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, 2013

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) 470-3333
   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	72,764,998

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 P213,308,093 representing 14,412,709 common shares valued at the current market price of P14.80 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 twenty-seven (27) 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 twenty-seven (27) branches/offices comprised of twenty-one (21) in Metro Manila, three (3) in Bulacan, one (1) in Cebu City, one (1) in Dagupan City, and one (1) in Batangas City. These branches are each manned by a Business Manager as distribution/marketing head and supported by branch operations 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 terms of new products and services, the salary loan program catering exclusively to managers of selected bank institutions is steadily progressing as an income generating product for the bank.

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. The bank also does not need any government approval for the launching of its product 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 System (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.

Despite the tight competition, CSBI captured and continues to capture a fair share of the market. The bank posted a respectable net income to warrant its stability in this growing market segment of the thrift banking industry.

For the ensuing years, CSBI plans to expand its branch-banking network. It plans to open more branches in Metro Manila and in the provinces via branches acquisition or establishment of new branches in key cities where the moratorium on branching has been lifted such as it continues to develop and offer innovative products and services.

In terms of manpower complement, CSBI employs three hundred twenty four (324) personnel as of December 31, 2013 comprising of eleven (11) senior officers, one hundred twenty six (126) junior officers and one hundred eighty seven (187) rank & file employees. CSBI expects to hire additional manpower complement to handle the growing business of the bank in the next 12 months. 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; and performance-based merit increases.

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, which includes:

- regular review of the entire risk management process by the Audit Committee of the Board of Directors
- clearly defined risk management policies and procedures supported by the most appropriate and analytic tools available
- constant communication and coordination between departments while maintaining strict segregation of responsibilities, controls, and oversight
- clearly articulated risk tolerance levels as defined by the Risk Management Committee that are regularly reviewed to ensure that risk taking activities are consistent with the bank's business strategy and capital structure

The Management Committee, composed of the bank's most senior officers, establishes the overall risk management policies and reviews the company's performance relative to these policies. The bank has established a Risk Management Committee to assist in monitoring and reviewing the bank's risk management practices. The Risk Management 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 Management 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 2^{nd} 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 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 eight (8) branches from its affiliates, namely, ALC Realty Development Corporation, Filipinas Pawnshop, Inc., Citystate Tower Hotel, Inc., ALC Baliwag Cinema, and Aliw Cinema Complex, Inc. 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 **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	40,000.00
Second Year	40,000.00
Third Year	44,000.00
Fourth Year	48,400.00
Fifth Year	53,240.00
Sixth Year	58,564.00
Seventh Year	64,420.00
Eight Year	70,862.00
Ninth Year	85,949.00
Tenth Year	94,544.00

For its **Binondo Branch,** the bank leases the office space from **Far East Asia Development Corporation** for a period of five (5) years, commencing on January 1, 2010 and ending on January 1, 2015

TERM	*Monthly Rental*
First Year	60,000.00
Second Year	63,000.00
Third Year	66,150.00
Fourth Year	69,458.00
Fifth Year	72,930.00

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, 2013 and ending on December 31, 2013.

TERM	*Monthly Rental*
One year	60,000.00

For its **Las Pinas Branch,** the bank leases the office space from **Ruo G. Villafuerte and Anita Alejo Villafuerte** for a period of ten (10) years, commencing on April 2, 2007 and ending on April 1, 2017.

TERM	*Monthly Rental*
First Year	85,616.00
Second Year	85,616.00
Third Year	85,616.00
Fourth Year	89,896.80
Fifth Year	94,391.64
Sixth Year	99,111.22
Seventh Year	104,066.78
Eight Year	109,270.12
Ninth Year	114,733.63
Tenth Year	120,470.31

For its **Muntinlupa Branch,** the bank leases the office space from **Jaysons Realty & Development Corp.** for a period of one (1) year, commencing on November 15, 2012 and ending on November 14, 2013.

TERM	*Monthly Rental*
First Year	53,500.00
Second Year	53,500.00
Third Year	53,500.00
Fourth Year	53,500.00
Fifth Year	53,500.00

For its **Mabini Branch,** the bank leases the office space from **Citystate Tower Hotel** for a period of four (4) years, commencing on January 16, 2010 and ending on January 15, 2014.

TERM	*Monthly Rental*
One year	68,694.00

For its **Pasay Libertad Branch,** the bank leases the office space from **ALC Realty Development Corporation** for a period of four (4) years, commencing on January 16, 2010 and ending on January 15, 2014.

TERM	*Monthly Rental*
First Year	132,867.08
Second Year	146,153.78
Third Year	160,769.16
Fourth Year	176,846.08

For its **Baliuag Branch,** the bank leases the office space from **ALC Baliwag Cinema & Shopping Complex Inc.** for a period of four (4) years, commencing on January 16, 2010 and ending on January 15, 2014.

TERM	*Monthly Rental*
First Year	77,240.06
Second Year	84,964.07
Third Year	93,460.47
Fourth Year	102,806.52

For its **Chino Branch,** the bank leases the office space from **ALC Realty Development Corporation.** for a period of four (4) years, commencing on January 16, 2010 and ending on January 15, 2014.

TERM	*Monthly Rental*
First Year	212,587.32
Second Year	233,846.05
Third Year	257,230.66
Fourth Year	282,953.72

For its **New Panaderos Branch,** the bank leases the office space from **ALC Realty Development Corporation** for a period of four (4) years, commencing on January 16, 2010 and ending on January 15, 2014.

