEC approved the merger, respectively.

The salient provisions of the Articles of the Merger are as follows:

- a. Upon the effectivity date of the merger, PDB shall be merged with and into the Bank. The separate and distinct existence of PDB shall cease and terminate upon the effective date of merger.
- b. The Bank shall be the surviving corporation.
- c. As of the effective date, all common and preferred shares of PDB shall be converted into fully paid China Bank Savings common shares totaling to 16.5 million shares.

Financial Highlights

	2017	2016
PROFITABILITY		
Total net interest income	₱3,326,556,699	₱2,923,680,555
Total non-interest income	547,257,506	589,096,509
Total non-interest expenses	3,326,825,644	3,056,052,882
Pre-provision profit	546,988,561	456,724,182
Provision for credit losses	295,680,313	305,000,666
Net income	501,542,217	233,534,242
SELECTED BALANCE SHEET DATA		
Liquid assets	17,393,364,204	16,830,519,231
Gross loans	65,482,624,682	65,482,624,682
Total assets	87,177,936,177	81,250,435,548
Deposits	76,437,082,620	71,567,288,292
Total equity	8,366,063,925	7,834,465,630
SELECTED RATIOS		
Return on equity	6.19%	3.55%
Return on assets	0.60%	0.30%
Capital adequacy ratio	11.43%	12.46%
OTHERS		
Headcount		
Officers	987	855
Staff	1,339	1,108

2. Business of Registrant

a. Products and Services

CBS offers a suite of products and services that cater to the different needs of its clientele, whether for business or personal finance. CBS' customer-centric and inclusive-finance approach ensures convenience, affordability, and ease-of-access in the way it delivers its products and services.

DEPOSITS

- Savings
 - **Easi-Save Basic** is an ideal starter, interest-earning savings account.

- **Easi-Save ATM** is an interest-earning account with the convenience of a PIN-based automatic teller machine (ATM) card.
- **Easi-Save Passbook** is an interest-earning savings account that comes with a passbook for easy monitoring.
- **Easi-Save for Kids** is an interest-earning savings account designed for children aged at least 7 until 12 years old.
- **US Dollar Savings Account** is a US Dollar-denominated savings account that comes with a passbook.
- **Checking**
 - **Easi-Checking Basic** is an entry-level checking account with low initial deposit requirement.
 - **Easi-Checking** is an interest-bearing checking account that comes with an Easi-Save ATM card.
 - **Easi-Checking Diary** is an interest-bearing checking account that comes with a passbook for easy tracking and monitoring of daily transactions.
- **Time Deposit**
 - **Easi-Earn Time Deposit** is a peso-denominated, short-term deposit account with terms of less than one year.
 - **Easi-Earn High Five** is a peso-denominated, five-year term deposit account. It has a fixed interest rate and is tax-free.
 - **US Dollar Time Deposit Account** is a US Dollar-Denominated short-term deposit account with terms of less than one year.

LOANS AND CREDIT FACILITIES

- **SME Biz Loan**
 - **Term Loan.** A multipurpose credit source with a tenor of more than one year extended to business entities.
 - **Revolving Promissory Note Line.** Always have ready cash for purchasing, building up inventory, or as a bridge between receivables.
 - **Check Discounting Line.** This loan allows to get credit immediately every time it is needed. No more waiting time for customer's post-dated checks to clear.
 - **Invoice Financing.** A supervised and directed loan offered to business entities for the purpose of financing the purchase of their inventory goods from manufacturers, suppliers, or distributors.
 - **Floor Stock Financing.** Keeps inventory fully stocked while CBS handles the payments, oversees everything and making sure everything's paid on time.
 - **Domestic Standby Letter of Credit.** A standby credit line extended to businesses to guarantee financing for a project or particular business transaction with a specific/certified beneficiary.
 - **Project Financing / Development Loan.** A credit facility intended to finance the development of residential housing projects.
 - **CTS Receivables Financing with Recourse.** A credit facility that provides liquidity to real estate developers through purchase of receivables from individual home buyers covered with contract-to-sell (CTS) on accredited residential housing projects.

- **Small Biz Loan**
 - **Small Biz Term Loan** is for loans worth ₱10M and below, giving the power to use loan in multiple ways. All it takes is a real estate mortgage (REM) or a combo of REM and Deposit Assignment.
 - **Small Biz Revolving Promissory Note** is a loan facility for loans worth ₱10M and below. Interest is computed only for the amount used. A REM or a combo of REM and Deposit Assignment are needed.
 - **Small Biz Revolving Credit Line (Check Driven)**. This standby credit line guarantees simple financing for product or specific recipient over time.
- **Consumer Loan**
 - **Easi-Drivin' Auto Loan** makes owning a first car a breeze. Whether buying a brand new car or a pre-owned vehicle, CBS has affordable amortization schemes and flexible terms.
 - **Easi-Livin' Home Loan** makes moving in to one's dream house a reality. It can be used for lot or home purchase, home construction, home improvement or to refinance an existing home loan.
 - **Easi-Funds Personal Loan** is a cash loan with no collateral. It gives one an access to cash, quickly.
 - Give loyal employees an additional benefit with **Easi-Funds Salary Loan**. It is available to all accredited companies.
- **Easi-APDS Loan**
 - **Easi-APDS (Automatic Payroll Deduction System) Loan** is a non-collateral program offered to the teaching and non-teaching personnel employed by the Department of Education (DepEd). CBS is a duly accredited APDS Private Lending Institution with Deduction Code 1151.

CASH MANAGEMENT SERVICES

- **Bills Payment System**. A tie-up arrangement with major and local utility providers, schools, insurance companies, credit card companies or charitable.
- **Deposit Pick-Up Arrangement**. A special type of accommodation given to valued clients where the bank sends a representative on an agreed schedule at the client's designated office or establishment to collect deposits.
- **Online Payroll Upload**. Credit employee's payroll accounts via uploading in CBS Online Corp or through the branch. Funds will be available on the same day.
- **Check Write Software**. Checking account attachment that provides a very extended computer system that prints checks and monitor disbursement electronically.
- **End to End Payroll Software**. Computes salary in an instant which includes regular pay, overtime pay, salary adjustments, taxes, SSS, Pag-Ibig and PhilHealth.
- **Direct Buyers Checking Account**. A special checking account designed to support the operation and collection efforts of the business.
- **Post Dated Check Warehousing**. A service wherein the bank safe keeps the post-dated checks of the client using a standalone system and credits these checks to the client's account when the value date falls due.
- **SME Proposition**. Clients are provided with equipment, gadget, business machine, or cash management services that will help them manage and grow their business through technology.
- **Easi-Padala**. A remittance service that will assist CBS account and non-account holders with their money transfer to/from their relatives: secured and fast.

Business Contribution

	December 31, 2017		December 31, 2016	
	%	Amount	%	Amount
INTEREST INCOME				
Loans and receivables		₱4,269,523,330		₱3,825,506,373
Investment securities		262,808,362		212,401,581
Interbank loans receivable and SPURA		91,952,398		37,994,899
Due from BSP and other banks		14,087,651		64,555,954
		4,638,371,741		4,140,458,807
INTEREST EXPENSE				
Deposit liabilities		1,311,815,042		1,205,860,728
Bills payable		—		10,917,524
		1,311,815,042		1,216,778,252
NET INTEREST INCOME	85.9%	3,326,556,699	83.2%	2,923,680,555
Service charges, fees and commissions	6.2%	239,452,223	7.7%	268,968,398
Gain on asset exchange	3.1%	120,530,783	3.5%	121,408,146
Trading and securities gains	1.8%	68,871,922	2.5%	89,296,487
Income from property rentals	0.7%	27,847,995	0.7%	24,599,679
Trust fee income	0.1%	4,365,005	0.1%	4,288,480
Miscellaneous	2.2%	86,189,578	2.3%	80,535,319
TOTAL OPERATING INCOME	100.0%	₱3,873,814,205	100.0%	₱3,512,777,064

Distribution Methods of Products and Services

CBS products and services are made available across multiple distribution and delivery channels: 160 branch network; 164 ATM network (161 in-branch and 3 off-site ATMs nationwide); 9 in-branch cash accept machine; 5 business centers and 12 sales offices supporting the Bank's SME, and consumer lending business; 13 regional lending centers and 5 lending offices supporting the Bank's APDS lending business.

The rapidly growing distribution network is enabled by a highly robust and integrated core banking platform FCBS by Infosys, fully rolled out in 2017. The core banking systems allows real-time access to deposit and loan balances 24/7, general ledger and management of credit facilities.

NO	BRANCH	LOCATION/ADDRESS
1	ACACIA ESTATES - SAVEMORE	Acacia Taguig Town Center, Acacia Estates, Ususan, Taguig City
2	ADRIATICO - HYPERMARKET	M.H. Del Pilar, Adriatico, Malate, Manila
3	ALABANG HILLS	G/F Alabang Comm'l Citi Arcade, Don Jesus Blvd., Alabang, Muntinlupa City
4	AMANG RODRIGUEZ - SAVEMORE	Savemore Market G/F GBU Bldg. Amang Rodriguez Avenue Corner Evangelista St., Santolan, Pasig City
5	AMORANTO AVENUE	Unit 101 R Place Building, 255 N.S. Amoranto Sr. Avenue, Quezon City
6	ANGELES - RIZAL	639 Rizal Street, Angeles City
7	ANGELES - SAN JOSE	Sto. Rosario St., San Jose, Angeles City
8	ANGONO	Manila East Road Cor Don Benito St., Brgy. San Roque, Angono, Rizal
9	ANONAS - SAVEMORE	Maamo St., Road Lot 30, V. Luna And Anonas Extension, Sikatuna, Quezon City

NO	BRANCH	LOCATION/ADDRESS
10	ANTIPOLO	E.M.S. Bldg., Ground Floor L1 M.L. Quezon, Corner F. Dimanlig St. Antipolo City
11	ARANETA CENTER COD - SAVEMORE	Gen. Romulo St., Araneta Center, Cubao, Quezon City
12	ARAYAT	Cacutud, Arayat, Pampanga
13	AYALA AVENUE	6772 Ayala Avenue, Makati City
14	BACLARAN	3751 Quirino Avenue Corner Sta. Rita St., Bacclaran, Parañaque City
15	BACOLOD	SKT Saturn Bldg., Lacson Cor. Rizal Sts., Bacolod City
16	BACOR - MOLINO	Avon Building, 817 Molino Road, Molino Iii, Bacoor, Cavite
17	BACOR - TALABA	Unit 103 Bacoor Town Center - E. Aquinaldo Hi-Way Talaba Vii, Bacoor City, Cavite
18	BAGUIO - SESSION	B 108 Lopez Bldg., Session Road Corner Assumption Road, Baguio City
19	BALAGTAS	ULTRA MEGA SUPERMARKET, McArthur HIGHWAY, BUROL 1st, BALAGTAS, BULACAN
20	BALANGA - DM BANZON	D.M. Banzon Ave. Cor Sto. Domingo Street, Balanga Bataan
21	BALIBAGO	Mac Arthur Highway, Balibago, Angeles City
22	BALIUAG	Plaza Naning, Baliuag, Bulacan
23	BANAWE	No. 247-249 Banawe Street, Sta. Mesa Heights, Barangay Lourdes, Quezon City
24	BANGKAL	1661 Evangelista St. Bangkal, Makati City
25	BATANGAS - P. BURGOS	4 Burgos Street Batangas City
26	BINAN	San Vicente Binan Laguna
27	BINONDO - JUAN LUNA	694-696 Juan Luna St., Binondo, Manila
28	BLUMENTRITT	Blumentritt St, Near Oroquieta St. , Sta. Cruz Manila
29	BONI AVENUE	Raymond Tower Boni, 615 Boni Avenue, Plainview, Mandaluyong City
30	BUENDIA MAIN	314 Buendia Avenue Makati City
31	CABANATUAN	Km. 115 Cagayn Valley Rd., Maharlika Highway Near Cor., Sanciango St., Cabanatuan City
32	CABANATUAN - BAYAN	Burgos Avenue Cabanatuan City
33	CAGAYAN DE ORO	Sergio Osmeña St., Cogon District, Cagayan De Oro City
34	CALAMBA	Hk Bldg li, National Highway, Brgy. Halang, Calamba, Laguna
35	CAVITE CITY	485 P. Burgos St., Barangay 34, Caridad, Cavite City
36	CEBU - LAHUG	G/F Skyrise It Bldg., Bgy. Apas, Lahug, Cebu City
37	CEBU - MANDAUE	A. Del Rosario Ave., Mantuyong, Mandaue City, Cebu
38	CEBU - MANGO	Jsp Mango Realty Building Corner General Maxilom Avenue And Echavez Sts. Cebu City
39	CEBU MANDAUE - BASAK	Cebu North Road Basak Mandaue City
40	COMMONWEALTH AVENUE	Unit 101, Jocfer Building, Commonwealth Avenue, Brgy. Holy Spirit, Quezon City
41	CUBAO	Fernandina 88 Condominium 222 P. Tuazon Ave, Araneta Center, Cubao, Quezon City
42	DAGUPAN	G/F Lyceum-Northwestern University, Tapuac District, Dagupan City
43	DARAGA	Rizal St., Brgy. San Roque, Daraga, Albay, Bicol
44	DASMARIÑAS	Veluz Plaza Building, Zone 1 Aguinaldo Hi-Way, Dasmarinas Cavite
45	DAU	Macarthur Highway, Dau, Mabalacat, Pampanga
46	DAVAO	G/F 8990 Corporate Center, Quirino Ave., Davao City
47	DAVAO - RECTO	C.Villa Abrille Building, C.M. Recto Avenue, Davao
48	DEL MONTE	392 Del Monte Avenue, Barangay Sienna, Quezon City
49	DIVISORIA	3/F Dragon 8 Shopping Center, C.M. Recto Avenue Corner Dagupan St., Divisoria, Manila
50	DOLORES	Stci Bldg. Mac Arthur Hiway Bgy San Agustin, City Of San Fernando Pampanga
51	E. RODRIGUEZ SR. - HEMADY	Hemady Square, E. Rodriguez Avenue Corner Dona Hemady St., Quezon City

NO	BRANCH	LOCATION/ADDRESS
52	ESPAÑA - SUN MALL	Ground Floor Sun Mall, Espana Boulevard Corner Mayon St., Brgy. Sta. Teresita, Quezon City
53	FELIX HUERTAS - JT CENTRALE	Unit 103, Ground Floor, JT Centrale Mall, No. 1686 V. Fugoso St. Corner Felix Huertas St., Sta. Cruz, Manila
54	FILINVEST CORPORATE CITY	BC Group Bldg., East Asia Drive, Near Corner Commerce Ave., Filinvest Corporate City, Alabang, Muntinlupa City
55	FILOIL TANAUAN - SUPLANG	Filoil Gas Station, Brgy. Suplang, Tanauan, Batangas
56	FTI - TAGUIG - HYPERMARKET	Dbp Avenue, Food Terminal Inc., Western Bicutan, Taguig
57	G.ARANETA AVENUE	195 G. Araneta Avenue, Quezon City
58	GENERAL SANTOS	Santiago Boulevard General Santos City
59	GIL PUYAT-BAUTISTA	Lot 25 Blk 74 Bautista Street Corner Buendia Avenue, Makati City
60	GREENHILLS - ORTIGAS AVE.	Ground Floor Vag Building Ortigas Avenue, Greenhills San Juan, Metro Manila
61	GREENHILLS - WILSON	219 Wilson St., Greenhills, San Juan City
62	GUAGUA	Plaza Burgos, Guagua, Pampanga
63	ILOILO - JARO	Lopez Jaena Corner EL 98 Streets, Jaro, Iloilo
64	ILOILO - QUEZON	Ground Floor, 132 Quezon St., Iloilo City
65	IMUS - TANZANG LUMA	Tanzang Luma, Gen. Emilio Aguinaldo Highway, Imus Cavite
66	KALIBO - CITYMALL	F. Quimpo Street Connecting Mabini And Toting Reyes Streets, Kalibo, Aklan
67	KALOOKAN	Augusto Bldg., Rizal Ave., Gracepark, Kalookan City
68	KALOOKAN - MABINI	Aj Building, #353 A. Mabini St, Kalookan City
69	KATIPUNAN AVENUE	One Burgundy Condominium, Katipunan Avenue, Quezon City
70	LA UNION	A.G. Zambrano Building Quezon Avenue San Fernando City, La Union
71	LAGRO	G/Fir. Bonanza Building Quirino Hi-Way, Greater Lagro Novaliches Quezon City
72	LAGUNA - STA. CRUZ	E & E Building, Pedro Guevarra Avenue, Sta. Cruz, Laguna
73	LAOAG CITY	G/F LC Square Building, J.P. Rizal Corner M.V. Farinas Sts., Laoag City, Ilocos Norte
74	LAS PINAS	G/F Parco Supermarket, J. Aguilar Ave., Las Piñas City
75	LAS PINAS - ALMANZA UNO	Alabang Zapote Road, Almanza Uno, Las Piñas City
76	LIPA - CM RECTO	C.M. Recto Avenue, Lipa City
77	LOS BAÑOS - CROSSING	Batong Malake, Los Banos Laguna
78	LUCENA	Cor. Merchan & Evangelista Sts., Lucena City
79	MACABEBE	Poblacion, Macabebe, Pampanga
80	MAKATI - CHINO ROCES	2176 Chino Roces Avenue, Makati City
81	MAKATI - J.P. RIZAL	882 J.P. Rizal St., Makati City
82	MALABON - FRANCIS MARKET - SAVEMORE	Francis Market, Governor Pascual Corner M.H. Del Pilar Sts., Malabon
83	MALOLOS	Canlapan Street, Sto. Rosario, Malolos City, Bulacan
84	MALOLOS - CATMON	Paseo Del Congreso, Catmon Malolos City, Bulacan
85	MANDALUYONG	New Panaderos Ext., Mandaluyong City
86	MANDALUYONG - SHAW BLVD.	Ground Floor, 500 Shaw Tower, 500 Shaw Boulevard, Mandaluyong City
87	MANILA - STA. ANA - SAVEMORE	Savemore, Pedro Gil St., Sta. Ana, Manila
88	MARIKINA	33 Bayan-Bayanan Ave., Bgy. Concepcion 1 Marikina City
89	MARIKINA - GIL FERNANDO AVE.	Ctp Building Gil Fernando Ave., Marikina City
90	MASANTOL	San Nicolas, Masantol Pampanga
91	MCKINLEY HILL	U-B Commerce & Industry Plaza, Mckinley Towncenter, Fort Bonifacio, Taguig City
92	MEYCAUAYAN	Mancon Building, Calvario Meycauayan, Bulacan
93	MOUNT CARMEL	Km 78 Mac Arthur Hiway Brgy. Saguin, San Fernando City Pampanga

NO	BRANCH	LOCATION/ADDRESS
94	MUÑOZ - JACKMAN	Jackman Plaza, GF, UG14 To UG18 EDSA Muñoz Brgy. R. Magsaysay, Quezon City
95	NAGA	RI Building, Panganiban St., Lerma, Naga City
96	NEPA - Q. MART - SAVEMORE	Rose Building, 770 St. EDSA And K-G St., West Kamias, Quezon City
97	NINOY AQUINO AVE.	Gf Skyfreight Building Ninoy Aquino Ave., Cor. Pascor Drive Paranaque City
98	NOVA PLAZA MALL - SAVEMORE	Nova Plaza Mall, Quirino Highway Corner Ramirez St., Novaliches Proper, Quezon City
99	OLONGAPO	Ground Floor, City View Hotel, 25 Magsaysay Drive, New Asinan, Olongapo City
100	ORANI	Brgy. Balut, Orani, Bataan
101	ORANI - CALLE REAL	Calle Real, Orani, Bataan
102	ORTIGAS - CITRA	Unit B1, Omm Citra Building San Miguel Avenue, Ortigas Center, Pasig City
103	ORTIGAS CENTER	Ground Floor, Hanston Square, San Miguel Avenue, Ortigas Center, Pasig City
104	PARAÑAQUE - BETTER LIVING	90 Dona Soledad Avenue, Better Living Subd, Bicutan, Paranaque
105	PARAÑAQUE - BF HOMES	284 Aguirre Avenue, B.F. Homes, Paranaque
106	PARAÑAQUE - JAKA PLAZA	Jaka Plaza Center, Dr. A. Santos, Ave., Sucat Pque City
107	PARAÑAQUE - LA HUERTA	Quirino Avenue, La Huerta, Paranaque City
108	PARAÑAQUE - MOONWALK	Kassel Residence Building, E. Rodriguez Avenue, Moonwalk, Paranaque City
109	PASAY - LIBERTAD	533 Cementina St. Libertad, Pasay City
110	PASIG - CANIOGAN	Unit A, Ksn Building, C. Raymundo Avenue, Caniogan, Pasig City
111	PASIG - MUTYA	Richcrest Building, Caruncho Corner Market Avenue, San Nicolas, Pasig City
112	PASIG - PADRE BURGOS	114 Padre Burgos St., Kapasigan, Pasig City
113	PASO DE BLAS	Andoks Bldg. 629 Gen. Luis St., Paso De Blas Valenzuela City
114	PATEROS	500 Elisco Rd., Sto. Rosario, Pateros City
115	PATEROS - ALMEDA	120 M. Almeda Street, Pateros, Metro Manila
116	PEDRO GIL - SAVEMORE	Pedro Gil Corner Singalong Sts., Manila
117	PLARIDEL	Banga, Plaridel, Bulacan
118	PLAZA - STA. CRUZ (former Avenida-Savemore)	Mbi Building, Unit 103, Plaza Sta. Cruz, Sta. Cruz, Manila
119	PORAC	Cangatba, Porac, Pampanga
120	QUEZON AVENUE	G/F Gj Bldg., 385 Quezon Ave., Quezon City
121	QUEZON AVENUE - PALIGSAHAN	1184-A Ben-Lor Bldg. Brgy. Paligsahan, Quezon City
122	QUIAPO - QUEZON BOULEVARD	416 Quezon Boulevard, Quiapo, Manila
123	RADA	104 Rada St. Legaspi Village, Makati City
124	ROOSEVELT	342 Roosevelt Avenue, Quezon City
125	SAN FERNANDO	Khy Trading Bldg., San Fernando-Gapan Rd., San Fernando City, Pampanga
126	SAN FERNANDO - BAYAN	JSL Building, Consunji Street, City Of San Fernando, Pampanga
127	SAN ILDEFONSO - SAVEMORE	Savemore Bldg. San Ildefonso, Poblacion, Bulacan
128	SAN JOSE DEL MONTE	Ground Floor, Giron Building, Gov. Halili Avenue, Tungkong Mangga, City Of San Jose Del Monte, Bulacan
129	SAN JUAN	Madison Square, 264 N. Domingo St., Barangay Pasadena, San Juan
130	SAN MIGUEL	Norberto Street, San Miguel, Bulacan
131	SAN NARCISO	Brgy. Libertad, San Narciso, Zambales
132	SAN PABLO - RIZAL AVE.	Rizal Avenue Cor Lopez Jaena St. San Pablo City, Laguna
133	SAN PEDRO	Gen - Ber Bldg. National Highway Landayan, San Pedro Laguna
134	SAN RAFAEL	Cagayan Valley Cor. Cruz Na Daan Roads, San Rafael, Bulacan

