COVER SHEET

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S.E.C Registration Number

C I T Y S T A T E S A V I N G S B A N K I N C .

(Company's Full Name)

C I T Y S T A T E C E N T R E B U I L D I N G

7 0 9 S H A W B O U L E V A R D P A S I G C I T Y

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

ARIEL V. AJESTA	8470-3333
Contact Person	Company Telephone Number

1 2	3 1	17-A		
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

GSED

Secondary License Type, If Applicable

C RM D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D

Cashier

S T A M P S

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, 2020

2. SEC Identification Number A1997-9587 3. BIR Tax Identification No. 005-338-421-000

4. Exact name of issuer as specified in its charter Citystate Savings Bank, Inc.

5. Makati City, Metro Manila, Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. Citystate Centre Building, 709 Shaw Boulevard, Pasig City 1600 .
   Address of principal office Postal Code

8. (632) 8470-3333
   Issuer's telephone number, including area code

9. NA
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	100,000,000

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [✓] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange — Common Stock

12. Check whether the issuer:

(a) has filed all 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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

The aggregate market value of the voting stock held by non-affiliates of the registrant amounted to P157,821,290 representing 15,782,129 common shares valued at the current market price of P8.48 per share.

Non-affiliates are assumed to be individuals who directly invested with the registrant.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [✓]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders; Part II, Item 7. Financial Statements.

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Citystate Savings Bank, Inc. (CSBI) was registered with the SEC on May 20, 1997 with authorized capital stock of P1.0 billion divided into 100,000,000 common shares at a par value of P10.00 per share. The Monetary Board of the BSP granted the bank a license to operate as a thrift bank on August 7, 1997. Thereafter, CSBI began its banking operation on August 8, 1997.

Aside from the traditional products and services offered by a thrift bank, CSBI offers a wide range of banking services, such as but not limited to innovative deposit products and services, cash management, onsite/offsite ATM facilities, corporate and retail banking, and treasury services. These products and services are marketed bank wide through its thirty (30) branches/offices established mostly in Metro Manila and some in provincial branches. The bank caters to the needs of corporate, middle market and retail clients.

In its credit and financing business, the bank provides a venue for consumer/personal loans by accepting jewelry for instant cash loans, aside from its own lending activities of servicing commercial loans, real estate and development loans, auto loan financing, salary loans, agricultural loans and a host of other financial services.

At present, the bank's distribution network for its products and services is carried out through its network of thirty (30) branches/offices comprised of twenty one (21) in Metro Manila, three (3) in Bulacan, one (1) in Dagupan, one (1) in Batangas, one (1) in Urdaneta, Pangasinan, one (1) in Cebu City, one (1) in Puerto Princesa City, Palawan and one (1) in Sta. Rosa City, Laguna . These branches are each manned by a Business Manager as marketing head and supported by branch operations officer and staff. The bank also has a total of thirty seven (37) ATMs installed on sites and off sites and fully operational twenty-four (24) hours a day.

In the development of new products and services, the bank relied mainly with internal talents from its marketing department and no specific amount was spent to conceptualize customer-centric products and services.

For marketing purposes, the bank can tap the customers and employees of its related parties. Loans granted and deposit accounts of related parties maintained in the bank are treated uniformly like any other client of the bank. Loans granted to its directors, officers, stockholders or related interests (DOSRI) are subject to Bangko Sentral ng Pilipinas (BSP) examination and reportorial requirements. More information on the related party transactions are found in ITEM 12 of this report.

The bank was officially included in the list of Government Securities Eligible Dealers (GSEDs) and was allowed to participate in the electronic auction of government securities through the Automated Debt Auction Processing Systems (ADAPS).

Pursuant to further enhancing the bank's delivery system, the Bangko Sentral ng Pilipinas (BSP) authorized CSBI to operate an FCDU and to perform trust and other fiduciary business on November 08, 2006.

In terms of manpower complement, CSBI employs two hundred fifty-six (256) personnel as of December 31, 2020. At present, there is no existing labor union in the Bank and there is no collective bargaining agreement (CBA) between Management and employees as both parties maintain very cordial relationships since the start of the bank operation. Therefore, the Bank is not at all threatened by any labor dispute with its employees.

For its supplemental benefits to its employees, CSBI grants to all regular and probationary employees a Christmas bonus on top of the 13th month pay mandated by the government. All regular employees as of December 31 of the previous year are granted an annual medicine and optical allowance of Php2,500.00 paid every January of each year. Furthermore, all employees are covered by a hospitalization insurance plan under the Group Term Insurance Policy of Fortune Medicare and life insurance under the Group Life Insurance Program of Fortune Life Insurance. The bank also offers in-house training for officers and staff; performance-based merit increases; and job promotions.

PATENTS, TRADEMARKS LICENSES, FRANCHISES, CONCESSIONS, ROYALTY AGREEMENT OR LABOR CONTRACTS INCLUDING DURATION

None

RISK MANAGEMENT

Risk is an integral part of the Bank's business activities and sound risk management is essential in attaining its mission and vision. Comprehensive policies and procedures were developed and implemented to identify, assess, mitigate, monitor, and manage the various types of risk involved the Bank's activities. These risks include credit, market, interest rate, liquidity, operations, legal, and compliance.

The Bank is committed to ensure high level of risk awareness throughout the organization to maximize profit and minimize unexpected losses.

RISK MANAGEMENT SYSTEM AND STRUCTURE

The Bank has established control mechanisms at various levels within the firm to ensure high standards of risk management. Department heads have the primary responsibility for managing risks. They regularly review activities and material changes to ensure that significant risks are identified, monitored, and managed throughout the firm and that appropriate control procedures are in place. To accomplish this, the Bank has established a risk management process.

The Bank has established a Risk Oversight Committee to assist in monitoring and reviewing the Bank's risk management practices. The Risk Oversight Committee was created to manage and monitor specific risks, review the risk monitoring and risk management policies and procedures relating to the Bank's credit risk profile, bank practices, pricing of consumer and commercial loans and reserve adequacy, legal enforceability and operational and systems risks. In addition, the Internal Audit Department which also reports to the Board of Directors, periodically examines and evaluates the Bank's operation and control environment.

While no risk management system can ever be absolutely complete, the goal of the Risk Oversight Committee is to make certain that risk-related losses occur within acceptable, predefined levels.

INFORMATION ON RISK EXPOSURES

1. Credit Risk - Credit risk is the largest single risk that the bank faces. This occurs when an obligor fails to meet the terms of any contract with the bank or otherwise fails to perform as agreed. Credit policies and practices of the bank are generally sound. Credit ratios all fall within manageable level.

2. Market Risk – Market risk is the possibility of loss due to changes in market prices and rates, the correlations among them and their levels of volatility. It involves liquidity and price risk. Both risks are managed thru a common structure and process but use separate conceptual and measurement frameworks that are compatible with each other. The bank applies various form of Value-at-Risk (VAR) methodology to the trading book and balance sheet.

3. Liquidity Risk – Liquidity risk refers to the risk of not having sufficient cash and borrowing capacity to meet depositors' withdrawals, net loan demand and other cash requirements. The bank has maintained adequate reserve position and has been a consistent interbank lender. It has not resorted to external borrowings and has a balanced source of funding from deposits and capital.

4. Operational Risk – Operational risk refers to the risk to earnings or capitals arising from problems with service or product delivery and/or breakdowns in policies and controls for ensuring the proper functioning of people, contracts, systems, and facilities. The bank has created and maintained an operating environment that ensures and protects the integrity of the company's assets, transactions, records and data.

5. Legal Risk – Legal risk occurs when the bank does not comply with all applicable laws and regulations and therefore, exposes the bank to possible civil, criminal and/or administrative sanctions as well as unfavorable publicity and the risk that a counterparty's performance obligations will be unenforceable. The bank has its own legal department handling cases filed by/against it. As represented by management, pending legal cases are limited to collection cases.

6. Compliance Risk – Compliance risk refers to risk to earnings or capital arising from violations of or non-conformance with laws, rules, regulations, prescribed practices, or ethical standards. The bank has a separate Compliance Department that handles all compliance issues with BSP, SEC, and PSE.

ITEM 2. DESCRIPTION OF PROPERTY

The principal office of the bank is located at the 2nd floor of the Citystate Centre Building, 709 Shaw Boulevard, Pasig City, Metro Manila. The bank owns approximately a total of 1,188 square meters of the office space in the said building which comprised a total of nine (9) condominium units. The condominium units owned by the bank are unit numbers 101 to 102 at the first floor, and unit numbers 201-202 and 208 to 212 at the second floor. Ownership in and to the condominium units of the bank is represented under Condominium Certificate of Title (CCT) numbers PT-34879 to 87. There is no existing mortgage or lien on the condominium units aforementioned.

The bank leases the office spaces of its eleven (11) branches from its affiliates, namely, ALC Realty Development Corporation, Filipinas Pawnshop, Inc., Citystate Tower Hotel, Inc., ALC Baliwag Cinema, Aliw Cinema Complex, Inc., AMB. ALC Holdings & Management Corporation, Fortune Life Insurance Co., Inc., and Eternal Gardens Memorial Corporation-Batangas. By agreement, all lease payments to said affiliates were waived for the years 1999, 2000, 2001, 2002 and 2003. The existing lease contracts of the bank are as follows:

For its **Antipolo Branch,** the bank leases the office space from **Francisco Alarcon & Vivencio L. Espiritu** for a period of five (5) years, commencing on June 13, 2017 and ending on June 13, 2022.

TERM	*Monthly Rental*
First Year	74,537.81
Second Year	80,128.15
Third Year	80,128.15
Fourth Year	86,137.76
Fifth Year	86,137.76

For its **Baclaran Branch,** the bank leases the office space from **Protacio Medical Services Inc.** for a period of one (1) year, commencing on January 1, 2021 and ending on December 31, 2021.

TERM	*Monthly Rental*
One Year	111,126.40

For its **Baliuag Branch,** the bank leases the office space from **ALC Baliwag Cinema & Shopping Complex Inc.** for a period of eight (8) years, commencing on January 16, 2016 and ending on January 15, 2024.

TERM	*Monthly Rental*
First Year	81,485.60
Second Year	89,634.16
Third Year	98,597.58
Fourth Year	108,457.33
Fifth Year	119,303.07
Sixth Year	131,233.37
Seventh Year	144,356.71
Eighth Year	158,792.38

For its **Binondo Branch,** the bank leases the office space from **Harland Corporation** for a period of two (2) years, commencing on January 1, 2020 and ending on January 1, 2022.

TERM	*Monthly Rental*
First Year	109,496.80
Second Year	114,971.64

For its **Blumentritt Branch,** the bank leases the office space from **Mrs. Ofelia E. Duque** for a period of one (1) year, commencing on January 1, 2021 and ending on December 31, 2021.

TERM	*Monthly Rental*
One year	60,000.00

For its **Caloocan Branch,** the bank leases the office space from **Stronghold Four Leasing Corporation** for a period of ten (10) years, commencing on January 01, 2015 and ending on December 31, 2024.

TERM	*Monthly Rental*
First Year	134,400.00
Second Year	134,400.00
Third Year	141,120.00
Fourth Year	148,176.00
Fifth Year	155,584.80
Sixth Year	163,364.04
Seventh Year	171,532.24
Eighth Year	180,108.85
Ninth Year	189,114.30
Tenth Year	198,570.01

Error! Not a valid link. For its **Chino Roces Branch,** the bank leases the office space from **ALC Realty Development Corporation** for a period of eight (8) years, commencing on January 16, 2016 and ending on January 15, 2024.

TERM	*Monthly Rental*
First Year	197,377.60
Second Year	197,377.60
Third Year	197,377.60
Fourth Year	207,246.48
Fifth Year	217,608.80
Sixth Year	228,489.24
Seventh Year	239,913.71
Eighth Year	251,909.39

For its **Dagupan Branch,** the bank leases the office space from **Amb. ALC Holdings & Management Corporation** for a period of twenty (20) years, commencing on May 15, 2013 to May 14, 2033.

TERM	*Monthly Rental*
First Year	49,732.00
Second Year	61,269.82
Third Year	67,396.81
Fourth Year	74,136.49
Fifth Year	81,550.14
Sixth Year	89,705.15
Seventh Year	98,675.66
Eight Year	108,543.23
Ninth Year	119,397.55
Tenth Year	131,337.31

For its **Greenhills Branch,** the bank leases the office space from **MEDECOR Philippines Inc.** for a period of two (2) years, commencing on July 19, 2019 and ending on July 18, 2021.

TERM	*Monthly Rental*
One year	152,808.16
Second Year	160,448.57

For its **Guadalupe Branch,** the bank leases the office space from **Filipinas Pawnshop Inc.** for a period of one (1) year, commencing on January 16, 2020 and ending on January 15, 2021.

TERM	*Monthly Rental*
One Year	80,686.14

For its **Katipunan Branch,** the bank leases the office space from **A. Guerrero Devt., Corporation** for a period of one (5) years, commencing on April 1, 2019 and ending on March 31, 2024.

TERM	*Monthly Rental*
One Year	92,400.00
Second Year	92,400.00
Third Year	97,020.00
Fourth Year	101,871.00
Fifth Year	106,964.55

For its **Las Pinas Branch,** the bank leases the office space from **Elena R. Guinto with represented herein by their duly authorized Attorney-in-fact Maximiano R. Guinto** for a period of five (5) years, commencing on May 15, 2017 and ending on May 15, 2022.

TERM	*Monthly Rental*
First Year	117,894.74
Second Year	117,894.74
Third Year	123,789.47
Fourth Year	129,978.95
Fifth Year	136,477.89

For its **Mabini Branch,** the bank leases the office space from **Citystate Tower Hotel** for a period of Three (3) years, commencing on January 1, 2019 and ending on January 1, 2023.

TERM	*Monthly Rental*
One Year	77,380.80
Second Year	81,249.84
Third Year	85,312.33

For its **Meycauayan Branch,** the bank leases the office space from **ALC Aliw Cinema Complex Inc.** for a period of eight (8) years, commencing on January 16, 2016 and ending on January 15, 2024.

TERM	*Monthly Rental*
First Year	97,070.40
Second Year	106,777.44
Third Year	117,455.18
Fourth Year	129,200.70
Fifth Year	142,120.77
Sixth Year	156,332.85
Seventh Year	171,966.13
Eighth Year	189,162.75

For its **Muntinlupa Branch,** the bank leases the office space from **Jaysons Realty & Development Corp.** for a period of two (2) year, commencing on November 15, 2019 and ending on November 14, 2021.

TERM	*Monthly Rental*
One Year	76,937.28

For its **New Panaderos Branch,** the bank leases the office space from **ALC Realty Development Corporation** for a period of eight (8) years, commencing on January 16, 2016 and ending on January 15, 2024.

TERM	*Monthly Rental*
First Year	114,206.40
Second Year	119,916.72
Third Year	125,627.04
Fourth Year	125,627.04
Fifth Year	131,908.39
Sixth Year	138,503.81
Seventh Year	145,429.00
Eighth Year	152,700.45

For its **Paco Branch,** the bank leases the office space from **Filipinas Pawnshop Inc.** for a period of ten (10) years, commencing on January 16, 2014 and ending on January 15, 2024.

TERM	*Monthly Rental*
First Year	159,774.53
Second Year	175,751.98
Third Year	193,327.18
Fourth Year	212,659.90
Fifth Year	137,521.44
Sixth Year	144,397.51
Seventh Year	151,617.39
Eight Year	159,198.26
Ninth Year	167,158.17
Tenth Year	175,516.08

For its **Pasay Taft Branch,** the bank leases the office space from **ALC Realty Development Corporation** for a period of seven (7) years, commencing on May 15, 2017 and ending on January 15, 2024.

TERM	Monthly Rental

First Year	147,840.00
Second Year	155,232.00
Third Year	162,993.60
Fourth Year	171,143.28
Fifth Year	179,700.44
Sixth Year	188,685.47
Seventh Year	198,119.74

For its **Perea Branch,** the bank leases the office space from **Gervasia Enterprises & Realty Corp.** for a period of first (1) year, commencing on January 16, 2021 and ending on January 15, 2022.

TERM	*Monthly Rental*
First Year	146,720.00
	5,806.08

For its **Puerto Princesa Branch,** the bank leases the office space from **Fortune Life Insurance, Co., Inc.** for a period of three (3) years, commencing on September 01, 2020 and ending on August 31, 2023.

TERM	*Monthly Rental*
First Year	102,412.46
Second Year	107,533.09
Third Year	112,909.74

For its **Sta. Lucia Mall Branch,** the bank leases the office space from **Sta. Lucia East Commercial Corp.** for a period of one (1) year, commencing on October 1, 2020 and ending on September 30, 2021.

TERM	*Monthly Rental*
One Year	128,768.64
	22,939.13

For its **Taguig Branch,** the bank leases the office space from **Bonnie E. Garcia** and **Anicia V. Garcia** for a period of ten (10) years, commencing on July 7, 2011 and ending on July 6, 2021.

TERM	*Monthly Rental*
First Year	44,800.00
Second Year	44,800.00
Third Year	49,280.00
Fourth Year	54,208.00
Fifth Year	59,628.80
Sixth Year	65,591.68
Seventh Year	72,150.85
Eighth Year	79,365.93
Ninth Year	87,302.53
Tenth Year	96,032.78

For its **Sta. Rosa Branch,** the bank leases the lot from **Eternal Gardens Memorial**

Corporation-Batangas for a period of five (25) years, commencing on August 04, 2015 and ending on August 05, 2040

TERM	*Monthly Rental*
First Year	44,800.00
Second Year	47,040.00
Third Year	49,392.00
Fourth Year	51,861.60
Fifth Year	54,454.68
Sixth Year	57,177.41
Seventh Year	60,036.28
Eight Year	63,038.10
Ninth Year	66,190.00
Tenth Year	69,499.50

The bank has no intention of acquiring any property in the next twelve (12) months.

ITEM 3. LEGAL PROCEEDINGS

Other than ordinary and routine litigation matters that are incidental to the usual and normal course of its business, the bank is not involved in any litigation that may materially affect its regular operations.

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

This requirement is not applicable as there was no issue on any matter submitted to a vote of security holders during the whole period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information:

    a. The registrant's shares are traded in the Philippine Stock Exchange, Inc. (PSE) after its listing on November 28, 2001. The high and low market prices in 2019 & 2020 are as follows:

QUARTERLY	***HIGH***		***LOW***	
	2019	***2020***	***2019***	***2020***
First Quarter	7.60	8.49	5.03	6.21
Second Quarter	8.49	8.44	6.74	6.27
Third Quarter	7.98	8.49	4.52	6.50
Fourth Quarter	8.49	8.50	6.12	5.80

For the interim period in 2021, the following are the high and low market prices of CSBIs shares of stocks:

MONTH	***HIGH***	***LOW***
January 2021	8.49	7.41

February 2021	8.49	7.85
March 2021	8:20	7:99
April	8.49	8.09

b. Dividends Declared for the Last Five (5) years:

- In 2001, 2002, 2003, 2004 and 2005 cash dividends amounting to P330,000.00, P660,000.00, P882,000.00, P882,000.00 and another P882,000.00 respectively were declared, approved by BSP and paid by the bank.

- In 2006, a 10% stock dividend equivalent to 6,614,998 shares and cash dividend amounting to P1,984,520.00 were declared, approved by BSP and paid by the bank.

- In 2007, cash dividend declared was 3/10 of 1% of the par value per share or Php 0.03 per share.

- In 2008, cash dividend declared was 3/10 of 1% of the par value per share or Php 0.03 per share.

- In 2009, cash dividend declared was 3/10 of 1% of the par value per share or Php 0.03 per share.

- All cash dividends declarations are subject to Bangko Sentral ng Pilipinas approval.

As of June 30, 2020 the stocks are trading at P8.44 per share

2a. <u>Holders (before PSE listing)</u>

On March 7, 2001, the bank's Board of Directors and stockholders approved the application of the bank for the initial public offering of its shares of stock with the PSE. The bank's application for listing of its common stocks was approved by the BSP and PSE, on July 16, 2001 and November 14, 2001, respectively. The application is for the initial listing of 44,100,000 common shares, with par value of P10 per share, of which 11,100,000 common shares were primary offering at an offer price range of P10.25 to P11.55 per share. Subsequently, on November 28, 2001, the bank received the certificate of permit to offer securities for sale from SEC consisting of 11,100,000 common shares with par value of P10 per share at an offer price of P11.55 per share.

Before the PSE listing, the total paid up capital of the bank is P330, 000,000.00, with a total of 33,000,000 Shares issued and outstanding. The shareholders of the bank, and their percentage ownership relative to the total issued and outstanding capital stock of the Bank are represented in the following table:

Top 20 Stockholders

Shareholder	Number of Shares Owned	Percent to Total	Nationality
Estate of the late Amb. Antonio L. Cabangon Chua	7,500,000	22.73%	Filipino
D. Alfred A. Cabangon	5,000,000	15.15%	Filipino
Eternal Plans, Inc.	5,000,000	15.15%	Filipino
ALC Fortune Corporation	4,549,996	13.79%	Filipino
Fortune Guarantee & Insurance Corp.	3,500,000	10.61%	Filipino
Newstate Investment Pte. Ltd.	2,999,997	9.09%	Singaporean
Fortune Life Insurance Co., Inc.	2,400,000	7.27%	Filipino
Alfonso G. Siy	1,000,000	3.03%	Filipino
Joaquin T. Venus, Jr.	500,000	1.52%	Filipino
Feorelio M. Bote	250,000	0.76%	Filipino
Armando C. Trinidad	200,000	0.61%	Filipino
Vicente M. Santiago, Jr.	100,000	0.30%	Filipino
Godofredo C. Uy-Tioco	1	0.00%	Filipino
J. Wilfredo A. Cabangon	1	0.00%	Filipino
D. Arnold A. Cabangon	1	0.00%	Filipino
Benjamin V. Ramos	1	0.00%	Filipino
Leow Siak Fah	1	0.00%	Malaysian
Leow Tze Wen	1	0.00%	Singaporean
Anthony Tan	1	0.00%	Singaporean
Total	**33,000,000**	**100.00%**	

Shares of stock owned by Eternal Plans Inc., ALC Fortune Corporation, Fortune Guarantee & Insurance Corp., Newstate Investment PTE. LTD., and Fortune Life Insurance Co., Inc. were represented and voted for by the late Ambassador Antonio L. Cabangon-Chua, Benjamin V. Ramos and J. Wilfredo A. Cabangon, Leow Siak Fah, and D. Arnold A. Cabangon, respectively.

In compliance with the PSE's Rules and Regulations, all existing stockholders of the bank have voluntarily agreed not to sell or otherwise dispose of their shareholdings within the period of two (2) years from the date of listing of Bank's Shares.

There is no equity ownership of foreigners on a per class basis.

2b. Holders (after PSE listing)

After the PSE listing, the offered shares of 11,100,000 common shares were all subscribed by about 560 investors.

As of December 31, 2020, the Bank has fifty eight (49) shareholders on record and the top twenty (20) shareholders are as follows:

Top 20 Stockholders

	Shareholder	No. of Shares Owned	Percent to Total	Nationality
1.	PCD Nominee Corporation	68,547,141	68.55%	Filipino
2.	Estate of Amb. Antonio L. Cabangon-Chua	8,657,114	08.66%	Filipino
3.	Antonio L. Cabangon-Chua	5,445,000	05.45 %	Filipino
4.	Fortune Life Insurance Co., Inc.	5,099,250	05.10 %	Filipino
5.	Gencars – Batangas, Inc.	2,846,250	02.85 %	Filipino
6.	Eternal Plans, Inc.	2,641,700	02.64%	Filipino
7.	D. Edgard A. Cabangon	2,143,350	02.14 %	Filipino
8.	Alfonso G. Siy	1,650,000	01.65 %	Filipino
9.	Gencars - San Pablo, Inc.	726,000	00.73%	Filipino
10.	Grist, Dominga Analyn C. In Trust For: Sarah C. Grist	550,000	00.55%	Filipino
11.	Grist, Dominga Analyn C. In Trust For: Zachary C. Grist	550,000	00.55%	Filipino
12.	Bote, Feorelio M.	412,500	00.41%	Filipino
13.	Aliw Broadcasting Corporation	267,300	00.27%	Filipino
14.	D. Antoinette C. Cabangon-Jacinto	221,100	00.22%	Filipino
15.	Vicente M. Santiago, Jr.	110,000	00.11%	Filipino
16.	Anthony Tan	82,501	00.08%	Filipino
17.	Antonio A. Cabangon Jr., ITF Amarra Ysabella T. Cabangon	12,987	00.01%	Filipino
18.	PCD Nominee Corporation (Foreign)	5,002	00.01%	Filipino
19.	Benjamin V. Ramos	4,951	00.00%	Filipino
20.	Evelyn V. Zara	4,400	00.00%	Filipino
		99,976,546	99.98%	

3. Dividends

CSBI is authorized to distribute dividends out of its surplus profit, in cash, properties of the Bank, shares of stock, and/or securities of other companies belonging to the Bank subject to certain BSP rules and regulations. In 1999, the Bank declared cash dividends amounting to P594, 750.00 to its shareholders on record as of April 27, 1999. The said dividend declaration was approved by the BSP on February 24, 2000 and was remitted by the Bank to its shareholders on April 11, 2001. The ability to pay dividends, however, will be dependent on the Bank's retained earnings and financial condition. On November 29, 2001, the Bank's board of directors approved the declaration of cash dividends equivalent to one-tenth of one percent of the par value of each issued and outstanding share as of December 31, 2000 or a total of P330, 000.00. Subsequently, on August 27, 2002, the Board of Directors approved the additional declaration of cash dividends equivalent to 2/10 of 1% of the par value of each issued and outstanding share as of December 31, 2001 or a total of P660, 000.00.

On December 17, 2003, the bank's Board of Directors approved the declaration of cash dividends equivalent to P882, 000.00 for stockholders of record 30 days from the receipt of the approval of the BSP of such declaration. Subsequently, on February 13, 2004, the bank received the BSP's approval on the cash dividend declaration. The total cash dividends declared was already paid as of December 31, 2004.

On May 25, 2004 the bank's Board of Directors approved the declaration of cash dividends amounting to P882, 000.00 to stockholders as of record date July 21, 2004. BSP approved the cash dividend declaration on June 18, 2004. As of December 31, 2004, the bank already paid P804, 437.00 of the total cash dividend declared.

On June 28, 2005 the bank's Board of Directors approved the declaration of cash dividends amounting to P882, 000.00 to stockholders as of record date September 10, 2005. BSP approved the cash dividend declaration on August 11, 2005. The total cash dividends declared was already paid as of December 31, 2005.

On September 14, 2006, the bank's Board of Directors approved the declaration of cash dividends and 10% stock dividends amounting to P1,984,520 and P66,149,980, respectively, to stockholders of record, thirty (30) days from the receipt of the approval of BSP of such dividend declaration. BSP approved the dividend declaration on October 25, 2006 and was paid on December 20, 2006.

On May 29, 2007, the Board of Directors of CSB has approved the declaration of cash dividends amounting to 3/10 of 1% of the par value per share or Php 0.03 per share for stockholders of record, thirty (30) days from receipt of the approval by the Bangko Sentral ng Pilipinas of such dividend declaration. BSP approved the dividend declaration on August 21, 2007 and paid the total amount of P2, 182,950 on October 15, 2007.

On May 27, 2008, the Board of Directors of CSB has approved the declaration of cash dividends amounting to 3/10 of 1% of the par value per share or Php 0.03 per share for stockholders of record, thirty (30) days from receipt of the approval by the Bangko Sentral ng Pilipinas of such dividend declaration. BSP approved the dividend declaration on September 17, 2008 and paid the total amount of P2, 182,950 on November 6, 2008.

On May 26, 2009, the Board of Directors of CSB has approved the declaration of cash dividends amounting to 3/10 of 1% of the par value per share or Php 0.03 per share for stockholders of record, thirty (30) days from receipt of the approval by the Bangko Sentral ng Pilipinas of such dividend declaration. BSP approved the dividend declaration on August 4, 2010 and paid the total amount of P2, 182,950 on September 23, 2010.

4. Recent Sales of Unregistered Securities

The Bank has not sold any unregistered securities for the past 3 years and therefore it has nothing to disclose under this Section of this report.

ITEM 6. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PAST PERFORMANCE

The following management's discussion and analysis of past performance should be read in conjunction with the audited financial statements attached as Annex I of this report.

FINANCIAL HIGHLIGHTS

Key Operating and Financial Indicators	2018	2019	2020
Number of Branches / Cash Unit	30	30	30
Number of Employee	282	290	256
***********************************	-	-	
Cash	60,300	62,110	49,951
Due from BSP and Other Banks	798,920	739,505	1,342,047
Available-For-Sale-Securities	-	-	-
Financial assets at FVOCI	418,634	308,008	341,262
HTC financial assets	72,178	74,680	321,847
Loans and Receivables	1,843,895	2,228,672	2,237,665
Total Resources	3,817,108	4,074,145	5,014,632
Deposit Liabilities	3,085,331	3,283,308	3,694,621
Total Liabilities	3,162,621	3,438,263	4,371,046
Capital Funds	654,487	635,883	643,587
************************************	-	-	-
Net Interest Income	185,782	174,567	197,567
Fee-Based and Other Income	82,807	108,720	75,824
Net Income	-41,126	-22,742	5,324
************************************	-	-	-
Earnings per Share**	-0.41	-0.23	0.05
Book Value per Share*	6.77	6.36	6.44

(Amounts presented are in P'000, except per share figure)

*Based on Shares outstanding as of year-end

**Annualized Earnings per Share

Key Performance Indicators

The Bank monitors its performance with the other players in the banking industry in terms of the following indicators:

Key Performance Indicators	CSBI December 2020	INDUSTRY December 2020
Capital Adequacy		
Capital to Risk Ratio	13.66%	14.31%
Asset Quality		
Non-performing Loans (NPL) Ratio	7.75%	7.91%
Non-Performing Loans (NPL) Cover	109.57%	50.26%
Liquidity		
Loans to Deposit	57.33%	91.35%
Profitability		
Return on Average Equity	3.35%	5.97%
Net Interest Margin	5.44%	6.04%
Cost Efficiency		
Cost to Income	110.40%	61.99%

The Bank has a Capital Adequacy Ratio stood at 13.66% as compared with the Industry's 14.31%. The Bank's policy is to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's NPL ratio of 7.75%% is lowered compared with the industry's 7.91% comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Bank as 'non-performing', which is assessed consistently with the Bank's definition of default for each loan portfolio. The Bank recognizes a lifetime ECL for all credit-impaired financial assets. Allowance for probable losses over Non-performing loans is 109.57% versus the industry's 50.26%.

The Bank's loan to deposit ratio of 57.33%is lower compared with the thrift banking industry's 91.35% as it continues to be highly selective in its lending operation and improve on loan collection.

In terms of profitability, the bank is lower than the thrift banking industry with a Return on Ave. Equity (ROE) of 3.35%versus the industry of 5.97%. The bank continues to adopt measures to provide a strong and stable financial condition. Its Net Interest Margin is 5.44%as against the industry's 6.04%.

The manner by which the Bank calculates the above indicators is as follows:

Key Performance Indicator	*BSP Prescribed Formula*
Capital to Risk Assets Ratio	Total Qualifying Capital / Market and Credit Risk Weighted Exposures
Non-performing Loan (NPL) Ratio	Non-performing Loans / Gross Loans
Non-performing Loan (NPL) Cover	Allowance for Probable Losses / Non-performing Loans

Loans to Deposits Ratio	Total Loans / Total Deposits
Return on Average Equity	Net Income After Income Tax / Average Total Capital Accounts
Net Interest Margin	Net Interest Income / Average Interest Earning Assets
Cost to Income	Total Operating Expenses / Net Interest Income + Other Income

A schedule showing financial soundness indicators in two (2) comparative periods is as follows:

	December 2020	**December 2019**
1. Liquidity Ratio	0.38:1	0.24:1
2. Solvency Ratios		
a) current ratio	0.38:1	0.24:1
b) current liabilities to net worth ratio	5:74:1	5:16:1
3. Debt-to-equity ratio	6.79:1	5.41:1
4. Asset-to-equity ratio	7:79:1	6:41:1
5. Interest rate Coverage ratio	5:72:1	4.22:1
6. Profitability Ratio		
a) Return on Asset Ratio	0.11%	-0.56%
b) Return on Net Worth Ratio	0.83%	-3.58%

December 31, 2018

Interest Income
Gross Interest Income for the year ended December 31, 2018 amounted to P226.333 million from P216.253 million over the same period in 2017 for a 4.45% increase. Of the former amount, about 24.99% came from its Investment securities which amounted to P11.265 million and the rest were interest from Due from BSP and other banks which increased from P14.274 million to P23.265 million and lending operations which decrease from P192.965 million to P191.802 million.

Interest Expense
Interest Expense increased by 32.60% from P30.582 million in 2017 to P40.551 million for the period ending December 31, 2018.

Other Income
Other Income comprising of Service Charges and Fees and Miscellaneous Income posted a 17.67% increase in 2018, versus its performance in 2017. Increase in fee-based sources accounted for P15.828 million and increase in Miscellaneous Income is accounted for P66.980 million.

Other Expenses
Other operating expenses increased by 3.68% from P302.251 million in 2017 versus

P313.383 million in 2018. This was due to increase in Depreciation and amortization from P38.937 million to P40.489 million. Occupancy from P30.143 million to P36.445 million. Taxes and licenses from P17.582 million to P19.747million. Insurance from P14.100 million to P17.187million. Fuel and oil from P8.524 million to P8.892 million. Litigation and asset acquired expenses from P2.108 million to P3.668 million. Miscellaneous from P24.986 million to P31.376 million.

Net Income
The Bank posted a net loss of P41.126 million for 2018 versus P87.054 million of 2017.

Cash and Other Cash Items
Cash and Other Cash Items posted a P6.907 million decrease from P67.207 million in the year ending 2017 as against P60.300 million in 2018.

Due from BSP and Other Banks
Due from BSP and Other Banks decreased by 16.60% from P957.939 million in 2017 to P798.919 in 2018 as investible funds were placed in local banks. Due from BSP and Other Banks is 17.31% of Total Resources.

Loans and Receivables
Loans and Receivables decrease from P143.202 million from P1.987 billion to P1.843 billion in 2018. The amount of P1.843 billion is 39.95% of the Total Resources.

Bank Premises, Furniture, Fixtures and Equipment
This account decrease to P8.627 million from P201.448 million. The net amount of P192.820 million represents 4.18% of the Total Resources.

Other Resources
Other Resources decreased by 22.03% from P182.613 million in 2017 to P142.392 million in 2018. The amount of P142.392 million is 3.08% of Total Resources.

Total Deposit Liabilities
Deposits generated by the bank’s thirty (30) branches decreased by P276.479 million. From P3.362 billion, Total Deposit Liabilities was down to P3.085 billion at the end of 2018. Of this amount, P2.038 billion or 66.08% comprised savings deposits while the remaining 33.92% or P1.047 billion is in the form of time and demand deposits. The Total Deposit Liabilities of P3.085 billion is 97.56% of the Total Liabilities and 80.35% of the Total Liabilities and Equity.

Other Liabilities
This account decreased by 5.70% from P81.698 million to P77.290 million. The ending balance of P77.290 million is 2.44% of the total liabilities.

Capital Funds/Equity
Capital Funds/Equity decreased to P654.487 million in 2018. Net Loss for the year was P41.126 million.

Capital Adequacy Ratio (CAR)
The bank posted a higher than industry risk-based capital adequacy ratio of 17.64% versus the 15.96% of the industry.

Liquidity
CSBI's loans to deposit ratio is 65.70%.

December 31, 2019

Interest Income
Gross Interest Income for the year ended December 31, 2019 amounted to P228.799 million from P226.333 million over the same period in 2018 for a 1.09% increase. Of the former amount, about 34.67% came from its Investment Securities which amounted to P15.171 million and the rest were interest from Due from BSP and other banks which decrease from P23.265 million to P18.764 million and Loans and Receivables amounted to P194.864 million. The aforementioned were comparative figures for the period ending December 31, 2018 and December 31, 2019.

Interest Expense
Interest Expense increased by 33.74% from P40.551 million in 2018 to P54.232 million for the period ending December 31, 2019.

Other Income
Other Income comprising of Service Charges and Fees and Miscellaneous Income posted a 31.29% increase in 2019, versus its performance in 2018. Increase in Miscellaneous Income accounted for P94.265 million while decrease in Service Charges and Fees is accounted for P14.455 million.

Other Expenses
The Bank's Other Expenses decreased by 3.99% or P12.514 million from P313.383 million to P300.870 million after one year of operation. The variance was mainly due to the decrease in Salaries and employee benefit expense from P101.541 million to P98.318 million; Communication, light and water lower from P28.606 million to P26.319 million; Taxes and licenses decreased by 2.29% from P19.747 million to P19.295 million; Insurance decreased by 14.07% from P17.187 million to P14.769 million; Occupancy lower by 76.16% or P27.757 million from P36.445 million to P8.688 million; and Repairs and Maintenance decreased by P23.813 thousand or 1.67% from P1.423 million last year to P1.399 million this year; Fuel and oil is lowered this year by 4.72% from P8.892 million to P8.472.

On the other hand, Depreciation and Amortization rose by 43.06% this year from P40.489 million to P57.924 this year; Security, Janitorial and Messengerial Services increased by 1.66% or P398.298 thousand from P24.009 million to P24.408 million; Litigation and Asset Acquired Expenses increased by 118.27% or P4.338 million from P3.668 million to P8.006 million; Miscellaneous also rose by 6.05% this year from P31.376 million last year to P33.273 million this year.

Net Income
The Bank posted a net loss of P22.742 million for 2019 versus P41.126 million of 2018.

Cash and Other Cash Items
Cash and Other Cash Items posted a P1.811 million increase from P60.300 million in the year ending 2018 as against P62.110 million in 2019.

Due from BSP and Other Banks

Due from BSP and Other Banks increased by 46.60% from P279.146 million in 2018 to P62.110 in 2019 as investible funds were placed in local banks. Due from BSP and Other Banks is 18.15% of Total Resources.

Loans and Receivables
Loans and Receivables increase from P1.844 billion to P2.229 billion in 2019. The amount of P2.229 billion is 54.70% of the Total Resources.

Bank Premises, Furniture, Fixtures and Equipment
This account rose to P57.250 million from P192.820 million to P250.070. The net amount of P250.070 million represents 6.14% of the Total Resources.

Other Resources
Other Resources decreased by 3.75% from P142.392 million in 2018 to P137.054 million in 2019. The amount of P137.054 million is 3.36% of Total Resources.

Total Deposit Liabilities
Deposits generated by the bank's thirty (30) branches increased by P197.977 million. From P3.085 billion, Total Deposit Liabilities was up to P3.283 billion at the end of 2019. Of this amount, P2.070 billion or 63.06% comprised savings deposits while the remaining 36.94% or P1.213 billion is in the form of time and demand deposits. The Total Deposit Liabilities of P3.283 billion is 95.49% of the Total Liabilities and 80.59% of the Total Liabilities and Equity.

Other Liabilities
This account increased by 50.12% from P77.290 million to P154.954 million. The ending balance of P154.954 million is 4.51% of the total liabilities.