TERM	*Monthly Rental*
First Year	80,347.38
Second Year	88,382.12
Third Year	97,220.33
Fourth Year	106,942.36

For its **Paco Branch,** the bank leases the office space from **Filipinas Pawnshop Inc.** for a period of four (4) years, commencing on January 16, 2010 and ending on January 15, 2014.

TERM	*Monthly Rental*
First Year	97,435.86
Second Year	107,197.44
Third Year	117,897.38
Fourth Year	129,687.12

For its **Guadalupe Branch,** the bank leases the office space from **Filipinas Pawnshop Inc.** for a period of four (4) years, commencing on January 16, 2010 and ending on January 15, 2014.

TERM	*Monthly Rental*
First Year	44,731.92
Second Year	49,205.11
Third Year	54,125.62
Fourth Year	59,538.18

For its **Meycauayan Branch,** the bank leases the office space from **Aliw Cinema Complex Inc.** for a period of four (4) years, commencing on January 16, 2010 and ending on January 15, 2014.

TERM	*Monthly Rental*
First Year	88,223.74
Second Year	97,046.11
Third Year	106,750.72
Fourth Year	117,425.80

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, 2013 and ending on December 31, 2013.

TERM	*Monthly Rental*
First Year	82,000.00
Second Year	82,000.00
Third Year	82,000.00
Fourth Year	82,000.00
Fifth Year	90,200.00

For its **Pasay Road Branch,** the bank leases the office space from ALC Realty Development Corp. for a period of one (1) year, commencing on March 1, 2012 and ending on February 28, 2013.

TERM	*Monthly Rental*
One year	120,000.00

For its **Greenhills Branch,** the bank leases the office space from **MEDECOR Phillipines Inc.** for a period of one (1) year, commencing on July 19, 2013 and ending on July 18, 2014

TERM	*Monthly Rental*
One year	109,092.09

For its **Katipunan Branch,** the bank leases the office space from **MANSI Realty Inc.,** for a period of one (1) year, commencing on August 1, 2013 and ending on July 31, 2014

TERM	*Monthly Rental*
First Year	113,135.00
Second Year	124,448.50
Third Year	136,893.35
Fourth Year	150,582.69
Fifth Year	165,640.95

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 July 14, 2012 and ending on June 13, 2017

TERM	*Monthly Rental*
First Year	60,000.00
Second Year	60,000.00
Third Year	64,500.00
Fourth Year	69,337.50
Fifth Year	74,537.81

For its **Sta. Lucia Mall Branch,** the bank leases the office space from **Sta. Lucia East Commercial Corp.** for a period of five (5) years, commencing on August 3, 2012 and ending on September 30, 2017

TERM	*Monthly Rental*
First Year	110,550.00
Second Year	121,605.00
Third Year	133,765.50
Fourth Year	147,142.05
Fifth Year	161,845.20

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 2012 and 2013 are as follows:

   For the interim period in 2014, the following are the high and low market prices of CSBI shares of stocks:

QUARTERLY	***HIGH***		***LOW***	
	2012	***2013***	***2012***	***2013***
First Quarter	28.50	27.50	27.00	18.00
Second Quarter	31.00	18.00	27.00	10.00
Third Quarter	28.50	13.48	28.00	9.56
Fourth Quarter	28.00	15.98	18.00	8.58

MONTH	***HIGH***	***LOW***
January 2014	14.80	13.96
February 2014	14.80	13.96
March 2014	14.80	13.96

   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 the date of March 31, 2014 the stocks are trading at P14.80 per share.

2a. Holders (before PSE listing)

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
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
Alfonsy 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. are being represented and voted for by Benjamin V. Ramos, Antonio L. Cabangon Chua, 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.

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 March 31, 2014, the Bank has fifty-seven (57) 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.	Amb. Antonio L. Cabangon Chua	14,206,114	19.52328%	Filipino
2.	D. Alfred A. Cabangon	8,283,330	11.38367%	Filipino
3.	Fortune Life Insurance, Co. Inc.	7,499,250	10.30612%	Filipino
4.	Fortune General Insurance Corporation	5,007,700	6.88202%	Filipino
5.	Top Ventures Investments & Management	4,902,594	6.73757%	Filipino
6.	Feorelio Bote	4,302,500	5.91287%	Filipino
7.	Ronaldo Zamora	3,521,000	4.83886%	Filipino
8.	Angelita Jose	3,100,074	4.26039%	Filipino
9.	Gencars-Batangas, Inc.	2,846,250	3.91156%	Filipino
10.	Eternal Plans, Inc.	2,641,700	3.63045%	Filipino
11.	D. Antoinette Cabangon-Jacinto	1,650,000	2.26757%	Filipino
12.	Alfonso G. Siy	1,650,000	2.26757%	Filipino
13.	Aliw Broadcasting Corp.	767,300	1.05449%	Filipino
14.	Eternal Plans Inc. Life Trust Fund	745,600	1.02467%	Filipino
15.	Eternal Plans Inc. Pension Trust Fund	740,800	1.01807%	Filipino
16.	Gencars-San Pablo, Inc.	726,000	0.99773%	Filipino
17.	J. Wilfredo A. Cabangon In Trust For: William Matthew M. Cabangon	714,450	0.98186%	Filipino
18.	J. Wilfredo A. Cabangon In Trust For: Michael Wesley M. Cabangon	714,450	0.98186%	Filipino
19.	D. Arnold A. Cabangon In Trust For: Andrew Nicholas N. Cabangon	550,000	0.75586%	Filipino
20.	Eternal Plans Inc. Life Trust Fund	745,600	1.02467%	Filipino
	TOTAL	**66,712,462**	**91.68%**	