NO	BRANCH	LOCATION/ADDRESS
135	SANTIAGO - VICTORY NORTE	Maharlika Highway Corner Quezon St. Victory Norte, Santiago City
136	STA. ANA	Poblacion, Sta. Ana, Pampanga
137	STA. MARIA	Gen. Luna Cor De Leon Street, Sta. Maria, Bulacan
138	STA. MESA	4128 Ramon Magsaysay Blvd., Sta. Mesa, Manila
139	STA. RITA	San Vicente, Sta. Rita, Pampanga
140	STA. ROSA	Sta. Rosa-Tagaytay Highway, Sta. Rosa, Laguna
141	STA. ROSA - BALIBAGO	Old National Hi-Way Cor Roque Lazaga St. Sta. Rosa Laguna
142	STO. TOMAS	Agojo Corp. Building, Maharlika Hi-Way, Sto. Tomas Batangas
143	SUBIC	Baraca, Subic, Zambales
144	TAFT - MASAGANA - SAVEMORE	Parkview Plaza, Trida Bldg., Taft Avenue Corner T.M. Kalaw St., Ermita, Manila
145	TAGAYTAY - MENDEZ - SAVEMORE	Mendez Crossing West, Tagaytay-Nasugbu Highway Corner Mendez-Tagaytay Road, Tagaytay City
146	TAGUM - CITYMALL	Maharlika Highway Cor. Lapu-Lapu Extension, Brgy. Maguppo Tagum City
147	TALISAY - NEGROS - SAVEMORE	Mabini St., Zone 12, Paseo Mabini, Talisay City, Negros Occidental
148	TANDANG SORA	Cecileville Bldg. III, 670 Tandang Sora Ave. Corner General Ave, Tandang Sora, Quezon City
149	TARLAC - MAC ARTHUR	Mac Arthur Highway San Nicolas, Tarlac City
150	TAYTAY	C. Gonzaga Building II, Manila East Road, Taytay, Rizal
151	TAYUMAN	1925-1929 Rizal Avenue Near Corner Tayuman St., Sta. Cruz, Manila
152	TIMOG	Jenkinsen Towers 80 Timog Avenue, Quezon City
153	TUGUEGARAO	Metropolitan Cathedral Parish Rectory Complex Rizal St., Tuguegarao City
154	TWO E-COM	Two E-Com Center Tower B, Ocean Drive Near Corner Bayshore Drive, Mall Of Asia Complex, Pasay City
155	UN AVENUE	552 United Nations Avenue, Ermita, Manila
156	URDANETA	Brgy. Nancayasan, Mc Arthur Hi-Way, Urdaneta City, Pangasinan
157	VALENZUELA - MARULAS	92 J Mac Arthur Hiway, Marulas, Valenzuela City
158	VIGAN	Plaza Maestro Convention Center, Florentino St. And Burgos St. Vigan City, Ilocos Sur
159	VISAYAS AVE.	Upper Ground Floor, Wilcon City Center Mall, Visayas Avenue, Quezon City
160	ZAMBOANGA - CITYMALL	City Mall, Don Alfaro St., Tetuan, Zamboanga

NO	OFF-BRANCH ATM	LOCATION/ADDRESS
1	CALAMBA DOCTORS HOSPITAL	49 National Highway, Parian, Calamba City, Laguna
2	RIS - RIS DEVELOPMENT CORPORATION	168 Mercado St Tabe, Guiguinto, Bulacan 03015
3	ZAMECO	ZAMECO II Head Office Compound, Brgy. Magsaysay, Castillejos, Zambales

NO	BUSINESS CENTER
1	Cebu Business Center
2	Davao Business Center
3	La Union Business Center
4	Lipa Business Center
5	Pampanga Business Center

NO	SALES OFFICE
1	Baguio Sales Office
2	Balagtas Sales Office
3	Cabanatuan Sales Office

NO	SALES OFFICE
4	Cagayan De Oro Sales Office
5	General Santos Sales Office
6	Iloilo Sales Office
7	Imus Sales Office
8	Marikina Sales Office
9	Naga Sales Office
10	San Pablo Sales Office
11	Santiago Sales Office
12	Urdaneta Sales Office

NO	REGIONAL LENDING CENTER	LOCATION/ADDRESS
1	National Capital Region Regional Lending Center	2nd Floor, G.J. Building, 385 Quezon Avenue, Quezon City
2	Cordillera Region Regional Lending Center	8990 B 108 Lopez Bldg., Session Road Corner Assumption Road Baguio City
3	Region 1 La Union Regional Lending Center	A.G. Zambrano Building Quezon Avenue San Fernando City, La Union
4	Region 2 Tuguegarao Regional Lending Center	Ground Floor, Metropolitan Cathedral Parish Rectory Complex, Rizal St., Tuguegarao City
5	Region 3 San Fernando Regional Lending Center	JSL Bldg. Consunji St., San Fernando, Pampanga
6	Region 4a Taytay Regional Lending Center	2nd Floor, C Gonzaga Building 2, Manila East Road, Taytay, Rizal
7	Region 5 Daraga Regional Lending Center	Ground Floor, Chinabank Savings, Inc., Rizal St., Brgy. San Roque, Daraga, Albay, Bicol
8	Region 6 Iloilo Regional Lending Center	Ground Floor 132 Quezon St Iloilo City
9	Region 7 Cebu Regional Lending Center	G/F Skyrise It Bldg., Bgy. Apas, Lahug, Cebu City
10	Region 10 Cagayan de Oro Regional Lending Center	Sergio Osmeña St., Cogon District, Cagayan De Oro City
11	Region 11 Davao Regional Lending Center	8990 Corporate Center Quirino Avenue, Davao City
12	Region 12 Gen. Santos Regional Lending Center	G F, Chinabank Savings, Inc., Santiago Boulevard, General Santos City.
13	Region 18 Bacolod Regional Lending Center	Skt., Saturn Bldg., Lacson. Rizal Sts. Bacolod City

NO	LENDING OFFICE	LOCATION/ADDRESS
1	Region 1 Vigan Lending Office	Quezon Ave. Corner Mabini Street., Vigan City
2	Region 4a San Pablo Lending Office	Rizal Avenue Cor Lopez Jaena St. San Pablo City, Laguna
3	Region 4a Lucena Lending Office	Cor. Merchan & Evangelista Sts., Lucena City
4	Region 5 Naga Lending Office	2nd floor RL Building, Panganiban Drive Naga , Camarines Sur
5	Region 11 Tagum Lending Office	City Mall Maharlika Highway cor Lapu-lapu ext. Brgy. Magugpo, Tagum City

Status of Publicly Announced New Products and Services

PRODUCTS AND SERVICES	DATE LAUNCHED
CBS Easi-Funds Salary Loan Protection Bundle	August 23, 2017

CBS introduced the Easi-Funds Salary Loan Protection Bundle, a first of its kind offer for Philippine banking. This is also the Bank's initial joint product bundle with bancassurance partner Manulife China Bank Life Assurance Corp.

Competition

The challenging business landscape in 2017 compelled banks to continually improve service quality, broaden product menus, and invest in technological innovation to sustain their competitive edge. Banks endeavored to offer better service customization and convenience while protecting the integrity and security of client information.

Total deposits of the thrift bank (TB) further increased in 2017, giving the industry a buffer against the impact of negative developments outside the country. Savings and demand deposits remained the primary sources of funds for the banking system. Because of this, the Philippine banking system continues to be resilient in supporting the economy's long-term growth. This strength was evident in banks' balance sheets that are marked by steady growth in assets and deposits. The total deposits of the TB industry rose by about P72.56 billion or 8% to P945.43 billion.

Lending continued to grow as banks have responded to the strong demand from corporate and retail borrowers. As of end-December 2017, outstanding loans of TB increased by more than P82.02 billion or 11% to P833.37 billion. Motor vehicle loans and residential real estate loans sustain growth while salary loans remain on the uptrend.

CBS is majority-owned by the China Bank Group, which is one of the largest Philippine universal bank in terms of assets and deposits. China Bank and CBS serve distinct core markets and coordinate on market segmentation.

As of December 2017, there were 55 thrift banks operating domestically including microfinance-oriented banks. CBS believes that local players would maintain a solid foothold in the domestic market despite the tougher competition. Based on the published Statement of Condition (SOC) submitted with the BSP which differs from Philippine Financial Reporting Standards (PFRS) in some respects as of December 2017, CBS recorded a P5.07 billion expansion in assets to P88.38 billion, making it the country's fourth largest thrift bank.

Sources and Availability of Raw Materials and the Names of Principal Suppliers

Not applicable

Customer/Clients

There is no single customer that accounts for 20% or more of the Bank's deposits and loans.

Transaction With and/or Dependence on Related Parties

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and their

related interest (DOSRI). These loans and other transactions are in accordance with the Bank's policy should be reviewed by the Related Party Transaction Committee to ensure that they are conducted at arm's length basis at fair market prices and upon terms not less favorable to Bank than those offered to others and in compliance with all regulatory requirements. Related party transactions are presented to the stockholders during the annual stockholders' meeting for ratification.

Transactions with related parties and with certain DOSRI are discussed in Note 24 of the Audited Financial Statements (**Exhibit 2**).

Trademarks, Licenses, Franchises, etc.

CBS is operating under a thrift banking license obtained in 1999. Over the years, CBS has registered its corporate brand, slogan and product trademarks with the Intellectual Property Office (IPO) of the Philippines – Bureau of Trademarks, as follows:

- The Bank is operating under a thrift banking license per MB Resolution No. 512 dated April 21, 1999.
- The Bank is the registered owner of the logo of CBS and the trademarks: *Easi-Save*, *Easi-Checking*, *Easi-Earn*, *Easi-Funds*, *Easi-Drivin'*, *Easi-Livin'*, *Easi-Financin'* and *CBS Easi-Padala*.
- In 2015, the Bank obtained a bancassurance license from BSP.
- The Bank launched its new tagline, "Easy Banking For You" in 2017 and submitted with the IPO the trademark application for "Easy Banking For You" and Easi-APDS Loan.
- The Bank also filed applications for tradenames '*Plantersbank*' and '*Planters Development Bank*'.

Need for Any Government Approval of Principal Products or Services

The Bank's business activities are regulated by the government agencies such as BSP, Philippine Deposit Insurance Corporation (PDIC) and SEC. Existing products and services are within the scope allowed under the Bank's regulatory licenses.

Effects of Existing or Probable Governmental Regulations

The Bank has strictly complied with the BSP requirements in terms of reserve, liquidity position, capital adequacy, limits on loans exposure, provision for losses and other reportorial requirements.

Amount spent on research and development activities

There are no major expenses on research and development activities. Expenses incurred related to these activities are included into the regular business expense of the Bank.

Costs and effects of compliance with environmental laws

Not applicable

Total Number of Employees

Below is the breakdown of the manpower complement in 2017 as well as the projected headcount for 2018:

	2017			2018		
	Officers	Staff	Total	Officers	Staff	Total
Marketing	364	174	538	438	220	658
Operations	376	789	1,165	423	892	1,315
Support	214	345	559	239	389	628
Technical	33	31	64	39	37	76
Grand Total	987	1,339	2,326	1,139	1,538	2,677

CBS ended the year 2017 with a total manpower of 2,326 employees. The number increased by 18.55% from the previous year. Of the total headcount, 30.01% are executives and officers, 12.42% are supervisors and 57.57% are staff. The expansion of ADPS' business largely contributed to the increase.

In 2017, the Bank unveiled the CBS Training Academy – the central facility for training and development of the Bank's professionals in line with the Easy Banking for You service promise of the Bank. CBS Academy boasts a full-scale mock-up CBS branch, a lecture hall and several conference rooms. This will provide employees with key courses and training programs to match various stages of their careers, including refresher courses and advanced skills training, based on their specific areas of expertise. These courses are aimed at giving CBS officers and staff a sound grounding in core banking, as well as the development of soft skills. These include various aspects of financial services procedures, legal, compliance and risk management, leadership and team development, among other areas.

As part of the Bank's institutional-building program, the Human Resources Division has also unveiled the CBS Employee Recognition Program, to motivate, recognize and reward the movers and performers among its junior officers and staff, especially those who provide the valuable back office support to the marketing frontline.

The China Bank Savings Employees Union have an existing Collective Bargaining Agreement for the period 01 November 2014 to 31 October 2019.

Risk Management Framework

The Bank is exposed to all business risks that confront all banks in general, such as credit, market, interest rate, liquidity, legal, regulatory and operational risk. The Bank's risk management structure and process that serve as mechanism to identify, assess and manage these risks are further discussed in Note 5 of the Audited Financial Statements (**Exhibit 2**).

Disclosure on Capital Structure and Capital Adequacy

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank'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.

Capital Fundamentals

The Bank can only achieve sustainable growth by maintaining strong capital fundamentals. Major business initiatives with the appropriate capital planning were undertaken in coordination with the Parent Bank which also took into consideration constraints and changes in the regulatory environment. This was necessary to ensure that the Bank's commercial objectives are equally aligned with its ability to maintain an adequate capital position. The Board and Senior Management recognize that a balance should be achieved with respect to the Bank's earnings outlook vis-à-vis capital fundamentals that can take advantage of growth opportunities while increasing the Bank's ability to absorb shocks.

Risk-based capital components, including deductions for 2017 and 2016:

	2017	2016
Common Equity Tier 1 Capital		
Paid-up common stock	P10,041,414,900	P7,400,000,000
Additional paid-in capital	490,349,012	495,942,780
Deposit for common stock subscription	–	2,647,942,142
Retained Earnings	(1,363,146,143)	(837,016,630)
Undivided Profits	(78,311,990)	(546,734,817)
Other Comprehensive Income	(130,966,080)	(162,398,591)
Less: Unsecured DOSRI	(16,481,454)	(21,046,549)
Less: Deferred Tax Assets	(473,746,619)	(149,496,619)
Less: Goodwill	(119,621,347)	(119,621,347)
Less: Other Intangible Assets	(834,987,992)	(838,584,023)
Less: Other Equity Investment	(2,192,208)	(2,192,208)
Total CET 1 Capital	7,512,310,080	7,866,794,137
Additional Tier 1 Capital	2,164,200	2,164,200
Total Tier 1 Capital	7,514,474,280	7,868,958,337
Tier 2 Capital		
Instruments issued by the bank that are eligible as Tier 2 Capital	–	–
Appraisal Increment Reserve	140,429,164	156,391,170
General Loan Loss Provision	560,374,699	562,538,678
Total Tier 2 Capital	700,803,864	718,929,847
Total Qualifying Capital	P8,215,278,143	P8,587,888,184

Risk-based capital ratios:

	2017	2016
CET 1 capital	₱8,959,339,700	₱8,997,734,883
Less regulatory adjustments	(1,447,029,620)	(1,130,940,746)
Total CET 1 capital	7,512,310,080	7,866,794,137
Additional Tier 1 capital	2,164,200	2,164,200
Total Tier 1 capital	7,514,474,280	7,868,958,337
Tier 2 capital	700,803,864	718,929,847
Total qualifying capital	8,215,278,143	8,587,888,184
Risk weighted assets	₱71,852,728,016	₱68,941,513,986
CET 1 capital ratio	10.46%	11.41%
<i>Capital Conservation Buffer</i>	4.46%	5.41%
Tier 1 capital ratio	10.46%	11.41%
Total capital ratio	11.43%	12.46%

The regulatory Basel III qualifying capital of the Bank consists of Common Equity Tier 1 capital (going concern capital), which comprises paid-up common stock, additional paid-in capital, deposit for common stock subscription, retained earnings, undivided profits and other comprehensive income less required deductions such as unsecured credit accommodations to DOSRI, deferred tax assets, goodwill, other intangible assets, and other equity investment. The other component of regulatory capital is Tier 2 capital (gone-concern capital), which includes general loan loss provision and appraisal increment reserve. A capital conservation buffer of 2.5% comprised of CET 1 capital is likewise imposed in the Basel III capital ratios.

The capital requirements for Credit, Market and Operational Risk are listed below:

	2017	2016
Credit Risk	₱65,659,735,979	₱62,610,205,525
Market Risk	108,709,044	236,263,287
Operational Risk	6,084,282,993	6,095,045,174
Total Capital Requirements	₱71,852,728,016	₱68,941,513,986

Credit Risk-Weighted Assets

On-balance sheet exposures, net of specific provisions and not covered by CRM:

	As of December 31, 2017		As of December 31, 2016	
	Exposures, net of Specific Provisions	Exposures not Covered by CRM	Exposures, net of Specific Provisions	Exposures not Covered by CRM
Cash on Hand	₱1,482,164,687	₱1,482,164,687	₱1,315,700,803	₱1,315,700,803
Checks and Other Cash Items	19,008,155	19,008,155	19,777,637	19,777,637
Due from BSP	6,772,976,958	6,772,976,958	6,657,366,683	6,657,366,683
Due from Other Banks	1,856,049,625	1,856,049,625	2,391,225,724	2,391,225,724
Available-for-Sale Financial Assets	2,201,334,071	2,201,334,071	2,106,383,219	2,106,383,219
Held-to-Maturity Financial Assets	3,544,971,776	3,544,971,776	3,376,762,159	3,376,762,159
Unquoted Debt Securities Classified as Loans	105,100,581	105,100,581	105,214,716	105,214,716
Loans and Receivables	62,237,031,657	57,325,518,423	57,639,996,771	52,533,587,628
Loans and Receivables arising from Repurchase Agreements	1,404,604,067	1,404,604,067	493,077,515	493,077,515
Sales Contract Receivables	744,225,294	744,225,294	680,773,238	680,773,238
Real and Other Properties Acquired	2,920,242,082	2,920,242,082	2,735,919,305	2,735,919,305
Other Assets	4,072,269,198	4,072,269,198	4,746,209,968	4,746,209,968
Total On-Balance Sheet Assets	₱87,359,978,151	₱82,448,464,917	₱82,268,407,738	₱77,161,998,595

Credit equivalent amount for off-balance sheet items, broken down by type of exposures:

	As of December 31, 2017		As of December 31, 2016	
	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent
Direct credit substitutes	P–	P–	P–	P–
Transaction-related contingencies	212,977,965	106,488,983	334,485,314	167,242,657
Trade-related contingencies arising from movement of goods	164,204,000	32,840,800	37,253,083	7,450,617
Other commitments (which can be unconditionally cancelled at any time by the bank without prior notice)	2,420,117,424	–	4,988,311,633	–
Total Notional Principal and Credit Equivalent Amount	P2,797,299,389	P139,329,783	P5,360,050,030	P174,693,274

No credit equivalent amount for counterparty credit risk in the trading book as the Bank has no derivative exposures.

The following credit risk mitigants are used in the December 2017 CAR Report:

- Guarantees by Government Owned and Controlled Corporation (GOCC), which guarantees are counter-guaranteed by the Philippine National Government
- Holdout vs. Peso deposit / Deposit substitute
- 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:

	As of December 31, 2017		
	On-balance sheet	Off-balance sheet	Total
Below 100 %	P29,872,652,810	P–	P29,872,652,810
100% and above	52,575,812,107	139,329,783	52,715,141,890
Total	P82,448,464,917	P139,329,783	P82,587,794,700

	As of December 31, 2016		
	On-balance sheet	Off-balance sheet	Total
Below 100 %	P27,844,161,413	P–	P27,844,161,413
100% and above	49,317,837,182	174,693,274	49,492,530,456
Total	P77,161,998,595	P174,693,274	P77,336,691,869

Total credit risk-weighted assets, broken down by type of exposures:

	As of December 31, 2017		
	On-balance sheet	Off-balance sheet	Total
Below 100 %	P10,643,772,404	P–	P10,643,772,404
100% and above	54,876,633,793	139,329,783	55,015,963,575
Covered by CRM	–	–	–
Excess GLLP	–	–	–
Total	P65,520,406,196	P139,329,783	P65,659,735,979

As of December 31, 2016			
	On-balance sheet	Off-balance sheet	Total
Below 100 %	P10,434,594,740	P—	P10,434,594,740
100% and above	51,965,685,258	174,693,274	52,140,378,532
Covered by CRM	35,232,253	—	35,232,253
Excess GLLP	—	—	—
Total	P62,435,512,251	P174,693,274	P62,610,205,525

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, Local Government Units, Government Corporations and Corporates.

Market Risk-Weighted Assets

The Standardized Approach is used in the Bank's market risk-weighted assets.

	2017	2016
Interest Rate Exposures		
Specific Risk	P557,219	P2,610,633
General Market Risk		
PHP	631,112	6,604,765
USD	1,305,982	8,305,706
Total Capital Charge	2,494,313	17,521,104
Adjusted Capital Charge	3,117,891	21,901,381
Risk-Weighted Interest Rate Exposures	31,178,908	219,013,806
Risk-Weighted Equity Exposures	—	—
Foreign Exchange Exposures		
Total Capital Charge	6,202,411	1,379,959
Adjusted Capital Charge	7,753,014	1,724,948
Risk-Weighted Foreign Exchange Exposures	77,530,136	17,249,482
Risk-Weighted Options	—	—
Total Market Risk-Weighted Assets	P108,709,044	P236,263,287

Operational, Legal, and Other Risks

For Operational Risk, the exposure of the Bank is profiled using a number of methodologies which also include a scenario analysis exercise as part of the internal capital adequacy assessment process (ICAAP) to validate if the computed capital requirement using the Basic Indicator Approach (BIA) is enough to cover the assessed exposure under plausible scenario and worst case scenario. For the 2018 ICAAP submission with the BSP, the Bank allocated the amount of about P654 million as capital for Operational Risk which is more than adequate to cover the exposure from its scenario analysis exercise. The result of the operational risk scenario assessment is estimated at P38 million under plausible scenario and P427 million in a worst-case scenario.

Tools such as the Risks and Controls Self-Assessment (RCSA), the analysis of historical Loss Reports and the monitoring of Key Risk Indicators (KRI) further allow Risk Management to identify high risk areas, loss drivers, and trends which can be acted upon by Management to prevent material failures in its processes, people, systems, and

resiliency measures against external events. These results are periodically reported to Management and cover all aspects of the business from core operating capabilities of the units, all products and services, outstanding legal cases, and even its sales and marketing practices.

For legal risk, the Bank assessed the status of pending legal cases with the objective of identifying those subject to final resolution in the next twelve months and with high probability for the Bank to lose the legal proceedings.

Operational Risk-Weighted Assets

The Bank's Operational Risk Weighted Assets under the Basic Indicator Approach is ₱ 6.08 billion and ₱6.10 billion in December 2017 and 2016, respectively.

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 adverse interest rate change on the Bank's interest earnings. 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 reduction in annualized interest income of a 100bps adverse change across the PhP and USD yield curves.

Earnings-at-Risk In ₱ millions	2017	2016
PhP IRR Exposures	(₱116)	(₱150)
USD IRR Exposures	(14)	(13)

Item 2. PROPERTIES

CBS whose principal office is located at CBS Building, 314 Sen. Gil Puyat Avenue, Makati City, owns several properties situated in various locations in Metro Manila and provinces.