Capital Funds/Equity
Capital Funds/Equity decreased by P635.883 million in 2019. Net Loss for the year was P22.742 million.

Capital Adequacy Ratio (CAR)
The bank posted a lower than industry risk-based capital adequacy ratio of 13.50% versus the 17.46% of the industry.

Liquidity
CSBI's loans to deposit ratio is 65.70%.

December 31, 2020

Interest Income
Gross Interest Income for the year ended December 31, 2020 amounted to P239.426 million from P228.799 million over the same period in 2019 for a 4.64% increase. Of the former amount, about 8.79% came from its Loans and Receivables which amounted to P211.998 million and the rest were interest from Due from BSP and other banks which decrease from P18.764 million to P17.664 million and Investment Securities amounted to P9.764 million. The aforementioned were comparative figures for the period ending December 31, 2019 and December 31, 2020.

Interest Expense
Interest Expense increased by 22.81% from P54.232 million in 2019 to P41.859 million for the period ending December 31, 2020.

Other Income
Other Income comprising of Service Charges and Fees and Miscellaneous Income posted a 30.26% decrease in 2020, versus its performance in 2019. Decrease in Miscellaneous Income accounted for P66.513 million and in Service Charges and Fees is accounted for P9.311 million.

Other Expenses
The Bank's Other Expenses decreased by 13.60% or P40.910 million from P300.870 million to P259.960 million after one year of operation. The variance was mainly due to the decrease in Salaries and employee benefit expense from P98.318 million to P87.593 million; Communication, light and water lower from P26.319 million to P20.960 million; Taxes and licenses decreased by 19.35% from P19.295 million to P15.562 million; Insurance decreased by 5.29% from P14.769 million to P13.988 million; Occupancy lower by 47.51% or P4.128 million from P8.688 million to P4.560 million; and Repairs and Maintenance decreased by P319.953 thousand or 22.87% from P1.399 million last year to P1.079 million this year; Fuel and oil is lowered this year by 18.67% from P8.472 million to P6.890; Security, Janitorial and Messengerial Services decreased by 1.85% or P452.704 thousand from P24.408 million to P23.955 million; Litigation and Asset Acquired Expenses decreased by 64.81% or P5.189 million from P8.006 million to P2.817 million; Miscellaneous also decreased by 28.87% this year from P33.273 million last year to P23.667 million this year

On the other hand, Depreciation and Amortization rose by 1.67% this year from P57.924 million to P58.889 this year.

Net Income
The Bank posted a net income of P5.324 thousand for 2020 versus P22.742 million net loss of 2019.

Cash and Other Cash Items
Cash and Other Cash Items posted a P12.159 million decreased from P62.110 million in the year ending 2019 as against P49.951 million in 2020.

Due from BSP and Other Banks
Due from BSP and Other Banks increased by 81.48% from P739.505 million in 2019 to P1.342 billion in 2020 as investible funds were placed in local banks. Due from BSP and Other Banks is 27.76% of Total Resources.

Loans and Receivables
Loans and Receivables decrease from P2.229 billion to P2.238 billion in 2020. The amount of P2.238 billion is 44.62% of the Total Resources.

Bank Premises, Furniture, Fixtures and Equipment
This account down to P21.798 million from P250.070 million to P228.271. The net amount of P228.271 million represents 4.55% of the Total Resources.

Other Resources
Other Resources decreased by 24.91% from P137.054 million in 2019 to P102.910 million in 2020. The amount of P102.910 million is 2.05% of Total Resources.

Total Deposit Liabilities
Deposits generated by the bank's thirty (30) branches increased by P411.312 million. From P3.283 billion, Total Deposit Liabilities was up to P3.695 billion at the end of 2020. Of this amount, P2.724 billion or 73.72% comprised savings deposits while the remaining 26.28% or P970.800 million is in the form of time and demand deposits. The Total Deposit Liabilities of P3.695 billion is 84.52% of the Total Liabilities and 73.68% of the Total Liabilities and Equity.

Other Liabilities
This account increased by 77.09% from P154.954 million to P676.425 million. The ending balance of P P676.425 million is 15.48% of the total liabilities.

Capital Funds/Equity
Capital Funds/Equity decreased from P635.883 to P643.587 million in 2020. Net Income for the year was P5.324 million.

Capital Adequacy Ratio (CAR)
The bank posted a lower than industry risk-based capital adequacy ratio of 13.66% versus the 14.31% of the industry.

Liquidity
CSBI's loans to deposit ratio is 57.33%.

Other known Trends, Demands, Commitments, Events or Uncertainties
There are no other known trends or any other known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The registrant is not having or does not anticipate having within the next twelve (12) months any cash flow or liquidity problems. The registrant is not in default nor in breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. There is no significant amount of trade payables that have not been paid within the stated trade terms. There is likewise no material deficiency that can be identified.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material, favorable or unfavorable, impact on revenues or income from continuing operations.

Material Commitments for Capital Expenditures
There are no material commitments for capital expenditures.

Significant Elements of Income or Loss
There are no significant elements of income or loss that did not arise from the registrant's continuing operations.

Other Key Variable and Qualitative/Quantitative Factors
As to any seasonal aspects that may have material effect on the financial condition or

result of operations, the registrant is not affected by the current worries on peso-dollar exchange, as the bank has no exposure on any foreign currency related transactions.

There are no events that would trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

No material off-balance sheet transaction, arrangement, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons are created during the reporting period.

<u>Past and Future Financial Condition and Results of Operation with particular emphasis on the prospects for the future.</u>

For 2020, Citystate Savings Bank's clients had been provided with more innovative, competitive and customized products and services.

The bank's deposit base anchored on retail banking is consistently increasing thereby maintaining an above average level of liquidity while it selectively appropriates its excess loanable funds.

<u>Prospects for the Future</u>

For the year 2020, CSBI will focus on further enhancing its service delivery system through the following action plans:

- Enhancement of existing bank products and services;
- Intensify SME lending and jewelry loan operations;
- Pursue a more aggressive marketing strategy and focus on the target market;
- Employ highly efficient and productive personnel coupled with cost-effective technology;
- A strong advertising and promotional campaign;
- Reputation of good service and expertise;
- Effective cost-control.

In terms of financial performance and results of operation, the bank is very optimistic to overcome its 2020 performance as it pursues aggressively its marketing strategies to deepen its reach to its target market.

ITEM 7. FINANCIAL STATEMENTS

The Audited Financial Statements of Citystate Savings Bank as of December 31, 2020 is presented in Annex I of this report and contains the following:

A. Report of Independent Auditors
B. Statement of Condition as of December 31, 2020 and 2019
C. Statement of Income for the years ended December 31, 2020 and 2019
D. Statement of Changes in Equity for the years ended December 31, 2020 and 2019
E. Statement of Cash flows for the years ended December 31, 2020 and 2019
F. Accompanying notes to the Financial Statements

G. Supplementary Schedules
H. Statement of Management's Responsibility for Financial Statements

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, 1997, 1998, and 1999, including the notes thereto, were audited by the firm Sycip, Gorres, Velayo & Co. For the year ending December 31, 2000, the Bank changed its external auditors to the firm of Punongbayan and Araullo. The financial statements of the bank for the year ended December 31, 2000 with comparative figures for the year ended December 31, 1999, including the notes thereto, have been audited by Punongbayan and Araullo. Succeeding financial examinations were conducted by the same firm.

It is the Bank's policy to review its external auditors every three (3) years and may opt to change auditors at this point in time. There were no disagreements with either Sycip, Gorres, Velayo & Co. or Punongbayan and Araullo on accounting/financial disclosures.

Independent Public Accountants

External Audit Fees and Services

The external audit and consultancy fees for the years 2019 and 2020 were as follows:

	Year ended December 31, 2019	Year ended December 31, 2020
Audit Fees (Incurred by Registrant)	1,689,000.00	1,608,000.00
Audit-Related Fees		
Tax Fees - VAT	202,680.00	192,960.00
All Other Fees	253,350.00	241,200.00
Total	**2,145,030.00**	**2,042,160.00**

The accounting firm of Punongbayan & Araullo (Member of Grant Thornton International) has been the Company’s Independent Public Accountant for the last twenty-one (21) years. The same accounting firm is being recommended for election by the stockholders at the scheduled Annual Meeting of stockholders. Its re-appointment complies with the requirement of SEC under SRC Rule 68 (3) (b) (iv) regarding rotation of external auditors or engagement partners.

Representatives of the principal accountants (Punongbayan & Araullo) are expected to be present at the Annual Stockholders’ Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

There was no event in the past twenty (21) years where Punongbayan & Araullo and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

As a policy, the Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope and frequency before the audit is conducted. Audit services of external auditors for the years 2019 and 2020 were pre-approved by the Audit Committee. The Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

<u>Board of Directors</u>

Upon election/re-election to the Board of Directors, a member has a term of office of one (1) year.

The following are the incumbent members of the Board of Directors of the Bank:

D. Edgard A. Cabangon, 56, Chairman. Mr. Cabangon is a Filipino citizen. He graduated from De La Salle University with a Bachelor of Science in Business Administration, major in Management. He is currently the President of Isuzu Gencars Group, Citystate Tower Hotel, Manila Grand Opera Hotel, Asian Security Agency, Pilipino Mirror, and the Chairman and CEO of Eternal Gardens Memorial Park Corporation. Further, he is also a director of ALC Realty Development Corporation and ALC Industrial & Com. Development Corp and was a director of PlanBank "Rural Bank of Canlubang" Planters Inc.

Benjamin V. Ramos, 57, Director and President. Mr. Ramos is a Filipino citizen. He graduated from the University of Sto. Tomas with a Bachelor of Science in Commerce degree in 1983. Mr. Ramos is a Certified Public Accountant. He is currently the President of Philippine Graphic Publications Inc., Philippine Business Daily Mirror Publishing, Inc. and Radio Philippines Network. He is a director of Eternal Gardens Group of Companies and Fortune Insurance Group.

He has been re-elected as Director of Citystate Savings Bank, Inc. in February 2015 and appointed as President of the Bank last April 06, 2015.

D. Arnold A. Cabangon, 50, Director. Mr. Cabangon is a Filipino citizen. He graduated from Ateneo de Manila University in 1992 with a Bachelor of Arts degree in Management Economics. He is the Chairman of DAAC Realty & Development Corporation. He is presently the President of Fortune Life Insurance Company, Inc., FIG Financing Company, Inc. and AAA Southeast Equities, Inc. He is the director of Philippines Graphic Publication, Inc., Manila Grand Opera Hotel, Inc., Asian Security & Investigation Agency, Inc., Chow Rite Foods, Inc., Gencars Batangas, Inc., ALC Industrial & Commercial Development Corporation, ALC Baliwag Cinema & Shopping Complex, Inc., Paco Filipinas Pawnshop Manila, Inc., Aliw Management Ventures, Inc. and Fortune General Insurance Corporation.

He has been a Director of Citystate Savings Bank, Inc. since April 2000.

D. Alfred A. Cabangon, 54, Chairman. Mr. Cabangon is a Filipino citizen. He graduated from De La Salle University with a Bachelor of Science in Commerce degree, major in Accounting in 1987. Mr. Cabangon is a Certified Public Accountant. He is also the Chairman of Fortune Life Insurance Co., Inc. and President of DAAC Realty & Development Corporation. He is presently a director of Fortune General Insurance Corporation, Fortune Medicare, Philippines Graphic Publication, Inc., Manila Grand Opera Hotel, Inc., Chow Rite Foods, Inc., Gencars Batangas, Inc., WMC Filipinas Pawnshop, Inc., ALC Baliwag Cinema & Shopping Complex, Inc., Aliw Management Ventures, Inc. and ALC Realty & Development Corporation.

He was re-elected as Chairman of the Bank last March 29, 2016. He has been the Chairman of the Board and President of Citystate Savings Bank, Inc. from 2005 up to 2011.

J. Wilfredo A. Cabangon, 60, Director. Mr. Cabangon is a Filipino Citizen. He is a graduate of De La Salle University – College of St. Benilde with a degree in Bachelor of Science in Commerce, major in Business Management in 1997. He is the Chairman of AMB. ALC Holdings & Management Corporation, ALC Baliwag Cinema & Shopping Complex, Inc., ALC Realty Development Corporation and ALC Industrial & Commercial Development Corporation. He is the President of WMC Filipinas Pawnshop, Inc. and a Director of Fortune Life Insurance Company, Inc., Fortune General Insurance Corporation, Eternal Plans, Inc., Eternal Gardens Memorial Park Corporation, Gencars, Inc., Aliw Management Ventures Meycauayan, Inc., Filipnas Pawnshop, Inc., Aliw Cinema Complex, Inc., Manila Grand Opera Hotel, Inc., Asian Security & Investigation Agency, Inc., Chow Rite Foods, Inc., Gencars Batangas, Inc. and New Filipinas Pawnshop, Inc.

He was re-elected as Director of Citystate Savings Bank, Inc. last February 2016. He has served as Director of the Bank from 1997 to 2013.

Engr. Feorelio M. Bote, 78, Director, is a citizen of the Philippines. Mr. Bote graduated from Mapua Institute of Technology with a degree in Civil Engineering in 1964. Besides being a director of the Bank, Mr. Bote is also a director of Citystate Properties & Management Corporation.

He has been a Director of Citystate Savings Bank, Inc. since the start of the Bank in 1997.

Ramon L. Sin, 87, Director. Mr. Sin is a Filipino citizen. He is a graduate of the University of Santo Tomas where he received an Associate in Arts degree in 1950. He finished his Doctor of Medicine from the same university in 1955. Dr. Sin is the Assistant to the Rector for Grants and Endowment of the University of Santo Tomas. He is also the Vice Chairman of Fortune Medicare, Inc., a Board Member of Fortune Life Insurance Co., Inc. and Eternal Plans, Inc., and the Medical Director of Philippine Airlines. He also chairs the KAAD (Scholarship Foundation of the German Catholic Bishop's Conference) at the University of Santo Tomas.

He has been a Director of Citystate Savings Bank, Inc. since 2002.

Susan M. Belen, 61, Director. Ms. Belen, a Filipino citizen and was elected as Director of Citystate Savings Bank, Inc. on May 2016.

She is an experienced and seasoned Banker who has achieved an extensive and comprehensive exposure in all aspects of banking operations continuously for 31 years at Allied Banking Corporation, United Savings Bank and Security Banking Corporation. She has served multifaceted posts from Branch Banking Group , Treasury Trading and FX Dealership to Branch Operations and Marketing earning vast and balanced performance in the arena of Sales – Corporate , Marketing, Credit-consumer lending, Systems and Operations, Internal Control/Audit , expanded growth of alternate banking channels and exceeded in generating Branch/Area management profitability . She served as In-house speaker, lecturer, panelist for the Training Academy. She accelerated her banking career to her last post as Senior Executive Officer handling Branches and performance driven. A milestone and horizons evolve that changed her course to becoming an Entrepreneur and a Businesswoman.

She is a graduate of the University of Santo Tomas with a degree in Bachelor of Science major in Business Administration and minor in Banking & Finance and Economics. She took up her post graduate at University of Santo Tomas.

Michael F. Rellosa, 59, Director. Mr. Rellosa is a Filipino citizen. He graduated from Ateneo de Manila University in 1983 with a degree in Bachelor of Arts in Economics. He is one of the Trustees and an Executive Director of the Philippine Insurers and Reinsurers Association, and a part-time faculty member of Insurance Institute for Asia and the Pacific.

He has been elected as Director of Citystate Savings Bank, Inc. in December 2016.

Roberto L. Obiedo, 70, Director. Mr. Obieto is a Filipino citizen. He graduated from University of the East with a Bachelor of Science in Business Administration. He is currently the President of ROBIEDO Inc., Grand Capitol Marketing Corporation, Robertson International Philippine Development Corporation, Kawit Megaland Development Corporation, Robertson Marketing Development Corporation, and the Director of Filipino-Chinese General Chamber of Commerce Industry. Further, he is also a Senator Director of JC I, and an adviser of Metro Naga Chamber of Commerce Industry and Camarines Sur Chamber of Commerce Industry.

Lucito L. Sioson, 82, Independent Director. Mr. Sioson is a Filipino citizen. He graduated from the University of the East in 1958 with a Bachelor of Science degree in Business Administration. He was the Special Assistant to the President and CEO of Social Security System from November 2001 to July 2008 before joining the Bank. Mr. Sioson is a Certified Public Accountant.

He has been a Director of Citystate Savings Bank, Inc. since December 2008.

Wilfredo S. Madarang, Jr., 72, Independent Director. Mr. Madarang is a Filipino Citizen. He is a graduate of the University of the East with a Bachelor of Business Administration degree in 1970. He is a Trustee of Isla Lipana & Company Foundation, Inc. and a director/president of Wilko21 Global Trade, Incorporated. He is also a past director/vice president of the Philippine Institute of Certified Public Accountants and the Association of Certified Public Accountants in Public Practice.

He was first elected as Director of Citystate Savings Bank, Inc. last October 27, 2015.

Edith D. DyChiao, 57, Independent Director. Ms. DyChiao is a Filipino Citizen. She graduated from the De La Salle University in 1984 with a degree in Bachelor of Arts in Biology and in Management of Financial Institutions. She also took Certified Marketing Professional at Asia Pacific Marketing Federation. Ms. DyChiao is a Licensed Real Estate Broker and Appraiser. She is also a past General Manager of Deutschland concept Inc., Vice President and First Vice President of BDO Universal Bank, General Manager of Swiss Prestige Holdings Inc. & Progressive Time Inc., Assistant Vice President of CitiBank NA and a Foreign Department Staff of Philtrust Bank.

She was elected as Independent Director of Citystate Savings Bank, Inc. on July 31, 2018.

Atty. Jose Roderick F. Fernando, 47, Independent Director. Mr. Fernando is a Filipino Citizen. He graduated from Ateneo de Manila University with a degree in Bachelor of Arts in Development Studies. He finished his Juris Doctor also at Ateneo de Manila University. In 2005, he took his Masters of Law at University of Pennsylvania Law School. Atty. Fernando is currently a Legal Specialist of Un1qorn Consultancy. He was a Vice President at Nickel Asia Corporation, a Senior Associate at Balane Tamase Alampay Law Office, a Hearing Officer at the Integrated Bar of the Philippines (IBP), a Legal Consultant at the House of Representatives Philippine Congress and a consultant at the Office of the Majority Floor Leader City Council of Caloocan

He was elected as Independent Director of Citystate Savings Bank, Inc. on July 31, 2018.

Executive Officers

Benjamin V. Ramos, 56, Director and President. Mr. Ramos is a Filipino citizen. He graduated from the University of Sto. Tomas with a Bachelor of Science in Commerce degree in 1983. Mr. Ramos is a Certified Public Accountant. He is currently the President of Philippine Graphic Publications Inc., Philippine Business Daily Mirror Publishing, Inc. and Radio Philippines Network. He is a director of Eternal Gardens Group of Companies and Fortune Insurance Group.

Jaime Valentin L. Araneta, 65, Executive Vice President, Mr. Araneta is a Filipino Citizen. He graduated from the Ateneo De Manila with a A.B. Philosophy in 1975. He also took Law, MBA at Ateneo Professional Schools. He started her banking career at Boston Bank of the Philippines and was appointed as Manager from September 1981 to June 1988; Mr. Araneta was appointed as the Assistant Vice President at PNB Republic Bank from August 1993 to September 1993; Mr. Araneta was appointed as Assistant Vice President at Asiatrust Bank from February 1994 to May 1994; Mr. Araneta was appointed at Philippine Savings Bank from April 2001 to August 2011; Mr. Araneta was appointed at Unity Rural Bank as Vice Chairman and President from November 2012 to January 2014; Mr. Araneta was appointed at Planters Development Bank as Executive Vice President from November 2012 to January 2014; Mr. Araneta was appointed at VGP Condominium Corp Association Inc. as Director from August 2011 to August 2016; Mr. Araneta was appointed at Chinabank Savings Inc as Executive Vice President from August 2011 to August 2016; Mr. Araneta was appointed at Philippine Bank of Communications as Executive Vice President from December 2016 to March 2019; Mr. Araneta was appointed at PBCOM Insurance Services Agency as Director from January 2017 to June 2020.

Maria Michelle B. So, 46, First Vice President, Ms. So graduated as a Dean's Lister and obtained her Bachelor of Arts in Economics course and took Master in Business Administration at University of Sto.Tomas (UST). She also took certificate course in Applied Business Economics Program Corporate Aspects of Finance at University of Asia and the Pacific in 2002. She started her banking career at BPI-Family Bank (Formerly Citytrust Banking Corporation) and was appointed as the Credit Unit Head of Robinsons Savings Bank from June 2001 to June 2002. Ms. So was appointed as Secured Collections Supervisor at Citibank, N.A. from June 2002 to September 2007 and was appointed as Secured Credit Quality Assurance Dep't. Head at AIG PhilAm Savings Bank from September 2007 to June 2009. From July 2009 to July 2012, Ms. So served as the Auto Credit Support Division Head, Auto & Mortgage Customer Fulfillment Division Head, and Auto Loans Customer Fulfillment Division Head of Eastwest Banking Group and became the Credit Evaluation Unit Head, Credit Operations Division Head, and Portfolio Management Head at Philippine Bank of Communication. From July 2012 to October 2018, she was appointed as Credit Evaluation Unit Head, Credit Operations Division Head, and Portfolio Management Head at Philippine Bank of Communications and was appointed from 2018 to 2021 as Lending Operations Head at Radiowealth Finance Company, Inc.

Sarah E. Benito, 62, Vice President, is the head of Internal Audit Department. Board of Directors appointed her on July 31, 2018. She is a graduate of Manuel L. Quezon University with a degree in Bachelor of Science major in Accountancy. Ms. Benito is a Certified Public Accountant and a member of Philippine Institute of CPA's and Institute of Internal Auditors. She worked with Invest Projects Inc. as the Head of General Operations and Finance Group and in Philippine Veterans Bank as the Head of Internal Audit.

Des Corazon D. Cruz, 61, Vice President, is the head of Related Party Transactions Department. She joined the Bank on March 2004. She also worked with Philippine Investment Management Consultants, Inc. (PHINMA) before she started her banking career at Far East Bank and Trust Co. and Banco De Oro Universal Bank. She is a graduate of St. Paul College of Quezon City with a degree of Bachelor of Arts major in Economics

Joseph D. Gonzaga, 44, Vice President, is the Head of Account Management Department. He joined the Bank in October 2014. He started his banking career in 1997 with AMD of Traders Royal Bank until he joined the Corporate Banking Group of Bank of Commerce. He also worked with the SME Loans Unit of Insular Savings Bank and Institutional Banking Group of Banco De Oro. Mr. Gonzaga was also formerly the Finance Head of the AIC Group of Companies. He is a graduate of San Beda College with a degree in Bachelor of Science in Commerce Major in Management and Entrepreneurship.

Atty. Freda Bartolome-Ringor, 37, Vice President, is the Head of Legal Services and Corporate Affairs Department, Data Privacy Officer and Assistant Corporate Secretary of the Bank. She was appointed by the Board of Directors on October 2018. Before joining the bank, she was the Legal Officer for Eternal Gardens Inc. Prior to her corporate practice, she was a litigation lawyer handling civil, criminal, labor, election and even administrative cases. She also work as a legal consultant at Aljabal law office in the Kingdom of Bahrain dealing with retained bank clients such as Al Salam bank formerly BMI Bank, HSBC and American Express. She also work in the academe as a college instructor at Our Lady of Fatima Valenzuela and Far Eastern University – Recto, Manila.

She graduated with the degree of Bachelor of Arts in Political Science in the University of Sto. Tomas and took up her Master's Degree in Public Administration in the same university. She finished her Law degree in Manuel L. Quezon University and was admitted to the bar in year 2012.

Jimbo V. Balane, 43, Vice President, is the head of Information Technology Department. He graduated from the University of Nueva Caceres (UNC) in Naga City, Camarines Sur thru Philippine National Bank (PNB) scholarship program with a degree in Bachelor of Science major in Computer Engineering. Before joining Citystate Savings Bank, Inc., he was the head of the Systems Administration Department of Philippine Veterans Bank (PVB). He was also instrumental in the live implementation of the core system of PVB. He has over 8 years of experience in managing and maintaining multiplatform environments such as AS/400, AIX, Linux, and Windows servers including other infrastructures like Active Directory (AD), Exchange Email, Antivirus, Firewall, and Patch Management System, and more than 13 years of experience in RPG and CL programming, and as Systems Analyst. Mr. Balane is an expert in AS/400 platform and DB2 database, highly familiar with banking operations, knowledgeable in Retails Deposits, Loans, General Ledger Accounts and ATM processes, proficient in conducting systems investigation and analysis, and adept in Disaster Recovery Management. Mr. Balane is a certified ITIL 2011 Foundation Course in IT Service Management.

Anna Liza Casim-Cuezon, 52, Vice President, Ms. Cuezon graduated from College of the Holy Spirit in Mendiola Manila with Bachelor of Science in Nutrition and Dietetics, Ms. Cuezon is a Board Passer of Nutritionist Dietitian and Civil Service Exam Passer in 1990, In January 1995, Ms. Cuezon started her banking career at Banco Filipino as Senior Teller, In March 1997, she was appointed as Acting Official Assistant, Office of the President and became Official Assistant in Corporate Affairs Division from June 1997 to January 2000 at Philippine Savings Bank. From January 2000 to May 2002, she was appointed as Branch Cashier at Philippine Savings Bank. From May 2002 to October 2002, she was appointed as Branch Head in Mabini Branch at Philippine Savings Bank. From November 2002 to May 2005, she was appointed as Branch Head in Padre Faura Branch at Philippine Savings Bank. From June 2005 to October 2006, she was appointed as Area Supervisor in Area 2 Central Metro at Philippine Savings Bank. From October 2006 to May 2008, she was appointed as Division Head, Field Sales and Marketing Division at Philippine Savings Bank. From July 2008 to September 2008, she was appointed as Senior District Business Manager for Mindanao Consumer Health Division at Pascual Laboratories. From January 2009 to January 2010, she was hired as Mindanao Business Head, Mortgage Banking Division at Chinatrust (Philippines) Commercial Bank Corporation.

Ariel V. Ajesta, 31, Assistant Vice President, is the Bank's Chief Compliance Officer. In 2011, Mr. Ajesta started his banking career at RCBC Savings Bank and worked as Customer Service Assistant and Front-End Collection Specialist in Retail Banking Group and Asset Management Remedial Group, respectively. In 2013, Mr. Ajesta worked at Citystate Savings Bank as Risk Analyst and held various units in Risk Management Department until he became the Deputy Risk Officer of the Bank from 2015 to 2018. During that period, he handled the Trust Risk, Liquidity Risk, Investment Risk, and Operations Risk functions. Mr. Ajesta was the former Risk and Compliance Officer of AllBank (A Thrift Bank), Inc. from 2018 to 2019. During that period, he was also appointed as the Information Security and Data Privacy Officer. In June 2019, Mr. Ajesta resumed his banking career with Citystate Savings Bank Inc. and was appointed by the

Corporate Governance Committee as the Chief Compliance Officer (CCO) with a rank of Assistant Vice President; He obtained his Master in Business Administration (MBA) and Bachelor of Science in Commerce (BSC) major in Legal Management degree from San Sebastian College. He attended various seminars/short courses for banks where he successfully passed and finished the one (1) year course on Trust Operations and Investment Management facilitated by the Trust Institute Foundation of the Philippines and completed the seminar on Business of Treasury Banking Perspective and Risk Management in Banking module 1 in Ateneo De Manila Center for Continuing Education.

Martin Jerry E. Machado, 49, Assistant Vice President, is the Head of General Accounting Department. He joined the Bank in May 2000. He started his banking career in 1996 at Orient Commercial Bank and Philippine Deposit Insurance Corporation. He is a graduate of Ateneo de Zamboanga University with a degree in Bachelor of Science in Business Administration and Management.

Sharon T. Enriquez, 40, Assistant Vice President, is the head of the Human Resources Department and Corporate Planning Department. Ms. Enriquez graduated from University of the East with a degree of Bachelor of Science in Business Administration Major in Management. She is also a graduate of Master in Business Administration at the Pamantasan ng Lungsod ng Maynila and Master of Strategic Human Resource Management in Europe at the Fachhochschule des BFI Wien (University of Applied Sciences in Vienna, Austria). Ms. Enriquez is a former Professor at the Far Eastern University teaching marketing, management and human resources management. Ms. Enriquez became part of the Citystate Saving Bank, Inc. in 2016 and is conducting trainings and seminar relating to personality development and customer service.

Michael M. Boado, 34, Assistant Vice President and the Bank's Chief Risk Officer. He joined CSBI in July 2012 and rose from the ranks: Credit Review Officer, Risk Officer, Manager & OIC of Risk Management Department and Acting Chief Risk Officer in 2017 until his appointment as CRO in May 2018. Prior to CSBI, he was with Export and Industry Bank, Robinsons Banking Corporation and Asiatrust Development Bank. Mr. Boado holds a degree in Banking and Finance from President Ramon Magsaysay State University and an MBA from Pamantasan ng Lungsod ng Maynila.

Vonnel A. Isip, 51, Assistant Vice President, is the Bank' s Chief Information Security Officer. In 1993 to 2003, Mr. Isip started his banking career at Bank of Commerce as Data Center Operation Staff until he became a Senior System Analyst. In 2005 to 2016, he was hired to a Managerial position in Bank of Commerce as Office System Support Manager which handles Bank-wide Technical support (System and Hardware). During that period he was appointed as IT Security Officer (Officer In-Charge) which handles the configuration, implementation and monitoring of Information Technology Security (ITSec) policies and procedures. In 2016-2018, he worked at Banco Nacional de Guinea Ecuatorial (National Bank of Guinea Ecuatorial) in West Africa as Information Technology Security Officer (ISO) and designated to handle the following positions: Information Technology Risk Management Officer (ITRMO), Disaster Recovery Plan coordinator (DRPO) and Information Technology Asset Management Officer (ITAMO). In July 2019 - He Passed the Certification exam for Certified Ethical Hacker version 10 (CEH-v10). He obtained his Bachelor of Science Major in Computer Engineering (BS Comp.E) degree from Central Colleges of the Philippines (CCP). Mr. Isip attended various Information Technology trainings and seminars both local and abroad. He continued his studies in Information Technology Security (ITSec) by taking the boot camp (July-September 2019) on Certified Information System Security Professional (CISSP) govern by International Information System Security Certification Consortium (ISC2).

Felicitas D. Marcos, 53, Assistant Vice President, is the Cluster Head for Provincial Area of the Branch Banking Group since 2015. She started her banking career way back 1993 with a rural bank and a thrift bank in 1996 - both based in Bulacan. She joined Citystate Savings Bank, Inc. in 1998 as Branch Cashier. She graduated from Philippine School of Business Administration (PSBA) in Manila with a degree in Bachelor of Science in Business Administration major in Accounting.

Norman V. Guillermo, 47, Assistant Vice President, In 1996**,** Mr. Guillermo started his banking career at Philippine Savings Bank as Tech support. In 2009, he became a Project Manager and was appointed as I.T. Head of the Real Bank. In 2013 he was hired as I.T. Head of New San Jose Builders, Inc. From 2014 to 2019, he was the I.T Director of Manuel L. Quezon University. In 1991, Mr. Guillermo took a Technical Course/Programming from STI. Mr. Guillermo graduated from Jose Rizal University with Bachelor of Science in Accountancy and took his Master in Business Administration from Manuel L. Quezon University.

Gilda Brigida C. Alunan, 62, Assistant Vice President, Ms. Alunan graduated from University of Sto.Tomas with the course of Bachelor in Science in Commerce major in Accounting. She started her banking career as Accounting Clerk and worked at Philippine Savings Bank from July 1982 to July 1986 and she also worked as Branch Accountant and Branch Manager at Philippine Savings Bank from January 1995 to March 2015 and used to be the Branch Manager of Chinabank Savings Bank from June 2015 to February 2021.

James Arvin B. Sison, 41, Assistant Vice President, Mr. Ison graduated from Far Eastern University with the course of Bachelor of Science in Psychology and took his Master in Business Administration from Ateneo de Manila Unversity. He started his banking career as Loan Officer for Auto Loans and worked at International Exchange Bank/ UnionBank. From 2001 to 2006. He worked as Auto Loan Manager at GE Money Bank/ Banco De Oro from 2006 to 2011 and used to be the Auto Loan Sales Manager at Security Bank Corporation from 2011 to 2012 and From May 2012 to February 2021, he was appointed as AVP for Auto Loans.

Mafel D. Bolaton, 44, Assistant Vice President, Ms. Bolaton took a Business Management from College of the Holy Spirit. From June 2000 to July 2004, Ms. Bolaton started her banking career at International Exchange Bank as Account Associate. From July 2004 to July 2007, she was appointed as Junior Assistant Manager at Keppel Bank Philippines Inc. From July 2007 to June 2008, she was appointed as Assistant Manager at GE Money Bank. From June 2008 to January 2015, she was appointed as Manager and promoted to Senior Manager at Sterling Bank of Asia. From January 2015 to August 2015, she was hired as Relationship Manager at Philippine Veterans Bank.

Anna Maria Pascual-Ylagan, 63, Assistant Vice President, Ms. Ylagan graduated from Assumption College with Bachelor of Science in Commerce and took her Master in Business Administration from Ateneo De Manila Graduate School of Business. From 1987 to 1988, Ms. Ylagan took a One-year Trust Couse with Distinction from Trust

Institute Foundation of the Philippines. From 1979 to 1990, Ms. Ylagan started her banking career at Prudential Bank as Account Officer. From 1990 to 1992, she was appointed as Manager of the Private Development Corporation of the Philippines. From 1992 to 1993, she was appointed as Senior Manager of the Pilipinas Bank. From 1993 to 1997, she was appointed as Head of Investments Section of the Pilipinas Bank. From 1997 to 2000, she was appointed as Trust Officer of the Pilipinas Bank. From 2000 to 2005, she was re-hired as Senior Assistant Vice President of the Prudential Bank. From 2005 to 2009, she was appointed as Trust Officer of the AIG Philam Savings Bank. From 2009 to 2018, she was hired as Trust Officer of the Chinabank Savings.

The Bank is not solely dependent to any significant employee for the success of its operations.

Family Relationships

The late Amb. Antonio L. Cabangon Chua is the father of Messrs. D. Edgard A. Cabangon, D. Alfred A. Cabangon, D. Arnold A. Cabangon, and J. Wilfredo A. Cabangon while the latter four are siblings.

Involvement in Certain Legal Proceedings

The Bank has no derogatory information concerning any bankruptcy petition, civil or criminal proceedings or any order of judgment issued by the local or foreign court against any of its directors or executive officers that would render them unfit for their position in the Bank.

ITEM 10. EXECUTIVE COMPENSATION

The following table summarizes the aggregate compensation of the executive officers of the Bank for the period ended December 31, 2019 to December 31, 2020 (with estimate for year 2021).

Year	**Name and Principal Position**	**Salaries**	**Bonuses**
For the twelve Months Ended December 31, 2019	EXECUTIVE OFFICERS Benjamin V. Ramos – President Sarah E. Benito - Vice President Jimbo V. Balane - Vice President Freda F. Bartolome - Ringor - Vice President Joseph D. Gonzaga - Vice President	6,300,000.00	1,050,000.00
For the twelve Months Ended December 31, 2019	All Executive Officers as a Group	7,350,000.00	
For the twelve Months Ended December 31, 2019	All Board Directors and Officers as a Group	9,335,000.00	
For the twelve Months Ended December 31, 2020	EXECUTIVE OFFICERS Benjamin V. Ramos – President Jaime Valentin L. Araneta - Executive Vice President Sarah E. Benito - Vice President Freda F. Bartolome - Ringor - Vice President Jimbo V. Balane - Vice President	8,765,000.00	1,460,833.33

	All Executive Officers as a Group	10,225,833.33	
	All Board Directors and Officers as a Group	11,342,333.33	
For the twelve Months Ended December 31, 2021 (Estimated)	Benjamin V. Ramos – President Jaime Valentin L. Araneta - Executive Vice President Maria Michelle B. So - First Vice President Anna Liza C. Cuezon - Vice President Jimbo V. Balane - Vice President	8,765,000.00	1,460,833.33
	All Executive Officers as a Group	10,225,833.33	
	All Board Directors and Officers as a Group	10,229,741.96	

Other Annual Compensation

There is no other annual compensation not properly categorized as salary or bonus.

Compensation of Directors

(a) Standard Arrangements

At present, its members of the board of directors do not receive any fixed regular monthly compensation from the bank, except per diem allowance in the amount of five thousand pesos (Php 5,000.00) for every board and committee meeting attended.

(b) Other Arrangements

There are no other arrangements, including consultancy contracts, pursuant to which any director of the registrant was compensated, or is to be compensated, directly or indirectly, during the registrant's last completed fiscal year, and the ensuing year, for any service provided as a director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

(a) Employment Contract
All executive officers listed above are regular employees who derive pure compensation income, in the form of salaries and bonuses from CSBI.

(b) Compensatory Plan or Arrangement

There is no compensatory plan or arrangement, including payments to be received from the registrant, with respect to a named executive officer, that will result from the resignation, retirement or any other termination of such executive officer's employment with the registrant and its subsidiary or from a change-in-control of the registrant or a change in the named executive officer's responsibilities following a change-in-control where the amount involved, including all periodic payments or installments, exceeds P2,500,000.

Warrants and Options Outstanding Repricing

(a) Outstanding Warrants or Options

There are no outstanding warrants or options held by the registrant's President, the named executive officers above, and all officers and directors as a group.