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	**2011**	**2012**	**2013**
Number of Branches / Cash Unit	25	25	27
Number of Employee	283	309	324
************************************	-	-	-
Cash	93,699	122,575	127,556
Due from BSP and Other Banks	656,671	338,745	602,896
Available-For-Sale-Securities	107,230	102,026	95,249
Loans and Receivables	1,499,943	2,000,234	1,981,009
Total Resources	2,671,958	2,897,108	3,510,131
Deposit Liabilities	1,851,004	2,049,035	2,679,598
Total Liabilities	1,889,999	2,107,092	2,749,602
Capital Funds	781,958	790,016	760,530
*************************************	-	-	-
Net Interest Income	159,459	208,161	224,819
Fee-Based and Other Income	50,130	54,567	67,495
Net Income	1,034	1,683	329
*************************************	-	-	-
Earnings per Share**	0.01	0.02	0.00
Book Value per Share*	10.66	10.86	10.45

(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 2013	INDUSTRY September 2013
Capital Adequacy		
Capital to Risk Ratio	31.61%	16.24%
Asset Quality		
Non-performing Loan (NPL) Ratio	2.34%	5.89%
Non-Performing Loan (NPL) Cover	62.33%	69.90%
Liquidity		
Loans to Deposit	70.82%	81.86%
Profitability		
Return on Average Equity	0.84%	13.66%
Net Interest Margin	10.08%	5.23%
Cost Efficiency		
Cost to Income	93.93%	63.20%

In terms of stability, the bank continues to enjoy a higher Capital Adequacy Ratio (CAR) of 31.61% versus the industry ratio of 16.24%. The bank's NPL ratio of 2.34% outperformed the industry's 5.89% as it continues to be highly selective in its lending operation and improve on loan collection. Likewise, its Allowance for Probable Losses over Non-performing loans is 62.33% versus the industry's 69.90%.

The bank's loan to deposit ratio of 70.82% is lower compared with the thrift banking industry's 81.86%.

In terms of profitability, the bank is lower than the thrift banking industry with a Return on Ave. Equity (ROE) of 0.84%, versus the industry of 13.66%. Its Net Interest Margin is 10.08% as against the industry's 5.23%.

The bank continues to adopt measures to provide a strong and stable financial condition.

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 2013	December 2012
1. Liquidity Ratio	0.35:1	0.22:1
2. Solvency Ratios		
a) current ratio	0.35:1	0.22:1
b) current liabilities to net ratio	3.59:1	2.72:1
3. Debt-to-equity ratio	3.62:1	2.60:1
4. Asset-to-equity ratio	4.62:1	3.67:1
5. Interest rate Coverage ratio	0.64:1	10.04:1
6. Profitability Ratio		
a) Return on Asset Ratio	0.01%	0.58%
b) Return on Net Worth Ratio	0.04%	2.13%

December 31, 2011

Interest Income
Gross Interest Income for the twelve (12) months ending December 31, 2011 amounted to P186.787 million from P166.871 million over the same period in 2010 for an 11.935% increase. Of the former amount, about 86.19% came from its lending operations which amounted to P161.001 million and the rest were from Due From BSP and other banks which increased from P12.641 million to P 21.472 million and Held-to-Maturity Investments which fell from P4.232 million to P3.037 million. The Gross Interest Income of P186.787 million represents 78.68% of the bank’s total gross income for the year 2011 which amounted to P237.416 million.

Interest Expense
Interest Expense decreased by 10.66% from P30.540 million in 2010 to P27.284 million for the period ending December 31, 2011. This is mainly due to the lowered interest rate in deposit products. The Interest Expense of P27.284 million is 14.607% of the Gross Interest Income of P186.787 million.

Other Income
Other Income comprising of Service Charges and Fees and Miscellaneous Income posted a 39.36% decrease in 2011, versus its performance in 2010. Of the 2011 decrease in Other Operating Income, fee-based sources accounted for 54.45% while Miscellaneous Income mostly from sale of acquired assets income accounted for by 17.98%. The amount of P50.629 million represents 21.32% of the bank’s Total Gross Income in 2011 in the amount of P237.416 million.

Other Expenses
Administrative and operating expenses increased by 0.93% from P199.908 million in 2010 versus P201.769 million in 2011. This was due to increases in Power, Light and

Water from P11.969 million to P12.058 million and Security, Janitorial and Messengerial Services from P18.992 million to P20.430 million. Other Operating Expenses decreased significantly from P20.153 million to P19.601 million. The total Other Expenses of P201.769 million is 89.603% of the total expenses.

Net Income
Net Income decreased by P4.150 million from a P5.185 million income in 2010 to P1.034 million net income in 2011.

Cash and Other Cash Items
Cash and Other Cash Items posted a P17.010 million decrease from P110.709 million in the year ending 2010 as against P93.699 million in 2011.

Due from BSP and Other Banks
Due from BSP and Other banks decreased by 17.37% from P794.675 million in 2010 to P656.671 million in 2011 as funds were placed in SPURRA.

Financial Assets at Fair Value

This account representing Government Securities and Securities Purchased Under Reverse Repurchase Agreements was transferred to Special Deposit Account (SDA) with BSP.