The Bank owns various properties which are used in its banking business and acquires, by way of foreclosure, dacion en pago and other lawful means, various properties to satisfy unpaid obligations due to it and disposes off these properties on a regular basis. Moreover, it leases several properties principally for the use of its expanded brick-and-mortar branch network.

a. Bank-Owned Properties

NO	DESCRIPTION	LOCATION
1	ANGELES - RIZAL	639 Rizal Street, Angeles City
2	AYALA AVENUE	6772 Ayala Avenue, Makati City
3	BATANGAS - P. BURGOS	4 Burgos Street Batangas City
4	BIÑAN	San Vicente Binan Laguna
5	BUENDIA MAIN	314 Buendia Avenue Makati City
6	DAU	Macarthur Highway, Dau, Mabalacat, Pampanga
7	LA UNION	A.G. Zambrano Building Quezon Avenue San Fernando City, La Union

NO	DESCRIPTION	LOCATION
8	MASANTOL	San Nicolas, Masantol Pampanga
9	ORANI	Brgy. Balut, Orani, Bataan
10	ORANI - CALLE REAL	Calle Real, Orani, Bataan
11	STA. ROSA - BALIBAGO	Old National Hi-Way Cor Roque Lazaga St. Sta. Rosa Laguna
12	VGP Center (leased unto China Bank Office and CIBI Office)	VGP Center, 6772, Ayala Avenue, Makati City (8th, 7th, 3rd, 2nd, Mezzanine & Ground Floors)
13	Lot with Improvements (Warehouse)	Miranda Cor. Asuncion Sts. Angeles City
14	Leased unto Kabalikatan Para sa Maunlad na Buhay, Inc.	Mcarthur Highway, Dau Mabalacat, Pampanga
15	Lot with Improvements (CBS – Orani Branch)	Barangay Balut, Orani, Bataan
16	Leased unto China Bank BF Resort Branch	Bf Resort Vill, Talon, Las Piñas City
17	Leased unto China Bank CDO Branch	South Divisoria, Cagayan De Oro City
18	Lot with Improvements (vacant)	Brgy. 1, Crossing, Calamba, Laguna
19	Leased unto China Bank Caloocan Branch	Mcarthur Highway, Caloocan City
20	Leased unto China Bank España Branch	España Cor. Valencia Sts., Sampaloc Manila
21	Leased unto China Bank General Santos Br.	Dadiangas East, General Santos City
22	Leased unto China Bank Las Piñas Branch	Philam Ave., Pamplona Dos, Las Piñas City
23	Leased unto China Bank Ortigas Branch	Emerald Ave., Ortigas Center, Pasig City
24	Leased unto China Bank Philam Branch	East Lawin Drive, Philam Homes, Qc
25	Leased unto C – Mel Merchandising	Alexander Cor. Belmonte Sts., Urdaneta City
26	CBS Building	314 Sen. Gil Puyat Ave., Makati City

All bank-owned properties are free from any and all liens and encumbrances. There are no restrictions on titles and the Bank does not have any contractual commitments for acquisition of properties.

b. Leased Properties

NO	BRANCH	LOCATION	TERM (in years)	CONTRACT PERIOD	
				FROM	TO
1	ACACIA ESTATES - SAVEMORE	Acacia Taguig Town Center, Acacia Estates, Ususan, Taguig City	2	27-Dec-17	26-Dec-19
2	ADRIATICO - HYPERMARKET	M.H. Del Pilar, Adriatico, Malate, Manila	2	1-Aug-17	31-Jul-19
3	ALABANG HILLS	G/F Alabang Comm'l Citi Arcade, Don Jesus Blvd., Alabang, Muntinlupa City	5	16-Aug-17	15-Aug-22
4	AMANG RODRIGUEZ - SAVEMORE	Savemore Market G/F GBU Bldg. Amang Rodriguez Avenue corner Evangelista St., Santolan, Pasig City	2	27-Dec-15	26-Dec-17
5	AMORANTO AVENUE	Unit 101 R Place Building, 255 N.S. Amoranto Sr. Avenue, Quezon City	5	15-Nov-16	14-Nov-21

NO	BRANCH	LOCATION	TERM (in years)	CONTRACT PERIOD	
				FROM	TO
6	ANGELES - SAN JOSE	Sto. Rosario St., San Jose, Angeles City	10	4-Jan-10	4-Jan-20
7	ANGONO	Manila East Road cor Don Benito St., Brgy. San Roque, Angono, Rizal	7	1-Jun-16	31-May-23
8	ANONAS - SAVEMORE	Maamo St., Road Lot 30, V. Luna and Anonas Extension, Sikatuna, Quezon City	2	30-Jul-17	29-Jul-19
9	ANTIPOLO	E.M.S. BLDG., GROUND FLOOR L1 M.L. QUEZON, CORNER F. DIMANLIG ST. ANTIPOLO CITY	10	1-May-15	30-Apr-25
10	ARANETA CENTER COD - SAVEMORE	Gen. Romulo St., Araneta Center, Cubao, Quezon City	1	24-May-17	23-May-18
11	ARAYAT	Cacutud, Arayat, Pampanga	5	16-Nov-16	15-Nov-21
12	BACLARAN	3751 Quirino Avenue Corner Sta. Rita St., Bacларan, Parañaque City	7	5-Apr-16	4-Apr-23
13	BACOLOD	SKT Saturn Bldg., Lacson cor. Rizal Sts., Bacolod City	10	1-Aug-10	31-Jul-10
14	BACOR - MOLINO	Avon Building, 817 Molino Road, Molino III, Bacoor, Cavite	7	1-Oct-14	30-Sep-21
15	BACOR - TALABA	UNIT 103 BACOR TOWN CENTER - E. AQUINALDO HI-WAY TALABA VII, BACOR CITY, CAVITE	10	1-Feb-17	31-Jan-27
16	BAGUIO - SESSION	B 108 LOPEZ BLDG., SESSION ROAD CORNER ASSUMPTION ROAD, BAGUIO CITY	5	17-Jun-16	16-Jun-21
17	BALAGTAS	ULTRA MEGA SUPERMARKET, McARTHUR HIGHWAY, BUROL 1st, BALAGTAS, BULACAN	5	6-Mar-17	5-Mar-22
18	BALANGA - DM BAZON	D.M. BAZON AVE. COR STO. DOMINGO STREET, BALANGA BATAAN	5	15-Oct-12	14-Oct-17
19	BALIBAGO	MAC ARTHUR HIGHWAY, BALIBAGO, ANGELES CITY	7	1-Jan-16	31-Dec-22
20	BALIUAG	PLAZA NANING, BALIUAG, BULACAN	3	26-May-16	25-May-19
21	BANAWA	NO. 247-249 BANAWA STREET, STA. MESA HEIGHTS, BARANGAY LOURDES, QUEZON CITY	10	22-Nov-12	21-Nov-22
22	BANGKAL	1661 EVANGELISTA ST. BANGKAL, MAKATI CITY	10	21-Jun-12	21-Jun-22
23	BINONDO - JUAN LUNA	694-696 Juan Luna St., Binondo, Manila	10	16-Sep-13	15-Sep-23
24	BLUMENTRITT	Blumentritt St, near Oroquieta St. , Sta. Cruz Manila	10	28-Mar-17	27-Mar-27
25	BONI AVENUE	Raymond Tower Boni, 615 Boni Avenue, Plainview, Mandaluyong City	10	1-Sep-17	31-Aug-27
26	CABANATUAN	Km. 115 Cagayn Valley Rd., Maharlika Highway near cor., Sanciango St., Cabanatuan City	10	6-Apr-11	5-Apr-21
27	CABANATUAN - BAYAN	BURGOS AVENUE CABANATUAN CITY	7	1-Mar-15	28-Feb-22
28	CAGAYAN DE ORO	Sergio Osmeña St., Cogon District, Cagayan de Oro City	12	1-Nov-10	31-Oct-22
29	CALAMBA	HK Bldg II, National Highway, Brgy. Halang, Calamba, Laguna	5	1-Nov-17	31-Oct-22
30	CAVITE CITY	485 P. Burgos St., Barangay 34, Caridad, Cavite City	7	31-Oct-14	30-Oct-21
31	CEBU - LAHUG	G/F Skyrise IT Bldg., Bgy. Apas, Lahug, Cebu City	8	1-Jun-17	31-May-25
32	CEBU - MANDAUE	A. Del Rosario Ave., Mantuyong, Mandaue City, Cebu	10	1-Aug-11	31-Jul-21

NO	BRANCH	LOCATION	TERM (in years)	CONTRACT PERIOD	
				FROM	TO
33	CEBU - MANGO	JSP MANGO REALTY BUILDING CORNER GENERAL MAXILOM AVENUE AND ECHAVEZ STS. CEBU CITY	5	1-Jan-13	31-Dec- 17
34	CEBU MANDAUE - BASAK	CEBU NORTH ROAD BASAK MANDAUE CITY	5	1-Aug-13	31-Jul-18
35	COMMONWEALTH AVENUE	Unit 101, JOCFER Building, Commonwealth Avenue, Brgy. Holy Spirit, Quezon City	7	16-Apr-16	15-Apr-23
36	CUBAO	FERNANDINA 88 CONDOMINIUM 222 P. TUAZON AVE, ARANETA CENTER, CUBAO, QUEZON CITY	7	1-Jul-15	30-Jun- 22
37	DAGUPAN	G/F Lyceum-Northwestern University, Tapuac District, Dagupan City	10	2-Nov-10	1-Nov-20
38	DARAGA	Rizal St., Brgy. San Roque, Daraga, Albay, Bicol	10	16-Jun- 11	15-Jun- 21
39	DASMARIÑAS	VELUZ PLAZA BUILDING, ZONE 1 AGUINALDO HI-WAY, DASMARINAS CAVITE	10	1-Apr-16	31-Mar- 26
40	DAVAO	G/F 8990 Corporate Center, Quirino Ave., Davao City	10	1-Jan-11	31-Dec- 20
41	DAVAO - RECTO	C.VILLA ABRILLE BUILDING, C.M. RECTO AVENUE, DAVAO	1	1-Aug-17	31-Jul-18
42	DEL MONTE	392 DEL MONTE AVENUE, BARANGAY SIENNA, QUEZON CITY	5	1-Apr-13	31-Mar- 18
43	DIVISORIA	3/F Dragon 8 Shopping Center, C.M. Recto Avenue Corner Dagupan St., Divisoria, Manila	10	17-Mar- 16	16-Mar- 26
44	DOLORES	STCI BLDG. MAC ARTHUR HIWAY BGY SAN AGUSTIN,CITY OF SAN FERNANDO PAMPANGA	10	1-Jul-15	30-Jun- 25
45	E. RODRIGUEZ SR. - HEMADY	Hemady Square, E. Rodriguez Avenue corner Dona Hemady St., Quezon City	7	1-Sep-14	31-Aug- 21
46	ESPAÑA - SUN MALL	Ground Floor Sun Mall, Espana Boulevard corner Mayon St., Brgy. Sta. Teresita, Quezon City	5	1-Sep-14	31-Oct-19
47	FELIX HUERTAS - JT CENTRALE	Unit 103, Ground Floor, JT Centrale Mall, No. 1686 V. Fugoso St. corner Felix Huertas St., Sta. Cruz, Manila	7	16-Dec- 16	15-Dec- 23
48	FILINVEST CORPORATE CITY	BC Group Bldg., East Asia Drive, near corner Commerce Ave., Filinvest Corporate City, Alabang, Muntinlupa City	5	1-Aug-17	31-Jul-22
49	FILOIL TANAUAN - SUPLANG	FilOil Gas Station, Brgy. Suplang, Tanauan, Batangas	5	1-Feb-13	31-Jan- 18
50	FTI - TAGUIG - HYPERMARKET	DBP Avenue, Food Terminal Inc., Western Bicutan, Taguig	5	2-May-14	1-May-19
51	G.ANANETA AVENUE	195 G. Araneta Avenue, Quezon City	7	15-Mar- 17	14-Mar- 24
52	GENERAL SANTOS	SANTIAGO BOULEVARD GENERAL SANTOS CITY	7	1-Apr-13	21-Mar- 20
53	GIL PUYAT- BAUTISTA	Lot 25 Blk 74 Bautista Street corner Buendia Avenue, Makati City	7	1-Jul-17	30-Jun- 24
54	GREENHILLS - ORTIGAS AVE.	GROUND FLOOR VAG BUILDING ORTIGAS AVENUE, GREENHILLS SAN JUAN, METRO MANILA	5	1-Dec-15	30-Nov- 20
55	GREENHILLS - WILSON	219 Wilson St., Greenhills, San Juan City	8	16-Oct-17	15-Oct-22
56	GUAGUA	Plaza Burgos, Guagua, Pampanga	10	1-Jan-13	31-Dec- 23
57	ILOILO - JARO	Lopez Jaena corner EL 98 Streets, Jaro, Iloilo	10	1-May-13	30-Apr-23
58	ILOILO - QUEZON	Ground Floor, 132 Quezon St., Iloilo City	5	1-Jun-13	31-May- 18
59	IMUS - TANZANG LUMA	TANZANG LUMA, GEN. EMILIO AGUINALDO HIGHWAY, IMUS CAVITE	7	26-Nov- 13	25-Nov- 20

NO	BRANCH	LOCATION	TERM (in years)	CONTRACT PERIOD	
				FROM	TO
60	KALIBO - CITYMALL	F. Quimpo Street connecting Mabini and Toting Reyes Streets, Kalibo, Aklan	5	1-Jan-17	31-Dec-22
61	KALOOKAN	Augusto Bldg., Rizal Ave., Gracepark, Kalookan City	8	16-Aug-17	15-Aug-25
62	KALOOKAN - MABINI	AJ BUILDING, #353 A. MABINI ST, KALOOKAN CITY	7	1-Jan-17	31-Dec-23
63	KATIPUNAN AVENUE	One Burgundy Condominium, Katipunan Avenue, Quezon City	7	16-Feb-16	15-Feb-23
64	LAGRO	G/FLR. BONANZA BUILDING QUIRINO HI-WAY, GREATER LAGRO NOVALICHES QUEZON CITY	7	9-Sep-16	8-Sep-23
65	LAGUNA - STA. CRUZ	E & E Building, Pedro Guevarra Avenue, Sta. Cruz, Laguna	7	8-Nov-14	7-Nov-21
66	LAOAG CITY	G/F LC Square Building, J.P. Rizal corner M.V. Farinas Sts., Laoag City, Ilocos Norte	7	1-Jul-15	30-Jun-22
67	LAS PINAS	G/F Parco Supermarket, J. Aguilar Ave., Las Piñas City	10	15-Apr-10	14-Apr-20
68	LAS PINAS - ALMANZA UNO	Alabang Zapote Road, Almanza Uno, Las Piñas City	5	1-Sep-17	31-Aug-22
69	LIPA - CM RECTO	C.M. RECTO AVENUE, LIPA CITY	10	5-Jul-10	4-Jul-20
70	LOS BAÑOS - CROSSING	BATONG MALAKE, LOS BAÑOS LAGUNA	1	1-Jan-17	31-Dec-17
71	LUCENA	COR. MERCHAN & EVANGELISTA STS., LUCENA CITY	5	16-Sep-13	15-Sep-18
72	MACABEBE	Poblacion, Macabebe, Pampanga	10	16-Jun-17	15-Jun-27
73	MAKATI - CHINO ROCES	2176 Chino Roces Avenue, Makati City	10	1-Oct-13	30-Sep-23
74	MAKATI - J.P. RIZAL	882 J.P. Rizal St., Makati City	10	1-Sep-13	31-Aug-23
75	MALABON - FRANCIS MARKET - SAVEMORE	Francis Market, Governor Pascual corner M.H. Del Pilar Sts., Malabon	2	6-Feb-17	5-Feb-19
76	MALOLOS	Canlapan Street, Sto. Rosario, Malolos City, Bulacan	5	1-Jul-17	30-Jun-22
77	MALOLOS - CATMON	PASEO DEL CONGRESO, CATMON MALOLOS CITY, BULACAN	5	6-Apr-15	5-Apr-20
78	MANDALUYONG	NEW PANADEROS EXT., MANDALUYONG CITY	10	1-Mar-12	31-May-22
79	MANDALUYONG - SHAW BLVD.	Ground Floor, 500 Shaw Tower, 500 Shaw Boulevard, Mandaluyong City	5	1-Dec-13	30-Nov-18
80	MANILA - STA. ANA - SAVEMORE	Savemore, Pedro Gil St., Sta. Ana, Manila	5	5-Feb-16	4-Feb-21
81	MARIKINA	33 Bayan-Bayanan Ave., Bgy. Concepcion 1 Marikina City	10	24-Feb-10	23-Feb-20
82	MARIKINA - GIL FERNANDO AVE.	CTP BUILDING GIL FERNANDO AVE., MARIKINA CITY	5	1-Jan-18	31-Dec-22
83	MCKINLEY HILL	U-B Commerce & Industry Plaza, McKinley Towncenter, Fort Bonifacio, Taguig City	3	1-Jul-15	30-Jun-18
84	MEYCAUAYAN	MANCON BUILDING, CALVARIO MEYCAUAYAN, BULACAN	7	1-Nov-16	31-Oct-23
85	MOUNT CARMEL	KM 78 MAC ARTHUR HIWAY BRGY. SAGUIN, SAN FERNANDO CITY PAMPANGA	10	20-Jul-15	19-Jul-25
86	MUÑOZ - JACKMAN	Jackman Plaza, GF, UG14 to UG18 EDSA Muñoz Brgy. R. Magsaysay, Quezon City	7	1-Jun-17	31-May-24
87	NAGA	RL Building, Panganiban St., Lerma, Naga City	10	16-Jul-12	15-Jul-22
88	NEPA - Q. MART - SAVEMORE	Rose Building, 770 St. EDSA and K-G St., West Kamias, Quezon City	2	30-Jul-17	1-Jul-19

NO	BRANCH	LOCATION	TERM (in years)	CONTRACT PERIOD	
				FROM	TO
89	NINOY AQUINO AVE.	GF SKYFREIGHT BUILDING NINOY AQUINO AVE., COR. PASCOR DRIVE PARANAQUE CITY	10	1-Jun-12	31-May-22
90	NOVA PLAZA MALL - SAVEMORE	Nova Plaza Mall, Quirino Highway corner Ramirez St., Novaliches Proper, Quezon City	2	10-Sep-17	9-Sep-19
91	OLONGAPO	Ground Floor, City View Hotel, 25 Magsaysay Drive, New Asinan, Olongapo City	5	25-Oct-17	24-Oct-22
92	ORTIGAS - CITRA	UNIT B1, OMM CITRA BUILDING SAN MIGUEL AVENUE, ORTIGAS CENTER, PASIG CITY	1	24-Mar-17	23-Mar-18
93	ORTIGAS CENTER	Ground Floor, Hanston Square, San Miguel Avenue, Ortigas Center, Pasig City	5	1-Feb-13	31-Jan-18
94	PARANAQUE - BETTER LIVING	90 Dona Soledad Avenue, Better Living Subd, Bicutan, Paranaque	5	1-Oct-13	30-Sep-18
95	PARANAQUE - BF HOMES	284 Aguirre Avenue, B.F. Homes, Paranaque	10	1-Jul-13	30-Jun-23
96	PARANAQUE - JAKA PLAZA	JAKA PLAZA CENTER, DR. A. SANTOS, AVE., SUCAT PQUE CITY	7	19-Apr-16	18-Apr-23
97	PARANAQUE - LA HUERTA	Quirino Avenue, La Huerta, Parañaque City	15	1-Oct-13	30-Sep-28
98	PARANAQUE - MOONWALK	Kassel Residence Building, E. Rodriguez Avenue, Moonwalk, Parañaque City	7	17-Apr-15	16-Apr-22
99	PASAY - LIBERTAD	533 Cementina St. Libertad, Pasay City	7	20-Feb-17	19-Feb-24
100	PASIG - CANIOGAN	Unit A, KSN Building, C. Raymundo Avenue, Caniogan, Pasig City	7	15-Jun-16	14-Jun-23
101	PASIG - MUTYA	Richcrest Building, Caruncho Corner Market Avenue, San Nicolas, Pasig City	10	16-Jul-17	15-Jul-27
102	PASIG - PADRE BURGOS	114 Padre Burgos St., Kapasigan, Pasig City	5	15-Apr-13	15-Jun-18
103	PASO DE BLAS	ANDOKS BLDG.629 GEN. LUIS ST.,PASO DE BLAS VALENZUELA CITY	5	15-Jan-16	15-Jan-21
104	PATEROS	500 Elisco Rd., Sto. Rosario, Pateros City	10	1-Jul-10	30-Jun-20
105	PATEROS - ALMEDA	120 M. ALMEDA STREET, PATEROS, METRO MANILA	5	30-Aug-17	30-Aug-22
106	PEDRO GIL - SAVEMORE	Pedro Gil corner Singalong Sts., Manila	5	1-Jan-15	31-Dec-19
107	PLARIDEL	BANGA, PLARIDEL, BULACAN	10	1-Sep-12	31-Aug-22
108	PLAZA - STA. CRUZ (former Avenida-Savemore)	MBI Building, Unit 103, Plaza Sta. Cruz, Sta. Cruz, Manila	10	1-Apr-16	31-Mar-26
109	PORAC	Cangatba, Porac, Pampanga	5	14-Dec-15	13-Dec-20
110	QUEZON AVENUE	G/F GJ Bldg., 385 Quezon Ave., Quezon City	10	1-Nov-08	31-Oct-18
111	QUEZON AVENUE - PALIGSAHAN	1184-A BEN-LOR BLDG. BRGY. PALIGSAHAN,QUEZON CITY	5	16-Apr-16	15-Apr-21
112	QUIAPO - QUEZON BOULEVARD	416 Quezon Boulevard, Quiapo, Manila	7	5-Feb-16	4-Feb-23
113	RADA	104 RADA ST. LEGASPI VILLAGE, MAKATI CITY	5	16-Jun-16	15-Jun-21
114	ROOSEVELT	342 Roosevelt Avenue, Quezon City	7	15-Jun-17	31-May-24
115	SAN FERNANDO	KHY Trading Bldg., San Fernando-Gapan Rd., San Fernando City, Pampanga	10	16-Jul-10	15-Jul-20
116	SAN FERNANDO - BAYAN	JSL Building, Consunji Street, City of San Fernando, Pampanga	1	1-Jan-14	31-Dec-14
117	SAN ILDEFONSO - SAVEMORE	Savemore Bldg. San Ildefonso, Poblacion, Bulacan	5	22-Jun-15	21-Jun-20