(b) Repricing

At any time during the last completed fiscal year, the registrant, while a reporting company, has not adjusted or amended any exercise price of stock warrants or options; nor is there any previously awarded stock warrants or option to any of the officers and directors of CSBI, whether through amendment, cancellation or replacement grants, or any other means.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owners

The person known to the registrant to be directly or indirectly the record or beneficial owner of more than five (5%) of the registrant's voting securities as of December 31, 2020 are as follows:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	Nature of Beneficial Ownership	No. of Shares Held	Percent
Common	**AMB. ALC Holdings and Management Corporation** (Affiliate) 607 EDSA San Martin de Porres, Cubao, Quezon City	D. Arnold A. Cabangon Director	Filipino	Direct	18,000,000	18.0000%
Common	**Estate of the late Antonio L. Cabangon Chua,** Director 5th Flr., Dominga Bldg. III 2113 Chino Roces Ave., Makati City	D. Arnold A. Cabangon, Beneficial & Record Owner	Filipino	Direct	14,102,114	14.1021%
Common	**Top Ventures Investments & Management**	D. Arnold A. Cabangon Director	Filipino	Direct	12,702,594	12.7026%

	Corporation (Affiliate) Dominga Bldg., 2113 Chino Roces Ave., Cor. Dela Rosa St., Makati City					
Common	**D. Alfred A. Cabangon,** Director 2nd Flr., Citystate Centre Bldg., 709 Shaw Blvd., Pasig City	D. Alfred A. Cabangon, Beneficial & Record Owner	Filipino	Direct	8,283,330	8.2833%
Common	**Fortune Life Insurance Company, Inc.** (Affiliate) Fortune Life Bldg., 162 Legaspi St., Legaspi Village, Makati City	D. Arnold A. Cabangon, Director	Filipino	Direct	7,499,250	7.4993%
Common	**Fortune General Insurance Corporation** (Affiliate) 4th Flr., Citystate Centre Bldg., 709 Shaw Blvd., Pasig City	J. Antonio A. Cabangon, Jr., Director	Filipino	Direct	5,484,000	5.4840%

Shares of stock owned by AMB. ALC Holdings and Management Corporation, Estate of the late Antonio L. Cabangon Chua, Top Ventures Investments & Management Corporation and Fortune Life Insurance Company, Inc. are being represented and voted for D. Arnold A. Cabangon while Shares of stock owned by Fortune General Insurance Corporation is being represented and voted for J. Antonio A. Cabangon

1. Security Ownership of Management as of December 31, 2020

Directors

Title of class	Name of Beneficial Owner	Amount	Nature of beneficial ownership	Citizenship	Percent of Class
Common	D. Alfred A. Cabangon	8,283,330	Direct	Filipino	8.28%
Common	Feorelio M. Bote	4,302,500	Direct	Filipino	4.30%
Common	D. Edgard A. Cabangon	2,143,350	Direct	Filipino	2.14%
Common	D. Arnold A. Cabangon	654,001	Direct	Filipino	0.65%
Common	Benjamin V. Ramos	23,351	Direct	Filipino	0.02%
Common	Ramon L. Sin	110	Direct	Filipino	0.00%
Common	Michael F. Rellosa	100	Direct	Filipino	0.00%
Common	Edith D. DyChiao	100	Direct	Filipino	0.00%
Common	Jose Roderick F. Fernando	100	Direct	Filipino	0.00%
Common	Roberto L. Obiedo	100	Direct	Filipino	0.00%
Common	Wilfredo S. Madarang, Jr.	10	Direct	Filipino	0.00%

Common	Susan M. Belen	10	Direct	Filipino	0.00%
Common	J. Wilfredo A. Cabangon	1	Direct	Filipino	0.00%
Common	Lucito L. Sioson	1	Direct	Filipino	0.00%
	TOTAL	**15,407,064**			**15.41%**

Officers

Title of class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	-	-	-	0.00%
TOTAL				**0.00%**

Directors and Officers as a Group

Title of Class	Director	Officer	Total	Percent of Class
Common	**15,407,064**	**0**	**15,407,064**	**15.41%**

Changes in Control
In compliance with the PSE's Rules and Regulations, all existing stockholders of the Bank have voluntarily agreed not to sell or otherwise dispose of their shareholdings within a period of two (2) years from the date of listing of the Bank's Shares thereby maintaining control by the same group during this period.

Voting Trust Holders of 5% or More
No person holds more than 5% of a class under a voting trust or similar agreement.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loan transactions with its affiliates and with certain directors, officers, stockholders and other related interests (DOSRI). Under the existing policies of the Bank, these loans are made substantially the same terms as loans to other individuals and business comparable risks. The General Banking Act of the BSP regulations limit the amount of the loans granted by a Bank to each affiliate 25% of capital funds. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the total capital funds or 15% of the total loan portfolio of the Bank, whichever is lower.

Transactions with Related Parties

1. **ALC BALIWAG CINEMA & SHOPPING COMPLEX, INC.**
   The Bank leases its Baliuag branch from ALC Baliwag Cinema & Shopping Complex, Inc., estate of the late Antonio L. Cabangon Chua owns 10% of this

company. The late Antonio L. Cabangon-Chua is related by first degree of consanguinity to D. Edward A. Cabangon, J. Wilfredo A. Cabangon, D. Alfred A. Cabangon, D. Arnold A. Cabangon, D. Edgard A. Cabangon, and J. Antonio A. Cabangon, Jr. who owns 15% of the total shares each.

2. **ALC REALTY DEVELOPMENT CORPORATION**
   The Bank leases its Chino Roces, New Panaderos and Pasay branches from ALC Realty Development Corporation. Estate of the late Antonio L. Cabangon Chua owns 44% of the company's total shares. The late Antonio L. Cabangon-Chua is related by first degree of consanguinity to J. Wilfredo A. Cabangon, D. Edward A. Cabangon, D. Edgard A. Cabangon, D. Alfred A. Cabangon and T. Anthony C. Cabangon with 56% of the total shares among the siblings.

3. **ALIW CINEMA COMPLEX, INC.**
   The bank leases its Meycauayan Branch and ATM Site from Aliw Cinema Complex, Inc., estate of the late Antonio L. Cabangon Chua owns 10% of the company's total shares, while his sons, J. Wilfredo A. Cabangon, D. Edward A. Cabangon, D. Edgard A. Cabangon, D. Alfred A. Cabangon, J. Antonio A. Cabangon, and D. Arnold A. Cabangon owns 15% of the total shares each.

4. **ALIW MANAGEMENT VENTURES, INC.**
   The Bank leases its Taguig Branch ATM Site from Aliw Management Ventures, Inc., Three Frogz Realty Corporation owns 60% and D. Edward A. Cabangon owns 25% of the company's total shares. The following are related to him by second degree of consanguinity; D. Arnold A. Cabangon and D. Alfred A. Cabangon each owns 5% and J. Antonio A. Cabangon, Jr. owns 4% of the total shares.

5. **AMB. ALC HOLDINGS & MANAGEMENT CORPORATION**
   The Bank leases its Dagupan Branch, Cubao Branch and Shaw II Branch ATM Site from AMB ALC Holdings & Management Corporation. Estate of the late Antonio L. Cabangon-Chua owns 20% of the total company's total shares. J. Wilfredo A. Cabangon, D. Edgard A. Cabangon, D. Edward A. Cabangon, D. Alfred A. Cabangon, J. Antonio A. Cabangon, Jr., D. Arnold A. Cabangon and D. Cecilia A. Cabangon are related to the late Amb. Antonio L. Cabangon-Chua by first degree of consanguinity, each owns 10% of the total shares of the company.

6. **BROWN MADONNA PRESS, INC.**
   Brown Madonna Press, Inc.is one of the Bank's printing press providers. Estate of the late Antonio L. Cabangon owns 1% of the total shares of Brown Madonna Press, Inc. The other shares, are owned by T. Anthony C. Cabangon, D. Antoinette C. Cabangon Jacinto, D. Adrian C. Cabangon, and D. Analyn C. Cabangon Grist, who represents 25% of the total shares each.

7. **CITYSTATE TOWER HOTEL, INC.**
   The Bank leases its Mabini branch from Citystate Tower Hotel, Inc., the Cabangon Family owns 55% of the company's total shares, while Siy family owns 30% and Bote family owns 15% of the total shares.

8. **ETERNAL GARDENS MEMORIAL PARK CORPORATION**
   This company has an existing loan secured by Real Estate Mortgage which will mature on December 30, 2030.

   Estate of the late Antonio L. Cabangon Chua owns 3.62% of the shares of Eternal Garden Memorial Park Corporation. The following are related to him by first degree of consanguinity, D. Edgard A. Cabangon, and T. Anthony C. Cabangon, each owns 32.76% of the total shares.

9. **ETERNAL GARDENS MEMORIAL PARK CORPORATION-BATANGAS**
   The Bank leases its Sta. Rosa Branch's lot from Eternal Gardens Memorial Park Corporation-Batangas, estate of the late Antonio L. Cabangon-Chua owns 10% of the company's total shares. The following are related to him by first degree of consanguinity, D. Edgard A. Cabangon, T. Anthony C. Cabangon, D. Antoinette C. Jacinto, J. Wilfredo A. Cabangon, D. Alfred A. Cabangon and D. Edward A. Cabangon, each owns 10% of the total shares.

10. **FILIPINAS PAWNSHOP, INC.**
    The Bank leases its Paco and Guadalupe branch from Filipinas Pawnshop, Inc. estate of the Cabangon family who owns the following shares J. Wilfredo A. Cabangon, D. Alfred A. Cabangon, J. Antonio A. Cabangon, D. Arnold A. Cabangon and. D. Cecilia A. Cabangon 20% each of the company's total shares.

11. **FORTUNE LIFE INSURANCE COMPANY, INC.**
    Fortune Life Insurance Corporation is a stockholder of the Bank, with an aggregate share of 10.3%. D. Arnold A. Cabangon is the President of the company. The Bank leases its Palawan and Urdaneta branches from Fortune Life Insurance Co., Inc., estate of the late Antonio L. Cabangon-Chua owns 35.16% of the company's total shares.

12. **TOP VENTURES INVESTMENTS & MANAGEMENT CORPORATION**
    Top Ventures Investments & Management Corporation is a stockholder of the Bank, with a share of 12.70%. estate of the Cabangon Family who owns the following shares estate of Antonio L. Cabangon Chua 20%, Bienvinida A. Cabangon, J. Wilfredo A. Cabangon, D. Edgard A. Cabangon, D. Edward A. Cabangon, D. Alfred A. Cabangon, J. Antonio A. Cabangon, Jr., D. Arnold A. Cabangon and D. Cecilia A. Cabangon 10% each of the company's total shares.

Subsidiaries and Affiliates

For some of its products and services, the Bank has established working relationships with the affiliates and sister companies that provide its customers with discounts and free services from these companies.

Affiliates and Sister Companies:

1. Aliw Broadcasting Corp. 2. Insular Broadcasting System Inc. 3. Philippine Business Daily Mirror Publishing Inc.	31. Eternal Chapel And Mortuary Corporation 32. Eternal Chapel and Mortuary - Naga City, Inc. 33. Cabuyao Land Ventures & Development

4. Filipino Mirror Media Group Corporation 5. Brown Madonna Press Inc. 6. Citystate Tower Hotel Inc. 7. Manila Grand Opera Hotel Inc. 8. Dahlia Hotel Corp. 9. Daisy Inn Inc. 10. New Rosal Hotel Corp. 11. Lakambini Hotel Inc. 12. Legaspi Realty Co., Inc. 13. Hillcrest Hotel Inc. 14. Orchids Hotel Corp. 15. Cabangon Central Properties Incorporated 16. Asian Security and Investigation Agency Inc. 17. Eastern Defender Security & Services, Inc. 18. Red Falcon Detective Agency Inc. 19. Gencars Inc. 20. Gencars Legaspi Inc. 21. Gencars Naga Inc. 22. Gencars San Pablo Inc. 23. Gencars Sta. Rosa Inc. 24. Gencars Batangas City, Inc. 25. Gencars Batangas, Inc. 26. Eternal Gardens Memorial Park Corp. 27. Lipa City Eternal Garden Memorial Park Co., Inc. 28. Eternal Gardens Memorial Park Corp. (Batangas) 29. Eternal Gardens Memorial Park- Cagayan De Oro Inc. 30. Eternal Crematory Corporation	Inc. 34. Penafrancia Memorial Park Corp. 35. Blossomville Realty & Dev. Corp. 36. Fortune Life Insurance Co., Inc. 37. Fortune General Insurance Corporation 38. FIG Financing Company 39. AAA Southeast Equities Inc. 40. Rural Bank of Canlubang Planters, Inc. 41. Filipinas Pawnshop, Inc. 42. Eternal Plans Inc. 43. Amb ALC Holdings and Management Corp. 44. Top Ventures Investments And Management Corporation 45. Horizontal Realty Inv. Inc. 46. ALC Realty Development Corp. 47. ALC Industrial & Commercial Development Corp. 48. Cabuyao Land Ventures & Development Inc. 49. ALC Fortune Corp. 50. Batangas Ventures Properties & Management Corporation 51. Aliw Cinema Complex Inc. 52. ALC Baliwag Cinema And Shopping Complex 53. Meycauayan Market, Corp. 54. Chowrite Foods Inc. 55. Music Warehouse Restaurant Inc. 56. Hongkong Noodles & Dimsum House, Inc. 57. Clayton Learning Center Philippines Inc. 58. Orchids Steam Laundry Inc.

PART IV – CORPORATE GOVERNANCE

The Bank has adopted the SEC Corporate Governance Self Rating Form to evaluate the level of compliance of the Bank with its Manual on Corporate Governance. In addition, the Compliance Officer reviews on a periodic basis the level of compliance of its directors, officers and employees with the leading practices and principles on good corporate governance as embodied in the Bank's Manual.

There have been no violations of the Corporate Governance Manual and no director, officer or employee has been sanctioned.

The Bank will regularly conduct a review of the Manual on Corporate Governance and will adopt appropriate changes as necessary

PART V - EXHIBITS AND SCHEDULE

ITEM 13. EXHIBITS AND REPORTS ON SEC FORM 17-C

a. Exhibits
   Annex I - Audited Financial Statements conducted by Punongbayan and Araullo, incorporated by reference in ITEM 7, Part II of this report.
   Schedule I - Schedule of Accounts Receivable with Related Parties
   Schedule II - Schedule of Accounts Payable with Related Parties
   Schedule III - Map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates

b. Reports on SEC/PSE Form 17-C

1. Published Statement of Condition ending 31 December 2019
2. Impact of COVID-19
3. Demise of Vice Chairman
4. Request to extension to file SEC Form 17-A
5. Request to extension to file SEC Form 17-Q
6. Postponement of the 2020 Annual Stockholders' Meeting/Organizational Meeting
7. Statement of Condition ending 31 March 2020.
8. Amendments to Articles of Incorporation
9. Request to extension to file SEC Form 17-A
10. Request to extension to file SEC Form 17-Q
11. Subscriptions by Amb. ALC Holdings and Management Corporation to 42,000,000 million shares, Top Ventures Investments and Management Corp. to 7,680,000 shares and Eternal Gardens Memorial Park Corp. to 320,000 shares from the increase of the authorized capital stock of Citystate Savings Bank, Inc. (CSB).
12. Amendments to By-Laws
13. Notice of Annual Stockholders' Meeting
14. Election of Mr. D. Edgard A. Cabangon as a Director of CSBI
15. Appointment of Chief Operating Officer (CCO)
16. Result of the 2020 Annual Stockholders' Meeting
17. Result of the 2020 Organizational Meeting
18. Amendments to By-Laws of Citystate Savings Bank, Inc.
19. Statement of Condition ending 30 June 2020.
20. Demise of Director
21. Demise of Independent Director
22. Appointment of Project Management & System Development Unit Head
23. Election of Mr. Roberto L. Obiedo as a Director
24. Statement of Condition ending 30 September 2020
25. Resignation of Acting Branch Banking Group Head
26. Reorganization of the Related Party Transactions Committee
27. Approval of the Increase in Authorized Capital Stock of the Bank and Subscription by Top Ventures Investments and Management Corp.
28. Notice of Special Stockholders' Meeting
29. Amendments to By-Laws of Citystate Savings Bank, Inc.
30. Amendments to Articles of Incorporation of Citystate Savings Bank, Inc.
31. Certificate of Attendance on Corporate Governance Seminar of the bank's Board of Directors and key officers which were provided by our training provider.
32. Results of the Special Stockholders' Meeting
33. Amendments to By-Laws of Citystate Savings Bank, Inc.
34. Amendments to Articles of Incorporation of Citystate Savings Bank, Inc.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of Pasig on May 14, 2021.

By:

Benjamin V. Ramos President	**Martin Jerry E. Machado** Comptroller
Ariel V. Ajesta Chief Compliance Officer	**Atty. Socrates M. Arevalo** Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 17 2021, affiant(s) exhibiting to me his/her Social Security System Number, as follows:

NAMES	IDENTIFICATION NO.
Benjamin V. Ramos	TIN 116-889-795
Martin Jerry E. Machado	SSS 33-2211146-7
Ariel V. Ajesta	TIN 411-776-939
Atty. Socrates M. Arevalo	TIN 123-271-382

Notary Public

ATTY. PHIL EPHRAIM T. ELGO
NOTARY PUBLIC FOR IN PASIG CITY
ATTORNEY'S ROLL NO. 62593
IBP LIFETIME MEMBER NO. 011920
PTR NO. 4589256; MCLE VI-0024955
APPOINTMENT NO. 59(2021-2022)
UNTIL DECEMBER 31, 2022

Doc No. 351
Page No. 72
Book No. 16
Series of 2021

CITYSTATE SAVINGS BANK
We Take Care of You.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CITYSTATE SAVINGS BANK, INC.** (the Bank), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Dominic Edgard A. Cabangon
Chairman of the Board

Benjamin V. Ramos
President

Martin Jerry E. Machado
Chief Financial Officer

Signed this _____ day of __________

CITYSTATE
SAVINGS BANK
We Take Care of You.

SUBSCRIBED AND SWORN to before me on MAY 18 2021 at Pasig City, affiants exhibiting to me:

NAME	IDENTIFICATION NUMBER
D. Edgard A. Cabangon	TIN. 122-341-728
Benjamin V. Ramos	SSS NO. 03-7460820-6
Martin Jerry E. Machado	SSS NO. 33-2211146-7

DOMINGO B. TEJERO
NOTARY PUBLIC–Pasig City
Appl. No. 24–Valid until DEC. 31, 2021
Unit 103-G/F, MN Square Building
678 Shaw Blvd., Kapitolyo, Pasig City
PTR No. 5242658 Pasig City 1-4-21
IBP OR No. 141020 for 2021 Rizal 1-4-21
Roll No. 28063 Tel. No. 635-47-02
MCLE VI-Compliance No. VI-0004652, 12-7-17
TIN: 135-064-700

DOC No. 174
PAGE No. 37
BOOK No. CCCXXI
SERIES OF 2021

Doc No. ______
Book No. ______
Series of 2021.

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Citystate Savings Bank, Inc.

December 31, 2020, 2019 and 2018

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and the Stockholders
Citystate Savings Bank, Inc.
2nd Floor, Citystate Centre
709 Shaw Boulevard, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Citystate Savings Bank, Inc. (the Bank), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 26 to the financial statements, which describes management's assessment of the continuing impact on the Bank's financial statements of the business disruption brought about by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. *Valuation of Loans and Receivables and Recognition of the Related Interest Income*

Description of the Matter

(i) Valuation of Loans and Receivables

Loans and receivables are the most significant resources of the Bank. As at December 31, 2020, the balance of the account is P2.2 billion, which is net of allowance for impairment of P88.1 million, representing 45% of the Bank's total resources.

The allowance for impairment of loans and receivables is considered to be a matter of significance as it requires the application of critical accounting judgments and use of subjective estimates in assessing the impairment of loans and receivables and how much impairment should be recognized in the financial statements. The Bank used the expected credit loss (ECL) model in determining impairment of its loans and receivables. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratios, and of default correlations between counterparties. Furthermore, it incorporated forward-looking information (FLI) into the assessment of the probability of default based on its historical analysis and has identified the key macroeconomic variables (MEV) impacting credit risk associated with its borrowers. It has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between MEV and credit risk and credit losses.

In 2020, the management performed a comprehensive review of loan portfolios to assess vulnerable loan accounts and consider additional qualitative factors that would elevate COVID-19 pandemic-related changes to significant increase in credit risk. As a result, the management introduced post-model adjustments to the existing ECL model to reflect the significant impact of COVID-19 pandemic and to consider the current and forecasted MEV in determining the appropriate overlay. Consequently, this resulted in a more complex judgment and higher degree of estimation uncertainty in determining ECL on the Bank's loans and receivables in 2020.

The relevant accounting policies of the Bank on the measurement and impairment of financial assets are disclosed in Note 2 to the financial statements. Management's application of judgments and estimates in respect of impairment of loans and receivables is disclosed in Note 3 to the financial statements, and the Bank's disclosures on credit risks and analysis of the allowance for impairment of said assets is presented in Notes 4 and 11, respectively, to the financial statements.

(ii) Recognition of Interest Income on Loans and Receivables

The Bank measures loans and receivables using the effective interest method and recognizes the related interest income using the effective interest rate. In 2020, the interest income recognized on loans and receivables amounted to P212.0 million, which accounts for 89% of the total interest income of the Bank. The Bank's policy on interest income recognition is disclosed in Note 2 to the financial statements. Because of the materiality of the amount involved and the risk that the amount of interest income recognized in the financial statements could be higher than what have been actually earned, we have considered the recognition of interest income to be a matter of significance in our audit.

How the Matter was Addressed in the Audit

We have established reliance on the Bank's internal control by testing the design and operating effectiveness of internal control including general and application controls over the assessment and approval of customer credit; the capturing of information relevant to calculation of the amount of allowance for impairment (e.g., loan classification, risk grades, default rates and loss given defaults); the calculation and recognition of impairment loss; and, the calculation and recognition of the interest income using the effective interest method.

In addition, we performed substantive audit procedures, which included, among others:

(i) Valuation of Loans and Other Receivables

- evaluating the appropriateness of the Bank's credit policy and the ECL model;

- verifying that the loans are allocated to the appropriate stage of credit impairment by challenging the criteria used to allocate the loan to Stage 1, 2 or 3 in accordance with PFRS 9, *Financial Instruments,* considering both quantitative and qualitative factors;

- evaluating the inputs and assumptions as well as the formulas used in the development of the ECL model for each of its loan portfolio. This includes assessing the appropriateness of design of the ECL impairment model and formula used in determining the probability of default, loss given default and exposure at default;

- assessing whether the forecasted macro-economic factors, which generally include but not limited to gross domestic product growth, unemployment rate, inflation rate and interest rates, were appropriate in respect of the FLI used. In addition, assessing the level of significance of correlation of selected macro-economic factors to the default rates and the impact of these variables to the ECL;

- assessing the appropriateness of the specific post-model adjustments applied for each portfolio to address impact of COVID-19 pandemic;

- assessing the borrowers' repayment capabilities by examining payment history for selected loan accounts; and,

- evaluating management's forecast of recoverable cash flows, valuation of collaterals and their expected recovery from disposal; and estimates of recovery from other sources of collection with respect to selected non-performing loan accounts.

(ii) Recognition of Interest Income

- testing, on a sampling basis, the reasonableness and appropriateness of the effective interest rate used by the Bank in computing interest income;

- checking the propriety of the application of payments received by the Bank between principal, interest and penalties, if applicable; and,

- performing analytical review by loan portfolio to assess the reasonableness of interest income.

b. Going Concern Assessment

Description of the Matter

The Bank's total equity amounts to P643.6 million and P635.9 million as at December 31, 2020 and 2019, respectively. Such level of equity is lower than the minimum capital of P1.0 billion for thrift banks with head office in Metro Manila and with 11 to 100 branches as mandated by the Bangko Sentral ng Pilipinas (BSP). This condition indicates the existence of an uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Management's judgment on the use of going concern assumptions in preparing the Bank's financial statements is disclosed in Note 3 to the financial statements. In response to this matter, the Bank's Board of Directors (BOD) has come up with the plan in prior years to implement various measures to improve the Bank's operating condition within a reasonable period. These measures under the plan include formulation of a capital build up plan in compliance with existing minimum capital requirement of the BSP and the implementation of business improvement plan. Some of the measures implemented by the Bank to improve its financial condition and performance are discussed in Note 17 to the financial statements.

In addition to the cash infusion from existing stockholder amounting to P3.2 million in 2018, the Bank received additional cash infusion amounting to P496.8 million on July 13, 2020. Further, on December 7, 2020, the Bank received an additional deposit on future stock subscription from certain stockholder amounting to P6.0 million. Pending regulatory approval on its planned increase in authorized capital stock, these capital infusions totalling to P506.0 million are recognized as Deposit on future stock subscription presented as part of Other Liabilities as of December 31, 2020. The application for the increase in authorized capital stock was approved by the BSP on May 7, 2021.

Due to the importance of achieving the business improvement plan and capital build up plan of the Bank to improve its financial condition and meet the minimum regulatory capital requirement which will address the going concern issue of the Bank, we consider the above matter as a key audit matter.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk relating to the Bank's compliance with the regulatory requirements, included:

- reviewing the Bank's capital build up plan to address the minimum regulatory capital requirement of the Bank as well as the subsequent subscription agreements with certain existing stockholders and supporting documents for the receipt of the capital infusions;

- reviewing the Bank's business improvement plan including the profitability forecast and assessing the reasonableness of the assumption used in the plan;

- reviewing the Bank's computation of its regulatory capital as the basis of our evaluation of its compliance with the BSP requirements;

- as one of the identified areas to improve the Bank's financial condition, on a sample basis, testing of the existence of sale of repossessed jewelry assets and other properties during the year and determining the appropriateness of the amount recognized as gain on sale of repossessed jewelry assets and other properties; and,

- reviewing the Bank's business improvement and capital build up plan through reading of the minutes of the Board of Directors' monthly meetings.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and the Annual Report for the year ended December 31, 2020, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Aud Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2020 and 2019 required by the BSP and for the year ended December 31, 2020 required by the Bureau of Internal Revenue as disclosed in Notes 27 and 28 to the financial statements, respectively, are presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Jerald M. Sanchez.

PUNONGBAYAN & ARAULLO

By: Jerald M. Sanchez
Partner

CPA Reg. No. 0121830
TIN 307-367-174
PTR No. 8533241, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 121830-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-041-2019 (until Dec. 15, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 14, 2021

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
R E S O U R C E S			
CASH AND OTHER CASH ITEMS	2	**P 49,951,152**	P 62,110,168
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	**1,163,199,509**	409,238,250
DUE FROM OTHER BANKS	8	**178,847,788**	330,266,336
LOANS AND RECEIVABLES ARISING FROM REVERSE REPURCHASE AGREEMENT	9	**188,534,619**	65,972,773
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	10	**341,262,474**	308,007,978
HELD-TO-COLLECT FINANCIAL ASSETS - Net	10	**321,846,565**	74,680,160
LOANS AND RECEIVABLES - Net	11	**2,237,665,115**	2,228,672,239
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	12	**228,271,724**	250,069,817
INVESTMENT PROPERTIES - Net	13	**202,143,378**	208,074,197
OTHER RESOURCES - Net	14	**102,909,967**	137,053,571
TOTAL RESOURCES		**P 5,014,632,291**	P 4,074,145,489
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	15		
Demand		**P 692,659,420**	P 736,569,218
Savings		**2,723,821,124**	2,070,290,265
Time		**278,140,129**	476,448,762
Total Deposit Liabilities		**3,694,620,673**	3,283,308,245
OTHER LIABILITIES	16	**676,425,097**	154,954,421
Total Liabilities		**4,371,045,770**	3,438,262,666
EQUITY	17	**643,586,521**	635,882,823
TOTAL LIABILITIES AND EQUITY		**P 5,014,632,291**	P 4,074,145,489

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
INTEREST INCOME				
Loans and receivables	11	P 211,997,830	P 194,863,667	P 191,802,441
Investment securities	10	9,764,283	15,171,223	11,265,493
Due from Banko Sentral ng Pilipinas, other banks and loans and receivables arising from reverse repurchase agreement	7, 8, 9	17,663,972	18,764,051	23,265,057
		239,426,085	228,798,941	226,332,991
INTEREST EXPENSE				
Deposit liabilities	15	34,538,574	45,577,990	39,047,200
Others	16	7,320,864	8,653,790	1,503,303
		41,859,438	54,231,780	40,550,503
NET INTEREST INCOME		197,566,647	174,567,161	185,782,488
IMPAIRMENT LOSSES (RECOVERIES) ON LOANS AND RECEIVABLES - Net	11	119,758	668,308	(13,411,954)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES (RECOVERIES) ON LOANS AND RECEIVABLES		197,446,889	173,898,853	199,194,442
OTHER OPERATING INCOME				
Service charges and fees	2	9,310,923	14,454,655	15,827,647
Miscellaneous	18	66,513,548	94,265,083	66,979,762
		75,824,471	108,719,738	82,807,409
OTHER OPERATING EXPENSES				
Salaries and employee benefit expense	19	87,592,744	98,317,739	101,541,424
Depreciation and amortization	12, 13, 14	58,888,785	57,923,565	40,489,091
Security, janitorial and messengerial services		23,954,898	24,407,602	24,009,304
Communication, light and water		20,959,966	26,319,350	28,606,418
Taxes and licenses		15,561,712	19,294,735	19,746,667
Insurance		13,988,438	14,768,998	17,187,004
Fuel and oil		6,890,175	8,472,234	8,891,747
Occupancy	16, 24	4,559,994	8,687,763	36,445,232
Litigation and asset acquired expenses	13	2,817,111	8,005,709	3,667,814
Repairs and maintenance		1,079,301	1,399,254	1,423,067
Miscellaneous	18	23,666,516	33,272,676	31,375,568
		259,959,640	300,869,625	313,383,336
PROFIT (LOSS) BEFORE TAX		13,311,720	(18,251,034)	(31,381,485)
TAX EXPENSE	20	7,987,877	4,491,187	9,744,752
NET INCOME (LOSS)		P 5,323,843	(P 22,742,221)	(P 41,126,237)
Earnings (Loss) Per Share – Basic and Diluted	23	P 0.05	(P 0.23)	(P 0.41)

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
NET INCOME (LOSS)		**P 5,323,843**	(P 22,742,221)	(P 41,126,237)
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of defined benefit post-employment plan	19	**(4,977,379)**	(6,461,149)	6,584,421
Tax expense	20	**-**	-	(1,975,327)
		(4,977,379)	(6,461,149)	4,609,094
Items that will be reclassified subsequently to profit or loss				
Fair valuation on financial assets at fair value through comprehensive income				
Fair value gains during the year	10	**6,915,805**	10,155,816	2,286,130
Tax income	20	**441,429**	441,429	464,741
		7,357,234	10,597,245	2,750,871
Total Other Comprehensive Income - Net of Tax		**2,379,855**	4,136,096	7,359,965
TOTAL COMPREHENSIVE INCOME (LOSS)		**P 7,703,698**	(P 18,606,125)	(P 33,766,272)

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Deposit on Subscription of Shares	Revaluation Reserves	Surplus Reserves	Deficit	Total
Balance as of January 1, 2020		P 1,000,000,000	P 2,222,444	P -	P 33,995,668	P 14,944,887	(P 415,280,176)	P 635,882,823
Appropriation for general loan loss reserve	17	-	-	-	-	15,729,083	(15,729,083)	-
Transfer to reserves	21	-	-	-	-	962,137	(962,137)	-
Total comprehensive income for the year	17	-	-	-	2,379,855	-	5,323,843	7,703,698
Balance as of December 31, 2020	17	**P 1,000,000,000**	**P 2,222,444**	**P -**	**P 36,375,523**	**P 31,636,107**	**(P 426,647,553)**	**P 643,586,521**
Balance as of January 1, 2019		P 999,998,000	P 2,222,444	P -	P 29,859,572	P 2,554,497	(P 380,147,565)	P 654,486,948
Additional subscription	17	2,000	-	-	-	-	-	2,000
Appropriation for general loan loss reserve	17	-	-	-	-	11,439,248	(11,439,248)	-
Transfer to reserves	21	-	-	-	-	951,142	(951,142)	-
Total comprehensive income (loss) for the year	17	-	-	-	4,136,096	-	(22,742,221)	(18,606,125)
Balance as of December 31, 2019	17	P 1,000,000,000	P 2,222,444	P -	P 33,995,668	P 14,944,887	(P 415,280,176)	P 635,882,823
Balance as of January 1, 2018		P 727,649,980	P 2,222,444	P 258,000,000	P 22,499,607	P 1,918,231	(P 338,385,062)	P 673,905,200
Transfer from deposit on subscription of capital stock	17	258,000,000	-	(258,000,000)	-	-	-	-
Additional subscription	17	14,348,020	-	-	-	-	-	14,348,020
Transfer to reserves	21	-	-	-	-	636,266	(636,266)	-
Total comprehensive income (loss) for the year	17	-	-	-	7,359,965	-	(41,126,237)	(33,766,272)
Balance as of December 31, 2018	17	P 999,998,000	P 2,222,444	P -	P 29,859,572	P 2,554,497	(P 380,147,565)	P 654,486,948

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 13,311,720	(P 18,251,034)	(P 31,381,485)
Adjustments for:				
Interest received		243,703,537	224,969,749	222,503,799
Interest income	7, 8, 9, 10, 11	(239,426,085)	(228,798,941)	(226,332,991)
Depreciation and amortization	12, 13, 14	58,888,785	57,923,565	40,489,091
Interest expense	15, 16	41,859,438	54,231,780	40,550,503
Interest paid		(41,093,453)	(53,465,795)	(39,784,518)
Gains from assets acquired or exchanged - net	18	(34,603,714)	(51,915,862)	(4,854,421)
Dividend income	18	(7,985,385)	(7,920,942)	(12,557,921)
Impairment losses (recoveries) on loans and receivables - net	11	119,758	668,308	(13,411,954)
Unrealized foreign currency exchange losses (gains) - net	18	235,396	118,684	(606,026)
Gain on sale of bank premises - net	18	-	(676,967)	-
Trading gains	10	-	(133,477)	(9,376)
Operating income (loss) before working capital changes		35,009,997	(23,250,932)	(25,395,299)
Decrease (increase) in loans and receivables		(136,988,943)	(267,122,326)	258,631,356
Decrease (increase) in other resources		27,843,093	(2,283,921)	26,462,243
Decrease (increase) in investment properties		32,710,646	(53,692,107)	(77,688,853)
Increase (decrease) in deposit liabilities		411,312,428	197,977,313	(276,478,753)
Increase (decrease) in other liabilities		197,618,049	(117,257,616)	(117,558,233)
Cash generated from (used in) operations		567,505,270	(265,629,589)	(212,027,539)
Cash paid for income taxes		(5,773,435)	(9,666,786)	(7,626,282)
Net Cash From (Used in) Operating Activities		561,731,835	(275,296,375)	(219,653,821)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of held-to-collect financial assets	10	(594,315,640)	(41,603,765)	(34,209,517)
Proceeds from disposal or maturity of investment securities	10	410,350,188	160,569,005	35,692,753
Acquisition of financial assets at fair value through other comprehensive income	10	(87,757,440)	-	(70,000,000)
Dividends received	18	7,985,385	7,920,942	12,557,921
Acquisitions of computer software	14	(6,516,746)	(4,639,714)	(9,962,496)
Acquisitions of bank premises, furniture, fixtures and equipment	12	(3,488,318)	(6,127,283)	(14,981,601)
Proceeds from disposal of property and equipment	12	-	1,285,812	-
Net Cash From (Used in) Investing Activities		(273,742,571)	117,404,997	(80,902,940)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt of deposit for future stock subscription	17	502,800,000	-	3,200,000
Payments of lease liabilities	16	(19,581,957)	(14,623,676)	-
Proceeds from issuance of capital stock	17	-	2,000	14,348,020
Net Cash From (Used in) Financing Activities		483,218,043	(14,621,676)	17,548,020
Effect of Foreign Currency Exchange Rate Changes in Cash and Cash Equivalents		(235,396)	(118,684)	606,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		770,971,911	(172,631,738)	(282,402,715)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		62,110,168	60,299,656	67,206,772
Due from Bangko Sentral ng Pilipinas	7	409,238,250	279,146,370	586,867,698
Due from other banks	8, 25	252,550,536	442,057,439	352,922,838
Loans and receivables arising from reverse repurchase agreement	9	65,972,773	181,000,000	237,908,872
		789,871,727	962,503,465	1,244,906,180
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		49,951,152	62,110,168	60,299,656
Due from Bangko Sentral ng Pilipinas	7	1,163,199,509	409,238,250	279,146,370
Due from other banks	8, 25	159,158,358	252,550,536	442,057,439
Loans and receivables arising from reverse repurchase agreement	9	188,534,619	65,972,773	181,000,000
		P 1,560,843,638	P 789,871,727	P 962,503,465

Supplemental Information on Noncash Investing and Financing Activities:

The Bank recognized right-of-use assets and lease liabilities, which are both amounting to P92.9 million, as at January 1, 2019 in relation to the adoption of PFRS 16, *Leases,* and it recognized additional right-of-use assets and lease liabilities of P13.0 million in 2020 (see Notes 12 and 16).

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Citystate Savings Bank, Inc. (the Bank) was incorporated in the Philippines on May 20, 1997. The Bank obtained a thrift bank license from the Bangko Sentral ng Pilipinas (BSP) on August 7, 1997 and started operations on August 8, 1997.

The Bank's common shares were listed in the Philippine Stock Exchange (PSE) on November 28, 2001. On March 4, 2004, the Bank was authorized by the BSP to engage in quasi-banking functions. On July 13, 2006, the Bank was granted license to operate foreign currency deposit unit (FCDU) and trust function. The Bank's FCDU started operations in November 2006, while its trust operations started in February 2007. At the end of 2020, the Bank has 30 branches, and 31 on-site and six off-site automated teller machines (ATMs) strategically located in key cities and municipalities within Metro Manila and provincial areas.

The Bank's operations include commercial banking, retail banking and treasury services, however, management does not view the Bank's business operations, activities and components separately but rather they view the Bank as a whole. Accordingly, no business segment information is presented in its financial statements.

As a banking institution, the Bank's operations are regulated and supervised by the BSP. As such, the Bank is required to comply with banking rules and regulations such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Bank's activities are subject to the provisions of the General Banking Law of 2000 [Republic Act (RA) No. 8791] and other related banking laws.

The Bank's registered address, which is also its principal place of business, is located at 2nd Floor, Citystate Centre, 709 Shaw Boulevard, Pasig City.

1.2 Status of Operations

The Bank earned net income amounting to P5.3 million in 2020, and incurred net losses amounting to P22.7 million in 2019 and P41.1 million in 2018, resulting to Deficit of P426.6 million and P415.3 million as of December 31, 2020 and 2019, respectively. The Bank's total equity amounts to P643.6 million and P635.9 million as at December 31, 2020 and 2019, respectively. The Bank's level of equity is lower than the minimum capital of P1.0 billion for thrift banks with head office in Metro Manila and with 11 to 100 branches as mandated by the BSP based on BSP Circular No. 854, *Minimum Capitalization of Banks*. This condition indicates the existence of an uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. In response to this matter, the Bank's Board of Directors (BOD) has come up with the plan in prior years to implement various measures to improve the Bank's financial condition within a reasonable period. These measures under the plan include formulation of a capital build up plan in compliance with BSP Circular No. 854 and the implementation of business improvement plan.

Also, as discussed in Note 17.4, the Bank received additional capital infusions from certain existing stockholders to subscribe to the increase in the Bank's authorized capital stock and meet the minimum capital requirement of the BSP. Accordingly, the Bank's financial statements have been prepared on the assumption that the Bank will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business [see also Note 3.1(a)].

1.3 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2020 (including the comparative financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Bank's BOD on May 14, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies that have been used in the preparation of these financial statements. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are issued by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents all items of income and expenses in two statements: a "statement of profit or loss" and a "statement of comprehensive income."

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates (see Note 2.13).

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2020 that are Relevant to the Bank*

The Bank adopted for the first time the following amendments and improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Bank's financial statements because the amendments merely clarified existing provisions of PFRS.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Bank's financial statements because said amendment merely clarified the definition of materiality.

(iii) PFRS 7 (Amendments), *Financial Instruments: Disclosures,* and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform.* The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Bank's financial statements because the Bank has no hedging transactions.

(b) Effective in 2020 that are not Relevant to the Bank

Among the amendments to existing standards which are mandatorily effective for annual periods beginning on or after January 1, 2020, only the amendments to PFRS 3, *Business Combinations – Definition of a Business*, are not relevant to the Bank's financial statements.