Available-For-Sale Securities
Available-for-sale securities consist of golf shares of Forest Hills Golf & Country Club amounting to P96,170,428 in 2011 and P1,485,000 in 2010, which were previously included as part of real and other properties (ROPA), and of Wack Wack Golf & Country Club, amounting to P11,060,000 in 2011 and P9,575,000 in 2010.

Held-to-Maturity Investments
This account represents investments in government bonds, which bears annual coupon rate ranging from 4.26% to 10.100% in 2011. It decreased by 100% from P77.887 million to P0.

Loans and Receivables
Loans and Receivables jumped to P1.500 billion from P1.145 billion as Receivables from Customers increased to P1.159 billion from P1.124 billion. The amount of P1.145 billion is 56.14% of the Total Resources.

Bank Premises, Furniture, Fixtures and Equipment
This account decreased to P186.980 million from P200.613 million due to accumulated depreciation and amortization. The net amount of P186.980 million represents 7.00% of the Total Resources.

Other Resources
Other Resources decreased by 3.10% from P92.682 million in 2010 to P89.809 million in 2011. The amount of P89.809 million is 3.36% of Total Resources.

Total Deposit Liabilities
Deposits generated by the bank's twenty-five (25) branches increased by P244.792 million. From P1.606 billion, Total Deposit Liabilities reached P1.851 billion at the end of 2011. Of this amount, P1.580 billion or 85.37% comprised savings deposits while the remaining 12.26% or P227.017 million is in the form of demand deposits. The 15.240% increase in Deposit Liabilities can be attributed to the stiff market competition and lowered interest rates. The Total Deposit Liabilities of P1.851 billion is 97.94% of the Total Liabilities and 69.28% of the Total Liabilities and Equity.

Other Liabilities
This account decreased by 57.47% from P91.685 million to P38.995 million as manager's checks decreased by P52.690 million. The ending balance of P38.995 million is 2.06% of the total liabilities.

Capital Funds/Equity
Capital Funds/Equity increased by P2.137 million in 2011. Net Income for the year was P1.034 million.

Capital Adequacy Ratio (CAR)
The bank posted a higher than industry risk-based capital adequacy ratio of 66.10% versus the 14.83% of the industry and much higher than the minimum 10% mandated by the Bangko Sentral ng Pilipinas.

Liquidity
CSBI's loans to deposit ratio is 79.37%.

December 31, 2012

Interest Income
Gross Interest Income ended higher than prior year by 26.48% or P49.462 million on account of significant improvement and income on jewelry loan related and other bank's lending related activities during the period. Interest Income on Loans Receivable climbed to P217.338 million, 34.99% much better than the P161.001 million recorded last year as a result of the steady growth in the Bank's loan portfolio. Likewise, Available for Sale Securities rose from P1.278 million to P5.217 million. On the other hand, interest income on Due from BSP and Other banks was lower at P13.694 million versus P21.472 million a year ago. Interest income on Held to Maturity declined to P0.00 due to maturities of various placements.The Gross Interest Income of P236.249 million represents 81.24% of the bank's total gross income for the year 2012 which amounted to 290.816 million.

Interest Expense
Interest Expense on the bank's deposit liabilities was higher by 2.27% at P27.904 million versus last year's P27.284 million on account of higher deposit level. The Interest Expense of P27.904 million is 11.81% of the Gross Interest Income of P236.249 million.

Other Income
Other Income comprising of Service Charges and Fees,Trading Gains and Miscellaneous Income posted a 7.77% increase in 2012 versus its performance in 2011. Of the 2012 increase in Other Operating Income, fee-based sources accounted for 9.38%, Trading Gains moderately increased by 0.28% from P2.040 million in 2011 versus P2.045 million in 2012 while Miscellaneous Income posted an increase of 17.95%. The amount of P54.567 million represents 18.76% of the bank's Total Gross Income in 2012 in the amount of P290.816 million.

Other Expenses
As of December 31, 2012, the Total Other Expenses increased by P41.339 million from P201.769 million versus last year's figure of P243.108 million. This was mainly due to increases in Repairs and Maintenance which increased by 35.47% from P3.323 million last year versus P4.502 million this year. Employee Benefits from P68.208 million to P88.124 million or an increase of 29.20%. Fuel and Oil increased by P26.71% from P5.781 million to P7.325 million while Security, Janitorial and Messenger Services from P20.430 million to P25.525 million. Likewise, Taxes and Licenses increased from P12.183 million to P13.984 million, while Communication, Light and Water increased by 14.44% from P19.512 million to P22.330 million, Occupancy from P24.582 million to P26.073 million. Other operating expenses amounted to P24.039 from P16.278 million last year and Repairs and Maintenance increased by 35.47% from P3.323 million last year versus P4.502 million this year. However, Litigation / Assets Acquired decreased by 26.18% and Depreciation and Amortization lowered by 12.75% from P17.0330 million to P15.120 million.

Net Income
The bank's Net Income for the year increased to P1.683 million compared to last year's bottom line of P1.034 million.

Cash and Other Cash Items
Cash and Other Cash items up by 30.82% from P93.699 million in the year ending 2011 as against P122.575 million in 2012.

Due from BSP and Other Banks
Due from BSP and Other banks decreased by 93.85% from P656.671 million in 2011 to P338.745 million in 2012 as funds were placed in Special Deposit Account (SDA) with the BSP and investible funds were placed in local banks. Due from BSP and Other Banks is 11.69% of Total Resources

Available-For-Sale Securities
Available-for-Sale Investments representing 3.52% of total assets decreased by 4.85% from P107.230 million to P102.026 million in 2012.