NO	BRANCH	LOCATION	TERM (in years)	CONTRACT PERIOD	
				FROM	TO
118	SAN JOSE DEL MONTE	Ground Floor, Giron Building, Gov. Halili Avenue, Tungkong Mangga, City of San Jose Del Monte, Bulacan	10	1-Aug-12	31-Jul-22
119	SAN JUAN	Madison Square, 264 N. Domingo St., Barangay Pasadena, San Juan	7	1-Sep-14	31-Aug-21
120	SAN MIGUEL	NORBERTO STREET, SAN MIGUEL, BULACAN	5	1-Dec-13	30-Nov-18
121	SAN NARCISO	Brgy. Libertad, San Narciso, Zambales	8	8-Dec-16	7-Dec-24
122	SAN PABLO - RIZAL AVE.	RIZAL AVENUE COR LOPEZ JAENA ST. SAN PABLO CITY, LAGUNA	7	1-Apr-15	31-Mar-22
123	SAN PEDRO	Gen - Ber Bldg. National Highway Landayan, San Pedro Laguna	10	1-Mar-12	28-Feb-22
124	SAN RAFAEL	Cagayan Valley cor. Cruz na Daan Roads, San Rafael, Bulacan	7	13-Dec-15	12-Dec-22
125	SANTIAGO - VICTORY NORTE	MAHARLIKA HIGHWAY CORNER QUEZON ST. VICTORY NORTE, SANTIAGO CITY	5	15-Oct-17	14-Oct-22
126	STA. ANA	Poblacion, Sta. Ana, Pampanga	10	1-Jan-08	1-Dec-18
127	STA. MARIA	GEN. LUNA COR DE LEON STREET, STA. MARIA, BULACAN	1	8-Dec-17	7-Dec-18
128	STA. MESA	4128 Ramon Magsaysay Blvd., Sta. Mesa, Manila	7	16-Mar-17	15-Mar-24
129	STA. RITA	San Vicente, Sta. Rita, Pampanga	10	8-Oct-12	7-Oct-22
130	STA. ROSA	Sta. Rosa-Tagaytay Highway, Sta. Rosa, Laguna	9	17-Jun-13	16-Jun-22
131	STO. TOMAS	AGOJO CORP. BUILDING, MAHARLIKA HI-WAY, STO. TOMAS BATANGAS	5	26-Oct-15	25-Oct-20
132	SUBIC	Baraca, Subic, Zambales	10	1-Mar-09	26-Feb-19
133	TAFT - MASAGANA - SAVEMORE	Parkview Plaza, Trida Bldg., Taft Avenue corner T.M. Kalaw St., Ermita, Manila	2	25-Oct-17	24-Oct-19
134	TAGAYTAY - MENDEZ - SAVEMORE	Mendez Crossing West, Tagaytay-Nasugbu Highway corner Mendez-Tagaytay Road, Tagaytay City	2	6-Feb-17	5-Feb-19
135	TAGUM - CITYMALL	Maharlika Highway cor. Lapu-Lapu Extension, Brgy. Magugpo Tagum City	5	1-Jun-17	31-May-22
136	TALISAY - NEGROS - SAVEMORE	Mabini St., Zone 12, Paseo Mabini, Talisay City, Negros Occidental	5	23-May-14	22-May-19
137	TANDANG SORA	Cecileville Bldg. III, 670 Tandang Sora Ave. corner General Ave, Tandang Sora, Quezon City	7	16-May-17	15-May-24
138	TARLAC - MAC ARTHUR	MAC ARTHUR HIGHWAY SAN NICOLAS, TARLAC CITY	7	15-Sep-16	14-Sep-23
139	TAYTAY	C. Gonzaga Building II, Manila East Road, Taytay, Rizal	5	15-Oct-13	14-Oct-18
140	TAYUMAN	1925-1929 Rizal Avenue near corner Tayuman St., Sta. Cruz, Manila	7	1-Oct-16	30-Sep-23
141	TIMOG	JENKINSEN TOWERS 80 TIMOG AVENUE, QUEZON CITY	7	1-May-17	30-Apr-24
142	TUGUEGARAO	METROPOLITAN CATHEDRAL PARISH RECTORY COMPLEX RIZAL ST., TUGUEGARAO CITY	5	16-Aug-17	15-Aug-22
143	TWO E-COM	Two E-Com Center Tower B, Ocean Drive near corner Bayshore Drive, Mall of Asia Complex, Pasay City	3	1-Nov-16	31-Oct-19
144	UN AVENUE	552 UNITED NATIONS AVENUE, ERMITA, MANILA	3	1-Feb-16	31-Jan-19
145	URDANETA	BRGY. NANCAYASAN, MC ARTHUR HI-WAY, URDANETA CITY, PANGASINAN	7	24-Aug-16	23-Aug-23
146	VALENZUELA - MARULAS	92 J MAC ARTHUR HIWAY, MARULAS, VALENZUELA CITY	5	20-Oct-15	19-Oct-20

NO	BRANCH	LOCATION	TERM (in years)	CONTRACT PERIOD	
				FROM	TO
147	VIGAN	Plaza Maestro Convention Center, Florentino St. and Burgos St. Vigan City, Ilocos Sur	10	5-Jun-17	4-Jun-27
148	VISAYAS AVE.	UPPER GROUND FLOOR, WILCON CITY CENTER MALL, VISAYAS AVENUE, QUEZON CITY	5	2-Mar-17	1-Mar-22
149	ZAMBOANGA - CITYMALL	City Mall, Don Alfaro St., Tetuan, Zamboanga	5	30-Sep-15	29-Sep-20

**With average annual rental rate of ₱1.09 million.*

c. Description of Properties The Bank Intends To Acquire/Lease In The Next 12 Months

The Bank has future plans to acquire properties but no description/location of properties yet at this time.

Item 3. LEGAL PROCEEDINGS

There are pending cases for and against the Bank arising from normal business activities. In the opinion of the Management and the Legal Counsel, the Bank has no material pending legal proceedings to which the Bank is a party or which any of its property is the subject.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There are no matters that will be included in the agenda of the annual stockholders' meeting that may give rise to the exercise by a dissenting stockholder of the right of appraisal and demand payment of the fair value of his shares under Section 81 of the Corporation Code (Batas Pambansa Blg. 68).

PART II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information

The registrant's equity is not listed in any exchange. Below is a summary of the transfers in 2016 and 2017:

PERIOD	NO. OF SHARES TRANSFERRED	PRICE PER SHARE	
		High	Low
January 1 to March 31, 2016	19,237,080	104.61	
April 1 to June 30, 2016	No transaction		
July 1 to September 30, 2016			
October 1 to December 31, 2016	17,706,438	104.61	
January 1 to March 31, 2017	No transaction		
April 1 to June 30, 2017			
July 1 to September 30, 2017			
October 1 to December 31, 2017	26,414,149	100.00	

2. Holders

The Bank's authorized common shares (P100 par value) amounted to 134.00 million in 2017 and 74.00 million in 2016 and authorized preferred shares (P100 par value) amounted to 6.00 million in 2017 and 2016. There are approximately 1,483 stockholders of the 100,414,149 subscribed common shares as of May 15, 2018. The top 20 common shareholders as of May 15, 2018 are as follows:

NAME OF STOCKHOLDER	NUMBER OF SHARES	% OF HOLDINGS
1. China Banking Corporation	99,628,547	99.22%
2. Estate of Gil J. Puyat	163,243	0.16%
3. Surigao Development Corp.	46,040	0.05%
4. Marinduque Mining & Industrial Corp.	46,002	0.05%
5. Bogo Medellin Milling Co, Inc.	33,521	0.03%
6. Community of Benedictine Sisters	33,521	0.03%
7. Reyes, Rodrigo C.	31,205	0.03%
8. Fernandez, Jose P.	22,041	0.02%
9. Loyola Life Plan, Inc. Trust Fund	16,151	0.01%
10. Rodriguez, Ma. Luisa G.	14,441	0.01%
11. Group Developers, Inc.	10,557	0.01%
12. PJS Investment Corporation	10,314	0.01%
13. Development Bank Of The Philippines	8,418	0.01%
14. Jison, Espinela A.	8,248	0.01%
15. Tecson, Benjamin, &/or Tecson, Martina	7,123	0.01%
16. Cruz, Manuel C.	6,313	0.01%

NAME OF STOCKHOLDER	NUMBER OF SHARES	% OF HOLDINGS
17. Nisce, A. Natividad Paras	6,259	0.01%
18. Loyola Memorial PPC Trust Fund	5,378	0.01%
19. Puyat, Patria Gil Vda. De	5,350	0.01%
20. Cabarrus Jr., Jesus G.	5,298	0.01%

3. Dividends

No dividends declared in 2016 and 2017.

4. Recent Sales of Unregistered Securities or Exempt Securities

There were no unregistered securities sold by the Bank for the past three (3) years.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

1. Plan of Operation

Looking forward, the Bank anticipates 2018 to be a more challenging year. There is still much to be done in strengthening the bottom-line and growing its share of the consumer and SME market. The competitive landscape will continue to put pressure on volumes and margins. With this backdrop, CBS still sees vast opportunities particularly from its core target customer base – individuals, entrepreneurs, middle-market commercial clients and SMEs. With the rising per capita levels, the Bank expects that the retail customer base will continue to take on a bigger portion of its portfolio. In addition, internal process improvements and migration to core banking system are expected to further improve productivity and efficiency. There are cost management programs tasked to improve cost effectiveness. An effective recruitment process closely-monitored by those charged with governance will remain and retention strategies will be strengthened to address previous years' challenges in executing business strategies and attaining financial targets. Training and development of the people is anticipated to persist, to deliver on its customer service standards. Overall, CBS will continue to be steadfast in dealing with the fast changing economic, regulatory and competitive environment.

A stronger balance sheet and higher growth trajectory is expected. CBS will continue to focus on establishing its strong business franchise to enhance its market position as well as strengthen its capabilities to support its future growth, while actively responding to strategic opportunities and market challenges. Leveraging on a wide geographic footprint brought by the merger and its ability and motivation to quickly respond to customer's evolving needs, CBS will strive to be a standout performer in the thrift banking industry, sustaining a growth momentum across all its businesses.

Lending growth will be achieved by strengthening the SME lending business and vigorously boosting the Bank's market presence and penetration of the consumer space. Consumer lending is expected to continue vast growth due to the expanding Philippine economy, which will fuel strong demand for housing, auto and teachers' loans. The SME lending business will focus on aggressively filling up the vacancies where specialists will be designated to focus on

identified growing industries and will strive to tap new specialized industries such as real estate, floorstock and bus/truck companies. Concurrently, the consumer lending business will actively solicit accounts from newly-accredited housing developers and auto dealers and at the same time, launch provincial road shows to increase market presence.

The Bank will constantly strive to improve its services; operational support will be strengthened to attain a faster processing and turn-around time. Also complementing this growth trajectory are efforts to streamline credit and administrative procedures, beef up backroom support and collection, and upgrade the online banking platform.

CBS will focus on enhancing its current brick-and-mortar network and promoting its branch distribution concept of being the “one-stop shop”, where branches serve as the first touch point of banking experience for its customers. Expansion and relocation to key and deposit-rich areas will also be implemented along with the rationalization of market niches per area/branch. The BBG aims to relocate and change sites for locations that offer better business opportunities at alternative sites/locations including the implementation of its branch lite program. Branches will seek and take advantage of the opportunities to cross-sell the Bank’s products and services. Close working relationship between the account officers and the branch managers is a key factor to both loan and deposit generation. This relationship model will be replicated in all areas with the assignment of dedicated account officers to branch clusters/regions.

CBS will continue to level up products and services in the consumer and SME market in the form of value-enhancing and customer-driven solutions, by growing its presence in more accessible locations, including supermarkets, and through secure and convenient electronic banking channels. These continued expansion will strengthen CBS’ footprint and profitably improve market share, CASA growth and distribute a broader variety of financial services.

The Bank will also launch the CBS Mobile Banking Application in 2018. This cutting edge technology will become the main platform towards CBS’ Digital Banking Journey in delivering top-notch internet services that would surely bring the Bank closer to its clients anytime and anywhere they maybe.

The Bank will also continue to focus on the effective management of its non-performing assets (NPA) level. The NPAs that the merged bank acquired from the former PDB continue to be a major challenge. Significant efforts will continue to be exerted in order to achieve an NPA level that is within the industry level. The Bank will closely monitor the NPA levels, proposed resolutions and will pursue faster recovery efforts. The Bank will continue to undertake collection strategies such as employing third party services to ensure timely collection and improvement in recoveries. For faster real and other properties acquired (ROPA) reduction, accounts will be segmented to big and small ticket items. A strong sales team will be created and third-party brokers will be utilized to expedite the disposal of ROPAs.

With the growth in loan portfolio, improvement in asset quality, increase in CASA and effective cost management, net income will significantly increase over the next 5 years.

The Bank will strengthen capital management and ensure that the Bank’s capital adequacy ratio (CAR) remains aligned and adequate with its expansion plans and risk parameters.

By exhibiting a solid core performance that continues to be on pace with its growth objectives, CBS has never been more motivated to be at the top of its game. A reinforced capital base, combined with a robust business franchise and extensive distribution network, puts the Bank in a premier position to capture growth opportunities and face headwinds from an increasingly competitive and volatile environment.

2. Management's Discussion and Analysis

a. Analysis of Statements of Condition

As of December 31, 2017 and 2016

CBS achieved a record run in 2017, registering solid results in its overall financial performance. By the end of 2017, total assets peaked at P87.2 billion, total deposits reached P76.4 billion and total net loans hit P63.1 billion.

CBS' 2017 performance was driven by the rapid expansion of loans, particularly the consumer lending business, which is supported by the sustained low-cost funds generation. CBS also grew its client base from 0.28 million to 0.36 million.

Capitalizing on the country's robust economy and its presence in fast developing markets, the Bank's lending business increased by 8.4% to hit P63.1 billion which now accounts for 72.4% of total assets. The consumer lending business led the growth, up 17% year-on-year, with auto and housing loans growing fastest among the Bank's consumer assets. Strong expansion in the Bank's consumer lending business continued to be fueled by rising affluence. The auto loans saw its volume expand due to attractive financing schemes and the introduction of new car models. Auto loans expanded by 21%, leveraging on the Bank's huge client base, increased dealer coverage, and its capacity to provide faster results. Meanwhile, the housing loans continued to respond to the financing needs of home buyers by offering affordable product variants and flexible loan payment terms. Housing loan levels are up 7% from 2016, buoyed by a strong demand from overseas Filipinos and local buyers. The Bank teamed up with more developers to offer clients an expanded range of options for residential properties. Lending to the middle market and SME segments registered growth despite tougher competition (i.e., bigger banks offering cheaper interest rates and lower collateral requirements). Even as lending activities accelerated, CBS asset quality metrics improved dramatically. Non-performing loans (NPL) ratio was at 6.1% by year-end, while NPL coverage continues to be adequate at 54.0%.

The Bank also sustained its efforts to bring banking closer to clients with the opening of 17 more branches (partially offset by 7 merged branches), most of which were located in Metro Manila areas. By the end of 2017, the Bank operated a network of 160 branches: Metro Manila - 78 (49%); Luzon - 67 (42%) and VisMin - 15 (9%). The growing branch and ATM network, coupled with extended and weekend banking hours, are meant to give customers utmost convenience and accessibility. Thereby, the Bank's CASA deposits kept its high growth rate of 12.5% to reach P24.9 billion. CASA ratio improved to 32.6% of the total P76.4 billion deposit base, from 31.0% a year ago and provided the liquidity to support loan growth.

As of December 31, 2016 and 2015

The Bank's total resources stood at ₱81.250 billion as of December 31, 2016, registering a growth of 9.41% or ₱6.986 billion from ₱74.264 billion in December 2015. The significant increase in total resources was attributed to the continued growth in Loans & Receivables which went up from ₱50.953 billion last 2015 to ₱58.233 billion in 2016, reflecting a 14.29% or ₱7.280 billion growth.

Riding on the momentum and expanded geographic footprint afforded by its merger with the former PDB, as well as the additional capital infusion from its Parent Bank, the Bank continued to strengthen its foothold in the SME and retail markets with the launch of APDS loans which was met with a healthy demand from clients. In 2016, Consumer Lending went up by 33.10% or ₱6.310 billion from ₱19.061 billion at year end 2015 to ₱25.371 billion at year end 2016. Loans to SMEs likewise grew by 4.31% or ₱1.41 billion in 2016.

Investment securities also grew by ₱1.110 billion or 22.91%, from 2015's balance of ₱4.844 billion to 2016's balance of ₱5.954 billion. Investment securities went up due to the rise in bonds booked under Held-to-maturity (HTM), from ₱2.191 billion at year end 2015 to ₱3.336 billion at year end 2016, a 52.28% or ₱1.145 billion growth.

Investment properties also increased by ₱0.214 billion or 7.15% from 2015's ₱2.995 billion to 2016's ₱3.209 billion due to significant recovery efforts on the Bank's non-performing loans.

Deposit liabilities rose by 7.81% or ₱5.183 billion from 2015's ₱66.384 billion to ₱71.567 billion in 2016 due to the higher volume of time deposits generated during 2016, from ₱45.327 billion at year end 2015 to ₱49.391 billion at year end 2016, reflecting a 8.97% or ₱4.06 billion growth.

Capital funds also went up from ₱5.314 billion in 2015 to ₱7.835 billion in 2016, a substantial increase of 47.42% or ₱2.520 billion, largely due to the additional capital infusion from its Parent Bank amounting to ₱2.500 billion.

The improvement in 2016 operations is attributable to the expanded distribution network, buildup in fund base and loan portfolio, and prudent management of risk assets and operating costs.

b. Discussion of Results of Operations

For the years ended December 31, 2017 and 2016

The business has sustained a momentum of growth, generating ₱501.5 million in net income, ₱268.0 million or 114.8% higher than the ₱233.5 million earned last 2016. Despite intense competitive pressures, the loan growth expansion and strong CASA generation allowed the Bank to keep net interest margins steady for 2017 at 5%.

Total interest income increased by 12.0% or ₱497.9 million, better than the ₱4.1 billion recorded in 2016. Interest income from loans and receivables showed a 11.6% improvement or an increase of ₱444.0 million from ₱3.8 billion in 2016. Interest income

on investment securities rose by 23.7% to P50.4 million from P212.4 million due to the Bank's higher investment portfolio in 2017. Interest earned from interbank loans receivable and SPURA increased by 142.0% or P54.0 million versus P38.0 million in 2016. Moreover, interest earned from deposits with BSP and interest income from other banks posted a decrease of 78.2% to P14.1 million.

Interest expense on the Bank's deposit liabilities was higher by 8.8% to P1.3 billion compared to P1.2 billion during the same period in 2016 due to overall rise in total deposits in 2017.

For the period ended December 31, 2017, net interest income rose by 13.8% to P3.3 billion from P2.9 billion in 2016.

Other operating income declined by 7.1% to P547.3 million. Overall, total operating income for 2017 increased 10.3% year-on-year to P3.9 billion. Service charges, fees and commissions decreased by P29.5 million from P269.0 million in 2016. The Bank registered P120.5 million and P68.9 million gains on the sale of investment properties and investment securities, respectively, in 2017 versus a P121.4 million and P89.3 million, respectively, in 2016.

Other operating expenses, excluding provision for impairment and credit losses, went up by P270.8 million from 2016 ago level of P3.1 billion. In line with the Bank's thrust to further strengthen its balance sheet, the Bank set aside a total of P295.7 million provision for impairment and credit losses for the year ended December 2017. Compensation and fringe benefits increased by 10.1%. Occupancy and equipment-related costs increased by 5.4% or P13.3 million to P259.6 million as a result from higher rent expense. As of December 31, 2017, the Bank has 160 branches and 164 ATMs nationwide.

Security, clerical, messengerial and janitorial services were at P254.4 million while depreciation and amortization of Bank's property and equipment, investment properties and software costs were at P345.8 million from P326.2 million in 2016. Taxes and licenses went up by 0.2% or P0.4 million. Miscellaneous expenses were higher by P15.8 million at P165.1 million from P149.3 million in 2016.

Increase in operating expenses was driven mainly by manpower-related costs as the Bank is aggressive in hiring personnel to support its business expansion. Other cost items were kept at a more manageable single-digit growth, notwithstanding the continued investment in branch network expansion, technology, system upgrades, and customer acquisition initiatives.

For the years ended December 31, 2016 and 2015*

The Bank's net income after tax turned around and registered a modest profit of P233.5 million in 2016 from P263.2 million net loss in 2015 due to higher core and other operating income in 2016 versus 2015.

Total interest income increased by 169.8% or P2.6 billion, better than the P1.5 billion recorded in 2015.

Interest income from loans and receivables showed a 165.1% improvement or an increase of P2.4 billion from P1.4 billion in 2015. Interest income on investment securities rose by 280.0% to P212.4 million from P55.9 million due to the Bank's higher investment portfolio in 2016. Interest earned from interbank loans receivable and SPURA increased by 100.0% or P38.0 million versus nil in 2015. Moreover, interest earned from deposits with BSP and interest income from other banks both posted an increase of 82.0% to P64.6 million.

Interest expense on the Bank's deposit liabilities was higher by 183.4% to P1.2 billion compared to P425.5 million during the same period in 2015 due to overall rise in total deposits in 2016. The Bank also posted P10.9 million in interest expense on bills payable for 2016.

For the period ended December 31, 2016, net interest income rose by 163.6% to P2.9 billion from P1.1 billion in 2015.

Service charges, fees and commissions increased by P178.5 million from P90.5 million in 2015. Other operating income also posted a significant growth of P288.2 million to P320.1 million. The Bank registered P121.4 million and P89.3 million gains on the sale of investment properties and investment securities, respectively, in 2016 versus a P24.5 million loss and P19.1 million gain, respectively, in 2015.

Other operating expenses, excluding provision for impairment and credit losses, went up by P1.9 billion from 2015 of P1.2 billion. In line with the Bank's thrust to further strengthen its balance sheet, the Bank set aside a total of P305.0 million provision for impairment and credit losses for the year ended December 2016. Compensation and fringe benefits increased by 190.1%. Occupancy and equipment-related costs increased by 76.4% or P106.7 million to P246.4 million as a result from higher rent expense. As of December 31, 2016, the Bank has 150 branches and 153 ATMs nationwide.

Security, clerical, messengerial and janitorial services were at P253.3 million while depreciation and amortization of Bank's property and equipment, investment properties and software costs were at P326.2 million from P186.4 million in 2015. Taxes and licenses went up by 184.0% or P144.5 million compared to in 2015 due to higher documentary stamp taxes paid in 2016. Miscellaneous expenses were higher by P116.2 million at P149.3 million from P33.1 million in 2015.

**The income statement of the Bank in 2015 includes the stand-alone income and expenses of the Bank prior to merger with PDB.*

c. Key Performance Indicators

	2017	2016	2015
Capital Adequacy Ratio			
Capital to Risk Assets Ratio	11.43%	12.46%	11.16%
Asset Quality			
Non-Performing Loans (NPL) to Total Loans	6.10%	7.20%	8.34%
Liquidity			
Liquid Assets to Total Deposits	22.80%	23.50%	26.80%
Profitability			
Return on Equity (ROE)	6.19%	3.55%	-9.08%
Return on Assets (ROA)	0.60%	0.30%	-1.13%
Cost Efficiency			
Operating Expenses to Total Income	93.51%	95.68%	118.34%

2017 vs. 2016 Comparative highlights on key performance indicators

Capital adequacy ratio as of December 31, 2017 was at 11.43%. NPL ratio decreased to 6.10% as of year-end 2017 as compared to the 7.20% in 2016. The improvement in asset quality ratios is attributable to the improvements implemented in the Bank's credit process and the resources allocated to strengthen collection efforts and loan recovery which allowed the Bank to effectively manage its non-performing loans.