(c) Effective Subsequent to 2020 that are not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Bank:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument. For purposes of classifying financial instrument, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposit liabilities, amounts due to banks, and loans are recognized when cash is received by the Bank or advanced to the borrowers.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus transaction costs such as fees and commissions that are incremental or directly attributable to the acquisition or issue of the financial asset or financial liability.

(a) Classification, Measurement and Remeasurement of Financial Assets

The classification and measurement of financial assets is driven by the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are classified into the following: financial assets at amortized, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). The classification and measurement of financial assets relevant to the Bank are described below and in the succeeding pages.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the financial asset is held within the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interests (SPPI) on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses (ECL).

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Receivables Arising from Reverse Repurchase Agreement, Held-to-collect (HTC) Financial Assets, Loans and Receivables, and as part of Other Resources in respect of Utility deposit, Security deposits, Deposit with Philippine Clearing House Corp. (PCHC), Deposit to Bancnet, Other investments and Petty cash fund.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with maturities of three months or less, including cash and non-restricted balances with the BSP and other banks. For statement of cash flows purposes, cash and cash equivalents include cash and other cash items, due from BSP, due from other banks, and loans and receivables arising from reverse repurchase agreement that are unrestricted and readily available for use in the Bank's operations and are subject to insignificant risk of change in value.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Bank accounts for financial assets, particularly debt securities, at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Bank can make an irrevocable election (on an instrument-per-instrument basis) to designate equity securities as at FVOCI; however, such designation is not permitted if the equity investments are held by the Bank for trading. As of January 1, 2018, the Bank has designated certain equity securities as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss, but is reclassified directly to Deficit account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized as part of Other Income (within Miscellaneous) under Other Operating Income in the statement of profit or loss, when the Bank's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Bank, and the amount of the dividend can be reliably measured, unless the dividends clearly represent recovery of a part of the cost of the investment.

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

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

(b) Recognition of Interest Income Using Effective Interest Rate Method

Interest income on financial assets at amortized cost and financial assets at FVOCI is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired and those that are purchased or originated credit-impaired assets.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income.

The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

The interest earned is recognized as part of Interest Income in the statement of profit or loss.

(c) Impairment of Financial Assets

The Bank recognizes allowances for ECL on a forward-looking basis associated with its financial assets at amortized cost and debt securities at FVOCI. No impairment loss is recognized on equity investments that is designated at FVOCI. Recognition of credit losses is no longer dependent on the Bank's identification of a credit loss event. The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. The Bank recognizes lifetime ECL when there has been a significant increase in credit risk (SICR) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

The Bank's ECL model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets, definition of default for purposes of determining ECL, and credit risk assessment are further discussed in Note 4.

ECL is a function of the probability of default (PD), loss-given default (LGD), and exposure-at-default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are discussed more fully in Notes 4.1.6(a) and 4.1.6(b).

The Bank calculates ECL on a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument product type, collateral type, and historical net charge-offs of the borrowers or counterparties.

Also, the Bank applies a simplified ECL approach for its accounts receivables wherein the Bank uses a provisioning matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Bank's lending activities. For these instruments, the Bank measures the loss allowance of an amount equal to lifetime ECL.

The Bank recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account. With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserve account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(d) Derecognition of Financial Assets

(i) Modification of Loans

When the Bank derecognizes a financial asset through renegotiation or modification of contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms.

The Bank considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that will affect the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and/or,
- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized as gain or loss on derecognition of financial assets in profit or loss. As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition; such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) Derecognition other than Modification of Loans

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(e) Financial Liabilities at Amortized Cost

Financial liabilities which include deposit liabilities and other liabilities (except for tax related payables and post-employment defined benefit obligation), are recognized when the Bank becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for maturities beyond one year less settlement payments. All interest-related charges on financial liabilities are recognized as an expense in the statement of profit or loss under the caption Interest Expense. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period when they arise.

(f) Derecognition of Financial Liabilities

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Bank currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. All other items of bank premises, furniture, fixtures and equipment are carried at acquisition cost less subsequent depreciation, amortization and any impairment losses.

The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Office furniture, fixtures and equipment	5 years

Leasehold improvements are amortized using the estimated useful lives of 5 to 20 years or the remaining term of the lease whichever is shorter.

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment, are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.6 Investment Properties

Investment properties include land and buildings acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are held either to earn rental income or for capital appreciation or for both, but not held for sale in the next twelve months or used in the rendering of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.14). The cost of an investment property comprises its purchase price and directly attributable costs incurred. For these assets, the cost is recognized initially at the lower of the outstanding loan balance or bid price, which should not be higher than the appraised value of the property.

Buildings included under investment properties have estimated useful life of ten years and are depreciated using the straight-line basis.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are charged to profit or loss in the period in which these costs are incurred.

Investment properties including the related accumulated depreciation and any impairment losses, are derecognized upon disposal or when no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss under the caption Miscellaneous under the Other Operating Income account in the year of retirement or disposal.

2.7 Assets Held-for-Sale

Assets held-for-sale pertain to motor vehicles and jewelry items, presented as part of the Other Resources account in the statement of financial position, which are acquired through repossession or foreclosure where the Bank intends to sell within one year from the date of classification as held for sale and remains committed to immediately dispose the assets through an active marketing plan.

The Bank classifies an asset as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and there is sufficient evidence that the Bank remains committed to its plan to sell the asset.

Assets held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. These assets are not subject to depreciation. If the Bank has classified an asset as held-for-sale or disposal group, but the criteria for it to be recognized as held-for-sale or disposal group are no longer satisfied, the Bank shall cease to classify the asset as such.

The Bank recognizes an impairment loss for any initial or subsequent write-down of the assets held-for-sale and disposal group to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss. On the other hand, any gain from any subsequent increase in fair value less to costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

Assets that ceases to be classified as held-for-sale is measured at the lower of:
(a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale; and, (b) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held for sale resulting in either a gain or loss, is recognized in profit or loss.

The gain or loss arising from the sale or re-measurement of assets held-for-sale or disposal group is recognized in profit or loss and is included in the Net gain from assets acquired or exchanged under Miscellaneous Income or Loss on sale of acquired assets under Miscellaneous Expense in the statement of profit or loss.

2.8 Intangible Assets

Intangible assets include acquired branch license and computer software used in operations and administration which are accounted for under the cost model and presented under the Other Resources account in the statement of financial position. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Acquired branch license is classified as intangible assets with indefinite useful life, hence, is not subject to amortization but would require an annual test for impairment (see Note 2.14). Branch license is subsequently carried at cost less accumulated impairment losses, if any.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

The costs of any internally generated software development are recognized as intangible assets. Any capitalized internally developed software that is not yet complete is not amortized but is subject to impairment testing as described in Note 2.14. Amortization commences upon completion of the asset.

Capitalized software costs are amortized on a straight-line basis over the estimated useful lives (ranging from three to ten years) as these intangible assets are considered finite.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Other Resources

Other resources pertain to other assets controlled by the Bank as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation.

The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Bank can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Other Income and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Bank; and the expenses and costs incurred and to be incurred can be measured reliably.

Revenue is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any.

The Bank also earns service fees and commissions on various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15. For revenues arising from various banking services, which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) *Service charges and fees* are generally recognized on an accrual basis when the service has been provided. Fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of debt instruments or other securities, are recognized on completion of the underlying transaction. Other service fees are recognized based on the applicable service contracts, usually on a time-appropriate basis.

(b) *Trust fees* are service fees calculated in reference to the net asset value of the funds managed and deducted from the customers' account balance on a monthly basis which are recognized over time as the asset management services are provided. These are recognized in profit or loss, as part of Miscellaneous under Other Operating Income.

(c) *Penalties on loans,* presented as part of Miscellaneous Income, are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

(a) *Gains from assets acquired/exchanged* are from the disposals of bank premises, furniture, fixtures and equipment, investment properties, or assets held-for-sale, if any.

The Bank recognizes gain on sale at a point in time, subject to the following additional criteria:

- when control of the asset is transferred to the buyer;
- when the Bank does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold; and,
- when the collectability of the entire sales price is reasonably assured.

These are recognized in profit or loss, as part of Miscellaneous under Other Operating Income.

(b) *Dividend income* is recognized when the Bank's right to receive payment is established.

Collections from accounts, which did not qualify from revenue recognition, are treated as customers' deposits and are included as part of Accounts payable under Other Liabilities account in the statement of financial position.

2.12 Leases

The Bank accounts for its leases as follows:

(a) Bank as a Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (from January 1, 2019)

The Bank considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.' To apply this definition, the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;

- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.14).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The corresponding right-of-use assets and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment, and Other Liabilities, respectively, in the statement of financial position.

(ii) Accounting for Leases in Accordance with PAS 17 (until December 31, 2018)

Leases, which do not transfer to the Bank substantially all the risks and benefits of ownership of the asset, are classified as operating lease. Operating lease payments (net of any incentive received from the lessor) are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Bank determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(b) Bank as Lessor

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.13 Foreign Currency Transactions and Translation

The accounting records of the Bank are maintained in Philippine pesos, except for the FCDU, which is maintained in United States (US) dollars. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

The financial statements of the FCDU of the Bank, which are expressed in US dollars as its functional currency, are translated using the closing rates for statement of financial position accounts and weighted average rates for statement of profit or loss and statement of comprehensive income accounts.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.14 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, intangible assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use.

In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Bank's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except for intangible assets with indefinite useful life, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.15 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by the Bank's Trust Department.

The liability recognized in the statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rate of a zero coupon government bond that is denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rate is based from the reference rate published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL). BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Miscellaneous Account in the statement of profit or loss. Remeasurements are not reclassified to profit or loss in the subsequent periods.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plans*

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into an independent entity. Under this plan, the Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

2.16 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Bank has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

2.17 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of an entity that gives them significant influence over the Bank and close members of the family of any such individual; and, (d) the Bank's funded post-employment benefit plan for its employees.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

For purposes of reporting to the SEC, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material. This is based on the requirement of SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly-listed Companies*.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one year period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited financial statements, the same board approval would be required for the transaction that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.18 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Deposit on subscription of shares represents the amount of money received from stockholders as deposit for its subscription to the Bank's unissued capital stock which is currently pending for its issuance.

As adopted from SEC Financial Reporting Bulletin 006 issued in 2012 and amended in 2013 and 2017, the Bank does not consider a deposit on future subscription as an equity instrument unless all of the following elements are present:

(i) The unissued authorized capital of the entity is insufficient to cover the amount of shares indicated in the contract;

(ii) There is BOD's approval on the increase in authorized capital stock (for which a deposit was received by the Bank);

(iii) There is stockholders' approval of said proposed increase; and,

(iv) The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability. The amount of deposits on future stock subscription will be reclassified to equity account when the Bank meets the foregoing criteria.

Revaluation reserves comprise of the following:

(a) Net unrealized fair value gain arising from remeasurements of financial assets at FVOCI; and,

(b) Remeasurements of defined benefit post-employment plan based on the accumulated balances of actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions used in the determination of defined benefit obligation, and actual return on plan assets (excluding amount included in net interest).

Surplus reserves include reserve for trust business which represents the accumulated amount set aside by the Bank under prevailing regulations, requiring the Bank to carry to surplus 10% of its net profits accruing from trust business until the surplus shall amount to 20% of its authorized capital stock. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this reserve.

Deficit represents all current and prior period results of operations as reported in the statement of profit or loss.

The Bank follows the requirements of BSP Circular No.1011, *Guidelines on the Adoption of PFRS 9*, which requires financial institutions to set up general loan loss provision (GLLP) equivalent to 1.00% of all outstanding on-balance sheet loan accounts. GLLP pertains to the appropriation in the Surplus Reserves account, brought about by cases when the allowance for credit losses on loan accounts computed under the requirements of PFRS 9 is less than the 1.00% GLLP required by the BSP.

2.19 Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to the equity holders of the Bank by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the reporting period.

Diluted earnings (losses) per share is computed by dividing net income (loss) by the weighted average number of common shares issued and outstanding during the period assuming the conversion of potentially dilutive shares.

Currently, the Bank does not have potentially dilutive shares outstanding; hence, the dilutive earnings (loss) per share is equal to the basic earnings (loss) per share.

2.20 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Going Concern Assumption

When preparing financial statements, management makes an assessment of the Bank's ability to continue as a going concern. It prepares financial statements on a going concern basis unless management either intends to liquidate the Bank or to cease trading, or has no realistic alternative but to do so. When management is aware in making its assessment of uncertainties related to events or conditions that may cast significant doubt upon the Bank's ability to continue as a going concern, the Bank discloses those uncertainties.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The degree of consideration depends on the facts in each case. Management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Management believes that the Bank, despite the fact that its level of equity as of December 31, 2020 and 2019 is lower than the minimum capital of P1.0 billion for thrift banks with head office in Metro Manila and with 11 to 100 branches as mandated by the BSP based on BSP Circular No. 854 (see also Note 1.2), will continue as a going concern because the Bank committed to comply with the minimum capital requirement. The Bank obtained approval from the BOD and stockholders for the increase in its authorized capital stock; and received additional cash infusions from certain existing stockholders totalling to P502.8 million in 2020 (see Note 17.4).

(b) *Application of ECL to Loans and Receivables and Financial Assets at FVOCI*

The Bank uses general approach and historical loss rates to calculate ECL for Loans and Receivables and external benchmarking approach for debt instruments carried at FVOCI. The allowance for impairment is based on the ECLs associated with the PD of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

(c) *Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments*

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. These business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading and lending strategies. Furthermore, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, it considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's investment objective for the business model.

(d) Distinguishing Investment Properties and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by the Bank. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in its banking operations.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in its banking operation and services or for administrative purposes. If a portion can be sold separately (or leased out separately under finance lease), the Bank accounts for the portion separately. If a portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in its banking operation or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(e) Determination of Branch Licenses Having Indefinite Useful Lives

The Bank's branch licenses were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(f) Determination of Lease Term of Contracts

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Bank did not include renewal options as part of the lease term as the terms are renewable upon mutual agreement of both parties.

The lease term is reassessed if an option is actually exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(g) Distinguishing Operating and Finance Leases where the Bank is the Lessor

The Bank has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management assessed that all of its existing lease arrangements qualify as operating leases.

(h) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and relevant disclosures on those provisions and contingencies are presented in Note 24. In dealing with the Bank's various legal proceedings, the Bank's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and external legal counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results. Although the Bank does not believe that its on-going legal proceeding will have a material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL on Financial Assets

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced significant increase in credit risk (SICR) since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Bank would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behaviour of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses).

The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- criteria for assessing if there has been an SICR and when a financial asset will be transferred between the three stages;
- the Bank's definition of default for different segments of credit exposures that considers the regulatory requirements;
- establishing groups of similar financial assets (i.e., segmentation) for the purposes of measuring ECL on a collective basis;
- establishment of LGD parameters based on historical recovery rates of claims against defaulted counterparties across different group of financial instruments particularly coming from the disposal of the collaterals of the borrowers after foreclosure or repossession; and,
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Explanation of the inputs, assumptions and estimation used in measuring ECL, and the analysis of the allowance for ECL on various groups of financial instruments is further detailed in Notes 4.1.6 and 4.1.7, respectively.

(b) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Bank's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Notes 6 and 10, respectively.

(d) Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Buildings classified as Investment Properties, and Computer Software presented as part of Other Resources

The Bank estimates the useful lives of bank premises, furniture, fixtures, and equipment, buildings under investment properties, and computer software are based on the period over which the assets are expected to be available for use. The estimated useful lives of those assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of these assets are presented in Notes 12, 13 and 14. Based on management's assessment as at December 31, 2020 and 2019, there is no change in the estimated useful lives of these assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned in the preceding page.

(e) *Fair Value Measurement for Investment Properties*

The Bank's investment properties are composed of parcels of land and buildings acquired from defaulting borrowers and are not held for sale within the next twelve months from the end of reporting period. The estimated fair values of these assets, as disclosed in Notes 6 and 13, are determined by in-house and independent appraisers applying the relevant valuation methodologies as described therein.

For investment properties with appraisal conducted prior to the end of the reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of the fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(f) *Determining Realizable Amount of Deferred Tax Assets*

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the carrying amount of deferred tax assets recognized in the statements of financial position as disclosed in Note 20 can be utilized in the coming years or within their prescriptive period.

(g) *Estimating Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, which are tested for impairment at least annually, PFRS requires that an impairment review be performed when certain impairment indications are present. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.14).

Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse effect on the Bank's results of operations.

Based on management's assessment, the Bank's non-financial assets were not impaired as of December 31, 2020 and 2019.

(h) Valuation of Post-employment Defined Benefit Plan

The determination of the amounts of post-employment benefit obligation is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss, and the carrying amount of the post-employment benefit obligation in the next reporting period. The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the effect of the changes in the assumptions used in estimating such obligation are presented in Note 19.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

Overall risk management function provides an oversight of the management of risks. The risk management function is generally responsible for (a) identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its trust operations; (b) monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel Capital Adequacy Framework and based on the Bank's internal capital adequacy assessment on an on-going basis; (c) monitoring and assessing decisions to accept particular risks whether these are consistent with BOD approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and, (d) reporting on a regular basis to the BOD of the results of risk assessment and monitoring.

The Bank's Risk Oversight Committee (ROC) is a standing committee of the BOD. The purpose of ROC is to assist the BOD in fulfilling its responsibility with respect to Bank's risk governance structure, risk management guidelines and policies regarding credit, liquidity, market, operational and other related risk as necessary to fulfil the ROC's duties and responsibilities; risk tolerance; capital, liquidity and funding; and the performance of Bank's Chief Risk Officer. The ROC reports to the BOD regarding Bank's risk profile, as well as its risk management framework, including the significant policies and practices employed to manage risks in Bank's businesses, as well as the overall adequacy of the risk management function. The ROC's role is one of oversight, recognizing that senior management is responsible for executing the Bank's risk management while the ROC has the responsibilities and powers set forth in its charter, senior management is responsible for designing, implementing and maintaining an effective risk program. In this regard, the Bank's department heads or line managers are responsible for managing risks in the areas for which they are responsible.

4.1 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default in payments and it arises from lending, treasury, and other activities undertaken by the Bank. The Bank manages its credit risk and loan portfolio through the Accounts Management Department (AMD), which undertakes several functions with respect to credit risk management. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such the credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL as required by PFRS 9.

Significant changes in the economy, or in the health of a particular industry segments that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the end of the reporting period. Management, therefore, carefully manages its exposure to credit risk.

4.1.1 Credit Quality Analysis

The following tables set out information about the credit quality of loans and other receivables, HTC financial assets and financial assets at FVOCI in 2020 and 2019 based on PFRS 9. Credit risks related to cash and other cash items, due from BSP, due from other banks, and loans and receivables arising from reverse repurchase agreement are negligible. As of December 31, 2020 and 2019, there are no purchased or originated credit-impaired financial assets in the Bank's financial statements.

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and other receivables				
Performing:				
Current	P 1,709,709,118	P -	P -	P1,709,709,118
Past due	-	436,366,540	-	436,366,540
Non-performing:				
Past due	-	3,543,860	58,565,739	62,109,599
Items in litigation	-	-	117,551,306	117,551,306
	1,709,709,118	439,910,400	176,117,045	2,325,736,563
Expected credit loss allowance	(15,084,903)	(5,698,257)	(67,288,288)	(88,071,448)
Carrying amount	**P 1,694,624,215**	**P 434,212,143**	**P 108,828,757**	**P 2,237,665,115**
HTC financial assets				
Gross amount	P 321,971,796	P -	P -	P 321,971,796
Expected credit loss allowance	(125,231)	-	-	(125,231)
Carrying amount	**P 321,846,565**	**P -**	**P -**	**P 321,846,565**
Financial assets at FVOCI				
Carrying amount	**P 154,392,725**	**P -**	**P -**	**P 154,392,725**
Other resources				
Carrying amount	**P -**	**P -**	**P 13,359,181**	**P 13,359,181**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Loans and other receivables				
Performing:				
Current	P 1,449,645,680	P 252,857,443	P -	P1,702,503,123
Past due	-	402,235,503	-	402,235,503
Non-performing:				
Past due	-	23,859,378	142,851,906	166,711,284
Items in litigation	-	-	46,269,538	46,269,538
	1,449,645,680	678,952,324	189,121,444	2,317,719,448
Expected credit loss allowance	(5,335,318)	(8,377,025)	(75,334,866)	(89,047,209)
Carrying amount	P 1,444,310,362	P 670,575,299	P 113,786,578	P 2,228,672,239
HTC financial assets				
Gross amount	P 74,975,849	P -	P -	P 74,975,849
Expected credit loss allowance	(295,689)	-	-	(295,689)
Carrying amount	P 74,680,160	P -	P -	P 74,680,160
Financial assets at FVOCI				
Carrying amount	P 142,638,187	P -	P -	P 142,638,187
Other resources				
Carrying amount	P -	P -	P 18,301,408	P 18,301,408

4.1.2 Concentration of Credit Risk

The Bank monitors concentrations of credit risk by industry. An analysis of concentrations of credit risk at the end of the reporting period is shown below (gross of allowance for impairment, and unearned interests, discounts and other charges).

	Due from BSP, Other Banks and Loans and Reverse Repurchase Agreements	Loans and Receivables	Investment Securities
December 31, 2020			
Financial intermediaries	P 1,530,581,916	P 793,761	P 217,612,957
Other community, social and personal activities	-	78,345,442	-
Consumption	-	202,319,379	-
Real estate, renting and other related activities	-	1,052,064,812	-
Wholesale and retail trade	-	146,959,420	-
Agriculture, fishing and forestry	-	35,474,030	5,878,641
Manufacturing (various industries)	-	9,000,000	-
Others	-	821,134,651	252,872,923
	P 1,530,581,916	**P 2,346,091,495**	**P 476,364,521**
December 31, 2019			
Financial intermediaries	P 805,477,359	P -	P -
Other community, social and personal activities	-	165,225,792	-
Consumption	-	277,880,254	-
Real estate, renting and other related activities	-	1,104,130,362	-
Wholesale and retail trade	-	142,393,333	-
Agriculture, fishing and forestry	-	55,365,302	-
Manufacturing (various industries)	-	32,471,875	-
Others	-	542,852,345	217,614,036
	P 805,477,359	P 2,320,319,263	P 217,614,036

The Bank's significant portion of other financial assets under Other Resources are invested in financial intermediaries industry.

4.1.3 Credit Risk Management

The Credit Review Office (CRRO) undertakes credit analysis and review to ensure consistency in the Bank's risk assessment process. The AMD performs (a) risk ratings for corporate accounts and (b) risk scoring for consumer accounts subject to validation by CRRO. It also ensures that the Bank's credit policies and procedures are adequate to meet the demands of the business. The AMD is also responsible for developing procedures to streamline and expedite the processing of credit applications.

The AMD also undertakes portfolio management by reviewing the Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, loan size and maturity, and development of a strategy for the Bank to achieve its desired portfolio mix and risk profile.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The AMD reviews the Bank's loan portfolio in line with the Bank's policy of not having significant unwarranted concentrations of exposure to individual counterparties, in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth.

Loan classification is an integral part of the Bank's management of credit risk. On a quarterly basis, loans are reviewed, classified and rated based on internal and external factors that affect their performance. On a quarterly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions.

Generally, accounts are classified by the Bank based on the loan credit quality as follows:

(a) *Unclassified*

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans as defined below. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(b) *Loans Especially Mentioned (LEM)*

Accounts classified as LEM are individual credits that have potential weaknesses particularly on documentation or credit administration that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment prospects of the loan and thus heighten the credit risk to the Bank.

A credit may also be classified as LEM if there is evidence of weakness in the borrower's financial condition or credit worthiness, or the credit is subject to an unrealistic repayment program or inadequate source of funds.

(c) *Substandard*

Accounts classified as "Substandard" are individual credits or portions thereof, which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to the Bank unless given closer supervision. Those classified as "Substandard" must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

(d) Doubtful

Accounts classified as "Doubtful" are individual credits or portions thereof which have the weaknesses inherent in those classified as "Substandard", with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable. Positive and vigorous action is required to avert or minimize losses.

(e) Loss

Accounts classified as "Loss" are individual credits or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

These loan classifications are also used by the Bank as inputs and basis in determining the impairment losses as described in Note 2.3.

4.1.4 Credit Risk Exposure

The Bank's credit risk measurement is performed on different segments of financial asset portfolio such as: (a) corporate and retail loans, which generally include corporate, individual, housing and auto loans, (b) debt securities that are measured at amortized cost and at FVOCI; and, (c) jewelry loans. The Bank also established credit risk assessment procedures for sales contract receivables and other risk assets including accounts receivables.

(a) Corporate and Retail Loans

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL.

The Bank determines any evidence of potential deterioration in the quality of an instrument that take into consideration both quantitative and qualitative criteria. Past due accounts and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks and under the BSP Circular No. 1011, i.e., Especially Mentioned, Substandard, Doubtful or Loss. These guidelines are used by the Bank to assign the individually assessed loan or a group of loans within a particular portfolio segment to a specific stage category under the PFRS 9 loan impairment standards (i.e., Stage 1, 2, 3).

For corporate loans, the rating is determined at the borrower level. The Bank incorporates any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the Bank updates information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This determined the internal credit rating and the PD.

For retail loans, subsequent to initial recognition, the payment behavior of the borrower is monitored on periodic basis. The ECL parameters were carried on a collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(b) Debt Securities Classified as Financial Assets at FVOCI and HTC Financial Assets

For the Bank's debt securities, credit ratings published by reputable external rating agency [such as Standard & Poor's (S&P's)] are used for purposes of applying the external benchmarking approach. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency unless there is an indication of a heighten credit risk.

(c) Jewelry Loans

The ECL of jewelry loans is computed using loss rate approach. The provision rates are based on historical experience on sale of repossessed jewelry.

4.1.5 Expected Credit Loss Management

(a) Assessment of SICR

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific.

As the Bank holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Bank's ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. With reference to the Bank's credit risk assessment, Stage 2 includes credit exposures that are considered 'under-performing' in which risk ratings were downgraded to LEM. Stage 2 financial instruments may also include those financial instruments where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Bank as 'non-performing', which is assessed consistently with the Bank's definition of default for each loan portfolio. Generally, this includes accounts that are classified as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

The Bank considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses.

For portfolios in respect of which the Bank has limited historical data particularly debt securities and government bonds, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to low default borrower segments.

(b) Definition of Default

(i) Loans and Receivables

The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the Bank defines a loan instrument as in default, which is aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments, except for the 30 days past due threshold for retail loans.

- *Qualitative* **–** this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of: (i) loan restructuring for economic or legal reasons relating to the borrower's financial difficulty on terms that the Bank would not consider otherwise; (ii) borrower's death; (iii) breach of financial covenant/s; or, (iv) the borrower entering bankruptcy or financial reorganization.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

An instrument is considered to be no longer in default or have cured when the borrower is able to repay the installments in arrears and the account no longer meets any of the default criteria for a consecutive period of 180 days within which the borrower shall make consecutive payments.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

(ii) Debt Securities Classified as Financial Assets at FVOCI and HTC Financial Assets

For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used in relation to the external benchmarking adopted by the Bank. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency. Losses expected as a result of future events, shall also be considered in estimating the ECL.

Further, objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not an evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;

- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

4.1.6 Expected Credit Loss Measurement Inputs

Integral in the Bank's established policies in measuring and calculating ECL on financial instrument is the use of appropriate model for each segment of financial asset that applies relevant inputs and assumptions, including forward-looking information as appropriate.

(a) Key Inputs and Assumptions in the Expected Credit Loss Model

The key elements used in the calculation of ECL are as follows:

(i) PD represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. In determining PD, the Bank performed segmentation of its credit exposures based on homogenous characteristics. PD of individually assessed credit exposures is determined based on the historical losses incurred over total exposure while PD of collectively assessed credit exposure is determined based on the net flow rate which is developed from historical movements between one days past due bucket to the next.

(ii) LGD pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Bank estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset.

(iii) EAD represents the gross carrying amount of the exposure in the event of default which include the amortized cost of an instrument and any accrued interest receivable. For lending commitments, the EAD includes the amount of drawn and undrawn irrevocable loan commitments under the contract, which are estimated based on historical observations and forward-looking forecast.

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(b) Overlay of Forward-looking Information

The Bank incorporates forward-looking information (FLI) in its assessment of significant increase in credit risk and calculation of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers.

The MEVs and their associated impact on the PD, LGD and EAD vary by financial instrument. The impact of these MEVs on the PD, LGD, and EAD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority). Accordingly, the Bank has identified key drivers for credit risk for each portfolio. Using an analysis on historical data, the Bank has estimated relationships between MEVs and credit risk and credit losses. Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio, which is gross domestic product. On the other hand, the key drivers for the Bank's retail loans portfolio include unemployment rates, employment rates, consumer price indices and retail price indices.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes.

(c) Impact of COVID-19 on Measurement of Expected Credit Loss

In response to COVID-19 situation and the Bank's expectations of economic impacts, the key conditions and assumptions utilized in the Bank's calculation of ECL have been revisited. As of December 31, 2020, the expected impacts of COVID-19 have been reasonably captured using the Bank's ECL methodology used in prior years with post-model adjustments.

The ECL methodology have been structured using historical trends and correlations as well as forward-looking economic scenarios. The severity of the current macroeconomic projections and added complexity caused by the various support schemes and regulatory guidance could not be reliably modelled for the time being. Therefore, the ECL model may generate results that are either overlay conservative or overly optimistic depending on the specific portfolio or segment. As a result, post-model adjustments are needed to reflect the considerable uncertainty in ECL methodology considering the unprecedented impacts of COVID-19. Notwithstanding that the measurement inputs and assumptions, including forward-looking macroeconomic assumptions, were revisited in response to COVID-19 situation, the fundamental ECL mechanics and methodology underpinning the Bank's measurement of ECL have remained consistent with the prior periods.

The following are the considerations in measuring ECL under COVID-19 situation:

(i) Significant Increase in Credit Risk

The offer or uptake of COVID-19 related repayment deferrals (i.e., government-mandated reliefs) do not itself constitute significant increase in credit risk event unless exposure is considered to have experienced a significant increase in credit risk based on other available information. Significant increase in credit risk has been reassessed with reference to the Bank's internal borrower risk rating which considers industry assessment under COVID-19 situation, financial performance indicators, historical credit information of the borrower and other modifiers. The Bank's assessment is to determine if changes in the customers' circumstances were sufficient to constitute significant increase in credit risk.

(ii) Post-model Adjustments

Post-model adjustments represent adjustments in relation to data and model limitations as a result of the COVID-19 economic disruption. The adjustments are based on a combination of portfolio-level credit risk analysis and an evaluation of ECL coverage at an exposure level. Considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors and loan classes.

4.1.7 Allowance for Expected Credit Losses

The following tables show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2020 and 2019.

(a) Loans and Receivables

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2020	P 5,335,318	P 8,377,025	P 75,334,866	P 89,047,209
Transfers:				
From Stage 1 to Stage 2	(1,432)	1,432	-	-
From Stage 2 to Stage 1	2,081,007	(2,081,007)	-	-
New financial assets originated – Remained in Stage 1	9,558,750	-	-	9,558,750
Financial assets derecognized or repaid during the year	(1,888,740)	(599,193)	(8,046,578)	(10,534,511)
	9,749,585)	(2,678,768)	(8,046,578)	(975,761)
Balance at December 31, 2020	**P 15,084,903**	**P 5,698,257**	**P 67,288,288**	**P 88,071,448**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2019	P 15,888,655	P 12,718,602	P 70,961,648	P 99,568,905
Transfers:				
From Stage 1 to Stage 2	(6,447,361)	6,447,361	-	-
From Stage 2 to Stage 3	-	(8,228,433)	8,228,433	-
New financial assets originated – Moved to Stages 2 and 3	-	-	2,150,539	2,150,539
Financial assets derecognized or repaid during the year	(4,105,976)	(2,560,505)	(6,005,754)	(12,672,235)
	(10,553,337)	(4,341,577)	4,373,218	(10,521,696)
Balance at December 31, 2019	P 5,335,318	P 8,377,025	P 75,334,866	P 89,047,209

(b) HTC Financial Assets and Financial Assets at FVOCI

For the Bank's HTC financial assets, the Bank has recognized ECL amounting to P0.1 million and P0.3 million in 2020 and 2019, respectively. No additional ECL was recognized for financial assets at FVOCI in 2020 and 2019.

(c) Loan Commitments

Allowance for ECL recognized by the Bank related to undrawn loan commitments as of December 31, 2018 amounted to P0.3 million is presented as part of Miscellaneous under the Other Liabilities account (see Note 16). Related ECL amounting to P0.3 million is presented as part of Impairment Losses (Recoveries) in the 2018 statement of profit and loss. No additional ECL was recognized in 2020 and 2019.

Post-model adjustments made in estimating the reported ECL as at December 31, 2020 to reflect the impact of COVID-19 situation are set out in the table below.

	Business as Usual ECL	**Post-model Adjustments**	**Total ECL**
Loans and receivables	P 68,027,273	P 20,044,175	P 88,071,448
HTC financial assets	125,231	-	125,231
	P 68,152,504	**P 20,044,175**	**P 88,196,679**

The information on how the significant changes in the gross carrying amount of the financial instruments contributed to the changes in the amount of allowance for ECL are presented in Note 4.1.9.

4.1.8 Credit Risk Exposures

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, except for certain secured loans and receivables from customers, as shown below (gross of allowance for impairment, and net of unearned interests, discounts and other charges).

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2020				
Loans and discounts	**P 2,097,862,375**	**P 4,235,056,009**	**P -**	**P 2,097,862,375**
Sales contracts receivables	**138,056,938**	**146,838,818**	**-**	**138,056,938**
	P 2,235,919,313	**P 4,381,894,827**	**P -**	**P 2,235,919,313**
2019				
Loans and discounts	P 2,155,584,009	P 4,784,178,064	P -	P 2,155,584,009
Sales contracts receivables	113,525,563	149,557,988	-	113,525,563
	P 2,229,109,572	P 4,933,736,052	P -	P 2,229,109,572

4.1.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The following tables provide information how the significant changes in the gross carrying amount of financial instruments in 2020 and 2019 contributed to the changes in the allowance for ECL (net of unearned interests, discounts and other charges).

(a) Loans and Receivables

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2020	P 1,454,518,265	P 682,169,500	P 181,031,683	P 2,317,719,448
Transfers:				
From Stage 2 to Stage 1	224,055,904	(224,055,904)	-	-
From Stage 3 to Stage 2	-	2,727,975	(2,727,975)	-
New financial assets originated – Remained in Stage 1	54,469,108	-	-	54,469,108
Financial assets derecognized or repaid during the year	(20,032,150)	(20,931,171)	(5,488,672)	(46,451,993)
	258,492,862	(242,259,100)	(8,216,647)	8,017,115
Balance at December 31, 2020	**P 1,713,011,127**	**P 439,910,400**	**P 172,815,036**	**P 2,325,736,563**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2019	P 1,327,592,889	P 481,837,006	P 134,034,268	P 1,943,464,163
Transfers:				
From Stage 1 to Stage 2	(170,357,004)	170,357,004	-	-
From Stage 2 to Stage 3	-	(49,457,668)	49,457,668	-
New financial assets originated:				
Remained in Stage 1	672,298,868	-	-	672,298,868
Moved to Stages 2 and 3	-	79,433,158	26,890,000	106,323,158
Financial assets derecognized or repaid during the year	(375,016,488)	-	(29,350,253)	(404,366,741)
	126,925,376	200,332,494	46,997,415	374,255,285
Balance at December 31, 2019	P 1,454,518,265	P 682,169,500	P 181,031,683	P 2,317,719,448

(b) HTC Financial Assets and Financial Assets at FVOCI

There was no significant movement in the Bank's HTC financial assets and financial assets at FVOCI in 2020 and 2019 that affected the allowance for ECL (see Note 10).

4.1.10 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2020 and 2019.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2020 and 2019 are presented below.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
2020				
Real properties	P 2,991,725,102	P 680,017,480	P 289,660,682	P 3,961,403,264
Chattel	6,801,957	2,098,807	11,882,161	20,782,925
Hold-out deposits	13,380,000	-	-	13,380,000
Jewelries	176,968,250	-	-	176,968,250
Others	208,000,000	-	1,360,388	209,360,388
	P 3,396,875,309	**P 682,116,287**	**P 302,903,231**	**P 4,381,894,827**
2019				
Real properties	P 2,827,888,035	P 1,242,145,173	P 326,746,790	P 4,396,779,998
Chattel	14,311,874	7,181,229	2,480,725	23,973,828
Hold-out deposits	44,103,200	-	-	44,103,200
Jewelries	201,437,050	-	-	201,437,050
Others	267,441,976	-	-	267,441,976
	P 3,355,182,135	P 1,249,326,402	P 329,227,515	P 4,933,736,052

As of December 31, 2020 and 2019, the Bank has recognized certain properties arising from foreclosures in settlement of loan account amounting to P45.1 million and P135.8 million, respectively (see Note 13).

The Bank's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

There were no changes in the Bank's collateral policies in 2020 and 2019.

4.1.11 Write Off

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write off financial assets that are still subject to enforcement activity. There were no actual write offs done in 2020 and 2019.

4.1.12 Modification of Financial Assets

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification.

The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

The outstanding balance of restructured loans amounts to P418.0 million and P9.7 million as of December 31, 2020 and 2019, respectively. The restructured loans are classified as performing before and after the restructuring and are fully secured by collateral. The related allowance for credit loss of such loans amounts to P4.2 million and P2.7 million as of the same dates, respectively. Of the total outstanding restructured loans as of December 31, 2020, P383.2 million are due to the impact of COVID-19 situation [see Note 4.1.6(c)(i)].

4.2 Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure that short-term funding requirements are met. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate and exchange rate opportunities when they arise.

The analysis of the maturity profile of resources, liabilities and off-statement of financial position items as of December 31, 2020 and 2019 in accordance with the account classification of the BSP, follows.