Loans and Receivables
Loans and Receivables grew by 32.24% to P2.000 billion from P1.513 billion in 2011. The amount of P2.000 billion is 69.04% of Total Resources.

Bank Premises, Furniture, Fixtures and Equipment
This account increased to P189.032 million from P186.980 million due to accumulated depreciation and amortization. The net amount of P189.032 million represents 6.52% of the Total Resources.

Other Resources
Other Resources increased by 25.00% from P87.622 million in 2011 to P109.531 million in 2012. The amount of P109.531 million is 3.78% of Total Resources.

Total Deposit Liabilities
Deposits generated by the Bank's twenty-five (25) branches increased by P198.031 million. From P1.851 billion, Total Deposit Liabilities reached P2.049 billion at the end of 2012. Of this amount, P1.703 billion or 83.11% comprised savings deposits while the remaining 13.17% or P269.824 million is in the form of demand deposits. The 18.86% increase in Deposit Liabilities can be attributed to the Bank's aggressive marketing strategy. The Total Deposit Liabilities of P2.049 billion is 97.24% of the Total Liabilities and 70.73% of the Total Liabilities and Equity.

Other Liabilities
This account increased by 9.10% from P53.213 million to P58.057 million as manager's checks increased by P4.844 million. The ending balance of P58.057 million is 2.76% of the total liabilities.

Capital Funds/Equity
Capital Funds/Equity increased by P14.215 million in 2012. Net Income for the year was P1.683 million.

Capital Adequacy Ratio (CAR)
The bank posted a higher than industry risk-based capital adequacy ratio of 39.64% versus the 15.03% of the industry and much higher than the minimum 10% mandated by the Bangko Sentral ng Pilipinas.

Liquidity
CSBI's loans to deposit ratio is 92.37%.

December 31, 2013

Interest Income
Gross Interest Income ended higher than prior year by 6.78% or P16.017 million on account of significant improvement and income on jewelry loan related and other bank's lending related activities during the period. Interest Income on Loans Receivable climbed to P240.258 million, 10.55% much better than the P217.338 million recorded last year as a result of the steady growth in the bank's loan portfolio. On the other hand, interest income on Due from BSP and Other Banks was lower at P8.575 million versus P13.694 million a year ago. Available for Sale Securities declined from P5.217 million to P3.434 million. Interest income on Held to Maturity declined to P0.00 due to maturities of various placements. The Gross Interest Income of P252.267 million represents 78.89% of the bank's total gross income for the year

2013 which amounted to 319.761 million.

Interest Expense
Interest Expense on the bank's deposit liabilities was lower by 2.49% at P27.208 million versus last year's P27.904 million on account of lower deposit level. The Interest Expense of P27.208 million is 10.78% of the Gross Interest Income of P252.267 million.

Other Income
Other Income comprising of Service Charges and Fees, Trading Gains and Miscellaneous Income posted a 23.69% increase in 2013 versus its performance in 2012. Of the 2013 increase in Other Operating Income, fee-based sources accounted for 4.88%, while Miscellaneous Income posted an increase of 38.76%. The amount of P67.495 million represents 21.11% of the bank's Total Gross Income in 2013 in the amount of P319.762 million.

Other Expenses
As of December 31, 2013, the Total Other Expenses increased by P31.483 million from P243.108 million versus this year's figure of P274.591 million. This was mainly due to increases in Repairs and Maintenance which increased by 7.82% from P4.502 million last year versus P4.854 million this year. Employee Benefits from P87.803 million to P100.212 million or an increase of 14.13%. Fuel and Oil increased by P40.50% from P7.325 million to P10.292 million while Security, Janitorial and Messenger Services from P25.525 million to P30.859 million. Likewise, Taxes and Licenses increased from P13.984 million to P15.074 million, while Communication, Light and Water increased by 10.90% from P22.330 million to P24.764 million, Occupancy from P26.073 million to P27.796 million. Litigation / Assets Acquired increased by 37% and Depreciation and Amortization rise to P16.931 million from P15.120 million. However, other operating expenses was reduced to P23.263 from P24.336 million last year while

Net Income
The bank's Net Income for the year decreased to P.329 million compared to last year's P1.699 million.

Cash and Other Cash Items
Cash and Other Cash items up by 4.06% from P122.575 million in the year ending 2012 as against P127.556 million in 2013.

Due from BSP and Other Banks
Due from BSP and Other banks increased by 135.96% from P338.745 million in 2012 to P799.315 million in 2013 as investible funds were placed in local banks. Due from BSP and Other Banks is 22.77% of Total Resources.

Available-For-Sale Securities
Available-for-Sale Investments representing 2.71% of total assets decreased by 6.41% from P102.026 million to P95.250 million in 2013.

Loans and Receivables
Loans and Receivables increased to P1.981 billion from P1.979 billion in 2012. The amount of P1.981 billion is 56.44% of Total Resources.

Bank Premises, Furniture, Fixtures and Equipment
This account increased to P223.138 million from P189.032 million due to accumulated depreciation and amortization. The net amount of P223.138 million represents 6.36% of the Total Resources.

Other Resources
Other Resources increased by 130.84% from P111.474 million in 2012 to P257.322 million in 2013. The amount of P257.322 million is 7.33% of Total Resources.