Liquidity ratio went down from 2016's 23.50% to 2016's level of 22.80%, as funds were shifted from liquid assets to loans.

ROE and ROA for the year 2017 is at 6.18% and 0.59%, respectively, higher than year-end 2016's 3.55% and 0.30%, respectively, as the Bank posted net income for the year. Accordingly, with the increase in revenues, cost efficiency ratio also improved to 93.51% as of December 31, 2017, from 95.68% as of December 31, 2016.

2016 vs. 2015 Comparative highlights on key performance indicators

Capital adequacy ratio as of December 31, 2016 was at 12.46%, higher than the 11.16% recorded in December 2015, due to the capital infused by the Parent Bank.

NPL ratio decreased to 7.20% as of year-end 2016 as compared to the 8.34% in 2015. NPA ratio also decreased from 10.21% as of December 31, 2015 to 9.64% in December 2016. The improvement in asset quality ratios is attributable to the improvements implemented in the Bank's credit process and the resources allocated to strengthen collection efforts and loan recovery which allowed the Bank to effectively manage its non-performing loans.

Liquidity ratio went down from 2015's 26.80% to 2016's level of 23.50%, as funds were shifted from liquid assets to loans.

ROE and ROA for the year 2016 is at 4.39% and 0.30%, respectively, higher than year-end 2015's -9.08% and -1.13%, respectively, as the Bank posted net income for the year. Accordingly, with the increase in revenues, cost efficiency ratio also improved to 95.68% as of December 31, 2016, from 118.34% as of December 31, 2015.

3. Key Variables and Other Qualitative and Quantitative Factors

a. Liquidity

The Bank manages its liquidity position to ensure that it has more than adequate funds to meet its obligations at any given time. The Bank monitors its daily liquidity and reserve position by determining inflows and outflows, short-term and long-term obligations, holdings and repayments. Short-term liquidity management identifies obligations and repayments in the next 12-months, aids in the determination of the securities trading strategy, and influences the Bank's pricing mechanism. On the other hand, long-term liquidity management covers maturing obligations and repayments of loans and investments beyond the next 12-months.

The level of liquid assets remained strong, exhibiting healthy growth in both placements with BSP/other banks and investments.

With the Bank's current capitalization, current liquidity position, strong deposit growth trend, continuing development of retail and corporate accounts, and prudent liquidity management, CBS does not anticipate encountering any cash flow or liquidity problems in the next 12 months. It remains confident of its ability to meet its obligations and is committed to providing the necessary funding to support the projected loan growth, investment activities and expenditures for 2018.

b. Events that will Trigger Direct or Contingent Financial Obligation

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are part of its lending and related businesses but due to their nature, may not be reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

Also, several suit and claims, in behalf or against the Bank in relation to its operations, are pending before the courts and quasi-judicial bodies. In the opinion of management, these suits and claims, if decided adversely, will not involve an amount having a material effect on the financial statements.

c. Material Off-Balance Sheet Transactions, Arrangements and Obligations

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2017	2016
Committed credit lines	P2,335,446,073	P3,357,789,406
Trust department accounts	235,267,741	1,639,351,156
Standby domestic letters of credit	212,977,965	334,485,314
Late deposits/payments received	11,518,582	11,721,501
Outward bills for collection	1,829,009	16,475,000
Others	260,018	227,758
	P2,797,299,388	P5,360,050,135

None of these off-balance sheet transactions, arising in the ordinary course, either individually or in the aggregate, are expected to have a material adverse effect on the Bank's financial condition.

d. Material Commitments for Capital Expenditures

The Bank's capital expenditures in 2017 included expenses for 10 new branches, 11 new on-site and off-site ATMs, 2 business centers, 4 SME sales offices, 4 regional lending centers, upgrade of bank premises including infrastructure, furniture, fixtures and equipment, IT-related activities on systems and licenses. For 2018, the Bank plans to open at least 2 business centers, 4 SME sales offices, and 6 off-site ATMs. Capital expenditures were sourced from the Bank's capital.

e. Causes for Any Material Changes from Period to Period of Financial Statements

See previous discussion on Analysis of Statement of Condition and Discussion of Results of Operations.

f. Known Trends, Events or Uncertainties or Seasonal Aspects

The financial statements of the Bank have been prepared in compliance with PFRS.

Item 7. FINANCIAL STATEMENTS

Please refer to the attached **Exhibit 2** for the Audited Financial Statements as of and for the years ended December 31, 2017 and 2016.

Independent Public Accountant

SyCip Gorres Velayo & Co. (SGV & Co.), independent certified public accountants, audited the Bank's financial statements without qualification and in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of its examination, in its report to the stockholders and Board of Directors.

The following table sets out the aggregate fees billed for each of the years ended December 31, 2017 and 2016 for professional services rendered by SGV & Co for the audit of the Bank's annual financial statements.

	2017	2016
Audit and Audit-Related Fees:		
▪ Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱1,600,000	₱1,450,000

Audit Committee's Approval Policies and Procedures for Above Services

As China Bank's subsidiary, the Bank adopted the Parent Bank's policies and procedures on audit engagement contract for external auditors. The same was discussed and approved by the Audit Committee. Included in the duties and responsibilities of the Audit Committee as provided for in the Audit Committee Charter are to recommend to the Board the appointment, re-appointment and dismissal of external auditors; to review and evaluate the external auditors' qualifications, performance, independence, and objectivity; and to review the external auditors' audit plan and scope among others.

The following are the members of Bank's Audit Committee:

Audit Committee (AuditCom)	
Chairman	Mr. Roberto F. Kuan
Vice-Chairman	Mrs. Margarita L. San Juan
Member	Mr. Alberto S. Yao

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The financial statements of the Bank for the years ended December 31, 2017 and 2016 have been audited by SGV & Co. /Ernst & Young in accordance with Philippine Financial Reporting Standards. There were no changes in and disagreements with accountants on accounting and financial disclosures.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS (As of May 15, 2018)

1. The Members of the Board of Directors

The Board is composed of distinguished members with extensive background in banking and business. All members are citizens of the Republic of the Philippines. The members of the Board hold the office for the remainder of the term of their successors and, with prior approval of the MB, concurrently with their position/s in China Bank are as follows:

RICARDO R. CHUA (B'date: 3-Apr-51)	67 years old	Chairman
A degree holder in Bachelor of Science in Business Administration, Major in Accounting, <i>cum laude</i> , from the University of the East. He obtained his Master's degree in Business Management (MBM) from Asian Institute of Management (AIM) in 1975. He has stepped down as the President & Chief Executive Officer and Director of China Bank effective October 31, 2017. However, he remains as an Adviser to China Bank Board. Until his retirement, he was likewise a Director of the following affiliates/subsidiaries of China Bank, namely: CBC-IBI since 1998, CBC Forex since 1997, Chinabank Capital Corporation (CBCC), Manulife China Bank Life Assurance Corp. (MCBLife), and of PDB (prior to merger). He was the past Chairman of the Board of BancNet, Inc., as well as Director of other corporations, some of which are Philippine Clearing House Corporation (PCHC), CAVACON Corporation, and Sun & Earth Corporation. He joined China Bank in 1975 after a stint with SGV & Co.		

NANCY D. YANG (B'date: 12-Jul-39)	78 years old	Vice Chairman
A degree holder in Bachelor of Arts from the Philippine Women's University and in Human Development & Child Psychology from Merrill Palmer Institute in Detroit, Michigan, USA, 1961. She has attended the Allen Management Program in 1990, BAI Retail Delivery Conference in Phoenix, Arizona, USA in 1994, Environmental Risk Management Program for Bankers conducted by the Bank of America in 1997, BAI Retail Delivery Conference in Miami Beach, Florida in 1999, and BAI Retail Delivery Conference in Orlando, Florida in 2008. After five decade of service, she has from China Bank as Head of China Bank's Retail Banking Business with the rank of Senior Vice President. She was also a Director of CBC-IBI and Director and Vice Chairperson of the Executive Committee of PDB (prior to merger). Board Level Committee Membership: Executive Committee – Vice Chairman and Risk Management Committee.		

ALBERTO EMILIO V. RAMOS (B'date: 25-May-59)	58 years old	President and Director
<p>A degree holder in Bachelor of Arts in Political Science and in Bachelor of Science in Marketing Management from the De La Salle University. He obtained his Master's degree in Business Management from Asian Institute of Management. He is formerly the Head of Private Banking Group of China Bank. Prior to joining China Bank, he was the President of Philam Asset Management, Inc. He has held several officership positions in Bank of the Philippine Islands, Citytrust Banking Corporation, Western State Bank, Tokai Bank of California, Urban Development Bank, and Filinvest Credit Corporation. He is a recipient of the Treasury Professional Certificate from the Banker's Association of the Philippines. He has also attended trainings on credit and financial analysis, performance appraisal and asset-liability management, treasury products, and strategic marketing planning. He is likewise a Director of MCBL and was a Director and member of the Executive Committee of PDB (prior to merger). Board Level Committee Membership: Retirement Committee – Vice Chairman, Compensation & Remuneration Committee – Vice Chairman, and Executive Committee. Management Level Committee Membership: Chairman of Management Committee (MANCOM), Asset & Liability Committee (ALCO), Information Technology Steering Committee (ITSC), Credit Committee (CRECOM), Collections & Asset Recovery Committee (CARCOM), Service Committee (SERVCOM), Credit Model Steering Committee (CMSC) and member of Anti Money Laundering Committee (AMLACOM).</p>		

WILLIAM C. WHANG (B'date: 31-May-58)	59 years old	Director
<p>A degree holder in Bachelor of Science in Commerce from the De La Salle University. He is concurrently the President effective November 1, 2017 and Director of China Bank. He is also a member of the Board of Directors of China Bank Insurance Brokers, Inc. (CBIBI), China Bank Properties & Computer Center, Inc. (CBPCCI), Bancnet, Inc. and China Bank Capital Corp. He is a Stockholder and Treasurer of CBIBI and CBPCCI. He had attended various seminars such as the corporate governance workshop in 2014, orientation course for corporate governance in 2015 and corporate governance training in 2016, all conducted by the Institute of Corporate Directors. Before China Bank, he was a senior bank officer at reputable local and international corporate banks. Board Level Committee Membership: Executive Committee - Chairman, Retirement Committee - Chairman, Compensation and Remuneration Committee - Chairman Nomination and Personnel Committee – Vice Chairman, and Corporate Governance Committee – Vice Chairman.</p>		

ROSEMARIE C. GAN (B'date: 13-Oct-57)	60 years old	Director
<p>A degree holder in Bachelor of Science in Business Administration, Major in Management from the University of Santo Tomas where she graduated <i>magna cum laude</i> and was a recipient of the distinguished Rector's Award. She attended the Advanced Bank Management Program of AIM in 2013. She is concurrently the Group Head of Retail Banking Business of China Bank with the rank of Executive Vice President. She has been with China Bank for over 35 years. She has extensive exposure in marketing and training in financial analysis, credit portfolio management, strategic planning and corporate governance. Board Level Committee Membership: Executive Committee.</p>		

ALEXANDER C. ESCUCHA (B'date: 3-Sep-56)	61 years old	Director
<p>A degree holder in Bachelor of Arts in Economics, <i>cum laude</i> from the University of the Philippines. He is concurrently the Head of China Bank's Investor and Corporate Relations with the rank of Senior Vice President. He is the chairman of the UP Visayas Foundation, Inc. and is an international resource person at The Asian Banker. He has served as chairman of the Federation of ASEAN Economic Associations (FAEA), and president of the Philippine Economic Society of the Philippines, and the Bank Marketing Association of the Philippines. He had attended various seminars such as the corporate governance orientation conducted by the ICD, and had been a delegate in various economic briefings and conferences, such as the JP Morgan Philippines Conference and The Asian Banker Summit. Before China Bank, he was a vice president at International Corporate Bank. Board Level Committee Membership: Corporate Governance Committee & Nomination and Personnel Committee. Management Level Committee: Information Technology Steering Committee (ITSC).</p>		

JOSE L. OSMENA, JR (B'date: 22-Mar-59)	59 years old	Director
<p>A degree holder in Bachelor of Science in Commerce, Major in Accounting, from the University of San Carlos. He has a post graduate degree in Advance Bank Management Program from the Asian Institute of Management. He is concurrently a First Vice President – Deputy Group Head of China Bank – Retail Banking Business. He is a member of CBS' board level committees such as, ExCom, Trust, and Retirement. He had attended various seminars the most recent was the corporate governance orientation program, conducted by the Institute of Corporate Directors. Before China Bank, he was area operations officer with a rank of assistant manager of Producers Bank of the Philippines. Board Level Committee Membership: Executive Committee and Retirement Committee.</p>		

PATRICK D. CHENG (B'date: 18-Dec-62)	55 years old	Director
<p>A degree holder in Bachelor of Science in Business Administration and Accountancy from the University of the Philippines, Magna Cum Laude. He is certified public accountant who ranked 7th in the 1985 CPA exams and a Distinguished Alumnus Awardee of the UP College of Business Administration. He also completed his MS Management with Distinction at the Hult International School of Business in Cambridge, Massachusetts. He has been Head of Trust Group and Trust Officer at China Bank since December 16, 2015 and its Senior Vice President since April 16, 2016. Mr. Cheng served as Deputy Group Head of Trust Group at China Bank from March 2, 2015 to December 16, 2015 and its First Vice President II from March 2, 2015 to April 16, 2016. He served as an Executive Vice President and Head of Trust & Wealth Management at Philippine Bank of Communications Inc. from October 1, 2013 to March 1, 2015 and served as its Chief Trust Officer until March 1, 2015. Board Level Committee Membership: Risk Management Committee, Retirement Committee, Nomination and Personnel Committee and sits as Ex-Officio in Compensation and Remuneration Committee.</p>		

ALBERTO S. YAO (B'date: 12-May-46)	72 years old	Independent Director
A degree holder in Bachelor of Science in Business Administration from Mapua Institute of Technology. He was the Vice-President for Merchandising of Zenco Sales, Inc. from 1968 to 1975. He is concurrently the President and CEO of Richwell Trading Corp., Richwell Phils., Inc., Europlay Distributor Co., Inc., and President of Richphil House, Inc., and Megarich Property Ventures Corp. He is likewise an Independent Director of China Bank and of CBC Capital Corporation. Board Level Committee Membership: Corporate Governance Committee – Chairman, Nomination & Personnel Committee – Chairman, Related Party Transaction Committee – Vice Chairman, Risk Management Committee, Audit Committee, and Compensation and Remuneration Committee.		

ROBERTO F. KUAN (B'date: 6-Aug-48)	69 years old	Independent Director
A degree holder in Bachelor of Science in Business Administration from the University of the Philippines. He obtained his Master's degree in Business Management from Asian Institute of Management in 1975. He attended the Top Management Program conducted by AIM in Bali, Indonesia in 1993. In 2011, he was conferred a doctorate degree in Humanities <i>Honoris Causa</i> by the Lyceum Northwestern University. He has been the Chairman of the Board of Trustees of St. Luke's Medical Center, member of the Board of Trustees of St. Luke's College of Medicine since 1996, Director of Far Eastern University since 2004, member of the Board of Trustees of Brent International School of Manila since 1989, and Director of Seaoil Phils., Inc. since 2008. He is also the founder and the President of Chowking Food Corporation from 1985 until 2000 and former President/Chairman of LIngnam Enterprises, Inc. He is likewise an Independent Director of China Bank and CBC Capital Corporation. Board Level Committee Membership: Audit Committee – Chairman, Risk Management Committee – Vice Chairman, Corporate Governance Committee, Nomination & Personnel Committee, and Related Party Transaction Committee.		

MARGARITA L. SAN JUAN (B'date: 17-Oct-53)	64 years old	Independent Director
A degree holder in Bachelor of Science in Business Administration from the University of the Philippines. She also took up Advance Bank Management Program from the Asian Institute of Management in 1992. She started career in Ayala Investment & Dev't. Corp. (AIDC) and left Sr. Project Assistant. Then, she moved to Commercial Bank & Trust Co. (ComTrust). In 1980, she joined China Bank and subsequently became the Head of the Account Management Group with the rank of Senior Vice President. She was likewise an Independent Director of China Bank since 2017 and on February 15, 2018 was also elected independent director in the Board of China Bank Capital Corporation. She was a Director and member of the Executive Committee of PDB from 2014 to 2015. Board Level Committee Membership: Risk Management Committee – Chairman, Related Party Transaction – Chairman, Audit Committee – Vice Chairman and Corporate Governance Committee.		

The Directors' number of years including number of shares held are as follows:

NAME OF MEMBERS	PRINCIPAL STOCKHOLDER REPRESENTED	NUMBER OF YEARS SERVED AS DIRECTOR	NUMBER OF DIRECT AND INDIRECT SHARES HELD	PERCENTAGE OF SHARES HELD TO TOTAL OUTSTANDING SHARES OF THE BANK
1. Ricardo R. Chua	None	10 years	1	0.00010%
2. Nancy D. Yang	None	10 years	1	0.00010%
3. Alberto Emilio V. Ramos	None	7 years	1	0.00010%
4. William C. Whang	None	1 year	1	0.00010%
5. Alexander C. Escucha	None	10 years	1	0.00010%
6. Rosemarie C. Gan	None	4 years	1	0.00010%
7. Jose L. Osmeña, Jr.	None	1 year	1	0.00010%
8. Patrick D. Cheng**	None	4 months	1	0.00010%
9. Roberto F. Kuan*	None	8 years	1	0.00010%
10. Alberto S. Yao*	None	8 years	1	0.00010%
11. Margarita L. San Juan*	None	4 years*	1	0.00010%

* Independent Director

** Elected in December 2017

2. Executive Officers

JAMES CHRISTIAN T. DEE* (B'date: 18-Jul-73)	44 years old	Vice President I and Treasurer
A degree holder of Bachelor of Science in Mechanical Engineering from the University of the Philippines and Master's degree in Business Management from Asian Institute of Management. He trained with the Regional Treasury Certifications from Citigroup, N.A., Treasury Certification Program from Ateneo-BAP, and ICAAP Risk Models Validation from SGV. He likewise graduated with distinction on the 1 year course on Trust Operation from Trust Institute Foundation of the Philippines. He is a member of the Bank's ManCom and the Vice Chairman of the ALCO. In 2001, he initially was a Trust Portfolio Officer of the Trust Group of China Bank before moving to Citibank N.A. Philippines – GCG Treasury in 2003. At Citibank, N.A. Philippines, he became the Portfolio Officer with the rank of Assistant Vice President of the GCG Treasury until he returned to China Bank in 2009. He is concurrently the Asset Liability Management Head of the Treasury Group of China Bank since 2009. Likewise, he was the Treasury Head & Vice Chairman of ALCO of PDB till it was merged into the Bank. Management Level Committee Membership: Management Committee and Asset & Liability Committee – Vice Chairman.		

AGERICO G. AGUSTIN (B'date: 7-Apr-60)	58 years old	Senior Vice President and Branch Banking Group Head
<p>He holds a degree in Bachelor of Science in Civil Engineering from the University of the Philippines - Diliman. He had attended various seminars and trainings, such as Certificate Course in Compliance conducted by ABComp - DLSU in 2015; Corporate Governance conducted by Ateneo - BSP in 2016; and Data and Business Analytics conducted by UP - National Engineering Center in 2016. He joined CBS on March 1, 2017, before joining CBS he was President and CEO/Director of both PR Savings Bank in 2016 and Maximum Savings Bank from 2015 - 2016. Management Level Committee Membership: Chairman of Employee Recognition Committee, Vice Chairman of HRCOM, and Member of MANCOM, ALCO, ITSC, AMLACOM, SERVCOM, FRAUDCOM, and AIC.</p>		

MARIA TERESITA REYES DEAN (B'date: 9-Sep-63)	54 years old	Senior Vice President and SME Lending Group Head
<p>A degree holder of Bachelor of Science in Business Administration, <i>cum laude</i>, from the University of the Philippines. She has completed 12 unit of the Executive Manager's Masteral Business Programme at the UP College of Business Administration. From 1985 to 1993, Mrs. Dean accumulated early work experience at Calyon Corp and Investment Bank, BPI (formerly FEBTC), JP Morgan Chase Bank. She moved as AVP – Credit and Loan Administration at Bahrain Middle East Bank EC from 1993 to 1995. She re-joined Calyon Corp and Investment Bank in September 1995 as Head of Credit and Loans in Manila, then expatriated to Hong Kong from 2001-2003 as VP, Distressed Assets Management, and repatriated back to Manila in 2004 for the same post for Manila Operations. Her recent post were SAVP, Credit Risk Management Corporation, China Bank from February 2005-February 2007; FVP, OIC, Risk Management – GE Money Bank Philippines, Inc. from March 2007 to November 2009, VP, Risk Management Head/Information Security Officer, BDO Private Bank Inc. from December 2009 to September 2013 and SVP, Credit Management Group Head, Philippine Bank of Communications from September 2013 to November 2015. Management Level Committee Membership: Chairman of Sub-Credit Committee (SUB-CRECOM) and HR Committee (HRCOM). Vice Chairman of MANCOM, CRECOM, Fraud Committee (FRAUDCOM), Administrative Investigating Committee (AIC) and CMSC. Member of ALCO, ITSC, AMLACOM, and CARCOM.</p>		

JOSE F. ACETRE (B'date: 24-Apr-53)	65 years old	Senior Vice President and Assets Recovery Group Head
<p>A degree holder of B.S. Business Economics from the University of the Philippines. Before PDB, he was Account Officer in Far East Bank and Trust Company from 1977 to 1981. From 1981 to 1993, he was Account Officer/Division head in PCI Bank. Then from 1993 to 2001, he was the Sector/Group Head in Bank of Commerce. Prior to joining PDB, he was Group Head in United Overseas Bank Philippines from 2001 to 2008. Management Level Committee Membership: Pricing Committee (AUTO) – Chairman, Vice Chairman of CARCOM, and member of MANCOM, CRECOM, FRAUDCOM, and HRCOM.</p>		

JAN NIKOLAI M. LIM (B'date: 6-Jul-76)	41 years old	First Vice President II and Consumer Lending Group Head
A degree holder of Bachelor of Science in Manufacturing Engineering and Management from De La Salle University. Prior to joining the Bank, he was a Vice President at East West Bank. He started his banking career in Citibank, N.A. as Manager in 2001. He moved to Standard Chartered Bank as Assistant Vice President before moving to PSBank as Vice President. Management Level Committee Membership: Vice Chairman of Pricing Committee (AUTO), and Member of MANCOM, ALCO, ITSC, AMLACOM, SERVCOM, FRAUDCOM, HRCOM and Employee Recognition Committee.		
LUIS BERNARDO A. PUHAWAN (B'date: 22-Jul-75)	42 years old	First Vice President II and Controllershship Group Head
A degree holder of Bachelor of Science in Accountancy from the University of Sto. Tomas. He is a Certified Public Accountant. In 2006, he joined PDB as Assistant Vice President and head of the Financial Reporting and Control Department. Prior to PDB, he was Senior Associate of SGV & Co. from 1997 to 2002. He also worked for Philippine Veterans Bank from 2002 to 2005, then to Deutsche Knowledge Services – Manila as Senior Associate from 2005 2006. Management Level Committee Membership: Vice Chairman of Employee Recognition Committee, and Member of MANCOM, ALCO, CARCOM, AIC and HRCOM.		
Edith N. Young* (B'date: 26-Jul-58)	59 years old	Vice President II and Information Technology Head
A degree holder in bachelor in General Science from the University of the East. She is an <i>ex-officio</i> member of the Bank's ManCom, and Vice Chairperson of ITSC. She is concurrently Chief Technology Officer of CBC PCCI with the rank of Vice President II. Prior to joining China Bank Group, she held various IT-related positions in PCIBank, IBAA, BPI, Family Bank/FMLSC, Cybernetics and Pascual Laboratories – IT.		
SONIA B. OSTREA (B'date: 2-Feb-63)	55 years old	Vice President II and Centralized Operations Group Head
A degree holder of Bachelor of Science in Commerce, major in Accounting, from Saint Louis University. She is a Certified Public Accountant. She had attended various seminars and trainings. Before PDB's merger to CBS, she was the Central Operations Department Head of PCIBank and later Dao Heng Bank, Phils. She was PDB's Clearing Operations Head. Management Level Committee Membership: Chairman of AMLACOM and Operations Committee (OPCOM), and Member of MANCOM, ITSC, CRECOM, SERVCOM, FRAUDCOM, HRCOM and Employee Recognition Committee.		