	Up to three months	More than three months to one year	More than one year to five years	More than five years	Total
December 31, 2020					
Resources:					
Cash and other cash items	P 49,951,152	P -	P -	P -	P 49,951,152
Due from BSP	1,163,199,509	-	-	-	1,163,199,509
Due from other banks	159,158,358	19,689,430	-	-	178,847,788
Loans and receivables arising from reverse repurchase agreement	188,534,619	-	-	-	188,534,619
Financial assets at FVOCI	7,997,330	20,395,785	237,444,359	75,425,000	341,262,474
HTC financial assets - net	269,542,314	52,304,251	-	-	321,846,565
Loans and receivables - net	388,163,937	276,578,913	272,871,249	1,300,051,016	2,237,665,115
Other resources - net	28,251,784	3,530,894	117,529,516	384,012,875	533,325,069
Total Resources	2,254,799,003	372,499,273	627,845,124	1,759,488,891	5,014,632,291
Liabilities and Equity:					
Deposit liabilities	3,488,083,447	26,625,362	179,911,864	-	3,694,620,673
Other liabilities	119,226,008	525,222,524	31,976,565	-	676,425,097
Total liabilities	3,607,309,455	551,847,886	211,888,429	-	4,371,045,770
Equity	-	-	-	643,586,521	643,586,521
Total Liabilities and Equity	3,607,309,455	551,847,886	211,888,429	643,586,521	5,014,632,291
On-book gap	(1,352,510,452)	(179,348,613)	415,956,695	1,115,902,370	-
Cumulative on-book gap	(1,352,510,452)	(1,531,859,065)	(1,115,902,370)	-	-
Contingent assets	1,434,382	-	52,000,000	-	53,434,382
Contingent liabilities	(296,872,370)	(105,132,737)	(202,728,330)	(769,477,417)	(1,374,210,854)
Off-book gap	(295,437,988)	(105,132,737)	(150,728,330)	(769,477,417)	(1,320,776,472)
Cumulative off-book gap	(295,437,988)	(400,570,725)	(551,299,055)	(1,320,776,472)	-
Cumulative total gap	**(P 1,647,948,440)**	**(P1,932,429,790)**	**(P1,667,201,425)**	**(P1,320,776,472)**	**P -**

	Up to three months	More than three months to one year	More than one year to five years	More than five years	Total
December 31, 2019					
Resources:					
Cash and other cash items	P 62,110,168	P -	P -	P -	P 62,110,168
Due from BSP	409,238,250	-	-	-	409,238,250
Due from other banks	304,442,486	25,823,850	-	-	330,266,336
Loans and receivables arising from reverse repurchase agreement	65,972,773	-	-	-	65,972,773
Financial assets at FVOCI	50,305,411	11,418,750	189,287,061	56,996,756	308,007,978
HTC financial assets - net	24,874,543	18,198,734	31,606,883	-	74,680,160
Loans and receivables - net	504,610,936	460,444,114	406,370,707	857,246,482	2,228,672,239
Other resources - net	32,851,101	2,442,010	36,273,471	523,631,003	595,197,585
Total Resources	1,454,405,668	518,327,458	663,538,122	1,437,874,241	4,074,145,489
Liabilities and Equity:					
Deposit liabilities	2,537,398,008	635,576,825	110,333,412	-	3,283,308,245
Other liabilities	75,100,777	13,471,588	50,569,462	15,812,594	154,954,421
Total liabilities	2,612,498,785	649,048,413	160,902,874	15,812,594	3,438,262,666
Equity	-	-	-	635,882,823	635,882,823
Total Liabilities and Equity	2,612,498,785	649,048,413	160,902,874	651,695,417	4,074,145,489
On-book gap	(1,158,093,117)	(130,720,955)	502,635,248	786,178,824	-
Cumulative on-book gap	(1,158,093,117)	(1,288,814,072)	(786,178,824)	-	-
Contingent assets	1,434,382	-	45,000,000	-	46,434,382
Contingent liabilities	(107,051)	-	-	-	(107,051)
Off-book gap	1,327,331	-	45,000,000	-	46,327,331
Cumulative off-book gap	1,327,331	1,327,331	46,327,331	46,327,331	-
Cumulative total gap	(P 1,156,765,786)	(P1,287,486,741)	(P 739,851,493)	P 46,327,331	P -

The Bank continually assesses business opportunities and strategies where it can effectively and sufficiently match its short-term funding requirements with adequate liquid assets through taking customers' deposits with longer maturities and originating loans with periodic repayments enough to cover credit demands of customers.

The contractual maturities of the Bank's financial liabilities as of December 31, 2020 and 2019, are presented below.

	Up to three months	**More than three months to one year**	**More than one year to five years**	**Total**
December 31, 2020				
Deposit liabilities	P 3,488,083,447	P 26,625,362	P 179,911,864	P3,694,620,673
Other liabilities	97,095,653	525,222,524	31,976,565	654,294,742
	P 3,585,179,100	**P 551,847,886**	**P 211,888,429**	**P 4,348,915,415**
December 31, 2019				
Deposit liabilities	P 2,537,398,008	P 635,576,825	P 110,333,412	P3,283,308,245
Other liabilities	60,296,011	13,471,589	66,382,056	140,149,656
	P 2,597,694,019	P 649,048,414	P 176,715,468	P3,423,457,901

4.3 Foreign Exchange Risk

The Bank manages its exposure to the effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The Bank's net foreign currency exposure is computed as its foreign currency-denominated resources less foreign currency-denominated liabilities. BSP regulations impose a cap of 2.5% of net worth, or US$5 million, whichever is lower, on the consolidated excess foreign currency holding of banks in the Philippines. In the case of the Bank, its foreign currency exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign currency in the Bank's branches. The Bank's foreign currency exposure on each day is guided by the limits set forth in the Bank's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, the Bank reports to the BSP on its compliance with the mandated foreign currency exposure limits.

Foreign currency-denominated assets and liabilities as of December 31, 2020 and 2019 translated to closing rates consist of the following:

	2020		2019	
	US Dollar	**Philippine Peso**	US Dollar	Philippine Peso
Cash and other cash items	**$ 1,925,124**	**P 92,450,238**	$ 4,966,607	P 251,484,146
Loans and receivables - net	**1,301**	**62,466**	8,590	434,955
Deposit liabilities	**(1,925,943)**	**(92,489,578)**	(4,969,262)	(251,618,583)
Other liabilities	**(482)**	**(23,126)**	(5,935)	(300,518)
Short-term exposure	**$ -**	**P -**	$ -	P -

The sensitivity of the net profit before tax and equity in regards to the Bank's financial assets and financial liabilities and the US dollar – Philippine peso exchange rate assumes a +/- 7.10% change and +/- 13.64% change in the Philippine peso/US dollar exchange rate for the years ended December 31, 2020 and 2019, respectively. These percentage changes have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% confidence level.

As the Bank's foreign currency exposure in both years as shown above is minimal, management has assessed that the effects of changes in the foreign exchange rate to the Bank's results of operations are not significant.

Exposures to foreign exchange rates vary during the year depending on the volume of the Bank's foreign currency deposit unit transactions.

4.4 Interest Rate Risk

The Bank's policy is to minimize interest rate cash flow risk exposures. The Bank's cash flow interest rate risk relates primarily to the possible changes in the prevailing interest rates of due from other banks, debt securities – bonds and floating rate loans. The volatility in the interest rates of these financial instruments will result to an increase or decrease of the Bank's interest spread, and consequently will affect its financial performance. The due from BSP was not included in the cash flow interest rate sensitivity since the potential effects on net profit or loss before tax and equity will be immaterial. All other financial assets and financial liabilities have fixed rates.

The table below illustrates the sensitivity of the Bank's profit or loss before tax and equity to a reasonably possible change in interest rates of the assets mentioned above. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Bank's financial instruments held at the end of each reporting period. All other variables are held constant.

	Sensitivity Rate +/- %	Profit (Loss) Before Tax	Equity
December 31, 2020			
Loans and receivables	0.01%	P 272,995	P 191,097
HTC financial assets	0.04%	122,945	86,062
Financial assets at FVOCI	0.04%	116,037	81,226
Due from other banks	0.05%	81,018	56,713
		P 592,995	**P 415,098**
December 31, 2019			
Loans and receivables	0.13%	(P 2,991,776)	P 2,094,243
Financial assets at FVOCI	0.16%	(438,763)	307,134
HTC financial assets	0.16%	(121,355)	84,949
Due from other banks	0.10%	(343,147)	240,203
		(P 3,895,041)	P 2,726,529

The Bank's loan portfolio includes floating rate loans, which are repriced periodically by reference to the transfer pool rate which reflects the Bank's internal cost of funds. The changes in interest rates used in the analysis have been determined based on the average volatility in interest rates of the said resources, using standard deviation, in the previous 12 months.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The ROC of the Bank assists management in meeting its responsibility to understand and manage operational risk exposures. The ROC applies a number of techniques to efficiently manage operational risks. Among these are enumerated as follows:

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up-to-date with different operational risk issues, challenges and initiatives.

- With ROC's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).

- KRIs are used to monitor the operational risk profile of the Bank and of each business unit, and alert the management of impending problems in a timely fashion.

- Internal loss information is collected, reported and utilized to model operational risk.

- The ROC reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) Reputational Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels or processes may generate adverse public opinion such that it seriously affects the Bank's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Bank adopted a reputation risk monitoring and reporting framework to manage public perception.

(b) Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Bank's operations and financial reporting. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Officer is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Corporate Governance Committee and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments with as threshold amount exceeding P0.5 million within five banking days. The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168. In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Customer Due Diligence (CDD) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the CDD documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On November 26, 2018, BSP Circular No. 1022 was implemented updating policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its CDD policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk (e.g online gambling business, money service business, etc.) customer requires senior management approval.

On August 19, 2020, Regulatory Issuance No. 5 or the Enforcement Action Guidelines was released by the AMLC. These Guidelines supplement the Rules of Procedures in Administrative Cases (RPAC) by providing procedures for early resolution of administrative cases at the level of the Compliance and Supervision Group (CSG) prior to the filing of a formal charge under the RPAC. Hence, the procedures herein are separate and distinct from the proceedings outlined in the RPAC

On January 29, 2021, Republic Act 11521 was passed which included the offshore gaming operations, real estate developers and brokers as covered persons/institutions and tax crimes as a predicate offense.

The Bank's procedures for compliance with the AMLA are set out in its MTPP. The Bank's Compliance Officer, through the Compliance Department, monitors AMLA compliance and conducts regular compliance testing of business units.

The Compliance Officer regularly reports to the Anti-Money Laundering Committee, Corporate Governance Committee and to the BOD results of their monitoring of AMLA compliance.

4.7 Maturity Profile of Resources and Liabilities

The following table presents the resources and liabilities analyzed according to whether these are expected to be recovered or settled in less than 12 months and over 12 months from statement of financial position dates:

	2020			2019		
	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets:						
Cash and other cash items	P 49,951,152	P -	P 49,951,152	P 62,110,168	P -	P 62,110,168
Due from BSP	1,163,199,509	-	1,163,199,509	409,238,250	-	409,238,250
Due from other banks	178,847,788	-	178,847,788	330,266,336	-	330,266,336
Loans and receivables arising from reverse repurchase agreement	188,534,619	-	188,534,619	65,972,773	-	65,972,773
Financial assets at FVOCI	28,393,115	312,869,359	341,262,474	61,724,161	246,283,817	308,007,978
HTC financial assets - net	321,846,565	-	321,846,565	43,073,277	31,606,883	74,680,160
Loans and other receivables - net	664,742,850	1,572,922,265	2,237,665,115	965,055,050	1,263,617,189	2,228,672,239
Other resources - net	103,000	13,256,181	13,359,181	93,000	18,208,408	18,301,408
	2,595,618,598	1,899,047,805	4,494,666,403	1,937,533,015	1,559,716,297	3,497,249,312
Non-financial Assets:						
Bank premises, furniture, fixtures, and equipment - net	-	228,271,724	228,271,724	-	250,069,817	250,069,817
Investment properties - net	-	202,143,378	202,143,378	-	208,074,197	208,074,197
Other resources - net	31,679,678	57,871,108	89,550,786	35,200,111	83,552,052	118,752,163
	31,679,678	488,286,210	519,965,888	35,200,111	541,696,066	576,896,177
	P 2,627,298,276	P 2,387,334,015	P 5,014,632,291	P 1,972,733,126	P 2,101,412,363	P 4,074,145,489
Financial Liabilities:						
Deposit liabilities	P 3,514,708,809	P 179,911,864	P 3,694,620,673	P 3,172,974,833	P 110,333,412	P 3,283,308,245
Other liabilities	622,318,177	31,976,565	654,294,742	73,767,600	66,382,056	140,149,656
	4,137,026,986	211,888,429	4,348,915,415	3,246,742,433	176,715,468	3,423,457,901
Non-financial Liabilities:						
Other liabilities	22,130,355	-	22,130,355	14,804,765	-	14,804,765
	P 4,159,157,341	P 211,888,429	P 4,371,045,770	P 3,261,547,198	P 176,715,468	P 3,438,262,666

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The following table presents a comparison by category of the carrying amounts and estimated fair values of the Bank's financial assets and financial liabilities:

		2020		2019	
	Notes	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets					
At amortized cost:					
Cash and other cash items		P 49,951,152	P 49,951,152	P 62,110,168	P 62,110,168
Due from BSP	7	1,163,199,509	1,163,199,509	409,238,250	409,238,250
Due from other banks	8	178,847,788	178,847,788	330,266,336	330,266,336
Loans and receivables arising from reverse repurchase agreement	9	188,534,619	188,534,619	65,972,773	65,972,773
Loans and receivables - net	11	2,237,665,115	3,907,467,009	2,228,672,239	2,308,786,988
HTC financial assets - net	10	321,846,565	322,336,218	74,680,160	74,659,223
Other resources	14	13,359,181	13,359,181	18,301,408	18,301,408
		4,153,403,929	5,823,695,476	3,189,241,334	3,269,335,146
At fair value:					
Financial assets at FVOCI		341,262,474	341,262,474	308,007,978	308,007,978
		P 4,494,666,403	P 6,164,957,950	P 3,497,249,312	P 3,577,343,124

	Notes	2020 Carrying Amounts	2020 Fair Values	2019 Carrying Amounts	2019 Fair Values
Financial Liabilities					
At amortized cost:					
Deposit liabilities	15	**P 3,694,620,673**	**P 3,681,317,917**	P 3,283,308,245	P 3,249,545,594
Other liabilities	16	**654,294,742**	**654,294,742**	140,149,656	140,149,656
		P 4,348,915,415	**P 4,335,612,659**	P 3,423,457,901	P 3,389,695,250

See Notes 2.3 for the description of the accounting policies for each category of financial instruments. A description of the Bank's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar arrangements:

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial Instruments	Related amounts not set off in the statements of financial position – Collateral received	Net amount
Loans and receivables – Receivables from customers				
December 31, 2020	**P 2,118,217,307**	**(P 13,380,000)**	**P -**	**P 2,104,837,307**
December 31, 2019	P 2,158,183,824	(P 44,103,200)	P -	P 2,114,080,624

The following financial liabilities presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial Instruments	Related amounts not set off in the statements of financial position – Collateral received	Net amount
Deposit liabilities –				
December 31, 2020	**P 3,694,620,673**	**(P 13,380,000)**	**P -**	**P 3,681,240,673**
December 31, 2019	P 3,283,308,245	(P 44,103,200)	P -	P 3,239,205,045

For financial assets and financial liabilities (i.e., receivable from customers and their corresponding hold-out deposits) subject to enforceable master netting agreements or similar arrangements, each agreement between the Bank and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

6.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Bank's classes of financial assets measured at fair value in the statements of financial position on a recurring basis as of December 31, 2020 and 2019.

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets at FVOCI:				
Debt securities –				
Corporate bonds	P146,395,396	P -	P -	P 146,395,396
Government securities	7,997,329	-	-	7,997,329
Equity securities	149,369,749	-	-	149,369,749
Proprietary club shares	-	37,500,000	-	37,500,000
	P303,762,474	**P 37,500,000**	**P -**	**P 341,262,474**

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Financial assets at FVOCI:				
Debt securities –				
Corporate bonds	P142,638,187	P -	P -	P 142,638,187
Equity securities	127,369,791	-	-	127,369,791
Proprietary club shares	-	38,000,000	-	38,000,000
	P270,007,978	P 38,000,000	P -	P 308,007,978

The Bank has no financial liabilities measured at fair value as of December 31, 2020 and 2019.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Bank's Financial assets at FVOCI are determined.

(a) *Equity Securities*

The fair values quoted equity securities included in Level 1 were valued based on their market prices quoted in the Philippine Stock Exchange at the end of each reporting period while the fair value of unquoted equity security under Level 3 represents the discounted amount of estimated future cash flow expected to be received.

(b) *Debt Securities*

The fair value of the Bank's debt securities which consist of government bonds categorized within Level 1 is determined directly based on published closing prices available from the electronic financial data service providers which had been based or referenced on price quoted or actually dealt in an active market (i.e., BVAL reference rates) at the end of each reporting period.

The fair value of actively traded corporate debt securities are determined based on their market prices quoted in the PDS or based on the direct reference price per Bloomberg at the end of each reporting period, hence, categorized within Level 1.

(c) *Propriety Club Shares*

Proprietary golf club shares are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of each reporting period.

6.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair values is disclosed.

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets:				
At amortized cost:				
Cash and other cash items	P 49,951,152	P -	P -	P 49,951,152
Due from BSP	1,163,199,509	-	-	1,163,199,509
Due from other banks	178,847,788	-	-	178,847,788
Loans and receivables arising from reverse repurchase agreement	188,534,619	-	-	188,534,619
Loans and receivables - net	-	-	3,907,467,009	3,907,467,009
HTC financial assets – net	312,036,218	-	10,300,000	322,336,218
Other resources - net	-	-	13,359,181	13,359,181
	P 1,892,569,286	**P -**	**P 3,931,126,190**	**P 5,823,695,476**
Financial liabilities:				
At amortized cost:				
Deposit liabilities	P -	P -	P 3,681,317,917	P 3,681,317,917
Other liabilities	-	-	654,294,742	654,294,742
	P -	**P -**	**P 4,335,612,659**	**P 4,335,612,659**
December 31, 2019				
Financial assets:				
At amortized cost:				
Cash and other cash items	P 62,110,168	P -	P -	P 62,110,168
Due from BSP	409,238,250	-	-	409,238,250
Due from other banks	330,266,336	-	-	330,266,336
Loans and receivables arising from reverse repurchase agreement	65,972,773	-	-	65,972,773
Loans and receivables - net	-	-	2,308,786,988	2,308,786,988
HTC financial assets - net	63,356,491	-	11,302,732	74,659,223
Other resources - net	-	-	18,301,408	18,301,408
	P 930,944,018	P -	P 2,338,391,128	P 3,269,335,146
Financial liabilities:				
At amortized cost:				
Deposit liabilities	P -	P -	P 3,249,545,594	P 3,249,545,594
Other liabilities	-	-	140,149,656	140,149,656
	P -	P -	P 3,389,695,250	P 3,389,695,250

Fair values of the foregoing financial assets and financial liabilities measured and presented in the statements of financial position at amortized cost are estimated as follows:

(a) *Due from BSP and Other Banks, and Loans and Receivables Arising from Reverse Repurchase Agreement*

Due from BSP pertains to deposits made by the Bank to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreement pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on the discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *Loans and Receivables and Other Resources*

Loans and receivables and certain accounts under other resources are net of any impairment losses. The estimated fair value of loans and receivables and other resources represents the discounted amount of estimated future cash flows expected to be received for instruments with maturities of beyond one year. Expected cash flows are discounted at current market rates to determine fair value.

(c) *Held-to-Collect Financial Assets*

HTC financial assets consist of government and corporate bonds. The fair value of these investment securities is determined by direct reference to published price quoted in an active market for traded securities (i.e., BVAL reference rates for 2020 and 2019).

(d) *Deposit Liabilities*

The estimated fair value of demand deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of interest-bearing deposits without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amounts of deposits which are generally short-term in nature approximate their fair values.

(e) *Other Liabilities*

Other liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Fair value of these short-term liabilities approximates their carrying values.

6.4 Fair Value Disclosures for Investment Properties and Assets Held for Sale

The total estimated fair values of the Bank's investment properties and assets held for sale amounted to P220.2 million and P244.1 million as of December 31, 2020 and 2019, respectively. The fair value hierarchy of those properties categorized as Level 3, are shown below.

	2020	2019
Investment properties:		
Land	**P 137,216,149**	P 142,065,689
Buildings	**78,732,540**	79,450,797
	215,948,689	221,516,486
Assets held for sale:		
Jewelry items	**3,530,274**	21,300,559
Motor vehicles	**751,220**	1,308,041
	4,281,494	22,608,600
	P 220,230,183	P 244,125,086

The fair value disclosed for the Bank's investment properties as of December 31, 2020 and 2019 was based on the appraisals performed by the Bank's in-house and independent and qualified appraisers having appropriate and recent experience in the fair value measurement of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and building, and the comparable prices in the corresponding property location. In estimating the fair values of the investment properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Bank's investment properties is their current use.

The fair values of the Bank's investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using the observable recent prices of the reference properties and was adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

(b) Fair Value Measurement for Buildings

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

(c) Fair Value Measurement for Assets Held-for-Sale

The Level 3 fair value of the motor vehicle presented as part of Asset held-for-sale was derived using the observable recent prices of the reference the motor vehicle brand, year model and variant. This was adjusted for differences in the condition of the motor vehicle at the date of foreclosure.

The Level 3 fair value of the jewelry items presented as part of Asset Held-for-Sale was determined by the Bank's appraiser using the observable recent prices of the such jewelry item or the related the materials. This was adjusted for differences in the condition of the jewelry item at the date loan availment.

There has been no change to the valuation techniques used in 2020 and 2019. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

7. DUE FROM BANGKO SENTRAL NG PILIPINAS

The balance of this account consists of the following:

	2020	2019
Demand deposit	**P 27,199,509**	P 117,238,250
Term deposit facility	**600,000,000**	250,000,000
Overnight deposit liability	**536,000,000**	42,000,000
	P1,163,199,509	P 409,238,250

The aggregate balance of noninterest-bearing Demand Deposit Account, and interest-bearing Overnight Deposit Facility and Special Deposit Accounts, all denominated in local currency, are maintained with the BSP primarily to meet a portion of the reserve requirements and to serve as a clearing account for interbank claims.

Interest-bearing deposits with the BSP bear annual interest at rates ranging from 1.50% to 5.08% in 2020 and from 2.50% to 5.20% both in 2019 and 2018. Total interest earned from these deposits amounted to P11.4 million, P3.9 million and P9.3 million in 2020, 2019, and 2018, respectively, and is shown as part of the Interest Income on Due from BSP, Other Banks and Loans and Receivables Arising from Reverse Repurchase Agreement account in the statements of profit or loss.

8. DUE FROM OTHER BANKS

This account represents deposits with local banks which are composed of the following:

	2020	2019
Time deposits	**P 94,979,447**	P 250,572,901
Savings deposits	**81,058,492**	78,803,565
Demand deposits	**2,809,849**	889,870
	P 178,847,788	P 330,266,336

Savings deposits represent clearing and other depository accounts with other banks, which bear annual interest rates ranging from 0.05% to 0.13% in 2020, 0.13% to 0.50% in 2019 and 0.13% to 0.88% in 2018.

Time deposits include special savings deposits, which bear annual effective interest rates ranging from 0.38% to 1.13% in 2020, 1.00% to 1.80% in 2019, and 0.25% to 6.88% in 2018 and have average maturities of one to 12 months.

Interest income earned from these savings and time deposits amounted to P2.4 million in 2020 and P8.1 million both in 2019 and 2018, and is shown as part of Interest Income on Due from BSP, Other Banks and Loans and Receivables Arising from Reverse Repurchase Agreement account in the statements of profit or loss.

The breakdown of this account by currency is as follows:

	2020	2019
Philippine peso	**P 83,489,024**	P 76,549,539
United States dollar	**95,358,764**	253,716,797
	P 178,847,788	P 330,266,336

For statements of cash flows purposes, deposits amounting to P19.7 million and P77.7 million as of December 31, 2020 and 2019, respectively, are not considered as cash and cash equivalents since these have maturities of more than three months (see Note 25).

9. LOANS AND RECEIVABLES ARISING FROM REVERSE REPURCHASE AGREEMENT

The Bank has repurchase agreements with BSP as of December 31, 2020 and 2019 from overnight lending from excess liquidity, which earn annual effective interest of 2.0% in 2020 and 4.75% both in 2019 and 2018. These loans normally mature within 30 days. Interest income earned from these financial assets amounted to P3.8 million in 2020, P6.8 million in 2019 and P5.9 million in 2018, are shown as part of Interest Income on Due from BSP, Other Banks and Loans and Receivables Arising from Reverse Repurchase Agreement account in the statements of profit or loss.

10. INVESTMENT SECURITIES

10.1 Held-to-Collect Financial Assets

This account consists of:

	2020	2019
Government debt securities:		
Quoted	**P 316,086,092**	P 63,204,429
Unquoted	**5,885,704**	11,771,420
	321,971,796	74,975,849
Allowance for impairment	**(125,231)**	(295,689)
	P 321,846,565	P 74,680,160

Quoted government debt securities represent debt securities issued by the Republic of the Philippines, which earn annual effective interests ranging from 1.68% to 3.89% in 2020, 3.50% to 6.00% in 2019 and 3.75% to 4.85% in 2018. These securities will mature in various dates within 2021.

Unquoted government debt securities is composed of 10-year debt securities issued by the local government of Infanta, Quezon which will mature in 2021. These securities earn an annual effective interest rate of 4.59%, 13.7% and 5.9% in 2020, 2019 and 2018, respectively.

The interest income earned by the Bank from HTC financial assets amounted to P3.3 million, P5.7 million and P8.0 million in 2020, 2019 and 2018, respectively, and is presented as part of Interest Income on Investment Securities in statements of profit or loss.

Changes in the Bank's holdings of HTC financial assets in 2020 and 2019 are summarized below.

	2020	2019
Balance at beginning of year	**P 74,680,160**	P 72,177,756
Additions	**594,315,640**	41,603,765
Maturities	**(348,931,439)**	(40,095,232)
Amortization of discount	**1,611,746**	914,433
Reversal of impairment	**170,458**	79,438
Balance at end of year	**P 321,846,565**	P 74,680,160

Certain government securities amounting to P10.0 million were earmarked for trust duties and tagged as non-tradable by the Bureau of Treasury (see Note 21).

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31 consist of:

	2020	2019
Quoted:		
Corporate debt securities	**P 154,392,725**	P 142,638,187
Equity securities	**149,369,749**	127,369,791
Proprietary club shares	**37,500,000**	38,000,000
	P 341,262,474	P 308,007,978

The fair value gains in the Bank's financial assets at FVOCI amounted to P6.9 million, P10.2 million and P2.3 million in 2020, 2019 and 2018, respectively, which are recognized in other comprehensive income and presented in the statements of comprehensive income under items that will be reclassified subsequently to profit or loss.

Quoted corporate bonds are marketable debt securities issued by top corporations in the Philippines. These debt securities earn annual effective interests ranging from 3.68% to 6.80% in 2020, from 4.25% to 6.80% in 2019 and from 4.25% to 8.0% in 2018.

Quoted equity securities pertain to shares of stock of domestic corporations whose shares of stock are publicly traded in the PSE. These securities earned dividend amounting to P8.0 million, P7.9 million and P8.1 million in 2020, 2019 and 2018, respectively, and is presented as part of Dividends under Miscellaneous income in the statements of profit or loss (see Note 18.1).

Proprietary club shares consist of golf shares of Wack Wack Golf & Country Club. Unquoted equity securities in 2018 pertain to non-marketable preference shares issued by a private corporation. These securities earned dividend amounting to P4.4 million in 2018, and is recorded as part of Dividends under Miscellaneous income in the 2018 statement of profit or loss (see Note 18.1). No dividend income was received both in 2020 and 2019.

The interest income earned by the Bank from FVOCI financial assets amounted to P6.5 million, P9.5 million and P3.3 million in 2020, 2019 and 2018, respectively, and is presented as part of Interest Income on Investment Securities in statements of profit or loss.

Changes in the Bank's holdings of financial assets at FVOCI are summarized below.

	2020	2019
Balance at the beginning of year	**P 308,007,978**	P 418,633,887
Additions	**87,757,440**	-
Disposals/maturities	**(61,418,749)**	(120,781,725)
Fair value gains – net	**6,915,805**	10,155,816
Balance at end of year	**P 341,262,474**	P 308,007,978

The Bank's financial assets at FVOCI, which are subject to credit risk exposure (see Note 4.1.4), have been reviewed for indications of impairment. Based on such review, the management determines that the related losses are immaterial to the financial statements. Accordingly, the Bank did not recognize any impairment losses on these financial assets in both years.

The fair values of quoted government debt securities and equity securities have been determined under Level 1 hierarchy, while proprietary club shares have been determined under Level 2 hierarchy (see Note 6.2).

11. LOANS AND RECEIVABLES

The details of this account follows:

	2020	2019
Receivables from customers	**P 2,118,217,307**	P 2,158,183,824
Sales contract receivables	**138,056,938**	113,525,563
Other receivables	**89,817,250**	48,609,876
	2,346,091,495	2,320,319,263
Unearned interests, discounts and other charges	**(20,354,932)**	(2,599,815)
Allowance for impairment	**(88,071,448)**	(89,047,209)
	P2,237,665,115	P 2,228,672,239

Included in receivables from customers are non-accruing loans amounting to P164.2 million and P216.6 million as of December 31, 2020 and 2019, respectively.

Receivables from customers are composed of the following:

	2020	2019
Time loans	**P1,522,570,468**	P 1,887,776,727
Bills discounted	**13,380,000**	44,103,200
Past due loans	**51,759,699**	171,852,814
Items in litigation	**112,477,606**	44,790,342
Restructured loans	**418,029,534**	9,660,741
	P 2,118,217,307	P 2,158,183,824

Receivables from customers bear annual effective interest rates ranging from 4.49% to 21.57% in 2020, 2019 and 2018. The total interest earned amounted to P212.0 million, P194.9 million, and P191.8 million in 2020, 2019 and 2018, respectively, and are presented as Interest Income on Loans and Receivables in the statements of profit and loss.

The breakdown of total receivables from customers as to type of interest rate follows:

	2020	2019
Variable interest rates	**P1,877,920,447**	P1,862,866,134
Fixed interest rates	**240,296,860**	295,317,690
	P 2,118,217,307	P 2,158,183,824

Sales contract receivables represent the outstanding balance related to the sale of investment properties (see Note 13). The terms of payment ranges from 2 to 25 years in 2020 and 2019, and annual interest rates on these receivables range from 6.0% to 16.8% in 2020, 2019 and 2018.

Changes in the amounts of allowance for impairment of loans and receivables are summarized below.

	2020	2019
Balance at beginning of year	**P 89,047,209**	P 99,568,905
Impairment losses - net	**119,758**	668,308
Transfer of allowance due to foreclosures	**(1,095,519)**	(11,190,004)
Balance at end of year	**P 88,071,448**	P 89,047,209

The breakdown of allowance for impairment on loans and receivables is shown below.

	2020	2019
Receivables from customers	**P 76,103,862**	P 77,181,794
Sales contract receivables	**298,240**	298,240
Other receivables	**11,669,346**	11,567,175
	P 88,071,448	P 89,047,209

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2020 and 2019 are shown below.

	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets	Total
December 31, 2020						
Cost	P 71,375,102	P 137,897,192	P 168,231,052	P 44,357,386	P 105,850,932	P 527,711,664
Accumulated depreciation and amortization	-	(63,143,690)	(156,485,240)	(37,662,194)	(42,148,816)	(299,439,940)
Net carrying amount	**P 71,375,102**	**P 74,753,502**	**P 11,745,812**	**P 6,695,192**	**P 63,702,116**	**P 228,271,724**
December 31, 2019						
Cost	P 71,375,102	P 137,841,469	P 175,401,178	P 44,357,386	P 92,889,702	P 521,864,837
Accumulated depreciation and amortization	-	(59,089,541)	(159,598,531)	(33,356,559)	(19,750,389)	(271,795,020)
Net carrying amount	P 71,375,102	P 78,751,928	P 15,802,647	P 11,000,827	P 73,139,313	P 250,069,817
January 1, 2019						
Cost	P 71,375,102	P 137,587,349	P 174,744,588	P 42,467,183	P 92,889,702	P 519,063,924
Accumulated depreciation and amortization	-	(55,349,173)	(147,650,104)	(30,354,806)	-	(233,354,083)
Net carrying amount	P 71,375,102	P 82,238,176	P 27,094,484	P 12,112,377	P 92,889,702	P 285,709,841

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2020 and 2019, is shown below.

	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 71,375,102	P 78,751,928	P 15,802,647	P 11,000,827	P 73,139,313	P 250,069,817
Additions	-	55,723	3,432,595	-	12,961,230	16,449,548
Depreciation and amortization charges for the year	-	(4,054,149)	(7,489,430)	(4,305,635)	(22,398,427)	(38,247,641)
Balance at December 31, 2020, net of accumulated depreciation and amortization	**P 71,375,102**	**P 74,753,502**	**P 11,745,812**	**P 6,695,192**	**P 63,702,116**	**P 228,271,724**
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 71,375,102	P 82,238,176	P 27,094,484	P 12,112,377	P 92,889,702	P 285,709,841
Additions	-	627,621	1,718,964	3,780,698	-	6,127,283
Disposals	-	-	(608,845)	-	-	(608,845)
Reclassification/transfer	-	(18,500)	257,001	(257,700)	-	(19,199)
Depreciation and amortization charges for the year	-	(4,095,368)	(12,658,958)	(4,634,548)	(19,750,389)	(41,139,263)
Balance at December 31, 2019, net of accumulated depreciation and amortization	P 71,375,102	P 78,751,928	P 15,802,647	P 11,000,827	P 73,139,313	P 250,069,817

In 2020, the Bank wrote-off certain fully-depreciated furniture, fixtures and equipment with total cost of P10.6 million. No similar transaction in 2019 and 2018.

In 2019, the Bank disposed certain furniture, fixtures and equipment with carrying amount of P0.6 million. The resulting gains on asset disposal in 2019 amounting to P0.7 million is presented as Gain on Sale of Bank Premises under Miscellaneous Income in the 2019 statement of profit or loss (see Note 18.1). No similar transaction in 2020 and 2018.

Depreciation and amortization expenses amounting to P38.2 million, P41.1 million and P22.2 million in 2020, 2019 and 2018, respectively, are shown as part of the Depreciation and Amortization in the statements of profit or loss.

As of December 31, 2020 and 2019, the gross carrying amount of the Bank's fully-depreciated assets that are still used in operations amounts to P168.7 million and P192.0 million, respectively.

The BSP requires that investments in fixed assets do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2020 and 2019, the Bank has satisfactorily complied with this BSP requirement.

The Bank leases office space for its various branches. With the exception of short-term leases, each lease, in respect of right-of-use asset, is presented in the statement of financial position as part of Bank Premises, Furniture, Fixtures, and Equipment and in respect of the related obligation as lease liability under Other Liabilities. The Bank has 24 and 20 right-of-use assets leased in 2020 and 2019, respectively, with terms ranging from one to 20 years with renewal options and annual escalation rates from 5.0% to 10.0% in both 2020 and 2019.

Each lease imposes a restriction that the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those premises in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Bank's business expansion unit's strategy and the economic benefits of exercising the option exceeds the expected overall cost.

13. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation and impairment of investment properties at the beginning and end of 2020 and 2019 are shown below.

	Land	Buildings	Total
December 31, 2020			
Cost	P 137,216,149	P 78,732,540	P 215,948,689
Accumulated depreciation	-	(12,127,336)	(12,127,336)
Allowance for impairment	-	(1,677,975)	(1,677,975)
Net carrying amount	**P 137,216,149**	**P 64,927,229**	**P 202,143,378**
December 31, 2019			
Cost	P 142,065,689	P 79,450,797	P 221,516,486
Accumulated depreciation	-	(11,764,314)	(11,764,314)
Allowance for impairment	-	(1,677,975)	(1,677,975)
Net carrying amount	P 142,065,689	P 66,008,508	P 208,074,197
January 1, 2019			
Cost	P 83,034,689	P 34,557,607	P 117,592,296
Accumulated depreciation	-	(8,945,276)	(8,945,276)
Allowance for impairment	-	(1,677,975)	(1,677,975)
Net carrying amount	P 83,034,689	P 23,934,356	P 106,969,045

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2020 and 2019 is shown below.

	Land	Buildings	Total
Balance at January 1, 2020, net of accumulated depreciation and impairment	P 142,065,689	P 66,008,508	P 208,074,197
Additions	25,531,000	19,555,088	45,086,088
Disposals	(30,380,540)	(12,812,479)	(43,193,019)
Depreciation charges for the year	-	(7,823,888)	(7,823,888)
Balance at December 31, 2020, net of accumulated depreciation and impairment	**P 137,216,149**	**P 64,927,229**	**P 202,143,378**
Balance at January 1, 2019, net of accumulated depreciation and impairment	P 83,034,689	P 23,934,356	P 106,969,045
Additions	87,709,421	48,109,890	135,819,311
Disposals	(28,678,421)	(1,513,723)	(30,192,144)
Depreciation charges for the year	-	(4,522,016)	(4,522,016)
Balance at December 31, 2019, net of accumulated depreciation and impairment	P 142,065,689	P 66,008,508	P 208,074,197

Additions in 2020 and 2019 include real and other properties acquired through foreclosure of assets value based on the carrying amount of the related loan and receivable (see Note 11).

The Bank disposed of certain investment properties which resulted in a gain of P24.6 million, P49.8 million, and P2.9 million in 2020, 2019 and 2018, respectively, and is presented as Net gain from assets acquired or exchanged which part of Miscellaneous account under Other Operating Income section in the statements of profit or loss (see Note 18.1).

Income earned by the Bank from its investment properties leased to third parties under operating lease agreements amounted to P1.5 million, P2.1 million, and P1.1 million in 2020, 2019 and 2018, respectively, and is presented as Rental income under the Miscellaneous Income account in the statements of profit or loss (see Notes 18.1 and 24.1).

Direct operating expenses, other than depreciation expense, incurred on these investment properties amounted to P2.8 million, P8.0 million, and P3.7 million for the years ended December 31, 2020, 2019 and 2018, respectively, and are presented as Litigation and Asset Acquired Expenses in the statements of profit or loss.

The total fair values of investment properties as of December 31, 2020 and 2019 amounted to P215.9 million and P221.5 million, respectively, as determined by the Bank's in-house and independent appraisers (see Note 6.4).

As of December 31, 2020 and 2019, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom. In addition, the Bank has not entered into a significant commitment to purchase, construct or develop any investment property in the near future.

14. OTHER RESOURCES

The details of this account follows:

	Notes	2020	2019
Computer software – net	14.2	**P 33,008,184**	P 38,621,806
Branch licenses	14.3	**32,500,000**	32,500,000
Deferred tax assets – net	20	**10,903,586**	9,617,219
Security deposits	14.5, 22.4	**7,679,090**	7,673,877
Assets held-for-sale – net	14.1	**4,281,494**	22,608,600
Stationery and supplies on hand		**4,121,708**	7,126,251
Deposit with Philippine Clearing House Corp. (PCHC)		**2,500,000**	2,500,000
Deposit with Bancnet		**2,000,000**	7,000,000
Documentary stamps		**929,700**	995,100
Utility deposit		**873,758**	831,198
Prepaid expenses		**588,025**	1,214,622
Sundry debits	14.4	**226,281**	3,061,165
Other investments		**203,333**	203,333
Petty cash fund		**103,000**	93,000
Miscellaneous		**2,991,808**	3,007,400
		P 102,909,967	P 137,053,571

14.1 Assets Held-for-Sale

Non-financial assets include vehicles and jewelry items foreclosed from borrowers. Certain jewelries were subsequently sold in 2020, 2019 and 2018 and recognized gain on sale amounting to P10.0 million, P2.2 million and P2.0 million, respectively, and is presented as part of Net gain from assets acquired or exchanged in Miscellaneous account under Other Operating Income section in the statements of profit or loss (see Note 18.1).