Total Deposit Liabilities
Deposits generated by the bank's twenty-seven (27) branches increased by P631 million from P2.049 billion to P2.680 billion at the end of 2013. Of this amount, P2.125 billion or 79.29% comprised savings deposits while the remaining 7.96% or P279.287 million is in the form of demand deposits. The 30.79% increase in Deposit Liabilities can be attributed to the bank's aggressive marketing strategy. The Total Deposit Liabilities of P2.680 billion is 97.45% of the Total Liabilities and 76.35% of the Total Liabilities and Equity.

Other Liabilities
This account increased by 8.48% from P64.534 million to P70.005 million at the end of 2013. The ending balance of P70.005 million is 2.55% of the total liabilities.

Capital Funds/Equity
Capital Funds/Equity decreased by P4.318 million in 2013. Net Income for the year was P329 thousand.

Capital Adequacy Ratio (CAR)
The bank posted a higher than industry risk-based capital adequacy ratio of 31.61% versus the 16.24% of the industry and much higher than the minimum 10% mandated by the Bangko Sentral ng Pilipinas.

Liquidity
CSBI's loans to deposit ratio is 70.82%.

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.

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

The economy grew by 7.2 percent in 2013, outpacing the government's target of growth between 6 percent and 7 percent. This year, the government is targeting a growth of between 6.5 percent and 7.5 percent. The country's gross domestic product (GDP) growth numbers are expected to be out this May.

For 2014 and 2015, Citystate Savings Bank plans to open additional three (3) branches. The bank's clients could look forward to 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.

The Initial Public Offering of the bank, which had an initial price of P11.55 per share, rose to its present value of P14.80. This remarkable feat is a proof of the public’s trust and confidence with Citystate Savings Bank.

Prospects for the Future

For the year 2014, CSBI will focus on further enhancing its service delivery system through the following action plans.

- Establishment and/or acquisition of additional branch network;
- Upgrading of the bank's core banking system and ATM switch;
- Development of more bank products and services in connection with its quasi-banking license;
- Intensify SME lending and jewelry loan operations;
- Pursue a more aggressive marketing strategy and focus on the target market;
- 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 surpass its 2013 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, 2013 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, 2013 and 2012
C. Statement of Income for the years ended December 31, 2013 and 2012
D. Statement of Changes in Equity for the years ended December 31, 2013 and 2012
E. Statement of Cash flows for the years ended December 31, 2013 and 2012
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.

<u>Independent Public Accountants</u>

<u>External Audit Fees and Services</u>

<u>The external audit and consultancy fees for the years 2013 and 2012 were as follows:</u>

	<u>Year ended December 31, 2013</u>	<u>Year ended December 31, 2012</u>
Audit Fees (Incurred by Registrant)	<u>P890,000.00</u>	<u>P830,000.00</u>
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
<u>Total</u>	**<u>P890,000.00</u>**	**<u>P830,000.00</u>**

The accounting firm of Punongbayan & Araullo (Member of Grant Thornton International) has been the Company's Independent Public Accountant for the last fourteen (14) 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 fourteen (14) 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 2013 and 2012 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:

Amb. Antonio L. Cabangon Chua, 79, *Chairman.* Ambassador Cabangon Chua is a Filipino citizen. He is a full colonel in the reserve force of the Armed Forces of the Philippines and an honorary member of the PMA Class '56. He is a graduate of the University of the East in 1956, with a Bachelor of Science in Business Administration and a Certified Public Accountant. He holds a Doctorate in Humanities, Honoris Causa from Adamson University. He was Chairman of the bank from 1997 to 2000 and was re-elected in 2011. He is the founder of Fortune Insurance Group, Eternal Group of Companies, and Aliw Broadcasting Corporation. He is also involved in the publications as Chairman Emeritus – Owner of Philippine Business Daily Mirror Publishing, Inc, and Philippine Graphic Publications, Inc.

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

Atty. Rey D. Delfin, 49, *President*. Mr. Delfin is a Filipino citizen. He has been with Citystate Bank since July of 1997. Prior to this, he had worked for Far East Bank & Trust Company; Banco De Oro Universal Bank; Keppel Monte Bank; Jimeno, Jalandoni and Cope Law Office; and Joaquin Cunanan & Co. (Price Waterhouse Coopers). Mr. Delfin is a graduate of University of the Philippines with a Bachelor of Science in Business Administration in 1985; and San Beda College with a Bachelor of Laws in 1994. He is a Certified Public Accountant (CPA) and a Lawyer.

He has been a director of Citystate Savings Bank, Inc. since January 2007**.**

Alfonso G. Siy, 66, *Vice Chairman.* Mr. Siy is a Filipino citizen. He is a graduate of the University of the East with a Bachelor of Science in Business Administration in 1969. Aside from being a director of the bank, Mr. Siy is also a director of the Ever Fortune Thermoplas Corp., Fortune Net and Twine Mfg. Corp., Fortune Int'l Trading Corp., Phil. Fishing Gears Industries, Neltex Manufacturing & Export Corp., and Altamar Industries, Inc.

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

D. Alfred A. Cabangon, 48, *Director.* Mr. Cabangon is a Filipino citizen. He graduated from the 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 the Chief Investment Officer of Fortune Life Insurance Co., Inc. He is presently a director of Fortune Guarantee and Insurance Corporation, Fortune Medicare, Eternal Plans, Inc., ALC Industrial & Commercial Development Corporation, and ALC Realty & Development Corporation.