ODEL S. JANDA (B'date: 20-Oct-57)	60 years old	First Vice President, Legal Division Head and Acting Corporate Secretary
A holder of degree in Bachelor of Laws from the University of the East. He was already the Head of Legal Support Services Department (LSSD) of PDB prior to its merger into CBS. He was likewise PDB's Corporate Secretary since August 1, 2011 up to its merger. Before joining PDB, he was Active Bank's Head of Legal, Personnel and Security. Management Level Committee Membership: Member of Pricing Committee (AUTO), CARCOM and FRAUDCOM, and Ex-Officio member of CRECOM and AIC.		
NEIL C. JUMAWAN (B'date: 28-June-69)	47 years old	Senior Assistant Vice President and APDS Lending Group Head
A degree holder of Computer Science major in Computer Technology and BS Commerce major in Management. Before joining CBS he was Data Encoder/Front Desk Officer of Staff Experts, Inc. (assigned at Pag-Ibig Fund). In 1999 to Feb 2000 as Loan Programmer for WVSU Multi-Purpose Cooperative. From December 2000 to July 2001 as Sales and Marketing Supervisor and from August 2001 to June 2002 as Sales and Training Supervisor of Forest Lake Development, Inc. From June 2002 to December 2012 as Sales Manager for Visayas for Sky Internet, Inc. From November 2003 to January 2012 as Branch Head, from February 2012 to April 2013 as Business Development Officer and from May 2013 until his joining CBS on March 2, 2015. Management Level Committee Membership: Member of MANCOM, ALCO, ITSC, AMLACOM, OPCOM and SERVCOM.		
RAYMOND C. APO (B'date: 9-May-67)	51 years old	Senior Assistant Vice President and Risk Management Division Head
A degree holder in Bachelor of Science in Commerce major in Accountancy from Far Eastern University. He is also a Certified Public Accountant. Prior to joining the Bank, he was with Solidbank Corporation, First Metro Investment Corp., Rizal Commercial Banking Corp., Asiatruster Devt. Bank, and Export and Industry Bank where he held positions of Auditor, I.T. Auditor, Operations Risk Officer, Audit Head and Credit and Operations Risk Officer. He has more 20 years of banking experience. He was concurrently PDB's Head of Risk Management Department prior to its merger to the Bank. Management Level Committee Membership: Chairman of FRAUDCOM, Member of ALCO, ITSC, AMLACOM, CARCOM, OPCOM, SERVCOM, AICand CMSC, and Ex-Officio member of CRECOM.		
HANZ IRVIN S. YORO* (B'date: 14-Sep-1981)	36 years old	Senior Assistant Vice President and Information Security Officer
A degree holder in Bachelor of Science in Computer Science Information Technology from Asia Pacific College. He is concurrently the Information Security Officer of China Bank. Prior to joining China Bank, he was with Megalink as Information Security Officer. Earlier, he was likewise the Information Security Officer at EPacific Global, a Security Consultant at Mod.Net.Ph and Unix Specialist at I-Sentry Security.		

ATTY. AILEEN PAULETTE S. DE JESUS* (B'date: 29-Jun-1966)	51 years old	Chief Compliance Officer
A degree holder in BSBA - Accounting from UP in the Visayas and with post graduate degree in LLB from SSC Institute of Law. She is concurrently the Chief Compliance Officer of China Bank. Prior to joining China Bank, she was Audit Examiner of Fareast Bank & Trust Co., Tax Associate of SGV & Co.; Head of Legal Special Projects of International Exchange Bank, Compliance Officer of Metrobank Card Corporation, Head of Legal Department of Sterling Bank of Asia, Deputy General Counsel (FLI), Asst. Corp. Secretary & CIO (FDC), Corp. Sec (other Filinvest companies) of Filinvest Group of Companies, Legal & Compliance Head of Sumitomo Mitsui Banking Corp. and Chief Compliance Officer of Philippine Veterans Bank. She is currently Corporate Secretary of Eco-Savers International, Inc.		
MARILYN G. YUCHENKANG* (B'date: 27-Jan-53)	65 years old	Internal Audit Head
A degree holder of AB –BSC – Accounting from the St. Scholastica's College and MBA graduate from the De La Salle University. She is concurrently the Chief Audit Executive of China Bank. She started her career in China Bank on 1 November 1986 up to present as Supervisor and now as Chief Audit Executive of the China Bank – Audit Division. She had attended various seminars and trainings.		

*with interlocking position in China Bank.

3. Term

The Directors are elected to hold office for one (1) year until the next succeeding annual stockholders' meeting or until the respective successors have been elected and qualified.

4. Significant Employees

The registrant is not highly dependent on the services of certain key personnel.

5. Family Relationship

None of the directors or officers is related to each other within the fourth degree either by consanguinity or affinity.

6. Involvement in Certain Legal Proceedings

The Bank has no knowledge of any involvement of any of the directors or executive officers in any material legal proceedings affecting their ability or integrity before any court of law or administrative body in the Philippines or elsewhere for the last five (5) years.

Item 10. EXECUTIVE COMPENSATION

Comparative amount of salaries paid for the Directors and Key Executives of the Corporation (with cut off of December 31, 2017), and, any amount of per diem including bonus of the directors for the last three years.

	YEAR	SALARY	BONUS, PER DIEM & OTHER COMPENSATION	TOTAL
Total for the 5 most highly compensated executive officers*	2018 (estimate)	23,224,785	5,497,581	28,722,366
	2017 (actual)	22,118,843	5,235,791	27,354,634
	2016 (actual)	19,564,847	3,895,953	23,460,800
Total for all key executive officers	2018 (estimate)	34,378,643	8,032,813	42,411,455
	2017 (actual)	32,741,564	7,650,298	40,391,862
	2016 (actual)	29,878,880	6,075,722	35,954,602
Total for all Directors	2018 (estimate)	–	1,100,000	1,100,000
	2017 (actual)	–	831,000	831,000
	2016 (actual)	–	582,000	582,000

*For year 2016, 5 most highly compensated executive officers are: SVP Maria Teresita R. Dean, SVP Jose F. Acetre, FVP/II Ma. Neliza Onate, FVP/II Jan Nikolai M. Lim and FVP/II Luis Bernardo A. Puhawan.

*For year 2017 to 2018, 5 most highly compensated executive officers are: SVP Maria Teresita R. Dean, SVP Agérico G. Agustin, SVP Jose F. Acetre, FVP/II Jan Nikolai M. Lim and FVP/II Luis Bernardo A. Puhawan.

- The Key executive officers who were appointed by China Bank to CBS on a concurrent/seconded basis do not receive salaries and other bank benefits, bonuses and per diem from the registrant.
- The Directors, who hold their offices concurrently with their positions in China Bank, likewise receive no fees, per diem and bonuses from the registrant. Only the Independent Directors received per diems from the registrant.
- The only contract existing between the executive officers and the registrant is that of an employee–employer relationship.
- There are no other compensation arrangements for their services.
- There are no outstanding warrants or stock options held by the registrant’s officers and directors.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owners

The following stockholders own more than 5% of any class securities as of May 15, 2018.

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER & RELATIONSHIP W/ ISSUER	BENEFICIAL OWNER & RELATIONSHIP W/ RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	%
Common Stock	China Banking Corporation		Filipino	99,628,547	99.22%

The Chairman, Mr. Ricardo R. Chua, is the duly authorized representative of China Bank, and shall exercise the right to vote all the above-enumerated shares by appropriate proxy.

The Corporation has no knowledge of any person holding more than 5% of the Bank's outstanding shares under a voting trust or similar agreement. The Corporation is likewise not aware of any arrangement which may result in a change in control of the Corporation or any additional shares which the above listed beneficial or record owners have the right to acquire within thirty days, from options, warrant, rights, conversion privilege or similar obligation, or otherwise.

2. Security Ownership of Directors and Top Management (As of May 15, 2018)

TITLE OF CLASS	NAME OF RECORD OWNER	AMOUNT (P)	CITIZENSHIP	PERCENTAGE
Directors				
Common Stock	Ricardo R. Chua	100	Filipino	0.00010%
	Nancy D. Yang	100	Filipino	0.00010%
	Alberto Emilio V. Ramos	100	Filipino	0.00010%
	William C. Whang	100	Filipino	0.00010%
	Rosemarie C. Gan	100	Filipino	0.00010%
	Alexander C. Escucha	100	Filipino	0.00010%
	Roberto F. Kuan	100	Filipino	0.00010%
	Alberto S. Yao	100	Filipino	0.00010%
	Margarita L. San Juan	100	Filipino	0.00010%
	Jose L. Osmeña, Jr.	100	Filipino	0.00010%
	Patrick D. Cheng	100	Filipino	0.00010%
	Total as a Group	1,100		0.00110%

3. Voting Trust Holders of 5% or More

No other person holds more than 5% of a class under voting trust or similar agreement.

Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

In the ordinary course of business, the Board of Directors continues to ensure that loans and other transactions with its DOSRI are made substantially on terms not less favorable to the Bank than those offered by others. Full disclosures for these transactions were made through timely reports with the BSP.

None of the directors or officers is related to each other within the fourth civil degrees either by consanguinity or affinity.

PART IV. CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

GOVERNANCE MECHANISMS AND POLICIES

The corporate governance structure of the Bank is supported by the policies and mechanisms adopted to foster a culture of good governance. These are enshrined in the Bank's Corporate Governance Manual, Code of Ethics, Compliance Manual and various internal circulars. The Bank has also adopted leading practices in corporate governance for the continuous promotion and protection of its stakeholders.

The Bank is continuously updating its Board-approved Manual on Corporate Governance. The Manual embodies the principles of good corporate governance and best practices. To comply with the new regulations issued by the BSP, the Manual was recently revised and approved by the Board. The amendment solidifies the Bank's commitment to formalize and institutionalize the principles of good corporate governance in the entire organization and strengthened the oversight function of the Board of Directors.

The Board of Directors, Management, employees and shareholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management. Thus, it has within the bounds of its resources implemented all planned action to create a heightened and continuing awareness on good corporate governance within the organization.

To ensure good governance, there is an evaluation system for the Board, individual Directors and various Board Committees such as Executive Committee, Risk Management Committee, Audit Committee and Corporate Governance Committee.

For 2017, the Bank submitted with the SEC the annual Certification of Compliance on Good Corporate Governance. The Certification was submitted on January 17, 2018.

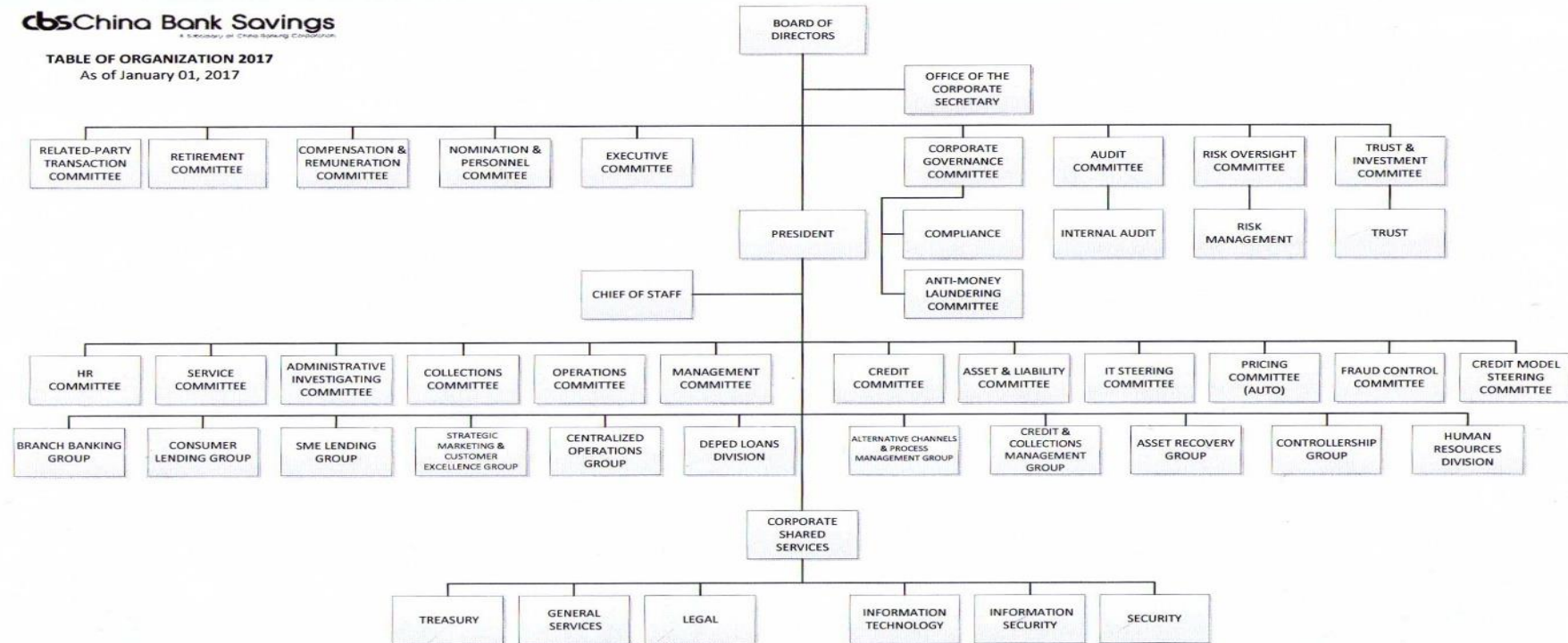
Organizational structure

The Board of Directors being at the core of the Bank's corporate governance structure continues to foster a culture of a proactive Board that is accountable and responsible for the affairs and performance of the Bank supported by dynamic officers and staff in achieving its goal of governance of going beyond best practice compliance.

In January 2017, the Board approved the new table of organization, to wit:

China Bank Savings
A Subsidiary of China Banking Corporation

TABLE OF ORGANIZATION 2017
As of January 01, 2017



PREPARED AND ENDORSED BY:

ALBERTO EMILIO V. RAMOS
President

APPROVED BY:

RICARDO R. CHUA
Chairman

Board of Directors

The Bank has eleven (11) directors. In accordance with the Bank's Manual on Corporate Governance aligned with laws, rules and regulations, the members of the Board are selected from a pool of qualified candidates after considering, among other things, their integrity, competence, independence, leadership, ability to exercise sound judgment, and experience at policy-making levels involving issues affecting business, government, as well as other areas relevant to the Bank's operations.

Acknowledging the significant and crucial roles of Independent Directors, the Bank has three (3) independent non-executive directors in the Board to ensure a strong element of independence. The Bank's Independent Directors are independent of management and major/substantial shareholders, and free from any business, family or any other relationship with the Bank, which could affect their judgment.

The members of the Board are given a copy of their general and specific duties and responsibilities as prescribed by the Manual of Regulations for Banks (MORB); the directors acknowledge that they have received and certify that they read and fully understood the same. Copies of the acknowledgement receipt and certification are submitted to the BSP within the prescribed period. Moreover, the Directors individually submit a Sworn Certification that they possess all the qualifications as enumerated in the MORB. These certifications are submitted to the BSP after their election. Additional certifications are executed by Independent Directors to comply with Securities Regulation Code and BSP rules which are then submitted to the SEC.

Board Meetings and Supply of Information

The meetings of the Board are scheduled in advance in accordance with the Bank's By-Laws every third Thursday of each month. Special meetings are held when necessary.

The Directors are expected to prepare for, attend and participate in these meetings, and to act judiciously, in good faith and in the interest of the Bank and its shareholders, thus, they are provided Board materials related to the agenda days in advance of meetings, by the Corporate Secretary.

A director may participate via telephone-conferencing when exigencies prevent him from attending a Board meeting in person.

The Board is provided with the information and resources needed to effectively discharge its fiduciary duty. The Board is informed on an ongoing basis of the Bank's performance, major business issues, new developments, and the impact of recent developments in the economic and regulatory environment.

Members of Senior Management are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals tabled to enable the Board to make an informed decision. The meetings of the Board and its committees are recorded in minutes, and all resolutions are documented.

For the period January to December 2017, the Board had 13 meetings, including the organizational meeting. The incumbent directors attended/participated in more than 50% of all the meetings, as follows:

DIRECTOR	ATTENDANCE
1. Ricardo R. Chua	92%
2. Nancy D. Yang	69%
3. Alberto Emilio V. Ramos	100%
4. William C. Whang	85%
5. Alexander C. Escucha	92%
6. Rosemarie C. Gan	77%
7. Jose L. Osmeña, Jr.	85%
8. Patrick D. Cheng**	-
9. Roberto F. Kuan*	85%
10. Alberto S. Yao*	85%
11. Margarita L. San Juan*	85%

* *Independent Director*

** *Elected in December 2017*

Board Committees

In order to effectively carry out its mandate of good corporate governance through compliance with laws, rules, regulations and best practices, the Board of the Bank is supported by various committees, as follows:

- a. **Executive Committee** when the Board is not in session has the powers of the Board in the management of the business and affairs of the Bank, to the fullest extent permitted under Philippine law.

Executive Committee (ExCom)	
Chairman	Mr. William C. Whang
Vice-Chairman	Mrs. Nancy D. Yang
Member	Mr. Alberto Emilio V. Ramos
Member	Mrs. Rosemarie C. Gan
Member	Mr. Jose L. Osmena, Jr.

- b. **Corporate Governance Committee** is responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines, and oversees the periodic evaluation of the Board and its Committees, as well as of the Executive Management.

Corporate Governance Committee	
Chairman	Mr. Alberto S. Yao
Vice-Chairman	Mr. William C. Whang
Member	Mr. Roberto F. Kuan
Member	Mr. Alexander C. Escucha
Member	Mr. Patrick D. Cheng

- c. **Audit Committee** primarily oversees all matters pertaining to audit, including the evaluation of the adequacy and effectiveness of the Bank's internal control system. It likewise provides oversight on the activities of Management and the internal and external auditors. The Committee is also empowered to oversee the Bank's external audit functions, financial reporting and policies, by selecting the auditors and approving their fees, reviewing and discussing the scope and plan of annual audit, and reviewing and discussing with management and auditors the annual audited financial statements of the Bank. It also provides oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank, including regular receipts from management of information on risk exposures and risk management activities.

Audit Committee (AuditCom)	
Chairman	Mr. Roberto F. Kuan
Vice-Chairman	Mrs. Margarita L. San Juan
Member	Mr. Alberto S. Yao

- d. **Risk Management Committee** is responsible for the oversight and development of all the Bank's risk management functions, including the evaluation of the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness.

Risk Management Committee (RMC)	
Chairman	Ms. Margarita L. San Juan
Member	Mr. Roberto F. Kuan
Member	Mrs. Nancy D. Yang
Member	Mr. Alexander C. Escucha
Member	Mr. Patrick D. Cheng

- e. **Nominations and Personnel Committee** is responsible for reviewing and evaluating the qualifications of all persons nominated to the Board and other appointments that require Board approval, including promotions favorably endorsed by the Promotions Review Committee. It also has the task of identifying the qualities of the nominees/appointees to the Board aligned with the Bank's strategic directions.

Nominations and Personnel Committee	
Chairman	Mr. Alberto S. Yao
Vice-Chairman	Mr. William C. Whang
Member	Mr. Roberto F. Kuan
Member	Mr. Alexander C. Escucha
Ex-Officio	Ms. Maria Rosanna L. Testa
Ex-Officio	Ms. Lilibeth C. Paradero

- f. **Compensation and Remuneration Committee** provides oversight on the remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Bank's culture, strategy and control environment.

Compensation and Remuneration Committee	
Chairman	Mr. William C. Whang
Vice-Chairman	Mr. Alberto Emilio V. Ramos

Compensation and Remuneration Committee	
Member	Mr. Alberto S. Yao
Ex-Officio	Mr. Patrick D. Cheng
Ex-Officio	Ms. Maria Rosanna L. Testa
Ex-Officio	Ms. Lilibeth C. Paradero

Retirement Committee	
Chairman	Mr. William C. Whang.
Member	Mr. Alberto Emilio V. Ramos
Member	Mr. Patrick D. Cheng
Member	Mr. Jose L. Osmena, Jr.
Ex-Officio	Ms. Maria Rosanna L. Testa

- g. **Related Party Transaction Committee** is responsible for reviewing all material related party transactions to ensure that they are conducted in accordance with the arm's length principles.