The breakdown of this account is as follows:

	2020	2019
Jewelry items	**P 3,530,274**	P 21,300,559
Motor vehicles – net	**751,220**	1,308,041
	P 4,281,494	P 22,608,600

Changes in the carrying amounts of jewelry items are summarized below.

	2020	2019
Balance at beginning of year	**P 21,300,559**	P 17,612,301
Foreclosures	**12,731,924**	18,268,358
Disposals	**(30,502,209)**	(14,580,100)
Balance at end of year	**P 3,530,274**	P 21,300,559

Changes in the carrying amounts of motor vehicles are summarized below.

	2020	2019
Net carrying amount at beginning of year	**P 1,308,041**	P 2,225,045
Additions	**130,067**	1,239,859
Depreciation	**(686,888)**	(1,054,272)
Disposal	**-**	(1,102,591)
Net carrying amount at end of year	**P 751,220**	P 1,308,041

14.2 Computer Software

Computer software pertains to the cost of system software and other expenditures related to software upgrade which is amortized by the Bank over a period of five to ten years.

The movements in the Computer software account follow:

	2020	2019
Balance at beginning of year	**P 38,621,806**	P 45,190,106
Additions	**6,516,746**	4,639,714
Amortization charges for the year	**(12,130,368)**	(11,208,014)
Balance at end of year	**P 33,008,184**	P 38,621,806

Amortization of computer software amounting to P12.1 million in 2020, P11.2 million in 2019 and P10.6 million in 2019 are shown as part of the Depreciation and Amortization account in the statements of profit or loss.

14.3 Branch License

Branch licenses pertain to the cost of licenses acquired by the Bank in 2004 and in 2006 for a consideration of P11.0 million and P20.0 million, respectively. The Bank also incurred P1.5 million representing relocation costs of the branches acquired in 2004. The Bank has utilized the branch license by establishing the branch banking operations on which the Bank will continuously operate. Accordingly, no impairment loss is required to be recognized in 2020, 2019 and 2018.

14.4 Sundry Debits

Sundry debits and sundry credits mainly pertain to ATM deposit and withdrawal transactions, including fees and charges thereon, which are yet to be classified, cleared and applied against proper customers' accounts within one month from date of entry (see Note 16).

14.5 Security Deposits

Security deposits include refundable deposits for the lease of the various branches of the Bank from several parties. Refundable security deposits are remeasured at amortized cost using the effective interest rates ranging from 5.76% to 7.42% determined at the inception of the lease contracts. The fair values on initial recognition of the security deposits were determined by calculating the present value of the future cash flows anticipated until the end of the lease term using discount rates determined by reference to market interest rate of comparable financial instrument.

15. DEPOSIT LIABILITIES

Savings deposits have interest rate of 0.13% per annum in 2020, 2019 and 2018. Peso term deposits have annual interest rates ranging from 0.125% to 6.00% in 2020, from 0.25% to 6.00% in 2019 and from 2.50% to 4.00% in 2018. US dollar term deposits have annual interest rates ranging from 0.20% to 0.80% in 2020, from 0.50% to 1.32% in 2019 and from 0.25% to 0.60% in 2018.

The breakdown of the interest expense incurred related to each type of deposit liabilities is shown below.

	2020	2019	2018
Savings:			
Philippine peso	**P 20,694,517**	P 33,942,763	P 29,641,353
US dollar	**33,686**	22,322	24,945
Time:			
Philippine peso	**11,567,926**	6,952,490	4,714,322
US dollar	**1,093,963**	3,461,636	3,672,910
Demand	**1,148,482**	1,198,779	993,670
	P 34,538,574	P 45,577,990	P 39,047,200

The breakdown of deposit liabilities as to currency is shown below.

	2020	2019
Philippine peso	**P3,602,131,095**	P3,031,689,662
US dollar	**92,489,578**	251,618,583
	P3,694,620,673	P3,283,308,245

Under existing BSP regulations, deposit liabilities are subject to regular and liquidity reserve of 3.00% in 2020 and 8.00% in 2019. The Bank has reserves from its balance in Due from BSP account amounting to P147.8 million and P131.3 million as of December 31, 2020 and 2019, respectively (see Note 7). The Bank is in compliance with these BSP regulations as of the end of reporting period.

16. OTHER LIABILITIES

This account consists of the following:

	Notes	2020	2019
Deposit on future stock subscription	17.4	**P 506,000,000**	P 3,200,000
Lease liabilities	16.1	**71,645,299**	78,266,026
Cashiers and manager's checks		**28,667,249**	2,004,271
Accrued expenses	16.3	**24,527,093**	28,941,326
Accounts payable	16.2	**22,820,759**	27,088,813
Post-employment benefit obligation	19.2	**16,390,312**	12,945,669
Income tax payable		**3,373,905**	314,525
Sundry credits	14.4	**2,346,038**	1,493,457
Security deposits		**634,342**	656,342
Miscellaneous	4.1.7(c)	**20,100**	43,992
		P 676,425,097	P 154,954,421

16.1 Lease Liabilities

The movements in the lease liability recognized in the statements of financial position are as follows:

	2020	2019
Balance at beginning of year	**P 78,266,026**	P 92,889,702
Addition	**12,961,230**	-
Repayments of lease liability	**(19,581,957)**	(14,623,676)
Balance as of end of year	**P 71,645,299**	P 78,266,026

The total interest expense incurred on the lease liability amounted to P6.3 million and P7.2 million in 2020 and 2019, respectively, and is presented as part of Others under Interest Expense in the statements of profit or loss.

As at December 31, 2020 and 2019, the Bank has no committed leases which had not yet commenced.

The Bank has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P4.6 million and P8.7 million in 2020 and 2019, respectively, and is presented as part of Occupancy under Other Operating Expenses in the statements of profit or loss.

The maturity analysis of lease liabilities at December 31, 2020 and 2019 is as follows:

	Within One Year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than Five Years	Total
December 31, 2020							
Lease payments	P 25,419,091	P20,892,046	P18,627,898	P 4,014,319	P 1,466,746	P 26,896,894	P 97,316,994
Finance charges	(4,904,298)	(3,510,588)	(2,230,421)	(1,411,991)	(1,299,020)	(12,315,377)	(25,671,695)
Net present value	**P 20,514,793**	**P17,381,458**	**P16,397,477**	**P 2,602,328**	**P 167,726**	**P 14,581,517**	**P 71,645,299**
December 31, 2019							
Lease payments	P 22,170,358	P19,667,165	P17,393,386	P17,561,200	P 3,920,924	P 26,162,633	P106,875,666
Finance charges	(5,889,752)	(4,605,499)	(3,417,818)	(2,238,181)	(1,452,008)	(11,006,382)	(28,609,640)
Net present value	P 16,280,606	P15,061,666	P13,975,568	P15,323,019	P 2,468,916	P 15,156,251	P 78,266,026

16.2 Accounts Payable

Accounts payable is mainly composed of collections of Philhealth contributions from various clients of the Bank, which are remitted to Philhealth daily, advance collections from borrowers and payable to third party vendors and contractors for purchases of goods and services.

16.3 Accrued Expenses

Accrued expenses are composed mainly of gross receipts taxes, insurance premium to PDIC, and various accruals for utilities, security and janitorial services.

17. EQUITY

17.1 Capital Stock

As of December 31, 2020 and 2019, the Bank has total authorized capital stock of P1.0 billion divided into 100,000,000 common shares at P10 par value per share. As of those dates, total issued and outstanding shares consisted of 100,000,000 and 99,999,800 shares, respectively, amounting to P1.0 billion.

On November 28, 2001, the SEC approved the listing of the Bank's shares totaling 44,100,000. The shares were initially listed at an offer price of P11.55 per share. There are 49 holders, 58 holders and 58 holders of the Bank's total outstanding shares as of December 31, 2020, 2019, and 2018, respectively. Such listed shares closed at P8.50 and P8.49 per share as of December 31, 2020 and 2019, respectively. As of December 31, 2020, the approved listing of the Bank's shares by the SEC and PSE is 72,764,998.

In 2017 and 2016, the BOD approved and confirmed the issuance of additional shares from unsubscribed portion of the authorized capital stock amounting to P78,000,000 which divided into 7,800,000 shares and P180,000,000 which divided into 18,000,000 shares, respectively. The additional shares are initially presented as Deposit on Subscription of Shares in the statement of financial position (see Note 2.18). On November 16, 2018, the Monetary Board of the BSP approved the issuance of the additional shares totaling to P258,000,000. Accordingly, the Bank reclassified the Deposit on Subscription of Shares amounting to P258,000,000 to Capital Stock in the statements of financial position.

In 2019 and 2018, the Bank's BOD approved and confirmed the issuance of additional shares from unsubscribed portion of the authorized capital stock in the amount of P2,000 and P14,348,020, respectively, divided into 200 and 1,434,802 shares, respectively.

In 2020 and 2018, the Bank also received P502,800,000 and P3,200,000, respectively, from its existing stockholders as part of Deposit on future stock subscription which is presented under Other Liabilities in the statements of financial position since the Bank is still in the process of applying for the increase in authorized capital stock (see Notes 2.18 and 16).

The BOD in its meeting dated November 25, 2020, approved the proposed increase the authorized capital stock from 100,000,000 shares at P10 par value or P1.0 billion to 180,000,000 shares at P10 par value or P1.8 billion amending its previous approval dated June 26, 2018 and May 16, 2019. This was then approved by the stockholders on December 18, 2020 (see Note 17.4). The application for the increase was approved by the BSP on May 7, 2021, while the application is still yet to be approved by the SEC as of the date of the issuance of the financial statements.

17.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Financial assets at FVOCI	Defined Benefit Plan	Total
Balance as of January 1, 2020	P 31,041,188	P 2,954,480	P 33,995,668
Remeasurements of defined benefit post-employment plan	-	(4,977,379)	(4,977,379)
Fair value gain on financial asset at FVOCI	6,915,805	-	6,915,805
Other comprehensive income before tax	6,915,805	(4,977,379)	1,938,426
Tax income	441,429	-	441,429
Other comprehensive income after tax	7,357,234	(4,977,379)	2,379,855
Balance as of December 31, 2020	**P 38,398,422**	**(P 2,022,899)**	**P 36,375,523**
Balance as of January 1, 2019	P 20,443,943	P 9,415,629	P 29,859,572
Remeasurements of defined benefit post-employment plan	-	(6,461,149)	(6,461,149)
Fair value gain on financial asset at FVOCI	10,155,816	-	10,155,816
Other comprehensive income before tax	10,155,816	(6,461,149)	3,694,667
Tax income	441,429	-	441,429
Other comprehensive income after tax	10,597,245	(6,461,149)	4,136,096
Balance as of December 31, 2019	P 31,041,188	P 2,954,480	P 33,995,668
Balance as of January 1, 2018	P 17,693,072	P 4,806,535	P 22,499,607
Remeasurements of defined benefit post-employment plan	-	6,584,421	6,584,421
Fair value gain on financial asset at FVOCI	2,286,130	-	2,286,130
Other comprehensive income before tax	2,286,130	6,584,421	8,870,551
Tax income (expense)	464,741	(1,975,327)	(1,510,586)
Other comprehensive income after tax	2,750,871	4,609,094	7,359,965
Balance as of December 31, 2018	P 20,443,943	P 9,415,629	P 29,859,572

17.3 Capital Management and Regulatory Capital

The BSP, as a lead regulator, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

Under current banking regulations, the combined capital accounts of the Bank should not be less than an amount equal to 10% of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total equity excluding:

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;

(b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests;

(c) deferred tax asset or liability;

(d) goodwill;

(e) accumulated equity in earnings of investee where the Bank holds 50% or less but where the equity method of accounting has been applied; and,

(f) appraisal increment on bank premises, furniture, fixtures and equipment other than those allowed to be recognized in connection with a merger or acquisition.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The Bank's regulatory capital position at the end of each reporting period follows:

The Bank's regulatory capital position at the end of each reporting period follows:

	2020	2019	2018
Tier 1 Capital	**P 461,124,248**	P 518,744,944	P 543,121,066
Tier 2 Capital	**15,729,082**	8,331,532	12,937,352
Total Qualifying Capital	**P 476,853,330**	P 527,076,476	P 556,058,418
Total Risk Weighted Assets	**P3,490,163,986**	P3,904,428,503	P3,502,455,195
Total qualifying capital expressed as a percentage of total risk weighted assets	**13.66%**	13.50%	15.88%
Tier 1 Capital Adequacy Ratio (CAR)	**13.21%**	13.29%	15.51%

** The regulatory capital for 2020 includes the booking of additional allowance for credit losses amounting to P110.4 million computed as of December 31, 2018 pursuant to Appendix 15 of the Manual of Regulations for Banks (MORB) as directed by the BSP.*

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

17.4 Compliance with the Minimum Capital Regulatory Requirement

On October 9, 2014, the Monetary Board of the BSP issued Circular No. 854 increasing the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks. As mandated by this new circular, the revised capitalization requirement applicable to the Bank is P1.0 billion since it has a head office in Metro Manila, which should be complied with on or before 2019. The Bank has developed a feasible capital build-up program that it will implement within the five-year period required by the BSP to meet this new minimum capital requirements.

In view of the foregoing, the BOD has implemented various measures to improve the Bank's financial condition within a reasonable period. These measures include formulation of a capital build up plan in compliance with BSP Circular No. 854 and implementation of business improvement plan.

On May 16, 2019, the BOD approved to amend the Bank's Articles of Incorporation increasing the authorized capital stock from P1.0 billion to P1.5 billion. The approval thereof by the BOD was confirmed by the stockholders last May 28, 2019. The Bank plans to accept new investors or infuse capital from the existing shareholders. Accordingly, to execute the plan and complete the necessary documentations, the Bank requested BSP for an extension to infuse capital. On December 13, 2019, the Monetary Board of the BSP grants the Bank a 120 days extension (reckoned from the date of Bank's receipt of BSP approval on December 23, 2019) of the Bank's compliance to infuse capital of P500.0 million and address the minimum capital requirement of the Bank. Further on April 29, 2020, the Bank's requested for additional extension to infuse capital which was approved by the Monetary Board of the BSP up to July 30, 2020 or a period of 60 days after the Enhanced Community Quarantine (ECQ) is lifted. ECQ in Metro Manila was lifted on June 1, 2020.

On July 10, 2020, the BOD approved the additional subscriptions of certain existing stockholders in the total amount of P496.8 million.

On July 13, 2020, the Bank entered into a subscription agreement with such stockholders and received the actual deposit totalling P496.8 million in the form of cash. On December 7, 2020, the Bank received an additional deposit on future stock subscription from one of the stockholders amounting to P6.0 million. The subscription deposits are included in Deposit on future stock subscription which is presented under Other Liabilities in the statements of financial position since the Bank is still in the process of applying for the increase in authorized capital stock and awaiting regulatory approvals (i.e., BSP and SEC) as of December 31, 2020 (see Note 17.1).

To fully comply with the regulatory requirements, it was discussed in the BOD meeting that the Bank's authorized capital stock of P1.0 billon previously approved by the SEC should be increased to P1.8 billion. Hence, the BOD in its meeting dated November 25, 2020, approved to increase the authorized capital stock to P1.8 billion amending their previous approval dated June 26, 2018 and May 16, 2019. This was then approved by the stockholders on December 18, 2020 (see Note 17.1). The application for the increase was approved by the BSP on May 7, 2021.

In addition, the Bank implemented the following:

- implemented programs and policy to strengthen the Bank's marketing strategy on its loan products;
- strengthening the risk management oversight through regular meetings; and,
- rationalization and review of the Bank's business relationship with its related parties.

17.5 Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019. However, the Bank was only able to comply with the MLR requirement starting June 2019.

The Bank's MLR as of December 31, 2020 and 2019 are analyzed below (in thousands).

	2020	2019
Eligible stock of liquid assets	**P 1,910,377**	P 942,280
Total qualifying liabilities	**4,446,950**	3,496,852
MLR	**42.96%**	26.94%

17.6 Appropriations

In compliance with the requirements of the BSP, Circular No. 1011, which requires financial institutions to set up GLLP equivalent to 1% of all outstanding 'Stage 1' on-balance sheet loan accounts, the Bank appropriated P15.7 million and P11.4 million in 2020 and 2019, respectively, and were recognized as part of Surplus Reserves account which pertains to GLLP.

18. MISCELLANEOUS INCOME AND MISCELLANEOUS EXPENSES

Presented below are the details of these accounts:

18.1 Miscellaneous Income

	Notes	**2020**	2019	2018
Net gain from assets acquired or exchanged	13, 14	**P 34,603,714**	P 51,915,862	P 4,854,421
Income from trust department	21	**9,621,372**	9,511,416	6,362,666
Dividends	10	**7,985,385**	7,920,942	12,557,921
Penalty on loans		**7,820,770**	9,311,705	30,791,348
Rental income	13, 24.1	**1,505,895**	2,102,948	1,090,825
Legal and appraisal fees		**1,159,734**	2,646,261	2,632,723
Income from re-ordered and pre-encoded checks		**643,991**	1,534,918	1,137,873
Unrealized foreign exchange gains (losses) – net		**(235,396)**	(118,684)	606,026
Interbank ATM transactions		**131,184**	(64,803)	(71,496)
Gain on sale of bank premises	12	**-**	676,967	-
Trading gain	10	**-**	133,477	9,376
Others	13, 14	**3,276,899**	8,694,074	9,571,926
		P 66,513,548	P 94,265,083	P 66,979,762

Net gains from assets acquired or exchanged represent gains arising from the disposal of investment properties and other non-financial assets foreclosed from defaulting borrowers.

18.2 Miscellaneous Expenses

	Note	2020	2019	2018
Office supplies		**P 5,181,759**	P 3,135,652	P 2,457,070
Management and professional fees		**2,565,789**	2,530,767	2,925,434
Fines and penalties		**1,870,300**	2,670,536	2,863,754
BSP supervision fees		**1,600,311**	1,432,692	1,378,292
Association dues		**1,088,261**	1,486,751	345,032
Representation and entertainment		**1,081,416**	1,628,977	1,461,141
Interest expense on post-employment defined benefit obligation	19.2	**684,825**	679,166	730,144
Meals and other incentives		**682,702**	1,310,614	1,865,324
Annual fees for PSE and SEC,		**629,355**	321,683	-
PCHC charges		**439,937**	477,339	528,629
Transportation and travel		**228,721**	498,928	789,525
Bancnet		**150,000**	-	685,269
Advertising and publicity		**65,192**	56,112	193,320
Rental fee on motor vehicles		**8,760**	25,856	45,646
Others		**7,389,188**	17,017,603	15,107,028
		P 23,666,516	P 33,272,676	P 31,375,568

Others includes seminar and training expense, penalty on BSP's Agri-Agra loan compliance, Bank giveaways and other branch related expenses.

19. EMPLOYEE BENEFITS

19.1 Salaries and Employee Benefit Expense

Expenses recognized for salaries and other employee benefits are presented below.

	2020	2019	2018
Short-term employee benefits	**P 83,140,552**	P 95,123,761	P 97,269,749
Post-employment defined benefits	**4,452,192**	3,193,978	4,271,675
	P 87,592,744	P 98,317,739	P101,541,424

19.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by the Bank's Trust Department. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Bank's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2020 and 2019.

The amounts of post-employment benefit obligation recognized in the statements of financial position (as part of Other Liabilities account – see Note 16) are determined as follows:

	2020	2019
Present value of the obligation	**P 35,338,569**	P 27,462,372
Fair value of plan assets	**(18,948,257)**	(14,516,703)
	P 16,390,312	P 12,945,669

The movements in the present value of the defined benefit post-employment obligation are as follows:

	2020	2019
Balance at beginning of year	**P 27,462,372**	P 19,359,028
Current service cost	**3,767,367**	2,514,812
Interest expense	**1,452,759**	1,451,927
Remeasurements – actuarial losses (gains) arising from:		
Changes in financial assumptions	**9,189,798**	5,167,530
Experience adjustments	**(5,275,636)**	697,383
Benefits paid	**(1,258,091)**	(1,728,309)
Balance at end of year	**P 35,338,569**	P 27,462,372

The movements in the fair value of plan assets are presented below.

	2020	2019
Balance at beginning of year	**P 14,516,703**	P 10,303,481
Contributions to the plan	**5,984,928**	5,765,006
Benefits paid	**(1,258,091)**	(1,728,309)
Interest income	**767,934**	772,761
Return on plan assets (excluding amounts included in net interest)	**(1,063,217)**	(596,236)
Balance at end of year	**P 18,948,257**	P 14,516,703

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	2020	2019
Cash and cash equivalents	**P 5,670,575**	P 2,373,085
Debt securities –		
Corporate bonds	**11,580,611**	7,053,750
Quoted equity securities –		
Holding firms	**1,625,076**	5,062,524
Miscellaneous receivable	**71,995**	27,344
	P 18,948,257	P 14,516,703

The fair value of the above equity securities (categorized under Level 1) are determined based on quoted market prices in an active market, while the fair value of corporate debt securities (categorized under Level 2) are derived from benchmark government bonds with similar maturities.

The plan assets earned returns of P1.1 million in 2020, P0.6 million in 2019 and P0.3 million in 2018.

Plan assets of the post-employment plan include cash deposits of P5.6 million and P0.6 million maintained in the Bank as of December 31, 2020 and 2019, respectively.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2020	2019	2018
Reported in profit or loss:			
Current service cost	**P 3,767,367**	P 2,514,812	P 3,541,531
Net interest expense	**684,825**	679,166	730,144
	P 4,452,192	P 3,193,978	P 4,271,675
Reported in other comprehensive income (loss):			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**(P 9,189,798)**	(P 5,167,530)	P 3,274,393
Experience adjustments	**5,275,636**	(697,383)	3,589,795
Return on plan assets (excluding amounts included in net interest expense)	**(1,063,217)**	(596,236)	(279,767)
	(P 4,977,379)	(P 6,461,149)	P 6,584,421

Current service cost is presented in the statements of profit or loss as part of Salaries and Employee Benefits under the Other Operating Expenses account.

The net interest expense is presented in Interest expense on post-employment defined benefit obligation under Other Operating Expenses account (see Note 18.2).

Amounts recognized in other comprehensive income were included within item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2020	2019
Discount rates	**3.96%**	5.29%
Expected rate of salary increases	**5.00%**	3.70%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25 years.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. As of end of 2020, the plan investments are 61% placed in corporate debt securities with the remaining assets invested in cash, equity securities and miscellaneous. Due to the long-term nature of the plan obligation, a level of continuing equity investments is still an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2020 and 2019 are as follows:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2020			
Discount rate	**+/-1.0%**	**(P 5,634,361)**	**P 4,315,639**
Salary growth rate	**+/-2.0%**	**11,878,739**	**(7,445,151)**
December 31, 2019			
Discount rate	+/-1.0 %	(P 2,453,472)	P 3,050,104
Salary growth rate	+/- 2.0 %	6,680,981	(4,451,172)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Bank ensures that the investment positions are managed in accordance with its asset-liability matching strategy to ensure that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Bank monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A larger portion of the plan assets as of December 31, 2020 and 2019 are invested in corporate debt and equity securities. In view of the long-term nature of the plan obligation, the Bank may re-allocate its plan assets and increase the level of its investments in equity and debt securities. The Bank believes that a combination of corporate debt securities and equity securities offer the best returns over the long term with an acceptable level of risk. Corporate debt securities and equities included in the plan assets are investments in a diversified portfolio of local blue-chip entities.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P16.4 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about ten years' time when a significant number of employees is expected to retire.

The Bank expects to make contribution of P6.3 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2020	2019
Within one year	**P 4,244,938**	P 3,812,512
More than one year to five years	**6,878,349**	7,646,765
More than five years to ten years	**13,462,286**	14,673,499
More than 10 years to 15 years	**32,799,574**	27,338,056
More than 15 years to 20 years	**39,688,300**	38,224,498
More than 20 years	**427,241,485**	363,611,693
	P 524,314,932	P 455,307,023

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

20. CURRENT AND DEFERRED TAXES

The components of tax expense (income) relating to profit or loss and other comprehensive income are as follows:

	2020	2019	2018
Reported in the statements of profit or loss:			
Current tax expense:			
Final tax at 20%, 15% and 7.5%	**P 4,990,850**	P 5,289,108	P 4,335,737
Minimum corporate income tax (MCIT) at 2% – RBU	**3,501,570**	3,498,918	2,392,732
Regular corporate income tax (RCIT) – FCDU	**340,395**	877,166	896,219
	8,832,815	9,665,192	7,624,688
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(844,938)**	(5,174,005)	2,120,064
	P 7,987,877	P 4,491,187	P 9,744,752
Reported in the statements of other comprehensive income:			
Deferred tax (income) expense relating to:			
Fair valuation of financial assets at FVOCI	**(P 441,429)**	(P 441,429)	(P 464,741)
Remeasurement of defined benefit post-employment plan	**-**	-	1,975,327
	(P 441,429)	(P 441,429)	P 1,510,586

A reconciliation of tax on pretax income (loss) computed at the applicable statutory rates to tax expense reported in the statements of profit or loss follows:

	2020	2019	2018
Tax on pretax income (loss) at 30%	**P 3,993,516**	(P 5,475,310)	(P 9,414,446)
Adjustments for income subjected to lower income tax rates	**(2,559,889)**	(3,139,933)	(7,860,313)
Tax effects of:			
Unrecognized deferred tax assets	**4,068,122**	10,812,938	23,909,540
Non-deductible interests and other expenses	**3,052,834**	3,582,653	4,963,884
Non-taxable income	**(340,793)**	(705,406)	74,674
Tax exempt income	**(225,913)**	(583,755)	(1,928,587)
Tax expense	**P 7,987,877**	P 4,491,187	P 9,744,752

The net deferred tax assets presented under Other Resources account as of December 31 relate to the following (see Note 14):

	2020	2019
Deferred tax assets:		
Lease liability	**P 16,271,016**	P 22,145,605
Allowance for impairment	**8,026,146**	8,026,146
Defined benefit post-employment obligation	**2,716,663**	2,716,663
	27,013,825	32,888,414
Deferred tax liabilities:		
Right-of-use assets	**(15,222,268)**	(21,941,795)
Fair value gains on financial assets at FVOCI	**(887,971)**	(1,329,400)
	(16,110,239)	(23,271,195)
Net deferred tax assets	**P 10,903,586**	P 9,617,219

Deferred tax expense (income) charged to profit or loss and other comprehensive income for the years ended December 31 are as follows.

	Profit or Loss			Other Comprehensive Income		
	2020	2019	2018	2020	2019	2018
Lease liability	**P 5,874,589**	P 22,145,605	P -	**P -**	P -	P -
Right-of-use assets	**(6,719,527)**	(21,941,795)	-	**-**	-	-
Profit on assets sold under installment method	**-**	(5,174,005)	1,300,876	**-**	-	-
Accrued rent	**-**	(203,810)	1,617,684	**-**	-	-
Defined benefit post-employment obligation	**-**	-	(849,126)	**-**	-	1,975,327
Past-service cost amortization	**-**	-	50,630	**-**	-	-
Fair value gains on financial assets at FVOCI	**-**	-	-	**(441,429)**	(441,429)	(464,741)
Net deferred tax expense (income)	**(P 844,938)**	(P 5,174,005)	P 2,120,064	**(P 441,429)**	(P 441,429)	P 1,510,586

The Bank is subject to the MCIT, which is computed at 2% of gross income, as defined under the tax regulations, or RCIT, whichever is higher. For the years ended December 31, 2020, 2019 and 2018, the Bank is liable for MCIT of P3.5 million, P3.5 million and P2.4 million, respectively, since it is in taxable loss position in those years.

Based on the financial and operating forecasts of the Bank, management believes that it may not be able to generate taxable income in the near future, enough to utilize in full the benefits of certain temporary differences, MCIT and net operating loss carry over (NOLCO) after it has applied the remaining and available MCIT and NOLCO incurred in prior years. Accordingly, the Bank has not recognized the corresponding deferred tax assets as of December 31, 2020 and 2019 as follows:

	2020		2019	
	Tax Base	Tax Effect	Tax Base	Tax Effect
NOLCO	**P 136,221,571**	**P 40,866,471**	P 194,966,008	P 58,489,802
Allowance for impairment	**81,071,763**	**24,321,529**	81,021,063	24,306,319
MCIT	**9,393,220**	**9,393,220**	8,424,110	8,424,110
	P 226,686,554	**P 74,601,220**	P 284,411,181	P 91,220,231

The details of the Bank's MCIT and the period until which they can be applied against RCIT are as follows:

Year Incurred	Amount	Expired	Balance	Year of Expiry
2020	P 2,601,638*	P -	P 2,601,638	2023
2019	3,498,918	-	3,498,918	2022
2018	2,392,732	-	2,392,732	2021
2017	2,532,460	(2,532,460)	-	
	P 11,025,748	**(P 2,532,460)**	**P 8,493,288**	

** based on the provision of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law (see Note 26.2). The MCIT in 2020 for financial reporting is P3,501,570.*

The NOLCO incurred by the Company can be claimed as deductions from their respective future taxable profits within three to five years after the tax loss was incurred. Specifically, the NOLCO incurred in 2020 can be claimed as deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of Republic Act (R.A.) No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented through Revenue Regulations (RR) No. 25-2020. The breakdown of NOLCO is shown below.

Year Incurred	Original Amount	Expired	Remaining Balance	Year of Expiry
2020	P 8,573,162*	P -	P 8,573,162	2025
2019	34,821,669	-	34,821,669	2022
2018	94,462,733	-	94,462,733	2021
2017	65,681,606	(65,681,606)	-	
	P 203,539,170	**(P 65,681,606)**	**P 137,857,564**	

** based on the provision of CREATE Law. The NOLCO in 2020 for financial reporting is P6,937,169.*

The Bank claimed itemized deductions in all years presented.

21. TRUST OPERATIONS

Investments amounting to P1.4 billion held by the Bank as of December 31, 2020 and 2019 in fiduciary or agency capacity (for a fee) for its customers are not included in the statements of financial position since these are not resources of the Bank (see Note 24.2).

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) Investment in government securities of P10.0 million deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 10); and,

(b) A certain percentage of the Bank's trust income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's regulatory capital. As of December 31, 2020, 2019 and 2018, the reserve for trust operations amounted to P4.5 million, P3.5 million and P2.6 million, respectively, and is shown as part of Surplus Reserves in the statements of changes in equity.

Income from trust operations, net of the related expenses amounted to P9.6 million, P9.5 million and P6.4 million for the years ended December 31, 2020, 2019 and 2018, respectively, and are shown as part of Miscellaneous Income in the statements of profit or loss (see Note 18.1).

22. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank enters into varying transactions with its related parties, certain directors, officers, stockholders, and related interests (DOSRI), and with its funded retirement plan.

The summary of the Bank's transactions and the related outstanding balances with DOSRI and other related parties as of and for the years ended December 31, 2020 and 2019 are as follows (in thousands):

		Amounts of Transaction			**Outstanding Balance**	
Related Party Category	Notes	**2020**	2019	2018	**2020**	2019
Stockholders:	22.2					
Deposit liabilities		**(P 229)**	P 7,863	P 6,216	**P 9,317**	P 9,546
Interest expense		**5**	27	36	**-**	-
Related Parties Under Common Ownership:						
Lease transactions:						
Right-of-use assets	22.4	**(3,231)**	55,078	-	**51,847**	55,078
Lease liabilities	22.4	**(1,064)**	59,028	-	**57,964**	59,028
Interest expense	22.4	**4,172**	5,329	-	**-**	-
Rent expense	22.4	**852**	2,586	15,652	**-**	2
Rent income	22.4	**795**	1,055	1,152	**-**	-
Loans and receivables	22.1	**(661)**	(938)	2,119	**13,975**	14,636
Security services		**15,818**	17,162	16,056		1
Insurance expense	22.5	**7,597**	8,456	10,667	**-**	-
Deposit liabilities	22.2	**793,411**	7,159	981,297	**2,059,634**	1,288,682
Medical, dental and hospitalization	22.6	**646**	3,418	1,734	**-**	-
Interest income	22.1	**606**	1,887	2,052	**1,887**	1,887
Interest expense	22.2	**1,803**	1,515	1,844	**-**	-
Officers and Employees:						
Loans and receivables	22.1	**(1,124)**	763	599	**3,043**	4,167
Deposit liabilities	22.2	**43**	987	562	**1,075**	2,871
Interest expense	22.2	**13**	1	173	**-**	-
Key Management Personnel – Compensation	22.7	**11,765**	13,535	12,124	**-**	-

All of the Bank's loans and receivables from related parties have been reviewed for indications of impairment. Based on management's assessment, no impairment losses are required to be recognized on these financial assets at the end of each reporting period.

22.1 Loans to Related Parties/DOSRI

Under existing policies of the Bank, these loans are made equally with the same terms as loans granted to other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the unencumbered deposit and book value of the investment in the Bank. Generally, aggregate loans to DOSRI should not exceed the total equity or 15% of the total loan portfolio (net of loans secured by hold-out on deposits) of the Bank, whichever is lower.

DOSRI loans bear annual interest rates of 12.50% both in 2020, 2019 and 12.50% to 19.29% in 2018. Existing loans are secured and are payable within 10 years.

In 2020, total loan releases and collections amounted to P1.0 million and P2.7 million, respectively, while in 2019, total loan releases and collections amounted to P3.5 million and P3.6 million, respectively.

22.2 Deposit Liabilities to Related Parties/DOSRI

As of December 31, 2020 and 2019, deposit liabilities to related parties amount to P2.1 billion and P1.3 billion, respectively. The related interest expense incurred by the Bank from these deposits amounted to P1.8 million in 2020, P1.5 million in 2019 and P2.1 million in 2018.

22.3 Transactions with the Retirement Plan

The Bank's retirement fund for its defined benefit post-employment plan maintained for qualified employees, is administered and managed by the Bank's Trust Department under a trust agreement. The carrying amount and the composition of the plan assets as of December 31, 2020 and 2019 is disclosed in Note 19.2.

Total deposits of the retirement fund to the Bank amounted to P13.4 million, P37.6 million and P24.6 million in 2020, 2019 and 2018, respectively.

Equity securities of the retirement fund consist of investments in corporations listed in the PSE, which includes P2.6 million and P0.02 million investments in the shares of stock of the Bank as of December 31, 2020 and 2019, respectively, while debt securities is composed of investments in corporate bonds.

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments in the Bank's shares of stock covered by any restriction and liens.

The contributions made by the Bank to the retirement plan amounted to P6.0 million and P5.8 million in 2020 and 2019, respectively (see Note 19.2).

22.4 Lease Transactions

The Bank, as a lessee, has lease agreements with related parties under common ownership. In relation to these lease agreements, the Bank made certain security deposits totaling P7.7 million as of December 31, 2020 and 2019, and are presented as part of the Other Resources account in the statements of financial position (see Note 14). Rent expense arising from these leases are presented as part of Occupancy in the statements of profit or loss.

Under PFRS 16, the Bank, as a lessee, recognized right-of-use assets related to lease of space from related parties amounting to P51.8 million and P55.1 million as of December 31, 2020 and 2019, respectively, which is presented as part of Bank Premises, Furniture, Fixtures and Equipment (see Note 12). Total interest expense on lease liability amounting to P4.2 million and P5.3 million in 2020 and 2019, respectively, is included as part of Others under Interest expense in the statements of profit or loss. Outstanding balance arising from these transactions amounts to P58.0 million and P59.0 million as of December 31, 2020 and 2019, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 16).

The expenses relating to short-term leases amounted to P2.6 million and P2.5 million as of December 31, 2020 and 2019, respectively, as part of Occupancy under Other Operating Expenses account in the statements of profit or loss.

The Bank also has lease agreements for the lease of its investment properties to certain related parties under common ownership. Rent income recognized on these leases are presented as Rental income under Miscellaneous Income account in the statements of profit or loss (see Notes 13, 18.1 and 24.1).

Lease agreements with related parties are either subject to fixed rental rate or 5% to 10% escalation rates. These are generally settled through cash payments with no interest charged on the outstanding balance, if any, at the end of each reporting period.

22.5 Insurance Expense

The Bank is covered by life and non-life insurance policies provided by its related parties under common ownership. These include group life insurance, fidelity insurance, money, securities and payroll robbery insurance, and commercial general liability. The related insurance expense incurred by the Bank is presented as part of Insurance in the statements of profit or loss. No related outstanding liability as of December 31, 2020 and 2019.

22.6 Medical, Dental and Hospitalization

The Bank has an existing agreement with a related party under common ownership to provide comprehensive health care for its employees. The related expense incurred by the Bank under this agreement is presented as part of Salaries and Employee Benefit Expense in the statements of profit or loss. No related outstanding liability as of December 31, 2020 and 2019.

22.7 Key Management Personnel Compensation

The compensation provided to key management personnel is broken down as follows:

	2020	2019	2018
Short-term employee benefits	**P 10,694,742**	P 12,812,242	P 11,359,742
Post-employment benefits	**1,070,538**	722,678	764,682
	P 11,765,280	P 13,534,920	P 12,124,424

23. EARNINGS (LOSSES) PER SHARE

Earnings (losses) per share is computed as follows:

	2020	2019	2018
Net income (loss)	**P 5,323,843**	(P 22,742,221)	(P 41,126,237)
Divided by the weighted average number of outstanding common shares	**1,000,000,000**	1,000,000,000	99,998,000
Earnings (loss) per share	**P 0.05**	(P 0.23)	(P 0.41)

The Bank has no potentially dilutive shares (i.e., options, warrants, convertible instruments, contingently issuable shares if the conditions are satisfied, etc.); hence, no information on diluted loss per share is presented as it is the same with the basic loss per share.

24. COMMITMENTS AND CONTINGENCIES

24.1 Operating Lease Commitments – Bank as Lessor

The Bank is a lessor under non-cancellable operating lease agreements for the lease of its certain investment properties. The leases have terms of five to ten years, with renewal options, and include annual escalation rate of 5% to 10%. The future minimum lease payments under these non-cancellable operating leases are as follows as of December 31, 2020 and 2019:

	2020	2019
Within one year	**P 5,266,104**	P 767,402
After one year but not more than five years	**5,135,866**	306,741
Balance as of end of year	**P 10,401,970**	P 1,704,143

The total rent income on investment properties amounted to P1.5 million, P2.1 million and P1.1 million in 2020, 2019 and 2018, respectively, and is presented as Rental income under Miscellaneous in the statements of profit or loss (see Notes 13, 18.1 and 22.4).

24.2 Others

In the normal course of the Bank's operations, there are other outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the financial statements. Management believes that as of December 31, 2020 and 2019, losses, if any, which may arise from these commitments and contingencies will not have a material effect on the Bank's financial statements.

25. NOTES TO STATEMENTS OF CASH FLOWS

The following information supplement those presented in the statements of cash flows for the periods presented with respect to the Bank's non-cash operating and investing activities:

	Notes	**2020**	2019	2018
Settlement of loans receivable arising from property/jewelry foreclosures	13, 14	**P 57,948,078**	P155,327,528	P 61,903,186
Unrealized fair value gains on FVOCI securities	10	**7,357,234**	10,597,245	2,750,871

For statements of cash flows purposes, the amount of due from other banks as of December 31, 2020 and 2019 considered as cash and cash equivalents follows:

	Note	**2020**	2019
Due from other banks	8	**P 178,847,788**	P 330,266,336
Due from other banks not considered as cash and cash equivalents	8	**(19,689,430)**	(77,715,800)
		P 159,158,358	P 252,550,536

26. OTHER MATTERS

26.1 Continuing Impact of COVID-19 Pandemic

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Bank's business operations.