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

J. Antonio A. Cabangon, Jr., 45, *Director/Managing*. Mr. Cabangon is a Filipino citizen. He graduated from California State University in 1990 with a degree in Bachelor of Science in Finance. He is the Chairman and CEO of Fortune General Insurance Corp., Chairman of Fortune Medicare, Inc., President of Aliw Broadcasting Corporation, and Citystate Condominium Corporation. He is also the Vice Chairman of Fortune Life Insurance, Co., and an Investment Officer of AAA Southeast Equities. He also seats as the Treasurer of CTD Filipinas Pawnshop.

He has been a director of Citystate Savings Bank, Inc. since August 2007.

D. Arnold A. Cabangon, 43, *Director & Corporate Treasurer.* 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 President of Fortune Life Insurance Company and a director of AAA Southeast Equities, Inc., FIG Lending Investors Corporation, Fortune General Insurance Corporation, and Fortune Medicare, Inc.

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

J. Wilfredo A. Cabangon, 53, *Director.* Mr. Cabangon is a Filipino Citizen. He is a graduate of De La Salle University – College of St. Benilde with a Bachelor of Science in Commerce, major in Business Management in 1997. He is the President of Mandaluyong Pawnshop and is a director of ALC Realty Development Corp., Fortune Life Insurance Company, Inc., Fortune General Insurance Corp., Eternal Plans, Inc., Eternal Gardens Memorial Park Corp., Gencars, Inc., and Libertad Filipinas Pawnshop, Inc.

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

Engr. Feorelio M. Bote, 71, *Director,* is a citizen of the Philippines. Mr. Bote graduated from the 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 KVL Enterprises, Key Construction & Development Corp., Divine Manna Construction & Development Corp., and Key Lending Investor. Corp.

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

Ramon L. Sin, 80, *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 a director of Fortune Medicare, Inc., 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.

Pedro E. Paraiso, 80, *Director.* Mr. Paraiso is a Filipino citizen. He is a graduate of the University of the East in 1955 with a Bachelor of Science degree in Business Administration. He took up postgraduate studies at the University of the East and Ateneo de Manila University. He is presently a director of various companies. Mr. Paraiso is a Certified Public Accountant.

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

Atty. Emmanuel R. Sison, 64, *Director*. Mr. Sison is a Filipino citizen. He is a graduate of Ateneo de Manila University with a Bachelor of Arts degree in Economics in 1970; and Adamson University with a Bachelor of Laws in 1975. He finished his masteral degree in Government Management at the Pamantasan ng Lungsod ng Maynila in 2007. Mr Sison is a lawyer and a Senior Partner of Quiason, Makalintal, Barot, Torres, Ibarra & Sison Law Firm. He is presently a director of Quialex Realty corp. Prior to this, he was the corporate secretary and a consultant of Meralco from 2008 to 2010. He was the Secretary to the Mayor of the City of Manila from 1998 to 2007.

He has been a director of Citystate Savings Bank, Inc. since October 25, 2011.

Andres Y. Narvasa, Jr., **57,** ***Independent Director***. Mr. Narvasa is a Filipino citizen. He is a graduate of Ateneo de Manila University with a Bachelor of Arts degree in Economics in 1978. Aside from being a director of the bank, he is also the President and CEO of AYN Resource Management Group since September 2000 and Chairman of Excellasia, Inc. since 1992. Prior to this, he was the Treasurer of UBP Capital from 1990 to 1991. He was also the Chief FX Trader of various foreign banks from 1980 to 1989. Mr. Narvasa possesses all the qualifications and none of the disqualifications as independent director since his initial election.

He has been a director of Citystate Savings Bank, Inc. since January 2007.

Lucito L. Sioson, 76, ***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.

Justice Jose Armando R. Melo, 81, ***Independent Director.*** Mr. Melo is a Filipino citizen. He took Bachelor of Laws at Manuel L. Quezon University in 1956, and graduated Master of Laws at the University of Santo Tomas in 1960. He is a lawyer and jurist who served as an Associate Justice of the Supreme Court of the Philippines from 1992 to 2002. He was the former Chairman of the Commission on Elections (COMELEC) from 2008 to 2011. He is presently a director of Clark Development Corporation. Prior to this, he was a director & Chairman of PNOC-EC from 2005-2008.

He has been a director of Citystate Savings Bank, Inc. since February 28, 2012.

Messrs. Andres Y. Narvasa, Jr., Lucito L. Sioson and Jose Armando R. Melo are the three (3) independent directors of the Bank. They have no shareholdings in any of the affiliates of the Bank.

Executive Officers

Atty. Rey D. Delfin, 49, ***President***. Mr. Delfin has been with Citystate Bank since July of 1997. Prior to this, he had worked for Far East Bank & Trust Company; Banco De Oro Universal Bank; Keppel Monte Bank; Jimeno, Jalandoni and Cope Law Office; and Joaquin Cunanan & Co. (Price Waterhouse Coopers). Mr. Delfin is a graduate of University of the Philippines with a Bachelor of Science in Business Administration in

1985; and San Beda College with a Bachelor of Laws in 1994. He is a Certified Public Accountant (CPA) and a Lawyer.

Vivian C. Rada, 47, *First Vice President*. Ms. Rada is the head of Sales and Marketing Group. Before joining the bank in March of 2012, Ms. Rada had worked for Asian Bank Corporation; Global Bank; Asia Trust Development Bank; Planters Development Bank; Planters Bank; Philippine Savings Bank; and Export and Industry Bank. Ms. Rada is a graduate of University of the East with a Bachelor of Science in Business Administration, major in accounting. She is a Certified Public Accountant (CPA).