Related Party Transaction Committee (RPTCom)	
Chairman	Mrs. Margarita L. San Juan
Vice-Chairman	Mr. Alberto S. Yao
Member	Mr. Alexander C. Escucha

For the period January to December 2017, the incumbent directors attended/participated in more than 50% of all the committee meetings, as follows:

NAME OF MEMBERS	EXECOM	RMC	AUDIT	CORP. GOV.
No. of Meetings	24	5	4	3
1. Ricardo R. Chua	100%	-	-	100%
2. Nancy D. Yang	88%	60%	-	-
3. Alberto Emilio V. Ramos	92%	-	-	-
4. William C. Whang	-	60%	-	100%
5. Alexander C. Escucha	-	100%	-	100%
6. Rosemarie C. Gan	96%	-	-	-
7. Jose L. Osmeña, Jr.	92%	-	-	-
8. Patrick D. Cheng**	-	-	-	-
9. Roberto F. Kuan*	-	80%	100%	100%
10. Alberto S. Yao*	-	-	75%	100%
11. Margarita L. San Juan*	-	100%	100%	-

* *Independent Director*

** *Elected in December 2017*

OTHER MANAGEMENT COMMITTEES

Management Committee (ManCom)	
Chairman	President Alberto Emilio V. Ramos
Vice Chairman	SVP Maria Teresita R. Dean – SME Lending Group Head
Members	SVP Jose F. Acetre – Asset Recovery Group Head
	VP James Christian T. Dee – Treasurer
	FVP II Luis Bernardo A. Puhawan – Controller
	FVP II Jan Nikolai M. Lim – Consumer Lending Group Head
	FVP II Agerico A. Agustin – Branch Banking Group Head
	VP II Sonia B. Ostrea – Centralized Operations Group Head
	SAVP Niel C. Jumawan – APD Lending Group Head
Ex Officio	FVP Edith N. Young – Information Technology (IT) Head or IT Officer
Secretariat	M Faye Abigail G. Año – Corporate Planning Unit Head
Asst. Secretary	Gregorio R. Alva, Chief of Staff/Office of the President

Asset and Liability Management Committee (ALCO)	
Chairman	President Alberto Emilio V. Ramos
Vice Chairman	VP James Christian T. Dee – Treasurer
Members	SVP Maria Teresita R. Dean – SME Lending Group Head
	FVP II Luis Bernardo A. Puhawan – Controller
	FVP II Jan Nikolai M. Lim – Consumer Lending Group Head
	FVP II Agerico A. Agustin – Branch Banking Group Head
	SAVP Niel C. Jumawan – APD Lending Group Head
Ex Officio	SAVP Raymond C. Apo – Risk Management Division Head
	M Faye Abigail G. Año – Corporate Planning Unit Head
Secretariat	SAVP Charmaine S. Hao – Treasury Officer
Asst. Secretary	Gregorio R. Alva, Chief of Staff/Office of the President

IT Steering Committee (ITSC)	
Chairman	President Alberto Emilio V. Ramos
Vice Chairman	FVP Edith N. Young - Information Technology Head
Members	Director Alexander C. Escucha – Board Member
	SVP Maria Teresita R. Dean – SME Lending Group Head
	FVP II Luis Bernardo A. Puhawan – Controller
	FVP II Jan Nikolai M. Lim – Consumer Lending Group Head
	FVP II Agerico A. Agustin – Branch Banking Group Head
	VP II Sonia B. Ostrea – Centralized Operations Group Head
	SAVP Niel C. Jumawan – APD Lending Group Head
Ex Officio	FVP Adonis C. Yap – Digital Bank/Alternative Channels Division Head
	SAVP Raymond C. Apo – Risk Management Division Head
	SAVP Marivic B. Landicho – Internal Audit Division Head
	AVP Alfonso Ismael A. Alcuaz* – Compliance Officer
Secretariat	SM Raymond A. Deseo – Business Process Management Division OIC
Asst. Secretary	Gregorio R. Alva, Chief of Staff/Office of the President

* Chief Compliance Officer will assume ex officio membership when hired

Credit Committee (CreCom)	
Chairman	President Alberto Emilio V. Ramos
Vice Chairman	SVP Maria Teresita R. Dean – SME Lending Group Head
Voting Members	SVP Jose F. Acetre, Asset Recovery Group Head
	VP Maria Consuelo S. Ruffy, SME Credit Division Head
	VP II Sonia B. Ostrea, Centralized Operations Group Head
	SAVP Mary Grace F. Guzman, SAMD Head
Alternate Voting Members	VP Pablito C. Veloria, Consumer Credit Division Head
	AVP Grace Z. Floresca – CPQAD Head
Ex Officio	FVP Atty. Odel S. Janda – Legal Services Division Head & Corp. Secretary
	SAVP Raymond C. Apo – Risk Management Division Head
Secretariat	M Jaynee Ann C. Victoria

Sub-Credit Committee (Sub-CreCom)	
Chairman	SVP Maria Teresita R. Dean – SME Lending Group Head
Vice Chairman	VP Maria Consuelo S. Ruffy, SME Credit Division Head
Members	VP Pablito C. Veloria, Consumer Credit Division Head
	SAVP Mary Grace F. Guzman, SAMD Head
	AVP Grace Z. Floresca – CPQAD Head
Secretariat	M Jaynee Ann C. Victoria

Pricing Committee (Auto)	
Chairman	SVP Jose F. Acetre – Asset Recovery Group Head
Vice Chairman	FVP II Jan Nikolai M. Lim – Consumer Lending Group Head
Voting Members	SAVP Emmanuelito M. Gomez – Auto Lending Division Head
	VP Pablito C. Veloria, Consumer Credit Division Head
	FVP Atty. Odel S. Janda – Legal Services Division Head & Corp. Secretary
Secretariat	Acquired Assets Division Officer (Auto)

Anti-Money Laundering Committee (AMLACom)	
Chairman	VP II Sonia B. Ostrea – Centralized Operations Group Head
Vice Chairman	AVP Alfonso Ismael A. Alcuaz* – Compliance Officer
Members	President Alberto Emilio V. Ramos
	SVP Maria Teresita R. Dean – SME Lending Group Head
	FVP II Jan Nikolai M. Lim – Consumer Lending Group Head
	FVP II Agerico A. Agustin – Branch Banking Group Head
	FVP Atty. Odel S. Janda – Legal Services Division Head & Corp. Secretary
	SAVP Niel C. Jumawan – APD Lending Group Head
	SAVP Raymond C. Apo – Risk Management Division Head
	SAVP Myrna G. Mendoza – Branch Operations Division OIC
Secretariat	Compliance Officer
Asst. Secretary	Gregorio R. Alva, Chief of Staff/Office of the President

* Chief Compliance Officer will assume ex officio membership when hired

Operations Committee (OpCom)	
Chairman	VP II Sonia B. Ostrea – Centralized Operations Group Head
Vice Chairman	AVP Marilou M. De Guzman - Branch Support Services Mgt. Div. Head
Members	SM Raymond A. Deseo – BPMD OIC
	VP Rosalinda T. Munsayac – Loans Operations Division Head
	SAVP Myrna G. Mendoza – Branch Operations Division OIC
	VP Maria Consuelo S. Ruffy – SME Credit Division Head
	VP Pablito C. Veloria – Consumer Credit Division Head
	SAVP Raymond C. Apo – Risk Management Head
	SAVP Niel C. Jumawan – APD Lending Group Head
	AVP Alfonso Ismael A. Alcuaz* – Compliance Officer
	SM Jinkee C. Rejuso – Loans Business Center Head
	SM Jesus D. Tomboc – LOD SME Head
Resource person	Consolacion R. Saur – Consultant
Secretariat	M Cecilia R. Villaluz – BPMD Officer
Asst. Secretary	Gregorio R. Alva, Chief of Staff/Office of the President

** Chief Compliance Officer will assume ex officio membership when hired*

Service Committee (ServCom)	
Chairman	President Alberto Emilio V. Ramos
Vice Chairman	SM Maria Theresa E. Santos – Customer Experience Mgt. Head
Members	FVP II Jan Nikolai M. Lim – Consumer Lending Group Head
	FVP II Agerico A. Agustin – Branch Banking Group Head
	SVP Maria Teresita R. Dean – SME Lending Group Head
	SAVP Niel C. Jumawan – APD Lending Group Head
	VP II Sonia B. Ostrea – Centralized Operations Group Head
	VP Christian Hermes M. Bite – Collections Division Head
	AVP Marilou M. De Guzman - Branch Support Services Mgt. Div. Head
	SM Raymond A. Deseo – BPMD OIC
	FVP Adonis C. Yap – Digital Bank/Alt. Channels/Worksite Div. Head
	SAVP Raymond C. Apo – Risk Management Division Head
Ex Officio	AVP Alfonso Ismael A. Alcuaz* – Compliance Officer
	AM Stephanie T. Trinidad – Service Quality Unit Head
Secretariat	AM Stephanie T. Trinidad – Service Quality Unit Head
Asst. Secretary	Gregorio R. Alva, Chief of Staff/Office of the President

** Chief Compliance Officer will assume ex officio membership when hired*

Collections and Asset Recovery Committee (CARCom)	
Chairman	President Alberto Emilio V. Ramos
Vice Chairman	SVP Jose F. Acetre – Asset Recovery Group Head
Members	SVP Maria Teresita R. Dean – SME Lending Group Head
	FVP II Luis Bernardo A. Puhawan – Controller
	FVP Atty. Odel S. Janda – Legal Services Division Head & Corporate Secretary
	SAVP Raymond C. Apo – Risk Management Division Head
	AVP Grace Z. Floresca – CPQAD Head
Secretariat	ARG Officer

Fraud Control Committee (FraudCom)	
Chairman	SAVP Raymond C. Apo – Risk Management Division Head
Vice Chairman	SVP Maria Teresita R. Dean – SME Lending Group Head
Members	SVP Jose F. Acetre – Asset Recovery Group Head
	FVP II Jan Nikolai M. Lim – Consumer Banking Group Head
	FVP Atty. Odel S. Janda – Legal Services Division Head & Corporate Secretary
	VP II Sonia B. Ostrea – Centralized Operations Group Head
	FVP II Agerico A. Agustin – Branch Banking Group Head
Secretariat	Risk Officer
Asst. Secretary	Gregorio R. Alva, Chief of Staff/Office of the President

Administrative Investigating Committee (AIC) Non-Behavioral	
Chairman	VP Ma. Lilibeth C. Paradero, Human Resources Division Head
Vice Chairman	SVP Maria Teresita R. Dean – SME Lending Group Head
Members	FVP II Agerico A. Agustin – Branch Banking Group Head
	SAVP Jay Araceli L. Suria – Human Resources Officer
	SAVP Raymond C. Apo – Risk Management Division Head
Ex Officio	FVP II Luis Bernardo A. Puhawan – Controller
	FVP Atty. Odel S. Janda – Legal Services Division Head & Corporate Secretary
Secretariat	Human Resources Officer

Administrative Investigating Committee (AIC) Behavioral Cases	
Chairman	VP Ma. Lilibeth C. Paradero, Human Resources Division Head
Vice Chairman	SAVP Jay Araceli L. Suria – Human Resources Officer
Members	Head of the Group to which the charged employee belongs
	FVP Atty. Odel S. Janda – Legal Services Division Head & Corporate Secretary
Secretariat	Human Resources Officer

Human Resources Committee (HRCOM)	
Chairman	SVP Maria Teresita R. Dean – SME Lending Group Head
Vice Chairman	FVP II Agerico A. Agustin – Branch Banking Group Head
Members	SVP Jose F. Acetre – Asset Recovery Group Head
	FVP II Jan Nikolai M. Lim – Consumer Lending Group Head
	FVP II Luis Bernardo A. Puhawan – Controller
	VP II Sonia B. Ostrea – Centralized Operations Group Head
	VP Ma. Lilibeth C. Paradero – Human Resources Division Head
Secretariat	Human Resources Officer

Credit Model Steering Committee (CMSC)	
Chairman	President Alberto Emilio V. Ramos
Vice Chairman	SVP Maria Teresita R. Dean – SME Lending Group Head
Members	VP Pablito C. Veloria - Consumer Credit Division Head
	SAVP Raymond C. Apo – Risk Management Division Head
	VP Christian Hermes M. Bite - Collections Head
	AVP Winifredo G. Solis – Project Manager, Business Intelligence
	AVP Grace Z. Floresca – CPQAD Head
Resource Persons	FVP Ananias S. Cornelio, III – Chief Risk Officer
	Consolacion S. Saur - Consultant

Employee Recognition Committee	
Chairman	FVP II Agerico A. Agustin – Branch Banking Group Head
Members	FVP II Luis Bernardo A. Puhawan – Controller
	FVP II Jan Nikolai M. Lim – Consumer Lending Group Head
	VPII Sonia B. Ostrea – Centralized Operations Group Head
	VP Ma. Lilibeth C. Paradero – Human Resources Division Head

Screening Committee (Employee Recognition Sub-Committee)	
Chairman	AVP Cristina B. Sanchez
Members	SAVP Marivic B. Landicho
	SM Raymond A. Deseo
	SM Maria Theresa E. Santos
	M Arnold A. Alcala
Secretariat	Human Resources Officer (Organization Development)

Selection Process for the Board and Senior Management

The corporate governance committee shall assist the board of directors in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the board of directors.

The committee shall be responsible for ensuring the board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance. The committee chairman shall certify that it conduct a "proper and fit test" on the Bank's directors and senior management.

Powers/Responsibilities and Duties of Directors

- a. Powers of the board of directors. The corporate powers of a bank shall be exercised, its business conducted and all its property controlled and held, by its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the Bank.

- b. General responsibility of the board of directors. The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The board of directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution.
- c. Specific duties and responsibilities of the board of directors
 - To approve and monitor the implementation of strategic objectives.
 - To approve and oversee the implementation of policies governing major areas of banking operations.
 - To approve and oversee the implementation of risk management policies.
 - To oversee selection and performance of senior management.
 - To consistently conduct the affairs of the institution with a high degree of integrity.
 - To define appropriate governance policies and practices for the Bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement and key activities.
 - To constitute committees to increase efficiency and allow deeper focus in specific areas.

Duties and Responsibilities of the Chairperson of the Board of Directors

- a. To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members.
- b. To ensure that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.

Specific Duties and Responsibilities of a Director

- a. To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board of directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.
- b. To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions. Directors should avoid situations that would give rise to a

conflict of interest. If transactions with the institutions cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

- c. To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interest of other stakeholders.
- d. To devote time and attention necessary to properly discharge their duties and responsibilities. Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.
- e. To act judiciously. Before deciding on any matter brought before the Board of Directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- f. To contribute significantly to the decision-making process of the board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.
- g. To exercise independent judgment. A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, he should support plans and ideas that he thinks will be beneficial to the institution.
- h. To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies. A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
- i. To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors.

Board and Committee Performance Evaluation

There is an annual evaluation of the performance of the Board, the individual directors, and the various committees as facilitated by the Corporate Governance Committee with the assistance of Compliance Office. The evaluation seeks to assess the effectiveness and collective performance of the Board through a self-assessment. The results are summarized by the Compliance Officer, discussed by the Corporate Governance Committee, and reported to the Board. The Board, on the other hand, reviews the results and evaluates the enhancements needed in order to improve the performance of the Board collectively, the individual directors, and the various committees.

In 2017, there are no significant deviations and, in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.

Corporate Governance Manual

The Corporate Governance Manual contains the governance principles and policies that the Bank adheres to. The Code institutionalizes the principles of good corporate governance.

In furtherance of its responsibilities under the Manual and Corporate Governance Charter, the Corporate Governance Committee has reviewed and approved:

- a. Amended Corporate Governance Charter; and
- b. Board and Committees' Self-Assessment Questionnaires.

Code of Ethics

CBS is committed to carry out its business operations in accordance with the highest standards of ethics. The Bank, as a whole, together with the members of the Board of Directors, stakeholders, and all employees are dedicated in ensuring that they abide by the acceptable rules and regulations which dictate its operations.

The Code of Ethics is founded on basic standards and ethical business and personal conduct, including honesty and candor in all activities, avoidance of activities and transactions that could result or potentially result in conflicts between personal and the Bank's interest, maintenance of the Bank's reputation, avoidance of personal gain at the expense of the institution, and conduct contrary to ethical business practices. The Code also embodies policies that will prevent fraud, or the use of the facilities of the Bank in the furtherance of any unlawful or immoral pursuit. In all activities and decisions, one must consider the ethics or propriety of every situation, full transparency and be beyond reproach.

Compliance System

In pursuit of its good governance objectives, the Bank complies with laws and regulations issued by the BSP, PDIC, SEC, Anti-Money Laundering Council (AMLC) and all other government regulatory agencies. Compliance starts at the top with Board of Directors and Senior Management taking the lead in building a robust compliance culture. Compliance is observed throughout the organization by everyone at every level.

The Compliance System of the Bank was established pursuant to with the regulatory mandate

of the BSP and SEC. It is carried out through a Board-approved Compliance Manual by the Compliance Office, which reports directly to the Corporate Governance Committee. Compliance Office oversees the implementation of the provisions of the Compliance Manual and is responsible for, among others, (i) identification of all relevant laws and regulations applicable to the activities and business of the Bank, and monitoring and controlling of attendant compliance risks, (ii) creating awareness on all banking laws and regulations among Bank employees with dissemination of all regulatory issuances and regular trainings; (iii) regular compliance testing of all Bank activities and products; and (iv) liaise and dialogue with BSP and other government regulatory agencies.

Anti-Money Laundering Prevention

The Bank adheres to the Anti-Money Laundering Act and all related and applicable rules, regulations and issuances of the BSP. Towards this end, the Bank commits to protect and preserve the integrity and confidentiality of its customers' accounts and shall not allow them to be used as money laundering site for the proceeds of unlawful activity.

The Bank has in place a Board-approved Money Laundering and Terrorist Prevention Program (MLPP) which contains and consolidates all laws and regulations on anti-money laundering, such as, know-your-client (KYC) requirements, monitoring of accounts and transactions, training of all officers and employees on AML laws and regulations and other relevant information. The MLPP manual is updated on an annual basis using the most recent updates on the applicable rules, regulations and issuances of the BSP.

Dissemination of laws and regulations is regularly made to all officers and employees of the Bank to equip them with necessary knowledge and information to combat money laundering activities. AML trainings are regularly given during orientation sessions of new employees and refresher courses are regularly conducted.

Conflict of Interest

A conflict of interest exists when a person's private interest interferes in any way or even appears to interfere with the interests of the Bank. A conflict situation can arise when an employee or officer takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively.

Conflicts of interest are prohibited as a matter of Bank policy. Any employee or officer who becomes aware of a conflict or potential conflict should bring the matter to the attention of the Chief Compliance Officer or other appropriate personnel.

Health and Safety

The Bank strives to provide employees and officers with a safe and healthy work environment. Each employee and officer has responsibility for maintaining a safe and healthy workplace for all employees and officers by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence and threatening behavior are not permitted.

Performance Assessment Program

The Bank has a Performance Management System (PMS), a vital tool for aligning individual performance with the Bank's strategic direction and operational business plans. It is an integrated process by which the organization involves its employees in improving organizational effectiveness towards the accomplishment of its mission and strategic goals. The Bank also uses the Balanced Scorecard (BSC) as a tool to capture, describe and translate its strategic goals into defined objectives at group, divisional, departmental, and branch levels. It uses the PMS to capture the individual officers' objectives that are aligned with the BSC.



Orientation and Education Program

With the continuing and growing footprint of CBS in the banking industry, the CBS Academy plays a very central and crucial role. In today's dynamic environment, it is essential that the Bank continues to keep abreast of the latest trends and developments in the financial services world. CBS owes it to its customers, who put their trust in the Bank. Knowledge, skills and attitude assimilation is a very important aspect of ensuring the continuing competitiveness of any financial institution. The Bank looks upon its people as one of its key stakeholders, and investing in their personal development is integral to the Bank's corporate responsibility.

The opening of the CBS Academy in 2017 boosted the efforts of the Bank's Human Resources Division in delivering a high level of professional training and banking skills to help each one of them optimize his/ her full potential. It is imperative that such a dedicated facility is available to bring everyone under one roof to deliver greater efficiency and to meet the competency, training and developmental needs of the Bank's employees at all levels that will help them grow and contribute within the Bank's overall framework.

The CBS Academy provides employees with various key courses and training programs at various stages in their career, including refresher courses and advanced skills, based on their specific areas of expertise. These courses are aimed to give its people a sound grounding of core banking training as well as soft skills development. These include various aspects of financial services procedures, legal, compliance and risk, leadership and management skills and team development, amongst other areas. In addition to expanding their knowledge base and skills, these courses enable its workforce to enhance their career development prospects.

It is of great importance though that the Bank ensures that the Training Academy remains current and relevant. The Bank will ensure that they are perfectly aligned to the Bank's strategy and business needs, as well as in synch with emerging regulatory requirements.

Retirement and Succession Policy

The Bank believes that excellent leadership talent positively contributes to the overall organizational performance. The Bank implements and maintains a Succession Planning and Management Program that ensures the availability of qualified officers for key positions for the entire life of the organization.

- a. Board of Directors – any vacancy, except those caused by removal by the stockholders or by expiration of term, may be filled by election or appointment by the remaining Directors, if still constituting a quorum. If there is no quorum, the vacancy must be filled by the stockholders owning and/or representing majority of the subscribed capital stock at a special meeting duly called for the purpose.
- b. Chairman of the Board – vacancy will be temporarily filled up by the Vice Chairman, until such time the Board of Directors elects a successor who will hold office for the unexpired term. In the absence or inability of both the Chairman and the Vice Chairman, the President shall preside the meeting of the Board in order not to hold up important matters requiring the action of the Board, and in which case the decision on all matters to be considered must be unanimous.
- c. Vice Chairman – it will be filled by a successor in the same manner the position of Chairman is filled. The successor will serve and hold office for the unexpired term.
- d. President/Chief Executive Officer – will be temporarily filled by the next most ranking officer, who will act as Officer-in-Charge until such time that the Board of Directors, by majority vote, elects a successor who will hold office for the unexpired term.
- e. Corporate Secretary – the Assistant Corporate Secretary, if any, or if none, the Chief Legal Counsel, will temporarily assume the position until such time the Board of Directors appoints a successor.
- f. Treasurer – will be temporarily filled by the next ranking officer, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.
- g. Internal Auditor – will be temporarily filled by the Assistant Auditor or the next most senior ranking officer in the Internal Audit Department, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.
- h. Operations Group Head – will be temporarily filled by the next most senior ranking officer in the Group, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.
- i. Risk Officer - will be temporarily filled by the next most senior ranking officer in the Risk Management Division, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

- j. Compliance Officer - will be temporarily filled by the Assistant Compliance Officer or the next most senior ranking officer, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.
- k. Chief Legal Counsel - will be temporarily filled by the next most senior ranking Legal Officer, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.
- l. Other Group/Division Heads - will be temporarily filled by the next most senior ranking officer, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

Remuneration Policy

The Bank grants annual salary increases to its officers in accordance with its Pay for Performance policy. The increases are given in the form of merit increases which vary depending on the officers' performance rating and corporate rank for the given year. On top of the regular bonuses, CBS officers are entitled to a performance bonus based on their previous year's performance rating. On a continuing and regular basis, the Bank, through its Senior Management evaluates recommendations of various Division/Department Heads for the promotion of their subordinate officers to the following corporate rank. Those whose promotions are approved are given promotion increase in addition to the change in their fringe benefits package.

Related Party Transactions

The Bank, through its Board, ensures that all transactions between the Bank and related parties are evaluated "fairly and at arm's length" or upon terms not less favourable to the Bank than those offered to others and that the primordial consideration is the best interest of the Bank and its shareholders. All transactions with Related Parties shall be conducted in accordance with the principles of transparency and fairness taking into account the requirements under BSP Circular No. 749 and BSP Circular No. 895.