The following are the impact of the COVID-19 pandemic on the Bank's business:

- scaled-down branch operations and business units operating at less than full capacity due to mobility/quarantine restrictions;
- limited sales and marketing activity for businesses requiring face-to-face interaction due to social distancing;
- new loan releases are only limited to existing borrowers. This has resulted in a minimal loan releases in 2020 by 65% compared to that in 2019; and,
- restructured the loans of some borrowers affected by the COVID-19 pandemic.

The following were the actions undertaken by the Bank to mitigate such impact:

- adopted and implemented precautionary measures to ensure the safety of its employees and clients. Shuttle services and accommodations were provided to employees with critical functions. In addition, the Bank has allowed work-from-home arrangements and meetings online via digital platforms to minimize unnecessary physical contact;
- implemented new occupational safety and health standards to provide a safe and sanitized environment for both customers and employees through the strict observance of health and safety protocols, retrofitting of workspaces, and periodic testing for employees to minimize infection within the workplace;
- created a roadmap for bank digitalization/automation activities;
- activated business continuity plan and implemented succession planning;

- ensured continued access to credit facilities for clients with resilient and sustainable businesses amid the pandemic. Proactively worked with clients for the restructuring of loan terms to address temporary tightness/liquidity problems;

- performed comprehensive review of loan accounts to assess reprieved businesses and industry due to the COVID-19 pandemic and introduced post-model adjustments in the existing ECL model to reasonably capture the impact of COVID-19 to its exposures [see Note 4.1.6(c)]; and,

- complied with Bayanihan to Heal as One Act *(Bayanihan I)* and Bayanihan to Recover as Once Act *(Bayanihan II)* and in between, an additional 60-day reprieve.

The Bank's liquidity position remains to be stable. The branches continue to maintain reasonable amount in the cash in vault to sustain regular withdrawals. The Bank, likewise, has maintained an ample amount of liquidity buffer in its account with the BSP (see Note 17.5). In addition, the Bank's CAR as of December 31, 2020 was 13.66%, which is above the required minimum ratio of 10%.

Based on the above actions and measures taken by management to mitigate the adverse effect of the COVID-19 pandemic, the Bank believes that it would continue to report positive results of operations and would remain liquid to meet current obligations as it falls due.

26.2 Corporate Recovery and Tax Incentives for Enterprises Law

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, amending certain provisions of the National Internal Revenue Code (NIRC) of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Company:

a. RCIT rate is decreased from 30% to 25% starting July 1, 2020;
b. MCIT rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
c. the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
d. the allowable deduction for interest expense is reduced to 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Company determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Company's financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Company used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 financial statements.

As a result of the application of the lower MCIT rate of 1% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Company, is lower, than the amount presented in the 2020 financial statements.

Presented below is the reconciliation of the impact of the application of CREATE Act between the Company's 2020 financial statements and 2020 annual ITR.

	Amounts per 2020 Financial Statements	Impact of CREATE Act	Amount per 2020 ITR
MCIT	P 3,501,570	(P 899,932)	P 2,601,638
Income tax payable	3,373,905	(899,932)	2,473,973

In addition, the recognized deferred tax assets as of December 31, 2020 would be remeasured to 25% in the 2021 financial statements. This will result in a decline in the recognized deferred tax asset in 2020 by P1.8 million and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standard.

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP MORB to be disclosed as part of the notes to financial statements based on BSP Circular 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some indicators of the Bank's financial performance.

	2020	2019	2018
Return on average capital			
Net profit / Average total capital accounts	**0.83%**	-3.52%	-6.19%
Return on average resources			
Net profit / Average total resources	**0.12%**	-0.58%	-1.03%
Net interest margin			
Net interest income / Average interest earning resources	**5.27%**	6.09%	6.82%

(b) Capital Instruments Issued

As of December 31, 2020 and 2019, the Bank has capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular 781, *Basel III Implementing Guidelines on Minimum Capital Requirements,* which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2. As of December 31, 2020 and 2019, the Bank's equity amounts to P643.6 million and P635.8 million. In 2020 and 2019, the Bank is yet to comply the revised capitalization requirement of P1.0 billion as mandated by the BSP Circular No. 854.

(c) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers, gross of allowance for ECL, follows (amounts in thousands):

	2020		2019	
	Amount	**Percentage**	Amount	Percentage
Real estate, renting and other related activities	**P 1,052,065**	**44.84%**	P 1,104,130	47.58%
Consumption	**202,319**	**8.63%**	277,880	11.98%
Wholesale and retail trade	**146,959**	**6.26%**	142,393	6.14%
Other community, social and personal activities	**78,345**	**3.34%**	165,226	7.12%
Agriculture, forestry and fishing	**35,474**	**1.51%**	55,365	2.39%
Manufacturing (various industries)	**9,000**	**0.38%**	32,472	1.40%
Financial intermediaries	**794**	**0.04%**	-	0.00%
Others	**821,135**	**35.0%**	542,853	23.39%
	P 2,346,091	**100%**	P 2,320,319	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

(d) *Credit Status of Loans*

The breakdown of receivables from customers (gross of unearned interests, discounts and other charges) as to status is shown below and in the succeeding page (in thousands).

	2020		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Corporate	**P 615,994**	**P 79,513**	**P 695,507**
CTS	**342,987**	**-**	**342,987**
Individual	**155,299**	**60,437**	**215,736**
Housing	**167,928**	**3,421**	**171,349**
Auto loan	**8,765**	**11,699**	**20,464**
Salary	**6,343**	**6,255**	**12,598**
Others	**884,538**	**2,912**	**887,450**
	2,181,854	**164,237**	**2,346,091**
Allowance for ECL	**(31,153)**	**(56,918)**	**(88,071)**
Net carrying amount	**P 2,150,701**	**P 107,319**	**P 2,258,020**

	2019		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	P 900,562	P 83,538	P 984,100
Individual	314,307	60,443	374,750
CTS	329,001	-	329,001
Housing	154,317	3,839	158,156
Auto Loan	22,484	11,905	34,389
Salary	10,343	6,037	16,380
Others	422,312	1,231	423,543
	2,153,326	166,993	2,320,319
Allowance for ECL	(9,443)	(79,604)	(89,047)
Net carrying amount	P 2,143,883	P 87,389	P 2,231,272

As at December 31, 2020 and 2019, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow:

	2020	2019
Gross NPLs	**P 164,237**	P 166,993
NPLs fully covered by allowance for impairment	**(56,918)**	(79,604)
	P 107,319	P 87,389

(e) Analysis of Loan Portfolio as to Type of Security

The breakdown of total receivables from customers as to secured and unsecured and the type of security for secured accounts is presented below:

	2020	2019
Secured:		
Real estate mortgage	**P1,763,594,631**	P1,730,643,563
Chattel mortgage	**20,464,115**	33,716,546
Hold-out deposit	**13,380,000**	44,103,200
Jewelries	**176,968,250**	201,437,050
Others	**84,291,851**	98,733,245
	2,058,698,847	2,108,633,604
Unsecured	**59,518,460**	49,550,220
	P 2,118,217,307	P2,158,183,824

(f) Information on Related Party Loans

In the ordinary course of business, the Bank has loan transactions with other affiliates and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines (amounts in thousands):

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2020	2019	**2020**	2019
Total outstanding loans	**P 13,975**	P 14,636	**P 17,018**	P 14,636
% of loans to total loan portfolio	**0.66%**	0.66%	**0.80%**	0.15%
% of unsecured loans to total DOSRI/related party loans	**-**	-	**-**	-
% of past due loans to total DOSRI/related party loans	**-**	-	**-**	-
% of non-performing loans to total DOSRI/ related party loans	**-**	-	**-**	-

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

(g) Secured Liabilities and Assets Pledged as Security

As at December 31, 2020 and 2019, the Bank has no secured liabilities and assets pledged as security.

(h) Contingencies and Commitments Arising from Off-balance Sheet Items

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2020 and 2019 are as follows:

	Note	**2020**	2019
Trust department accounts	21	**P1,374,170,790**	P1,357,294,801
Commitments		**52,000,000**	45,000,000
Others		**1,474,446**	1,541,433

28. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The following supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the Bureau of Internal Revenue (BIR) under RR No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Gross Receipts Tax (GRT)

In lieu of value-added taxes, the Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Sections 121 of the amended Tax Code.

In 2020, the Bank reported total GRT amounting to P4.9 million, which is included as part of taxes and licenses [see Note 28(f)].

(b) Documentary Stamp Tax (DST)

The Bank is enrolled under the Electronic DST System. In general, the Bank's DST transactions arise from the execution of debt instruments, security documents, and bills of exchange.

For the year ended December 31, 2020, DST affixed amounted to P11.8 million representing documentary stamps imposed mainly on debt instruments documents issued during the year, of which P4.3 million were charged to the Banks's clients, hence, not reported as part of taxes and licenses in 2020 [see Note 28(f)].

(c) Customs Duties and Tariff Taxes

The Bank has not paid or accrued any customs duties and tariff fees as it has no importation for the year ended December 31, 2020.

(d) Excise Tax

The Bank did not have any transaction in 2020 which is subject to excise tax.

(e) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2020 are shown below.

Final	P	5,133,543
Expanded		2,282,342
Compensation and employee benefits		2,027,340
	P	**9,443,225**

(f) Taxes and Licenses

The details of taxes and licenses follows:

	Note		
DST	28(b)	P	7,502,335
GRT	28(a)		4,911,419
Local taxes and business permits			2,428,545
Real property taxes			719,413
		P	**15,561,712**

(g) Deficiency Tax Assessments and Tax Cases

As of December 31, 2020, the Bank does not have any final deficiency tax assessment from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

The Board of Directors and the Stockholders
Citystate Savings Bank, Inc.
2nd Floor, Citystate Centre
709 Shaw Boulevard, Pasig City

We have audited the financial statements of Citystate Savings Bank, Inc. (the Bank) for the year ended December 31, 2020, on which we have rendered our report dated May 14, 2021. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Bank's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Jerald M Sanchez
Partner

CPA Reg. No. 0121830
TIN 307-367-174
PTR No. 8533241, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 121830-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-041-2019 (until Dec. 15, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 14, 2021

CITYSTATE SAVINGS BANK, INC.
List of Supplementary Information
December 31, 2020

* *These schedules and supplementary information are not included as these are not applicable to Citystate Savings Bank, Inc.*

CITYSTATE SAVINGS BANK, INC.
SEC Released Amended SRC Rule 68
Schedule A - Financial Assets - Investment Securities
December 31, 2020
(Amounts in Philippine Pesos)

Name of Issuing Entity & Association	Face Value	Amounts Shown on Balance Sheet	Value based on Market Quotation at end of Reporting Period	Income Received & Accrual
A: GOVERNMENT SECURITIES:				
NATIONAL GOVERNMENT:				
Bureau Of Treasury				
FMIC PIBD0721C574	10,000,000.00	9,993,569.69	10,118,362.89	281,953.81
FMIC PIBD0721C574	10,000,000.00	9,995,721.72	10,118,362.89	356,269.21
FMIC ISIN PIBL1219B054	25,000,000.00	-	-	93,077.79
FMIC ISIN PIBL1219D141	10,000,000.00	-	-	114,393.46
FMIC ISIN PIBL1219F229	938,525.00	-	-	16,518.15
FMIC ISIN PIBL1219F229	2,561,475.00	-	-	44,709.25
FMIC ISIN PIBL1219G273	5,000,000.00	-	-	101,956.33
FMIC ISIN PIBL1220A026	40,000,000.00	39,937,394.17	39,986,645.58	1,254,296.23
FMIC ISIN PIBL1220D149	10,000,000.00	9,910,753.30	9,977,404.00	222,039.25
FMIC ISIN PIBL1220G299	2,320,000.00	2,299,538.63	2,304,015.78	14,480.68
FMIC ISIN PIBL1220G299	2,680,000.00	2,656,076.18	2,661,535.47	16,963.12
FMIC ISIN PIBL1220L499	19,180,000.00	18,916,242.15	18,938,263.11	15,688.41
FMIC ISIN PIBL1220L499	12,820,000.00	12,642,999.89	12,658,421.95	10,532.03
BSP BSPT0110232	300,000,000.00	-	-	489,200.97
BSP BSPT0120L002	174,420,000.00	174,357,776.98	174,420,000.00	182,035.44
BSP BSPT0120L003	43,280,000.00	43,255,180.48	43,264,831.72	32,657.26
LGU:				
INFANTA WATER BOND-DBP	50,000,000.00	5,878,641.15	5,878,641.15	495,367.72
BANKS:				
METROBANK LTNCD	20,000,000.00	20,395,785.14	20,395,785.14	847,638.89
BPI CAPITAL FIXED RATE BONDS	50,000,000.00	-	-	566,416.67
PRIVATE CORPORATIONS:				
DEL MONTE PHILS., INC.	50,000,000.00	50,228,122.32	50,228,122.32	304,850.01
PETRON CORPORATION	29,000,000.00	29,632,631.91	29,632,631.91	1,307,708.36
DOUBLE DRAGON PROP. CORP (FIXED	44,300,000.00	46,138,856.80	46,138,856.80	2,692,673.11
GT CAPITAL HOLDINGS INC.				
SERIES A	1,690,000.00	1,690,000.00	1,690,000.00	78,680.02
SERIES B	7,500,000.00	7,725,000.00	7,725,000.00	384,240.39
SAN MIGUEL CORP				
SUBSERIES 2D	11,418,750.00	-	-	517,801.10
SUBSERIES 2E	13,306,500.00	13,377,468.00	13,377,468.00	878,656.75
SUBSERIES 2F	10,336,500.00	10,653,486.00	10,653,486.00	734,898.51
SUBSERIES 2H	72,000,000.00	74,880,000.00	74,880,000.00	4,602,561.60
SUBSERIES 2K	30,000,000.00	30,200,000.00	30,200,000.00	93,750.00
DOUBLE DRAGON PROPERTIES CORP	10,569,000.00	10,843,794.00	10,843,794.00	694,796.68
CLUB SHARES:				
WACK-WACK Country Club and Golf Cours	-	37,500,000.00	37,500,000.00	-
Forest Hills Country Club	-	50,000.00	50,000.00	-
	1,068,320,750.00	663,159,038.51	663,641,628.71	17,446,811.20

CITYSTATE SAVINGS BANK, INC.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2020

Name and Designation of Debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at the end of period
			Amounts collected	Amounts written-off	Current	Not current	
Due from Related Parties (Loans & Discounts)							
Eternal Gardens	14,636,412.88		661,669.80		13,974,743.08		13,974,743.08
Advances to Officers & Employees							
Salary Loan Employees (Officers)	4,167,354.61	957,641.64	2,082,116.75		3,042,879.50		3,042,879.50
Sub-total	***18,803,767.49***	***957,641.64***	***2,743,786.55***	***-***	***17,017,622.58***	***-***	***17,017,622.58***
A/R-Related Party: Rental Fee							
FORTUNE GEN INSURANCE	36,219.46	-	36,219.46	-	-	-	-
FORTUNE LIFE	24,109.37	-	24,109.37	-	(0.00)	-	(0.00)
ALC FORTUNE CORP	158,418.65	-	158,418.65	-	-	-	-
A/R-Related Party: Security Services							
THREE FROGS REALTY	358,861.41	-	358,861.41	-	-	-	-
A/R- Advances Bank Officers:							
MARIANNCE CRUZ	20,500.00	-	20,500.00	-	-	-	-
SHARON ENRIQUEZ	190,606.40	-	190,606.40	-	0.00	-	0.00
ROCHELLE JINAYON	54,812.16	-	54,812.16	-	-	-	-
BEVERLY VILLANUEVA	1,000.00	-	1,000.00	-	-	-	-
ALLANFRED REDIDO	1,500.00	-	1,500.00	-	-	-	-
BALTAZAR BAUTISTA	14,827.95	-	14,827.95	-	-	-	-
FREDA BARTOLOME - RINGOR	3,966,000.00	-	3,966,000.00	-	-	-	-
ROMMEL ESPERO	7,765.00	-	7,765.00	-	-	-	-
DARICE TAMAYO	12,500.00	-	12,500.00	-	-	-	-
MARY ANN MANALASTAS	119,527.80	-	105,736.06	-	13,791.74	-	13,791.74
MARTIN JERRY MACHADO	9,305.56	-	9,305.56	-	-	-	-
ROMALIA AGUILAR	126.22	-	126.22	-	-	-	-
JOSE MAMAUAG	667.77	-	667.77	-	-	-	-
EDILBERTO TUAZON	403.21	378.91	403.21	-	378.91	-	378.91
GLEN SAMSON	299.01	-	299.01	-	-	-	-
GILY ESPIRITU	103.00	-	103.00	-	-	-	-
MA. TERESA CUNANAN	169.64	-	169.64	-	-	-	-
MARLO PASCUAL	380.67	-	380.67	-	-	-	-
GABRIEL CHAVEZ	299.01	-	299.01	-	-	-	-
GIAN ULYSIE BALDOZ	4,553.56	-	-	-	4,553.56	-	4,553.56
MINERVA ROQUE	348.07	-	348.07	-	-	-	-
PERSEUS CARREON	35.00	-	35.00	-	-	-	-
EMMANUEL VENERACION	30.00	(1,450.00)	30.00	-	(1,450.00)	-	(1,450.00)
HAZEL YAP	2.50	-	2.50	-	-	-	-
DES CORAZON CRUZ	-	2,000.00	-	-	2,000.00	-	2,000.00
DANNIE PATROCINIO	-	25,000.00	-	-	25,000.00	-	25,000.00
SANDRO CASTRO	-	2,000.00	-	-	2,000.00	-	2,000.00
JOSE TABUZO	-	5,481.00	-	-	5,481.00	-	5,481.00
NIMFA VILLAREAL	-	10,500.00	-	-	10,500.00	-	10,500.00
ANGELICA MOJICA	-	92,445.73	-	-	92,445.73	-	92,445.73
VIRGILIO REYES	-	2,175.00	-	-	2,175.00	-	2,175.00
LIBERATO ESCORIAL	-	299.01	-	-	299.01	-	299.01
KRISMEL KATRINA MALLARE	-	724.96	-	-	724.96	-	724.96
ATIENZA, TWINIE	-	6,582.04	-	-	6,582.04	-	6,582.04
Sub-total	***4,983,371.42***	***146,136.65***	***4,965,026.12***	***-***	***164,481.95***	***-***	***164,481.95***
GRAND TOTAL	***23,787,138.91***	***1,103,778.29***	***7,708,812.67***	***-***	***17,182,104.53***	***-***	***17,182,104.53***

CITYSTATE SAVINGS BANK, INC.
Schedule G – Capital Stock
December 31, 2020

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Stock	-	-	-	7,499,250	8,283,330	3,521,000
	-	-	-	5,484,000	4,302,500	3,100,074
	-	-	-	12,702,594	23,351	1,650,000
	-	-	-	2,846,250	110	550,000
	-	-	-	2,641,700	10	550,000
	-	-	-	717,300	1	164,240
	-	-	-	726,000	1	12,987
	-	-	-	296,415	2,143,350	121,790
	-	-	-	127,000	654,001	110,000
	-	-	-	1,713,382	100	87,950
	-	-	-	7,700	10	82,501
	-	-	-	5,600	100	52,300
	-	-	-	314,000	100	42,210
	-	-	-	18,000,000	100	22,110
	-	-	-	-	-	15,800
	-	-	-	-	-	9,500
	-	-	-	-	-	8,800
	-	-	-	-	-	4,400
	-	-	-	-	-	4,040
	-	-	-	-	-	100,000
	-	-	-	-	-	3,300
	-	-	-	-	-	1,700
	-	-	-	-	-	1,650
	-	-	-	-	-	1,650
	-	-	-	-	-	1,650
	-	-	-	-	-	1,100
	-	-	-	-	-	1,100
	-	-	-	-	-	1,100
	-	-	-	-	-	1,100

-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,100
-	-	-	-	-	1,200
-	-	-	-	-	1,000
-	-	-	-	-	1,000
-	-	-	-	-	1,000
-	-	-	-	-	13,000
-	-	-	-	-	1,000
-	-	-	-	-	700
-	-	-	-	-	2
-	-	-	-	-	500
-	-	-	-	-	2,400
-	-	-	-	-	220
-	-	-	-	-	200
-	-	-	-	-	140
-	-	-	-	-	110
-	-	-	-	-	110
-	-	-	-	-	100
-	-	-	-	-	50
-	-	-	-	-	40
-	-	-	-	-	40
-	-	-	-	-	1
-	-	-	-	-	1
-	-	-	-	-	1
-	-	-	-	-	500
-	-	-	-	-	2,500
-	-	-	-	-	2,000
-	-	-	-	-	1,500
-	-	-	-	-	4,000
-	-	-	-	-	53,900
-	-	-	-	-	100
-	-	-	-	-	87,700
-	-	-	-	-	1,949

-	-	-	-	-	12,800
-	-	-	-	-	1,000
-	-	-	-	-	2,700
-	-	-	-	-	2,700
-	-	-	-	-	1,000
-	-	-	-	-	18,200
-	-	-	-	-	120,000
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	700
-	-	-	-	-	200
-	-	-	-	-	5,000
-	-	-	-	-	1,000
-	-	-	-	-	300
-	-	-	-	-	20,700
-	-	-	-	-	3,700
-	-	-	-	-	1
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	110
-	-	-	-	-	130,870
-	-	-	-	-	10,000
-	-	-	-	-	1,000
-	-	-	-	-	4,800
-	-	-	-	-	200
-	-	-	-	-	10
-	-	-	-	-	100
-	-	-	-	-	1
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	1
-	-	-	-	-	100
-	-	-	-	-	1
-	-	-	-	-	1
-	-	-	-	-	1
-	-	-	-	-	200
-	-	-	-	-	100
-	-	-	-	-	1,800
-	-	-	-	-	1,000
-	-	-	-	-	200
-	-	-	-	-	2,800

-	-	-	-	-	400
-	-	-	-	-	600
-	-	-	-	-	100
-	-	-	-	-	900
-	-	-	-	-	1,600
-	-	-	-	-	900
-	-	-	-	-	1
-	-	-	-	-	500
-	-	-	-	-	700
-	-	-	-	-	200
-	-	-	-	-	200
-	-	-	-	-	200
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	300
-	-	-	-	-	100
-	-	-	-	-	200
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	200
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	200
-	-	-	-	-	1,000
-	-	-	-	-	100
-	-	-	-	-	300
-	-	-	-	-	100
-	-	-	-	-	1
-	-	-	-	-	1,100
-	-	-	-	-	100
-	-	-	-	-	700
-	-	-	-	-	110
-	-	-	-	-	220,000
-	-	-	-	-	400
-	-	-	-	-	200
-	-	-	-	-	1,064,853
-	-	-	-	-	855,610
-	-	-	-	-	742,730
-	-	-	-	-	18,300

-	-	-	-	-	182,000
-	-	-	-	-	182,000
-	-	-	-	-	52,200
-	-	-	-	-	13,800
-	-	-	-	-	700
-	-	-	-	-	63,600
-	-	-	-	-	12,000
-	-	-	-	-	6,700
-	-	-	-	-	714,450
-	-	-	-	-	714,450
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	200
-	-	-	-	-	300
-	-	-	-	-	100
-	-	-	-	-	2
-	-	-	-	-	5
-	-	-	-	-	5
-	-	-	-	-	22,100
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	1,000
-	-	-	-	-	2,000
-	-	-	-	-	100
-	-	-	-	-	90,000
-	-	-	-	-	100
-	-	-	-	-	1,600
-	-	-	-	-	100
-	-	-	-	-	1,200
-	-	-	-	-	20,600
-	-	-	-	-	1,000
-	-	-	-	-	3,900
-	-	-	-	-	800
-	-	-	-	-	100
-	-	-	-	-	100
-	-	-	-	-	1,000

	-	-	-	-	-	14,102,114
	-	-	-	-	-	1,650,000
	-	-	-	-	-	1
	-	-	-	-	-	1
	-	-	-	-	-	1,000
Common Stock	100,000,000	100,000,000	-	53,081,191	15,407,064	31,511,745

*Note: Additional subscription of unsubscribed shares of stock of 258,000,000 at par value of P10.00 is under listing process.

CITYSTATE SAVINGS BANK, INC.
2nd Floor, Citystate Centre
709 Shaw Boulevard, Pasig City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2020

Unappropriated Deficit at Beginning of Year, As Restated		(P 415,280,176)
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income		(32,888,414)
Unappropriated Deficit Not Available for Dividend Declaration at Beginning of Year		(448,168,590)
Net Income Realized during the Year		
Net income per audited financial statements		5,323,843
Other Transactions during the Year		
Appropriation for general loan loss reserve	(15,729,083)	
Transfer to reserves	(962,137)	(16,691,220)
Deficit		**(P 459,535,967)**

P&A Grant Thornton

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Report of Independent Auditors on Components of Financial Soundness Indicators

The Board of Directors
Citystate Savings Bank, Inc.
2nd Floor, Citystate Centre
709 Shaw Boulevard, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Citystate Savings Bank, Inc. (the Bank) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, on which we have rendered our report dated May 14, 2021. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Jerald M. Sanchez
Partner

CPA Reg. No. 0121830
TIN 307-367-174
PTR No. 8533241, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 121830-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-041-2019 (until Dec. 15, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 14, 2021

CITYSTATE SAVINGS BANK, INC.
Supplemental Schedule of Financial Soundness Indicators
December 31, 2020 and 2019

Ratio	Formula	2020		2019	
Current ratio	Total Current Resources / Total Current Liabilities	P 2,627,298,276 / 4,159,157,341	0.63	P 1,972,733,126 / 3,261,547,198	0.60
Acid test ratio	Cash and cash equivalents + Financial assets at Fair Value through Profit or Loss / Total Current Liabilities	1,560,843,638 / 4,159,157,341	37.53	789,871,727 / 3,261,547,198	24.22
Solvency ratio	Total Liabilities / Total Resources	4,371,045,770 / 5,014,632,291	87.17	3,438,262,666 / 4,074,145,489	84.39
Debt-to-equity ratio	Total Liabilities / Total Equity	4,371,045,770 / 643,586,521	6.79	3,438,262,666 / 635,882,823	5.41
Assets-to-equity ratio	Total Resources / Total Equity	5,014,632,291 / 643,586,521	7.79	4,074,145,489 / 635,882,823	6.41
Interest rate coverage ratio	Earnings before Interest and Taxes / Interest Expense	55,171,158 / 41,859,438	1.32	35,980,746 / 54,231,780	0.66
Return on equity	Net Profit (Loss) / Average Total Equity	5,323,843 / 639,734,672	0.83	(22,742,221) / 645,184,885	(3.52)
Return on assets	Net Profit (Loss) / Average Total Resources	5,323,843 / 4,544,388,890	0.12	(22,742,221) / 3,945,626,530	(0.58)
Net profit margin	Net Profit (Loss) / Interest Income	5,323,843 / 239,426,085	0.02	(22,742,221) / 228,798,941	(0.10)
Other Ratios:					
Net Interest Margin	Net Interest Income / Average interest earning resources	197,566,647 / 3,710,614,443	0.05	174,567,161 / 2,866,700,758	0.06
Capital to risk assets ratio	Total qualifying capital / Risk resources	476,853,330 / 3,490,163,986	0.14	527,076,476 / 3,904,428,503	0.13

CITYSTATE SAVINGS BANK, INC.
ALC Group of Companies Conglomerate Map

ALC GROUP OF COMPANIES

MEDIA
- ALIW BROADCASTING CORP.
- INSULAR BROADCASTING SYSTEM INC.
- PHILIPPINE BUSINESS DAILY MIRROR PUBLISHING INC.
- FILIPINO MIRROR MEDIA GROUP CORPORATION
- BROWN MADONNA PRESS INC.

HOTELS
- CITYSTATE TOWER HOTEL INC.
- MANILA GRAND OPERA HOTEL INC.
- DAHLIA HOTEL CORP.
- DAISY INN INC.
- NEW ROSAL HOTEL CORP.
- LAKAMBINI HOTEL INC.
- LEGASPI REALTY CO., INC.
- HILLCREST HOTEL INC.
- ORCHIDS HOTEL CORP.
- CABANGON CENTRAL PROPERTIES INCORPORATED

SECURITY
- ASIAN SECURITY AND INVESTIGATION AGENCY INC.
- EASTERN DEFENDER SECURITY & SERVICES, INC.
- RED FALCON DETECTIVE AGENCY INC.

AUTOMOTIVE
- GENCARS INC.
- GENCARS LEGASPI INC.
- GENCARS NAGA INC.
- GENCARS SAN PABLO INC.
- GENCARS STA. ROSA INC.
- GENCARS BATANGAS CITY, INC.
- GENCARS BATANGAS, INC.

MEMORIAL CARE
- ETERNAL GARDENS MEMORIAL PARK CORP.
- LIPA CITY ETERNAL GARDEN MEMORIAL PARK CO., INC.
- ETERNAL GARDENS MEMORIAL PARK CORP. (BATANGAS)
- ETERNAL GARDENS MEMORIAL PARK- CAGAYAN DE ORO INC.
- ETERNAL CREMATORY CORPORATION
- ETERNAL CHAPEL AND MORTUARY CORPORATION
- ETERNAL CHAPEL AND MORTUARY - NAGA CITY, INC.
- CABUYAO LAND VENTURES & DEVELOPMENT INC.
- PENAFRANCIA MEMORIAL PARK CORP.
- BLOSSOMVILLE REALTY & DEV. CORP.

FINANCIAL
- FORTUNE LIFE INSURANCE CO., INC.
- FORTUNE GENERAL INSURANCE CORPORATION
- FIG FINANCING COMPANY
- AAA SOUTHEAST EQUITIES INC.
- RURAL BANK OF CANLUBANG PLANTERS, INC.
- FILIPINAS PAWNSHOP, INC.
- CITYSTATE SAVINGS BANK, NC.
- ETERNAL PLANS INC.

REAL ESTATE
- AMB ALC HOLDINGS AND MANAGEMENT CORP.
- TOP VENTURES INVESTMENTS AND MANAGEMENT CORPORATION
- HORIZONTAL REALTY INV. INC.
- ALC REALTY DEVELOPMENT CORP.
- ALC INDUSTRIAL & COMMERCIAL DEVELOPMENT CORP.
- CABUYAO LAND VENTURES & DEVELOPMENT INC.
- ALC FORTUNE CORP.
- BATANGAS VENTURES PROPERTIES & MANAGEMENT CORPORATION
- ALIW CINEMA COMPLEX INC.
- ALC BALIWAG CINEMA AND SHOPPING COMPLEX
- MEYCAUAYAN MARKET, CORP.

FOOD
- CHOWRITE FOODS INC.
- MUSIC WAREHOUSE RESTAURANT INC.
- HONGKONG NOODLES & DIMSUM HOUSE, INC.

EDUCATION
- CLAYTON LEARNING CENTER PHILIPPINES INC.

LAUNDRY
- ORCHIDS STEAM LAUNDRY INC.

SUSTAINABILITY REPORT

2020

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide.

Contextual Information

Company Details	
Name of Organization	Citystate Savings Bank, Inc.
Location of Headquarters	2/F Citystate Centre Building 709 Shaw Boulevard Pasig City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	N/A
Business Model, including Primary Activities, Brands, Products, and Services	Citystate Savings Bank Inc. (CSBI) started its banking operations a day after the Monetary Board of Bangko Sentral ng Pilipinas approved its thrift bank license on August 7, 1997. On January 2, 2002, the company went public and was formally listed in the Philippines Stock Exchange under the stock symbol CSB. Aside from the traditional products and services offered by a thrift bank, CSBI offers a wide range of banking services, such as but not limited to innovative deposit products and services, cash management, onsite/offsite ATM facilities, corporate and retail banking, and treasury services. In its credit and financing business, the bank provides a venue for consumer/personal loans by accepting jewelry for instant cash loans, aside from its own lending activities of servicing commercial loans, real estate and development loans, auto loan financing, salary loans, agricultural loans and a host of other financial services.
Reporting Period	January 1, 2020 – December 31, 2020
Highest Ranking Person responsible for this report	**Ariel V. Ajesta** Chief Compliance Officer **Aileen U. Evangelista** Corporate Planning Head

The Bank's commitment to leadership in sustainability is anchored firmly in its corporate values. The balance between economic success, environmental protection and social responsibility has been an integral part of the Bank's corporate culture.

We will build on our insights to further strengthen our processes for managing Environmental or Climate-Related, Economic and Social Risks. Our commitment is to integrate environmental, social and governance factors into investment, lending and procurement activities of the Bank.

As the sustainability field is constantly evolving and expectations for businesses to integrate sustainability into their business are accelerating, Citystate Savings Bank, Inc. will continue to explore sustainability-related- risks and opportunities.

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.14
We have implemented the following processes in the preparation and submission of our sustainability report: 1. Consultation– Bank's stakeholders were consulted and the Compliance Department consolidated the information gathered. 2. Evaluation – Selected Senior Management of the Bank evaluates the recommended sustainability disclosure based on the material topics. 3. Disclosure – this report was approved by the highest officer of the Bank to ensure integrity and accountability. During the materiality process, no expert guidance was obtained. Instead, we utilized our internal resources and followed the guidelines on the Global Reporting Initiative (GRI) standards per topic. In order for us to identify issues that represent risks or opportunities for business and for society, we continue to annually assess and update the materiality report on Environment, Social, Economic-related topics.

[14] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	-	PhP
Direct economic value distributed:		
a. Operating costs	111,890,320	PhP
b. Employee wages and benefits	87,592,744	PhP
c. Payments to suppliers, other operating costs	44,914,864	Php
d. Dividends given to stockholders and interest payments to loan providers	-	PhP
e. Taxes given to government	15,561,712	PhP
f. Investments to community (e.g. donations, CSR)	-	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
- A Bank is the cornerstone of most people's personal finances. We are also central providers of capital and financial services. - We contribute to economic growth by managing the short term deposits of our clients and converting them to long-term loans. - Other economic contribution of the Bank to the Country: ➢ Loans provided by the Bank to the industry of Agri-agra projects, Health Sector, Tourism, and other major business	- **Government –** due to taxes paid by the Bank. - **Communities –** since the loan proceeds provided to Micro, Small and Medium Enterprises were used in business. Hence, funding could generate jobs. - **Household –** since the Bank temporarily fund the household expenses through granting or pawning of their Jewelry Item at a very low interest rate.	We want to become an integral part of our customers' lives by offering solutions tailored to their needs. We will create more innovative products for our depositors and borrowers. To ensure sustainable business, the Bank will continue to implement sound risk management practices when granting loans to all of its borrowers.

industries in the Philippines. ➢ Loans provided by the Bank to the Consumer for personal consumption. ➢ Interest rates provided to our depositors. ➢ Fiscal growth - Through our business activities, we also indirectly create jobsfor our suppliers' companies and for our customers when we help them to grow their business by availing their products and services.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Since we are a thrift bank, we are exposed to the following risks: - **Operation Risk -** risk of loss resulting from inadequate or failed internal processes, people, and systems. - **Credit Risk** – inability of borrowers to pay his loans to the Bank or risk of default of borrowers. - **Regulatory Risk** – fines and penalties due to non-compliance of applicable laws.	- **Stockholders** – since they have invested money to the Bank. - **Government** – as a Bank, we are being regulated by the BSP, PDIC, SEC, etc. - **Depositors** – since banking is a business of trust. The Bank should always protect the interest of its depositors.	The Bank shall continue to implement sound risk management practices: ➢ Stricter loan process and shall Implement digitization approach to expedite its process and to minimize errors. ➢ Shall comply with the regulatory requirements to avoid fines/penalties. ➢ Continuous trainings and seminars for our employees.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
- To develop products	- **Clients** – funding of	Citystate Savings Bank, Inc. shall

and services that will serve the needs of Micro, Small and Medium Enterprises and unbanked sectors. - Opportunities to help the communities by supporting them in terms of funding of their businesses/projects. - Venture into digital banking	their businesses - **Suppliers** – purchase of supplies/products. - **Government** – Taxes paid to government	continue to support the local community specially the unbanked areas in the province. We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goal.

Climate-related risks and opportunities[15]

Governance
The Philippines is among the most vulnerable countries in the world to weather-related extreme events, earthquakes, and sea level rise, and is already feeling the consequences of climate change. Philippines, like most third world countries, will be among the most vulnerable to the impact of climate change because of its limited resources. Hence, our business continuity plan and contingency plan are regularly updated to ensure continuity of operations in the event of disruptions. To ensure sustainable business, a bank-wide Disaster Recovery is set-up to ensure system availability, integrity and readiness of the Business Continuity Plans as well as Disaster Recovery sites. Further, to promote environmental and disaster risk awareness in the bank, regular sessions/trainings for Board of Directors, Management and all employees of the Bank are periodically conducted. As one of the financial institutions in the Philippines, Citystate Savings Bank, Inc. has a responsibility to create long-term value for all stakeholders and to contribute to sustainability of the societies and communities that we are serving.
Strategy
We are committed to comply with the regulations of the government when it comes to climate risk governance. Further, we plan to integrate and consider environmental risk assessment in our lending and procurement practices. Therefore, as part of our sustainability goals, we will not invest to companies that have an interest in mining, fossil fuels, deforestation, etc.
Risk Management

We work to ensure that strong internal controls and risk assessments are embedded at the core of all that we do. Taking an Enterprise Risk Management approach, we set common standards for risk management across all risk areas. Management of risks is a responsibility shared by all employees. We ensure that it is an integral part of the day-to-day work routines of each and every employee. The Bank has a Chief Risk Officer who guides us with risk Identification, Measurement, Monitoring, and Mitigating risk in the areas of Operations, Credit, Liquidity and Market. Meanwhile, our Chief Compliance Officer is responsible for monitoring compliance across the departments/units and provides advice on mitigating compliance risks. Clear policies and procedures and a high level of risk-awareness and mandatory training for all employees are key to maintaining a good risk management culture.
Metrics and Targets
We will align our business strategy and shall contribute positive impact to society. We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create prosperity for current and future generations. Furthermore, we will create Responsible Banking Principles as well as sustainability targets and measures that will be integrated in our strategic plans. Moreover, we will focus on integrating sustainability into our business model and key-business decision-making processes. Lastly, we will increase our focus on the identification of sustainability related risk and opportunities and shall integrate sustainability into our governance.

[15] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non- financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

[16] For this disclosure, impact refers to the impact of climate-related issues on the company.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Selecting locally-based suppliers will help the economy to create more jobs in the Philippines.	Community- creating more jobs Management –buying locally and encouraging local suppliers.	Responsible sourcing and establishing good relationship with our suppliers form part of our strategy. To select local suppliers based on the quality, services and competitiveness of their prices. Follow strictly the Vendor Management Policy to ensure transparency in the procurement process of the Bank.

What are the Risk/s Identified?
Some local suppliers have low quality of products and services. Further, limiting procurement to local supplier may result to a higher cost. Hence, other suppliers should also be considered to be able to compare and assess the market price.

What are the Opportunity/ies Identified?
Opportunity to explore more local supplier and support them in their business. This in effect will have a positive impact in our economy and community.

Anti-corruption

Training on Anti- corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	0	%

Percentage of employees that have received anti-corruption training	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Lack of formal and structured training on anti-corruption will make the company vulnerable to corruption which could result to financial and reputational risk to the Bank. Although the policies pertaining to anti-corruption are regularly discussed in the orientation program for new hires and reiterated through emails/awareness. the Bank, however, does not have a formal structured training on Anti-Corruption.	Government – rules and regulations of the BSP, SEC and PSE. Employees – if they are not aware of the consequences. Bank – if there will be losses due to corruption; Depositors – if the Bank will fail because of poor governance practices.	Formal structured training shall be created and institutionalized in our organization.

What are the Risk/s Identified?
Losses due to corrupt practices.

What are the Opportunity/ies Identified?
Opportunity to improve and introduce internal control/enhanced processes to mitigate corruption.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no risk appetite for corruption.	- Employees - Depositors - Other Stockholders	The company will continue to promote a culture of integrity by providing trainings and seminars to all of its employees.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Our employees in the General Services/Procurement Unit may be exposed to risk of corruption due to the nature of their job.	- Employees - Suppliers - Bank	Our employees are governed by the Bank's Code of Conduct. The Bank shall continue to conduct trainings and seminars on Anti-corruption.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunities to improve our Code of Conduct policies and procedures and Vendor Management Policy.	- Employees	The Bank shall update the policy on its Vendor Management.

ENVIRONMENT

Resource Management

Energy Consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	836.71	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	50,760.13	Liters
Energy consumption (electricity)	583,105.05	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	-	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	-	kWh
Energy reduction (gasoline)	-	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Using carbon-based fuel/diesel is bad for our environment and community. The electricity consumed by the Bank will have an impact with the environment and community.	**Community** – high carbon fuel will result to climate risk. Carbon fuel could destroy our environment.	To reduce the energy consumption as well as diesel consumption. A long-term plan is to explore on the use of solar energy in our branches.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Over-reliance on a single source of energy may result to higher cost. Furthermore, carbon-based fuel has a direct impact to climate risk.	- **Government** – due to taxes paid. - **Employees** – efficiency of management of resources.	The Bank shall continue to conserve energy by implementing the following: 1. Monitoring of energy consumption on a regular basis; 2. Switch off all electrical devices, lights and other office equipment when not in use
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunity to reduce cost byexploring if we could utilize renewable energy such as solar power.	**Board of Directors** – for the approval of funding. **Suppliers** – for the installation and maintenance of solar energy panels **Community** –since it has direct positive impact to environment	The Management to explore on the benefits of solar energy panels in terms of savings in our branches/head office.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	-	Cubic meters
Water consumption	3,173.86	Cubic meters
Water recycled and reused	-	Cubic meters

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
Efficient water consumption has a positive impact to our environment, community, and climate risk.	We plan to reduce our environmental impact by implementing the following: ➢ Monitor water consumption of the Bank and Branches of Citystate Savings Bank, Inc. ➢ Promote reusable water bottles; ➢ Conserve water by checking faucets regularly for any leaks.

What are the Risk/s Identified?
Inefficient and improper use of water has a direct impact to our environment. Improper use of water leads to higher consumption cost and wastage

What are the Opportunity/ies Identified?
Opportunity to save and conserve more water. Opportunity to learn more on ways how to conserve water.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	-	kg/liters
• non-renewable	-	kg/liters
Percentage of recycled input materials used to manufacture the organization’s primary products and services	-	%

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
Citystate Savings Bank, Inc. does not manufacture products and is not a manufacturing company. Hence, we don’t account the percentage of recycled input materials used to manufacture the organization’s primary products and services. As part of our cost-efficiency measures, however, we monitor the consumption of our office supplies in order to minimize our cost of operations.	**Employees** – since they are the users of the supplies. **Suppliers** – quality of their products has an impact to cost efficiency of operations. **Community** – environmental impactof the materials supplied.	The Management shall continue to monitor the consumption of our supplies. Furthermore, we will ensure that our suppliers are duly accredited by the Bank and that they comply with the sustainability standards/vendor management policy.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Inefficient and improper use of supplies can lead to financial loss, negative environmental impact, reputational risk.	**Employees** – since they are the users of the supplies. **Suppliers –** quality of their products has an impact to cost efficiency of our operations. **Community** – environmental impact of the materials supplied	The Management shall reiterate the importance of conserving supplies and increase the awareness and trainings on how to maximize the utilization of supplies.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunities to lower the operational cost and reduced environmental impact.	**Community –** lower consumption has a positive impact to environment	Same as above.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	ha
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the Organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
CSBI's operational sites owned/leased/managed are notin, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	**Government** – compliance with the directives of DENR. **Suppliers/Clients** –non-compliance with the directives of the Government.	The Bank shall continue to comply with the regulations of the Government and shall not transfer its operational sites to an adjacent or protected area.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

The location of the sites of our clients may be in or adjacent to, protected areas, areas of high biodiversity. As a result, it may have direct negative impact to environment.	**Community** – negative impact to environment	We will create policy/programs on Environmental and Social Management that will form part of our sustainability framework. As a responsible financial institution, we will share best practices/ways on how to reduce negative impact to environment such as simple segregation/proper disposal of waste, conservation of energy, and to minimize the usage of carbon fuel, etc.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
There is an opportunity to improve our programs and policies when it comes to Environmental and Social Management Programs.	**Management –** for the recommendation of policies and programs. **Board of Directors**- for approval and oversight.	We will align and balance our strategies to support the development needs of community. We will uphold environmental and social responsibility in all of our business activities.

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	-	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	-	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	-	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Admittedly, we are still institutionalizing our sustainability framework for the management of air emissions. Hence, our air emissions/pollutants consumptions are not assessed, measured, and monitored.	**Community –** High air emission may have negative impact to environment	We will explore on how we will be able to assess, measure, and monitor the air emissions of the Bank.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Newer scientific studies have shown that some pollutants can harm public health and welfare even at very low levels. Elevated ozone levels are linked to increases in hospitalizations, emergency room visits and premature death.	**Community** – due to negative impact in the environment.	We will not use chemicals that are hazardous to our air and will continue to comply with Clean Air Act of the Government.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified Opportunities	N/A	N/A

Air pollutants

Disclosure	Quantity	Units
NOx	-	kg
SOx	-	kg
Persistent organic pollutants (POPs)	-	kg
Volatile organic compounds (VOCs)	-	kg
Hazardous air pollutants (HAPs)	-	kg
Particulate matter (PM)	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Admittedly, we are still institutionalizing our sustainability framework for the management of risk of air pollutants. Hence, our air pollutants consumptions are not assessed, measured, and monitored.	Community – High air pollutants may have negative impact to the environment	We will explore ways to be able to assess, measure, manage, and monitor air pollutants contributions of the Bank.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
As Per World Health Organization, an estimated 4.2 million premature deaths globally are linked to ambient air pollution, mainly from heart disease, stroke, chronic	Community – due to negative impact	We will explore ways to be able to assess, measure, manage, and monitor air pollutants contributions of the Bank.

pulmonary disease, lung cancer, etc.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified Opportunities	N/A	N/A

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-	kg
Reusable	-	kg
Recyclable	-	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
CSBI is fully aware that improper segregation or disposals of solid waste may result to health, and environmental risks.	The employees and community since they are directly affected in case of improper segregation/disposals	Proper segregation of waste/disposals and to increase awareness programs among its employees on the possible impact of poor sanitation. The Bank shall continue to comply with the Philippine Environmental Laws.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Improper segregation, disposals, including transportation of waste may result to health risks.	Same as above.	Same as above.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Reduced direct environmental impact.	Same as above.	Same as above.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	-	kg
Total weight of hazardous waste transported	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
CSBI does not generate hazardous waste in its operations.	Not applicable since CSBI does not generate hazardous waste in its operations	Not applicable since CSBI does not generate hazardous waste in its operations
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable since CSBI does not generate hazardous waste in its operations	Not applicable since CSBI does not generate hazardous waste in its operations	Not applicable since CSBI does not generate hazardous waste in its operations
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified opportunity	Not applicable since CSBI does not generate hazardous waste in its operations	Not applicable since CSBI does not generate hazardous waste in its operations

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

CSBI does not generate effluents in its operations. Hence, no material impact.	Not applicable	CSBI will continue to comply with the Environmental Laws of the Philippines.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No risk identified for the Bank since it does not generate effluents in its operations.	No stakeholders affected for the Bank since it does not generate effluents in its operations	The Bank shall continue to comply with the Environmental Laws of the Philippines.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified opportunities	No stakeholders affected for the Bank since it does not generate effluents in its operations	The Bank shall continue to comply with the Environmental Laws of the Philippines.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
CSBI always conforms with the environmental laws and regulations. Hence, no material impact.	CSBI always conforms with the environmental laws and regulations. Hence, no stakeholders affected.	CSBI shall continue to comply with the Environmental Laws and Regulations of the Philippines.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
CSBI always conforms with the environmental laws and regulations. Hence, no material risk identified.	CSBI always conforms with the environmental laws and regulations. Hence, no stakeholders affected.	CSBI shall continue to comply with the Environmental Laws and Regulations of the Philippines.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

No identified opportunities for this particular topic	No identified stakeholders affected for this particular topic	CSBI shall continue to comply with the Environmental Laws and Regulations of the Philippines.

SOCIAL

Which stakeholders are affected?	- **Employees of Citystate Savings Bank, Inc.** - **Management of Citystate Savings Bank, Inc.**

Employee Management Employee

Hiring and Benefits Employee Data

Disclosure	Quantity	Units
Total number of employees[18]	256	
a. Number of female employees	149	#
b. Number of male employees	107	#
Attrition rate[19]	22.26	rate
Ratio of lowest paid employee against minimum wage	Not Applicable	ratio

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	19.5%	18.7%
PhilHealth	Y	0.0%	0.0%
Pag-ibig	Y	15.4%	17.8%
Parental leaves	Y	0.67%	0%
Vacation leaves	Y	58.3%	41.7%
Sick leaves	Y	58.3%	41.7%
Medical benefits (aside from PhilHealth))	Y	58.3%	41.7%
Housing assistance (aside from Pag-ibig)	N	None	None
Retirement fund (aside from SSS)	Y	0	2
Further education support	N	Not applicable	Not applicable
Company stock options	N	Not applicable	Not applicable
Telecommuting	N	Not applicable	Not applicable
Flexible-working Hours	N	0	0
(Others)			

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
Having a competitive employee benefits package can not only help attract and retain employees but it can help to improve also the organization’s productivity by boosting employees’ work engagement. Therefore, our organization ensures that employees have up to date benefits package to lessen employees’ health risk and retain good employees	The bank’s goal is to offer a wide range of benefits to employees aligned with that of competitors. The Management implemented the following policies aligned with the Bank’s existing employee benefitspackage such as: a. Business Related Expenses b. Employee Service and Facilities c. Health Care Benefits d. Group Life Insurance, e. Leave Privileges f. Allowances g. Bonuses h. Financial Assistance i. Other Benefits and Privileges

18 Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

19 Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What are the Risk/s Identified?	Management Approach
The risk of not providing competitive benefits package to the employees willresult to decrease of employees’ productivity and will lessen employees’ work engagement. Hence, it could result to organization’s financial loss due to inefficiency of employees.	Ensure that all employees are getting the right employment benefits package. The following are proposed strategic plan for 2021: • To create and study the incentive benefits that will benefit the bank in increasing its profitability. • To conduct Health and Wellness Program. This program will lower the cost of healthcare, reduced absenteeism, increase productivity and build a healthy culture. CSBI believes that its people are its most important asset. Therefore, the Human Resources Department continues to implement programs and initiatives on talent management, development, succession plans and continuity,

	retention programs, and other measures to improve employees' productivity.
What are the Opportunity/ies Identified?	**Management Approach**
Providing attractive employee benefits package can help the organization to be differentiated against its competitor. It also contributes to improved business output by means of increasing employees' loyalty, productivity, attendance as well as it boosts their morale.	Ensure to recognize the employees' different needs in various times throughout their career; also, the Bank will be flexible as possible in developing its benefits by creating the right employee benefits package for each career level.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	210.5	hours
b. Male employees	210.5	hours
Average training hours provided to employees		
a. Female employees	7.8/183	hours/employee
b. Male employees	7.8/152	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Employee training and development presents a prime opportunity to expand the knowledge base of all employees. Having a strong and successful training strategy also helps to develop the employer brand. The organization will ensure to provide its employees adequate training and development programs that will enable them to become more equipped with their tasks.	Management will provide the necessary training and development to each employee relevant to their work or responsibilities. A training calendar based on conducted training needs analysis for each department will be organized to determine their respective training needs and necessary trainings as required by governing government agencies.
What are the Risk/s Identified?	**Management Approach**
Retention of the employees who attended the training sponsored by the Bank.	The management will continue to improve its benefits package as part of its retention and job satisfaction programs.
What are the Opportunity/ies Identified?	**Management Approach**
Opportunity to increase efficiencies of employees in processes due to company provided trainings. Furthermore, employee development results in financial gain for the company. It also enhances company reputation and market value by being consistent to the quality standards of the organization.	The management will continue to strengthen its training program by improving the internal mobility programs and create a culture opportunity. The bank shall continue to conduct a yearly Training Need Assessment survey so as to identify the training requirement of each employee.

	department/unit.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	None	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	58.3%	%
% of male workers in the workforce	41.7%	%
Number of employees from indigenous communities and/or vulnerable sector*	10	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
All workers must be treated equally and be given the same set of opportunities regardless of their race, age, gender, sexuality, disability, culture, etc. If an employee feels empowered and confident of his/her work in the organization, it creates a sense of understanding and respect throughout the organization.	The Management apply all necessary measuresin the prevention of discrimination and ensures equal opportunities regardless of race, age, gender andsexuality, disability, and culture in its recruitment of individuals, promotion and pay.
What are the Risk/s Identified?	**Management Approach**
If not treated equally, it will translate to poor culture and high employee attrition rate.	The Management shall continue to maintain an equal opportunity to every individual regardless of their race, gender, age, religion and culture.
What are the Opportunity/ies Identified?	**Management Approach**
Having individuals from all walks of life can give a huge boost to a business, with different insights, perspectives and experiences all combining to produce an effective, dynamic and creative workforce.	Same as above

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,757.50	Man-hours

No. of work-related injuries	None	#
No. of work-related fatalities	1	#
No. of work related ill-health	None	#
No. of safety drills	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
CSBI failing to uphold occupational health and safety in the workplace will negatively impact its reputation and such will also incur costs from regulatory fines from the Government. CSBI is committed to maintain a safe and healthy working environment. Policies and proper procedures are in place to protect our employees from work-related injuries, hazards, and fatalities.	The Bank has policies set by the Management aligned with the standard policies of the Departmentof Labor and Employment: a. Establishment of health and safety committee. b. Appointment of Safety Officer and First Aider to each branch. c. Set-aside budget for first aid kit and basic medical equipment. d. Proper monitoring of cleanliness and orderliness of office area. Proper documentation and Monitoring of any work-related accident and occupational illness. e. Establishment of health and safety committee f. Provide Safety Officer and First Aider to each branch. g. Provide first aid kit and basic medical equipment's h. Proper monitoring of cleanliness and orderliness of office area. i. Proper documenting of any accident and occupational illness to monitor the company and employee health status for prevention.
What are the Risk/s Identified?	**Management Approach**
Though a Financial Institution is considered safe in terms of workplace conditions, we may be exposed to other hazards such as Bank robbery, etc.	The Bank has proper procedures in place in cases of bank robbery. We provide our employees proper and regular trainings when it comes to dealing with security risks. Furthermore, we ensure also that our employees follow the company policies, regulations and requirements related to health and safety such as:

	a. Requiring employees to participate in firedrills and earthquake drills. b. Encouraging employees to undergo annual medical check-up c. Providing necessary trainings and seminars for safety officer, first aider and all employees to update them on the policies regarding health and safety.
What are the Opportunity/ies Identified?	**Management Approach**
There is an opportunity to improve our modules and to adapt to the best practices of the industry in managing health and security related risks.	The Management shall update its policies and procedures when it comes to health and security related concerns.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	Y	Code Of Discipline: OPPM BOOK 4 Part III Letter D. Conduct and Behavior

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Although not explicitly provided in our code of conduct, we follow the labor standards and adhere to applicable labor laws and employment regulations including laws on forced labor and child labor.	The Management is committed to conduct business, legally and with sense of integrity. The Management ensures that the employee understands and follows Company policies, regulations and requirements related to their work and comply with the standard set forth in the Code of Discipline.
What are the Risk/s Identified?	**Management Approach**
Not updated with employee's rights will result to employee turnover, increase in labor cases and company financial loss	Ensure proper implementation of the existing labor laws as stipulated in the Labor Code of the Philippines
What are the Opportunity/ies Identified?	**Management Approach**

Enhancement of company branding and reputation among applicants and clients.	Ensure proper implementation of the existing labor laws as stipulated in the Labor Code of the Philippines

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Please see attached supplier accreditation policy.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
At present, since we are still in the initial phase of our sustainability framework, we did not integrate yet the above topics when accrediting suppliers.	*To integrate and consider the above topics when accrediting suppliers.*
What are the Risk/s Identified?	**Management Approach**
Possible breach of sustainability framework.	Same as above.
What are the Opportunity/ies Identified?	**Management Approach**
Opportunities to adopt to the sound sustainability framework based on the accepted industry practice.	Same as above.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
None	None	None	None	None	None

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _______________

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
Not Applicable	Not Applicable
What are the Opportunity/ies Identified?	**Management Approach**
Not Applicable	Not Applicable

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	-	

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
At present, we have a dedicated Consumer Protection Officer who handles all the complaints received by theBank. All complaints or issues raised by customers are given utmost priority by the Bank. We have dedicated policies and procedures on how to handle customer complaints.	The Bank regularly monitors feedback from our clients through traditional channels such as phone inquiries and branch visits as well as through social media to identify and assesscustomer concerns.
What are the Risk/s Identified?	**Management Approach**
There will be concerns on the reputation of the Bank if in case client complaints will not be addressed on a timely and effective manner.	Same as above
What are the Opportunity/ies Identified?	**Management Approach**
High level satisfaction and proper handling of concerns of existing client can result to increase of new customers through referrals. Hence, it will result to higher revenue.	We plan to improve our customer feedback mechanism as well as the platforms used in monitoring the complaints so as to ensure that the issues are timely addressed.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	-	#
No. of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
As a financial institution, CSBI complies with R.A. 11058 and other laws relating to occupational safety and health standards. Presently, we have no reported complaints on product and health and safety.	The Bank shall continue to comply with the existing regulatory requirements of the government.
What are the Risk/s Identified?	**Management Approach**

In case of non-compliance with the above law, CSBI will be exposed to regulatory risk.	The Bank shall continue to adopt to applicable laws pertaining to health and safety of our employees.
What are the Opportunity/ies Identified?	**Management Approach**
No identified opportunities	Same as above

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
At present, the Bank has an approval process in place for new products and services. Our Corporate Planning Department handles the research and development phase and conducts in-depth analysis to asses' probable negative impact of our new products and services. Meanwhile, the Compliance Department assesses if there are certain regulatory clearance that must be secured from the regulatory bodies (e.g. BSP, SEC, PDIC, etc.) needed prior to launching new products and services.	We will continue to provide our clients the accurate and adequate information for our new products and services.
What are the Risk/s Identified?	**Management Approach**
The display of information and labelling of our products and services are subject to applicable regulations of the Government. Non-compliance of which may result to fines and penalties as well as negative reputation risk.	We shall continue to comply with the regulatory requirements.
What are the Opportunity/ies Identified?	**Management Approach**
Opportunity to improve our above processes	Same as above

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For Banks, safeguarding customer privacy is more important than ever. Upon opening of an account, we collect all the personal information from our customers to validate, verify, and update all the information and document relevant to the execution of the customers' transactions with the Bank.	Protecting our customers especially the banking-related information
What are the Risk/s Identified?	**Management Approach**
Potential in loss of control over personal information especially if the information will be used without the clients' knowledge or permission.	We ensure that all the data and personal information of our customers is well secured
What are the Opportunity/ies Identified?	**Management Approach**
	Same as above

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

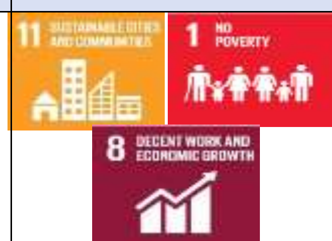
What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
As of present, we do not have yet any reported leaks, loss data and the likes from 2019 up to date.	1. All Employees are required to sign an Acceptable Use Policy (AUP) and the violation of which will be subject to Disciplinary Actions as defined under the Human Resource Employee Manual.

	2. The Bank is currently strengthening its Data Privacy Manual which will provide a charter for a Data Breach Response Team and procedures for impact assessment and grievances. 3. The Bank Information SecurityDepartment is currently updating the Information Security policies and Procedures (ISSP).

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
- Deposit Products - Cash Management/Payroll Services - Loan Products - Trust Products - Internet Banking via Bancnet online (BOL) - Others	 - CSBI contributes to sustainable cities and communities by religiously paying its taxes. - We contribute to job creation by offering direct employment. - CSBI contributes to the community by funding thru loans the Micro, Small, and Medium enterprises.	Since we safe keep and manage the money of our depositors, there is a potential negative impact to the community and society if we will not be able to effectively/efficiently manage the funds of our depositors.	Implement Sound Risk Management to mitigate the following risks: - Credit Risk - Operation Risk - Liquidity Risk - Market Risk - Reputation Risk - Regulatory Risk

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed*

A. INTRODUCTION

There are numerous risks that may arise from the Bank's use of vendors. Some of the risks are associated with the underlying activity itself, similar to the risks faced if the Bank conducted the activity. Other potential risks arise from or are heightened by the involvement of a vendor. Failure to manage these risks can expose the Bank to regulatory action, financial loss, litigation and damage to the Bank and may even impair the Bank's ability to new or existing customer.

Not all of the following risks will be applicable to every vendor relationship; however, complex or significant arrangements may have definable risks in most areas. The following summary of risks is not considered all-inclusive.

1. **Strategic Risk -** is the risk arising from adverse business decisions, or the failure to implement appropriate business decisions in a manner that is consistent with theBank's strategic goals.
2. **Reputation Risk -** is the risk arising from negative public opinion. Vendor relationships that result in dis-satisfied customers, interactions not consistent with Bank policies, inappropriate recommendations, security breaches resulting in the disclosure of customer information, and violations of law and regulation are all examples that could harm the reputation and standing of the Bank in the community. Also, any negative publicity involving the vendor, whether or not the publicity is related to the Bank's use of the vendor, could result in reputation risk.
3. **Operational Risk-** is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Vendor relationships often integrate the internal processes of other organizations with the Bank's processes and can increase the overall operational complexity.
4. **Transaction Risk -** is the risk arising from problems with service or product delivery. A vendor's failure to perform as expected by customers or the Bank due to reasons such as inadequate capacity, technological failure, human error, or fraud, exposes the Bank to transaction risk.
5. **Credit Risk -** is the risk when a vendor is unable to meet the terms of the contractual arrangements with the Bank as agreed. The basic form of credit risk involves the financial condition of the vendor itself. Appropriate monitoring of the activity of the vendor is necessary to ensure that credit risk is understood and remains within board approved limits.

6. **Compliance Risk -** is the risk arising from violations of laws, rules, or regulations, or from noncompliance with internal policies or procedures or with the Bank's business standards. This risk exists when the products or activities of a vendor are not consistent with governing laws, rules, regulations, policies, or ethical standards. Compliance risk is exacerbated when an institution has inadequate oversight, monitoring or audit functions.

7. **Other Risk-** types of risk introduced by the Bank's decision to use a vendor cannot be fully assessed without a complete understanding of the resulting arrangement. Therefore, a comprehensive list of potential risks that could be associated with a vendor relationship is not possible. In addition to the risks described above, vendor relationships may also subject the Bank to liquidity, interest rate, price, foreign currency translation, and country risks.

B. OBJECTIVES:

1. To ensure that the service provider is capable of complying with Bank's procurement needs;

2. To conduct service providers an appropriate review or investigation and oversight to have consumer contact or compliance responsibilities;

3. To establish internal controls and on-going monitoring to determine whether the service provider complies with the contracting parties; and

4. To address fully any problems identified through the monitoring process, including terminating the relationship where appropriate.

C. POLICY GUIDELINES:

1. Vendor Management Policy shall refer to all transactions amounting to Php100,000.00 And Up by obtaining with extra due diligence that is covered by a Contract. While procurements below Php100,000.00 shall be treated as normal due diligence under Part1 of GSD Manual.

2. All suppliers, vendors or contractors must be accredited with the Bank and shall maintain an account with CSBI.

3. No employee of CSBI shall be authorized to make any purchase commitment, place an order or enter into any contract or agreement with the supplier except through GSD Procurement Unit of the Bank.

4. No full time or part time employee, including his/her relatives herein defined as spouses, common law partners, parents, children, grandchildren, siblings, first cousins, nephews, nieces, and in-law relations, shall be allowed to:
   a. Be a supplier of goods and/or services for the CSBI; and
   b. Engage in any business venture with any unit in CSBI

5. GSD may recommend, discontinue or endorse to the Management for removing the supplier from the Accredited Supplier Database under such circumstances:
   a. The supplier qualification no longer satisfies the accreditation criteria;
   b. There is always constant deviation from agreed deliveries and /or prices;
   c. Deterioration of the quality of products or services;
   d. Repeated failure to meet specifications;
   e. Unreasonable price increases;
   f. Unethical behavior or
   g. Lack of cooperation, expedition or conciliation in the settlement of disputes thereby leading to arbitration or Legal action.

6. GSD shall monitor the performance of procurements as to quality, delivery, service, and cost in accordance to the rating system from which a score of five (5) shall be the highest and overall rating of three (3) as the passing grade. Any supplier achieving lower than the passing rate for two (2) consecutive years, GSD shall call for a meeting with the Vendor Management Committee to recommend for the demotion or removal from the lists.

ACTIVITY	DESIGNATION	SIGNATURE	DATE
Recommended by:	GSD		
Assisted by:	SPU		
Concurred by:	HRD		
	GAD		
	CSD REVIEW / CI		
	LSCAD		
Reviewed by:	RMD		
	IAD		
	COMPLIANCE		
Approved by:	OP		
	CEO		
(NEW/**VERSION 2**/REVISED/ADDENDUM) DATE: JANUARY 27, 2015		CONTROL NUMBER Page **3** of **13**	
EFFECTIVITY DATE:		PART 2 **GENERAL SERVICES DEPARTMENT MANUAL**	

7. Exceptions to performance evaluations shall be limited to the following:
   a. Vendor with minimal (1-2) transaction in a calendar year;
   b. Vendor with no transaction for two (2) consecutive years

8. All suppliers aspiring to be accredited must fill out the accreditation/registration form through GSD before any transaction may commence.

9. A due diligence audit may be conducted on any vendor who applies for accreditation. Aside from interview and basic evaluation, actual office visit shall be done especially for large project/contractors. GSD therefore, shall make a request to CSD Credit Investigation Unit to perform ocular site visit investigation and Credit Review Unit for vendor evaluation.

10. Vendors shall be required to submit to GSD the following documents for accreditation to wit:
    a. For REGULAR PUCHASES with normal due diligence (<u>below Php100,000.00)</u>:
       i. Supplier Accreditation Form[1]
       ii. Company Profile including list of Goods and Services and major stockholder
       iii. Incorporation Papers , if applicable, such as Articles of Incorporation; by-laws, latest GIS
       iv. Proof of Business Certificate of Registration, DTI, SEC, Business Permit, Certificate of Registration (COR)
       v. Certificate of Authority to sell (for resellers/ dealers, Exclusive Distributors)

    b. For VENDOR MANAGEMENT extra due diligence procurement (<u>Php100,000 and Up)</u>:
       i. Supplier Accreditation Form
       ii. Company Profile, list of Goods and Services and major Stockholders
       iii. Proof of business- Certificate of Registration, (DTI, SEC) and Business Permit
       iv. Credit Investigation Report by Credit Services Department
       v. Certificate of Authority to sell (for resellers/ dealers, Exclusive Distributors)
       vi. Professional References (Three business references)
       vii. Latest three (3) years Audited Financial Statement.
       viii. Credit Review Report (Pre-Approval and Evaluation Report)

[1] ANNEX "A" – Supplier Accreditation Form, page

11. The Vendor Accreditation shall be necessary except:
    a. During emergency purchases that requires immediate delivery which is shorter than the prescribed lead-time.
    b. If the materials and services requested are not available in any of the suppliers list of accredited vendors.

12. The Chief Executive Officer or in his absence, the President shall approve all Procurements to be performed by the Bank before the Vendor Management Committee. While the Vendor Management Committee shall be obtained with due diligence conducted by Procurement Unit of GSD while with RMD for Risk Assessment as may be needed such us amounting to Php2M and above subject to MANCOM approval.

13. Once the VMC approved the accreditation of the vendors as per recommendation by GSD procurement Officer, the supplier shall automatically be in the accredited databaseof GSD. The VMC shall compose of the following committee members namely: The CEO, the President, IAD Head and GSD Head.

    NOTE: Each member shall be called for a meeting and convene anytime as the need arises. The majority or a quorum shall be observed, in this manner, The President, in his absence, the CEO shall preside over the meeting in the opening of the sealed envelope and decisions of the Committee shall resolve during the meeting.

14. Accredited suppliers or vendors shall bid and submit in a sealed envelope to the Procurement Unit Officer under GSD to attain secrecy of bids. As part of security measure and to avoid conflict of interest, GSD procurement shall be prohibited from opening the said bidding envelope. It is only the Internal Audit Department or its authorized representative shall open the sealed envelope or bid during the VMC meeting.

15. The Management must review the vendor's operations in order to verify that they are consistent with the terms indicated in the written agreement or contract in order to monitor the risks on a regular or monthly basis as may be needed.

16. Procurement Unit/GSD shall also maintain documentary requirements and records regarding contract compliance, revision or amendment.

17. All accredited suppliers shall maintain an account with the Bank. In this manner, all payments shall be credited to an account in favor of the supplier for record and control purposes.

18. Procurement Officer shall monitor the performance of each accredited suppliers on the following criteria to wit:
    a. Quality- provides products that meet the company's quality requirements low percentage of defective/ rejected products
    b. Delivery- delivers the correct quantity on time, flexibility in changes of schedules, provides updates on progress or problems.
    c. Service- value-added services, timely response and resolution, willingness to share information.
    d. Cost- competitiveness, fair pricing /low profit margin, provides cost reduction options

    NOTE: All feedback from the requesting party/end user shall be included in the performance evaluation, and any and all complaints should be properly investigated and documented.
19. Aside from the Vendor Risk Management Committee, the project owner of such Department preferably the Head of each Department such as HRD, ISO, or IT may also be one of the committee members of the Bank for some inquiries or information.

20. New vendor or contractor shall be reviewed by the Vendor Management Committee endorsed by GSD Head for proper documentation and approval. The Vendor Management Committee, therefore, shall set up a meeting for the approval of accreditation.

D. ACCREDITATION PROCEDURAL GUIDELINES:

<table>
<tr><th>Responsible Unit or Dept.</th><th>Activities</th></tr>
<tr><td>GSD representative</td><td>1. Shortlist at least 3 vendors.

2. Requires the prospective qualified vendors or suppliers to submit the following documents so that they could participate in the bidding process:
<table>
<tr><td>Supplier Accreditation Form</td></tr>
<tr><td>Company Profile/ CI Report by CSD</td></tr>
<tr><td>Incorporation Papers/Cert. of Reg., DTI, SEC, Permits, C.O.R., etc...</td></tr>
<tr><td>Certificate of Authority to Sell (for resellers /dealers, exclusive distributors only)</td></tr>
<tr><td>Professional References (at least 3 business references)</td></tr>
<tr><td>Latest three (3) years Audited Financial Statement</td></tr>
</table>

3. Forward the documents to Credit Services for further investigation and review. (Character, Capacity, etc.)</td></tr>
<tr><td>CSD – Credit Investigation Unit</td><td>4. Conducts background Investigation and site visit and forwards the reports to Credit Review Unit for further review and assessment.</td></tr>
<tr><td>CSD – Credit Review Unit</td><td>5. Conducts Balance Sheet Analysis, Income Statement Analysis, and Activity Analysis Ratio.

6. Submits reports, including background investigation to GSD.</td></tr>
<tr><td>GSD</td><td>7. Receive reports from Credit Services Department and set up a meeting with the Committee for the approval of accreditation.

8. Receive the approval Sheet signed by the Vendor Management Committee.</td></tr>
</table>

	9. Include the approved vendor/supplier in the accredited Bank's Suppliers Database.

E. EXTRA DUE DILIGENCE GUIDELINES:

RESPONSIBILITY	ACTIVITIES
DEPARTMENT / BRANCH / END USER	1. Prepares two (2) copies of FIXED ASSET REQUISITION FORM (FARF). 2. Indicates the specifications and details of the product. 3. Department/Branch Head sign in the approved portion in the request form. 4. Forwards approved FARF to GSD for processing.
GSD REPRESENTATIVE / OFFICER	5. Receives accomplished FARF from the requesting Department/ End User. 6. Assigns Requisition Slip (RS) Number, signs and forward FARF to GSD Head for validation. 7. Canvass or look for qualified/potential vendors in the accreditation database.
GSD OFFICER	8. Short list at least 3 suppliers based on the rating obtained during the due diligence stage. 9. Gives the specifications to the accredited suppliers and invite the vendor/supplier for product presentation. *Note: Risk Management Department shall conduct Risk Assessment on any procurement that is above 2,000,000 million pesos, or if the purchase requires after sales support, or upon instruction by the President/CEO.* 10. Informs the vendor/supplier to submit their quotation in a sealed envelope addressed to GSD.

	11. Upon receipt of the sealed envelope, gathers all the bid envelopes and forwards to the Vendor Management Committee (with one Internal Audit representative) for opening of the Sealed (BID) envelope. 12. Upon opening of the sealed envelope, the President, CEO and Vendor Management Committee shall sign to whom the BID shall be awarded. *NOTE: They may seek feedback or opinions with other concerned Departments such as IT or GAD about the product.* 13. GSD may recommend as may be needed, the approved bidder for MANCOM confirmation to be endorsed by the President and CEO.
GSD	**14.** Inform the supplier that they won the bidding. **15.** Ask the LSCAD to draft a contract. If the contract is already available, forwards to LSCAD to review the contract.
LSCAD Head	16. Prepare and Review the provisions of the Contract. If everything is in order, forwards to GSD. NOTE: LSCAD ensures that the contract is always fair, binding, and legally enforceable.
GSD Officer	17. Facilitates Contract Signing and to safe keep the contract in the vendor database folder.
GSD Head	18. Prepares the Purchase Order (PO) and send to the President, CEO and other approving authorities for approval. 19. Once approved, informs the supplier and arrange the schedule of delivery. 20. Upon delivery, tags the item and receive by the End User.

	21. If everything is in order, forwards the documents to GAD for Payment.
GAD	22. Book the procurement and monitors the expenditures.
GSD Head	23. Monitors the performance of procurements on a regular basis as may be needed based on the following: a. Quality b. Delivery c. Service d. Cost *Note: Rate the supplier based on its performance, 5 would be the highest and overall rating of 3 is the passing grade.*

ANNEX "A.1" - SUPPLIER ACCREDITATION FORM

CITYSTATE SAVINGS BANK INC

SUPPLIER ACCREDITATION FORM

Banking regulations require financial institutions to know their vendors. As such, Bank requires a complete background verification of all of our major vendors. Your cooperation and understanding is very appreciated

Company Information:

Business Legal Name	**Address:**	**Phone & Fax Number:**
Business Tax ID:	**Contact Name / Title:**	**Phone Number / E-mail Address:**
List Company Officers:	**Title:**	**Type of Company:** Corporation: _____ Limited Liability Company: _____ Partnership: _____ Sole Proprietorship: _____ **State** **Organized:** ______________________
Years in Business? **Website Address:**	Are you registered with SEC? YES: __________ NO __________ **If Yes, attach documentation**	

Has the Company, or has any related company, ever been under investigation or subject to any enforcement action by the SEC, BSP, or other related Agency? YES: ________ NO ________	Has the Company or any related company ever filed for protection under the bankruptcy laws? YES: __________ NO ________
Have any of the officers in the Company ever worked in a company that was fined, penalized or banned from conducting business by a System Network (such as, VISA, MasterCard, etc.)? YES: ________ NO ________	Have any of the officers ever worked at a company that was under investigation, fined, penalized or banned from conducting business by a government agency? YES: ________ NO ________

ACTIVITY	DESIGNATION	SIGNATURE	DATE
Recommended by:	GSD		
Assisted by:	SPU		
Concurred by:	HRD		
	GAD		
	CSD REVIEW / CI		
	LSCAD		
Reviewed by:	RMD		
	IAD		
	COMPLIANCE		
Approved by:	OP		
	CEO		

ANNEX "A.2" – SUPPLIER ACCREDITATION FORM

Ownership Information (Non-Public Companies):

First Name 1. 2. 3. 4.	Last Name	% of Ownership
Social Security Number 1. 2. 3. 4.	Home Street Address	City/State/Zip
Drivers License Number/State Issued 1. 2. 3. 4.	Date of Birth	Home Telephone Number/ E-Mail Address

ANNEX "A.3" – SUPPLIER ACCREDITATION FORM

Acknowledgement and Agreement:

The undersigned specifically represents to Bank, and its agents or assigns, and agrees and acknowledges that: (i) the information provided herein is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of the information contained herein may result in civil liability and/or criminal penalties; (ii) Bank may continuously rely on this information and I am obligated to amend or supplement the information if any of the material facts that I have represented herein have changed; (iii) I hereby give Bank permission to investigate my credit history and that of the Company, and question references, and conduct a civil litigation and criminal backgroupd check; and (iv) I have read and understand this acknowledgement and agreement and sign this release voluntarily, without coercion or duress from any individual or party.

For the **COMPANY**:

Print Name / Title ______ Signature ______ Date ______

For each Owner **INDIVIDUALLY**:

Print Name ______ Signature ______ Date ______

Print Name ______ Signature ______ Date ______

Print Name ______ Signature ______ Date ______

Print Name ______ ______ S ______

ACTIVITY	DESIGNATION	SIGNATURE	DATE
Recommended by:	GSD		
Assisted by:	SPU		
Concurred by:	HRD		
	GAD		
	CSD REVIEW / CI		
	LSCAD		
Reviewed by:	RMD		
	IAD		
	COMPLIANCE		
Approved by:	OP		
	CEO		
(NEW/**VERSION 2**/REVISED/ADDENDUM) DATE: JANUARY 27, 2015		CONTROL NUMBER Page **13** of **13**	
EFFECTIVITY DATE:		PART 2 **GENERAL SERVICES DEPARTMENT MANUAL**	