In July 2015, the Board approved the Policy on Related Party Transactions. In 2017, the Board of Directors intensified vetting out transactions between the Bank and related parties on top of DOSRI transactions. To ensure that the Bank can assess whether a related party transaction was done "fairly and at arm's length" and entered into to the best interest of the Bank and all its stakeholders the Bank through its Compliance Office has drafted a detailed manual of procedure on all covered transactions in relation to Related Party Transactions (RPTs). A data base of related parties as defined by BSP Circular No. 749 and BSP Circular No. 895 has been collated and updated. Reporting of related party transactions entered into by the Bank with related party are reported to its parent Bank which, in turn, makes a report to the BSP.

The Guidelines for the Related Party Transactions was finalized in the first quarter of 2018 and is now in the process of approval.

Overarching policies and procedures for managing related party transactions

The Bank's Policy on Related Party Transactions applies to all covered RPT of the Bank, regardless of the amount, and the Bank has set specific procedures and guidelines in managing the Bank's RPTs. The Bank's Board of Directors, Senior Management, officers and staff are mandated to comply with this Policy and shall not allow RPTs that may lead to abuses or may cause disadvantages to the Bank, its depositors, creditors, fiduciary clients, and to other stakeholders.

Related Party Transactions are transactions or dealings with related parties of the Bank, regardless of whether or not a price is charged. These include, but not limited to the following:

- a. On-and-off balance sheet credit exposures and claims and write-offs;
- b. Investment and/ or subscription for debt/ equity issuances;
- c. Consulting, professional, agency and other service arrangements/ contracts;
- d. Purchase and sales of assets, including transfer of technology and intangible items;
- e. Construction arrangements/ contracts;
- f. Lease arrangements/ contracts;
- g. Trading and derivative transactions;
- h. Borrowings, commitments, fund transfer and guarantees;
- i. Sale, purchase or supply of any goods or materials; and
- j. Establishment of joint venture entities

RPTs shall be conducted at an arm's length terms to ensure that the transaction is conducted in the regular course of business; and not undertaken on more favourable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement, etc.) to such related parties covering similar transactions with non-related parties under similar circumstances.

The concept of arm's length terms is to ensure that both parties in the transaction are acting in their own self-interest and are not subject to any pressure from the other. It ensures that parties to transaction are on equal footing. It is used specifically in the contract law to make an equitable agreement which stands up to legal scrutiny, even though parties may be closely related or may have shared interest.

In this regard, to ensure that transactions are engaged into at terms that promote the best interest of the Bank and its stakeholders, a Price Discovery mechanism shall be observed.

The business units (BUs) shall identify if transactions are classified as material RPTs based on the following criteria:

- If the parties and relationship of parties involved in the transaction are classified as RPs, as defined hereof.
- If the amount of transaction is equal or higher than the materiality threshold defined hereof.

Approval Requirements:

A. Approval Requirements of Material RPTs

All material RPTs shall be endorsed to the RPT Committee using the prescribed forms and approved by the Board of Directors.

B. Approval Requirements of Non-material RPTs

All non-material RPTs shall follow the existing approval requirements of the respective BU transactions.

Procedures for Material RPTs

A. General Criteria

- Term of such transaction;
- The Related Person's interest in the transaction;
- The purpose and timing of the transaction;
- Whether the company is a party to the transaction, and if not, the nature of the Company's participation in the transaction;
- If the transaction involves the sale of an asset, a description of the asset, including date acquired and cost basis;
- Information concerning potential counterparties in the transaction;
- The approximate dollar value of the transaction and the approximate dollar value of the Related Person's interest in the transaction;
- Description of any provision or limitations imposed as a result of entering into the proposed transaction;
- Whether the proposed transaction included any potential reputation risk issued that may arise as a result of or in connection with the proposed transaction; and
- Any other relevant information regarding the transaction

B. Request for Endorsement of Material RPTs

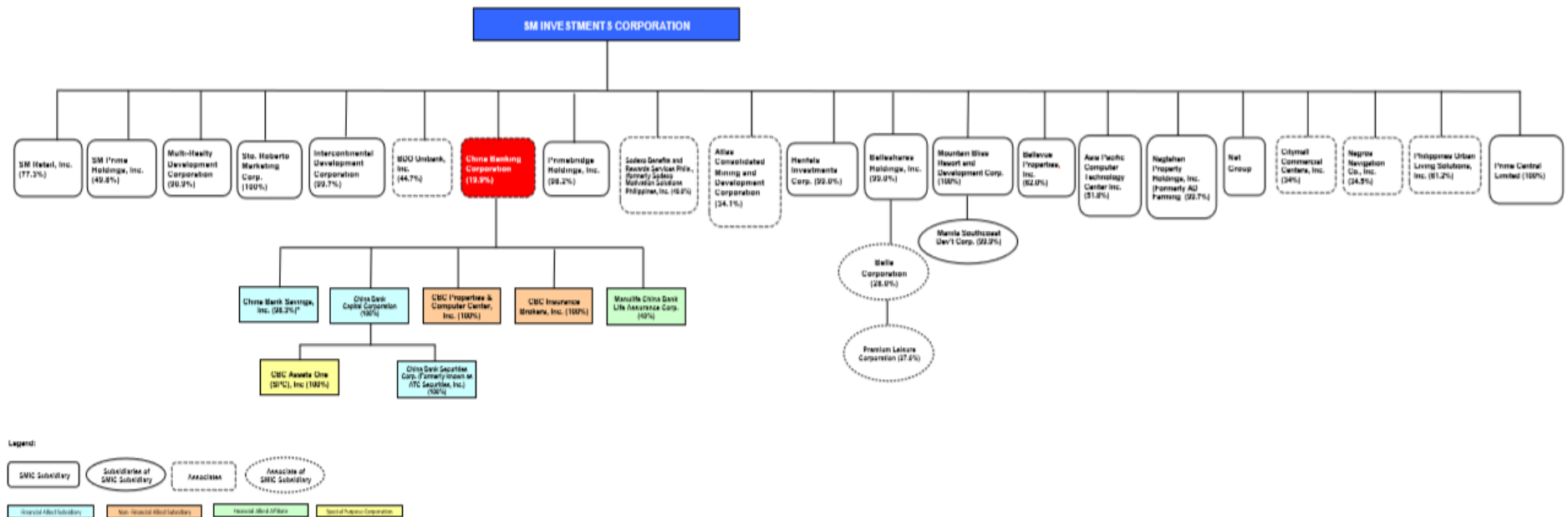
- Material RPTs shall be indicated by the BU in the RPT Recommendation and Endorsement (Material Transactions) form for subsequent review and endorsement to the RPT Committee;
- The RPT Recommendation and Endorsement (Material Transactions) form shall be checked by the BU Officer and Recommended by the BU Group or Division Head;
- The signed RPT Recommendation and Endorsement (Material Transactions) form shall be submitted.

C. Approval and Ratification of Material RPTs

- a. The members of the Board of Directors, stockholders, and management shall disclose to the Board of Directors whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank;
- b. All Board of Directors approved material Related Party Transaction shall be ratified by the Stockholders (by majority vote) during the Annual Stockholders' Meeting.

Conglomerate Structure

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS OF DECEMBER 31, 2017



Notes:
% Refers to the Parent Company's Effective Ownership.

Self-Assessment Function

The Banks Compliance Framework was established to implement a strong compliance system.

The Bank employs a triple level approach for observing laws and regulation.

- 1st level - Employee participation (compliance with the relevant regulations)
- 2nd level - Compliance Office (implementation of the compliance program)
- 3rd level - Internal Audit Department (post audit)

The Compliance Office in particular has an approved manpower count of 12 members including the CCO, an administrative assistant, 5 Compliance Officers for AML and 5 Compliance officers for the General and Corporate Governance Compliance. Unit Compliance Coordinators are assigned on each unit of the Bank to help the compliance office perform the monitoring and testing functions.

Compliance Program

Includes an annual plan that shall ensure that the Bank's compliance system is effectively running and in place, rules and regulations are adhered to.

Components of the Compliance Program

- i. Regular functions of the Compliance Office
- ii. Compliance Risk Assessment
- iii. Compliance Testing
- iv. Compliance monitoring of corrective actions
- v. Regular Reporting to CGCOM and AMLACom

Testing and Reporting

Compliance Office conducts its regular compliance testing in accordance with the approved Compliance Testing Plan. The basis of the Compliance Testing Plan shall be the latest Risk Assessment of Compliance Office. Based on the result of risk assessment, business units and branches are prioritized and scheduled for testing.

The Compliance Officers are being guided by the *Compliance Testing Guidelines and Framework* in the conduct of testing.

The Compliance Office also conducts compliance testing relevant to Large Transactions and Ad Hoc Testing. All the testing results are then reported to the AMLCOM then the CGCOM.

All Bank Compliance issues and concerns including results of internal testing, BSP examinations results, Implementation of internal control policies and all other issues monitored by the BSP are reported to the CGCOM every other month. The Members in turn provide guidance on the effectiveness of all action plans to be done and those actions already taken.

Consumer Welfare Protection

The Board of Directors is ultimately responsible in ensuring that consumer protection practices are embedded in the Banks Operations. The Bank Adheres to the highest standards and embrace a culture of fair and responsible dealings in the conduct of its business.

The Board and Senior Management are responsible for the Banks Protection strategy and establishing an effective oversight function over the Banks Consumer protection Programs. The Board is primarily responsible for approving and overseeing the implementation of the consumer Protection Policies of the Bank.

The Bank subscribes to the perspective that creating a positive customer experience and performing excellent customer service mean managing customer expectations and delivering what is promised, in a manner that manifests its mission that is: "We understand the needs of our customers, thus, we provide value-enhancing, customer-driven solutions through their preferred channels" and one of its core values on Customer Service Focus: "We value our relationships with all our stakeholders."

The Bank undertakes to manage customer expectations and resolve complaints within the bounds of pertinent policies and guidelines. It endeavors to institute appropriate actions to continuously improve or minimize if not prevent the incidence and/or recurrence of complaints.

The Consumer Protection Risk Management System (CPRMS) is a means by which the Bank identifies, measures, monitors and controls consumer protection risks inherent in its operations. These include both risks to the financial consumers and the Bank.

Independent of the compliance function, the Audit Division reviews the Bank's consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. The Bank's internal audit of the different business units/functions includes the Consumer Protection Audit Program.

The Human Resources Division and respective business units ensure that all relevant personnel specifically those whose roles and responsibilities have customer interface, receive specific and comprehensive training that reinforces and helps implement written policies and procedures on consumer protection. The training program should be able to address changes in consumer protection laws, rules and regulations and policies and procedures should be provided in a timely manner.

The Bank increased its awareness and adherence to the Consumer Act of the Philippines and such other regulations promoting consumer protection. As part of its intensified drive for a positive customer experience and excellent customer service, the ServCom meets on a weekly basis not only to address complaints but to dynamically reposition the Bank to meet customer expectation.

Conformably with BSP Circular No. 857 in relation to consumer protection, the Bank continue to track the significant statistics on customer concerns.

Dividend Policy

In accordance with the Amended By-Laws of the Bank, dividends shall be declared and paid out of surplus and/or net profits of the Bank, after allocating the percentage of the net profits, as often and such time as the Board of Directors may determine and in accordance with the provisions of law and the regulations of the BSP. There were no dividends declared in 2016 and 2017.

Corporate Social Responsibility Initiatives

Community involvement is a cornerstone of CBS' CSR programs. The Bank supports a wide range of noteworthy projects for the underprivileged sector, provide educational assistance to promising children, undertake charitable fundraising, and encourage employee volunteerism in its efforts to give back to society.

CBS SME ACADEMY

In its second year, CBS SME Academy is the Bank's advocacy program for economic inclusiveness through promotion of strong, vibrant and well-informed entrepreneurs. The SME Academy held sessions for clients around Luzon, with forums in Orchid Garden Hotel in San Fernando City, Pampanga; Mount Malarayat Golf and Country Club in Lipa City in Batangas; BarCIE International Center in Malolos City, Bulacan; and Asian Institute of Management in Makati City.

The "by-invitation only" events for SME clients featured financial adviser and management consultant Rex Mendoza, who spoke extensively on the topic of Succession Planning for family-owned businesses. Succession Planning is focused on ensuring business continuity and is a key concern of SME clients of the Bank. SME Academy is a joint project of the Bank's SME Lending Group and Branch Banking Group.

PROJECT RED

Project RAISE for Education/Empowerment of Dumagats (Project RED) is the CSR program of the Bank to assist the home school program among the indigenous communities in the foothills of the Sierra Madre Range in Rizal province. Launched in November 2017, Project RED aims to collect both new and pre-loved books, art supplies, teaching aids, school materials and funds for the benefit of the semi-nomadic Remontado Dumagat in upland Barangay Laiban in Tanay, Rizal.

Project RED supplements the efforts of volunteer teachers of the AGAP Buhay program, which provides access to education and vocational training for children and adults belonging to the Dumagat community. To reach the settlements, volunteer teachers take a two-hour habal-habal ride over rough, mountain roads followed by a long, strenuous hike along mountain paths and across rivers.

The Dumagat or Agta are one of the recognized 110 indigenous peoples of the Philippines. Originally believed to have resided on the coast, the Dumagat have been driven into the mountains and forests by encroachments on ancestral domain by majority Filipinos. Today,

the illiteracy rate among Dumagat and Indigenous People in the Southern Tagalog region is 60 percent.

Presently, the AGAP Buhay program sends volunteers to the Dumagat sitios for weekend visits, in line with the Home Study Learning curriculum of Angelicum College in Quezon City. CBS volunteers have visited the sites on two occasions, and in February 2018 ferried boxes of schools supplies and more than 100 assorted books to set up a community library.

CBS DEPEDVENTURE: ALAY SA MGA GURO

CBS paid tribute to the men and women engaged in the “most noble profession” at the first CBS DepEdVenture: Alay sa mga Guro at Le Pavillon Metropolitan Park in Pasay City on October 6. DepEdVenture is a whole-day fete packed with leisure and learning activities, in commemoration of National Teacher’s Month and World Teachers Day. This year’s event was attended by 600 teachers and non-teaching staff from 59 public schools across Metro Manila. Highlight of the event was the exclusive seminar on financial wellness. The seminar was motivated by a Social Weather Station survey that showed nine out of 10 Filipinos experience cash shortage in the last 12 months. Forty-nine percent of those surveyed expressed openness to enhancing their knowledge on financial management. The seminar featured by financial adviser Rex Mendoza, founder and CEO of the biggest non-bank distributor of mutual funds in the Philippines. Among the takeaways from the seminar were the importance of financial discipline, the value of education and training as risk-free investment, and the role of goal-setting in personal wealth building.

BRIGADA ESKWELA

CBS supports the goal of providing clean, safe and learner-friendly school facilities and improving the quality of public education in the country. The Bank is a regular participant of the annual Brigada Eskwela volunteer drive of the DepEd to prepare campuses for the start of each school year.

In May 2017, CBS mobilized volunteers to help refurbish classrooms and facilities in 40 public elementary and high schools in 15 provinces, covering nine DepEd divisions from Aparri, Cagayan in far North Luzon down south to Davao and Sarangani in Mindanao. The nationwide, coordinated activity involved 200 CBS executives and staff, working alongside teachers, students and parents. The Bank also donated paint supplies, cleaning aids, and distributed snacks and refreshments to fellow volunteers.

MARAWI EMERGENCY RESPONSE

CBS rallied to the urgent appeal of the DepEd for aid to teachers and primary school students of Marawi displaced by the months-long battle between government troops and insurgents. The Bank turned over a CBS Tulong Sa Marawi emergency relief package consisting of 200 student starter kits, 200 basic teaching kits, 100 hygiene kits, five boxes of slippers and a box of clothing donated by CBS employees.

CBS employees in branches and business centers based in the Visayas also participated in a funds-raising event organized by the Bankers Club of Negros Occidental for displaced Marawi

residents. CBS employees raised ₱10,000 for the Let's Help Build Marawi fund in Bacolod City.

BUSOG LUSOG SA TONDO

In observance of national Nutrition Month, CBS organized a Busog Lusog nutrition activity for Grade 1 pupils of Lakandula Elementary School in Tondo, Manila in August 2017. The project is part of the Bank's effort to promote healthy diet in aid of improving children's performance in school. Busog Lusog is the Bank's contribution to the observance of the country's observance of the 43rd Nutrition Month themed Healthy Diet Gawing Habit for Life!

COMPUTERS FOR SCHOOLS

CBS facilitated the donation of over 30 refurbished desktop computers and related hardware from the Parent Bank to partner public schools. The donations were made in support of the DepEd mandate to foster information and communications technology education among public school students. The computers were delivered to Nagkaisang Nayon Elementary School in Quezon City, Moonwalk National High School in Parañaque City, San Fernando Elementary School in Pampanga, and Santor Elementary School in Malolos City, Bulacan.

CHRISTMAS DRIVE FOR HOMELESS FAMILIES

Recognizing that Metro Manila is one of the cities in the world with the highest concentration of street-homeless, with more than 70,000 children sleeping in the rough and cold of the country's wealthiest metropolis, CBS together with friends from Emerson Commercial & Residences Solutions initiated the Regalong Pamasko para sa Pamilyang Walang Tahanan. CBS and friends ventured out in the night before Christmas to distribute 144 comfort packages to homeless families living on sidewalks of Manila's scenic Roxas Boulevard. Each package includes rice, canned goods, pasta and noodle packs, biscuits, sweets, juice mix and drinking water, plus a gift of toys and clothing.

PART V. EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS

(a) Exhibits

- Exhibit 1** Statement of Management's Responsibility
Exhibit 2 Audited Financial Statements as of December 31, 2017 and 2016
Exhibit 3 Supplementary Schedules
 a Independent Auditors' Report on Supplementary Schedules
 b Schedules Required under Securities Regulation Code Rule 68

(b) Reports on SEC Form 17-C

	REPORT	DATE REPORTED
1	<p>a. Retirement of Mr. Jaime Valentin L. Araneta, Operations Group Head with the rank of Executive Vice President effective September 1, 2016.</p> <p>b. Appointment of Mr. Amorsolo R. Camara, Jr. as Chief Compliance Officer (CCO) of China Bank Savings, Inc. with the rank of Assistant Vice President effective February 16, 2017. (Withdrawal of application approved by the Board on June 15, 2017).</p> <p>c. Resignation of Mr. Ramon R. Zamora, Director of China Bank Savings, Inc. effective December 31, 2016.</p> <p>d. Election of the following as new members of the Board in replacement of Messrs. Antonio S. Espedido and Carlos M. Borromeo, the following:</p> <p style="padding-left: 20px;">i. Mr. William C. Whang</p> <p style="padding-left: 20px;">ii. Mr. Jose L. Osmena, Jr.</p> <p>e. Appointment as member/s to the following Board Oversight Committees:</p> <p style="padding-left: 20px;">i. Mr. William C. Whang</p> <p style="padding-left: 40px;">▪ Risk Management Committee</p> <p style="padding-left: 40px;">▪ Corporate Governance Committee</p> <p style="padding-left: 40px;">▪ Trust Committee</p> <p style="padding-left: 40px;">▪ Retirement Committee</p> <p style="padding-left: 40px;">▪ Nominations and Personnel Committee</p> <p style="padding-left: 20px;">ii. Mr. Mr. Jose L. Osmena, Jr.</p> <p style="padding-left: 40px;">▪ Executive Committee</p> <p style="padding-left: 40px;">▪ Trust Committee</p> <p style="padding-left: 40px;">▪ Retirement Committee</p>	24-Jan-2017
2	Appointment of Mr. Agerico Agustin, National Sales Director under Branch Banking Group (BBG) with the rank of First Vice President II effective March 1, 2017.	21-Feb-2017

	REPORT	DATE REPORTED
3	<ul style="list-style-type: none"> a. Appointment of Mr. Agerico G. Agustin as Branch Banking Group Deputy Head with the rank of First Vice President II effective June 16, 2017. b. Interlocking Independent Directorship of Mr. Roberto F. Kuan in China Bank Savings, Inc. and in Towers Watson Insurance Brokers Philippine Inc. (TWIBPI). c. Appointment of Atty. Odel S. Janda as Acting Corporate Secretary effective June 16, 2017. 	30-Jun-2017
4	<p>Setting of the Bank's 2017 Annual Stockholders' Meeting duly approved by the majority of the members of the Board of Directors by referendum on October 26, 2017, as follows:</p> <ul style="list-style-type: none"> a) December 14, 2017 or December 21, 2017 at 10:00 A.M. – as the Corporation's Annual Stockholders' meeting. (The date will depend on when the Audited FS will be made available for the filing of the Preliminary and Definitive Statements with SEC.) b) November 15, 2017 – as record date on and for the determination of those entitled to notice of and vote at the Annual Stockholders' Meeting; and c) September 30, 2017 – as the closing of the Corporation's Stock Transfer books. <p>The Board finally fixed the 2017 Annual Stockholders' Meeting to December 14, 2017 at 10:00 AM.</p>	20-Nov-2017
5	<ul style="list-style-type: none"> a. Resignation of Atty. Edgar D. Dumlao as Corporate Secretary of China Bank Savings, Inc. effective December 31, 2017. b. Election/re-election of the following as members of the Board of Directors: <ul style="list-style-type: none"> ▪ Mr. Ricardo R. Chua – Director ▪ Mrs. Nancy D. Yang – Director ▪ Mr. Alberto Emilio V. Ramos – Director ▪ Mr. Alexander C. Escucha – Director ▪ Mrs. Rosemarie C. Gan – Director ▪ Mr. Alberto S. Yao – Independent Director ▪ Mr. Roberto F. Kuan – Independent Director ▪ Mrs. Margarita L. San Juan – Independent Director ▪ Mr. William C. Whang – Director ▪ Mr. Jose L. Osmeña, Jr. – Director ▪ Mr. Patrick D. Cheng - Director c. Retention of SyCip Gorres Velayo & Co. (SGV) as the Corporation's external auditor for the Fiscal Year 2017-2018, and the appointment of Mr. Ray Francis C. Balagtas as the new partner-in-charge assigned to the Corporation for the ensuing year. 	19-Dec-2017

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned in the City of Makati on this ____ day of _____ 2018.

CHINA BANK SAVINGS, INC.

By:


ALBERTO EMILIO V. RAMOS
President


LUIS BERNARDO A. PUHAWAN
Controller



JAMES CHRISTIAN T. DEE
Treasurer


Atty. ODEL S. JANDA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of APR 12 2018 2018 at Makati City, affiants exhibited to me their government issued identification cards, as follows:

NAME	NUMBER
Alberto Emilio V. Ramos	SSS No. 03-6734669-8
James Christian T. Dee	SSS No. 33-49988673
Luis Bernardo A. Puhawan	Unified Multi-Purpose ID No. CRN-0033-4600510-6
Odel S. Janda	IBP No. 32346

Doc. No. 46;
Page No. 9;
Book No. XCV
Series of 2018.


SUPERV. ASTA, JR.
Notary Public until Dec. 31, 2019
Appointment No. M-51 (2018-2019)
Roll No. 31602 IBP Lifetime No. 04288
MCLE Compliance No. V-0003378 04/14/19
PTR No. 6615037 Makati 01/03/18
314 Sen. Gil Puyat Ave., Makati