Eduardo O. Olavario, 58, *Vice President,* is the head of the General Accounting Department. Before joining the bank in August of 1997, Mr. Olavario had worked for Monte de Piedad & Savings Bank for almost 20 years. He is a graduate of Philippine College of Commerce with a Bachelor of Science in Commerce, major in Accounting in 1971. Mr. Olavario is a Certified Public Accountant (CPA).

Jeffrey T. Tantiado, 41, *Vice President,* is the head of the bank's Information Technology Department. Mr. Tantiado has handled the bank's Information Technology Department since he joined the bank in August of 1997. He graduated from the Computer College of the Visayas with a Bachelor of Science in Computer Science in 1994.

Emerson G. Igarta, 49, *Vice President,* is the head of the Internal Audit Department. Prior to his stint with the bank in 1998, he worked with Monte de Piedad and Orient Bank. He graduated from the Philippine School of Business Administration with a degree in Bachelor of Science in Business Administration major in Accounting in 1986. Mr. Igarta is a Certified Public Accountant (CPA).

Ruel L. Angga, 50, *Vice President,* is the bank's Compliance Officer and head of the Compliance Department. Mr. Angga joined the bank in June 1999. Prior to this, he had worked for the International Corporate Bank and Union Bank of the Philippines. He is a graduate of the Philippine School of Business Administration with a Bachelor of Science in Business Administration major in Management in 1990. He is also a graduate of Electronics Technology from Don Bosco Technical College in 1983.

Des Corazon D. Cruz, 54, *Vice President*, is the head of Institutional Marketing & Communications 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.

Emily C. Laurente, 52, *Assistant Vice President,* is the head of Trust Department. She joined the bank last April 1, 2012. She started her banking career in 2006 at AsiaTrust Bank and in 2011 at Bank of Commerce. She is a graduate of Polytechnic University of the Philippines with a Bachelor of Science in Business Administration, major in Accounting.

Meliton A. Narciso, 41, *Assistant Vice President,* is the bank's Chief Risk Officer and head of the Risk Management Department. He joined the bank on January 30, 2013. He started his banking career in 2008 at AsiaTrust Bank. He also worked for Maybank's Trust Department in 2009. He is a graduate of University of Sto. Tomas with a degree in A.B. Economics in 1993. He completed his Masters in Business Administration at the Ateneo de Manila University in 2002.

Ely J. Gacute, 55, *Assistant Vice President,* is the head of Accounts Management Department. She joined the bank last March 1, 2012. She started her banking career in 1982 at Philippine National Bank. She is a graduate of University of the East Manila with a Bachelor of Science in Business Administration, Major in Accounting.

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

Family Relationships

Amb. Antonio L. Cabangon Chua is the father of Messrs. D. Alfred A. Cabangon, J. Wilfred A. Cabangon, D. Arnold A. Cabangon and J. Antonio A. Cabangon, Jr. 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, 2012 to December 31, 2013 (with estimate for year 2014).

<table>
<tr><th>Year</th><th>Name and Principal Position</th><th><u>Salaries</u></th><th><u>Bonuses</u></th></tr>
<tr><td rowspan="3">For the twelve Months Ended December 31, 2012</td><td>EXECUTIVE OFFICERS
Atty. Rey D. Delfin – President
Vivian C. Rada-First Vice President
Eduardo O. Olavario – Vice President
Jeffrey T. Tantiado – Vice President
Emerson G. Igarta – Vice President</td><td>6,657,483.16</td><td>1,109,580.53</td></tr>
<tr><td>All Executive Officers as a Group</td><td colspan="2">7,767,063.69</td></tr>
<tr><td>All Board Directors and Officers as a Group</td><td colspan="2">7,767,063.69</td></tr>
<tr><td>For the twelve Months Ended December 31, 2013</td><td>EXECUTIVE OFFICERS
Atty. Rey D. Delfin – President
Vivian C. Rada-First Vice President
Eduardo O. Olavario – Vice President
Jeffrey T. Tantiado – Vice President
Emerson G. Igarta – Vice President</td><td>6,451,463.16</td><td>1,075,243.86</td></tr>
</table>

	All Executive Officers as a Group	7,526,707.02	
	All Board Directors and Officers as a Group	7,526,707.02	
For the Year Ending December 31, 2014 (Estimated)	EXECUTIVE OFFICERS Atty. Rey D. Delfin – President Vivian C. Rada-First Vice President Eduardo O. Olavario – Vice President Jeffrey T. Tantiado – Vice President Emerson G. Igarta – Vice President	6,451,463.16	1,075,243.86
	All Executive Officers as a Group	7,526,707.02	
	All Board Directors and Officers as a Group	7,526,707.02	

Other Annual Compensation

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

<u>Compensation of Directors</u>

(a) <u>Standard Arrangements</u>

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) <u>Other Arrangements</u>

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) <u>Employment Contract</u>

Except for Atty. Rey D. Delfin, all executive officers listed above are regular employees who derive pure compensation income, in the form of salaries and bonuses, from CSBI.

(b) <u>Compensatory Plan or Arrangement</u>

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 CEO, 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 March 31, 2014 are as follows:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Antonio L. Cabangon Chua, Director 5th Flr., Dominga Bldg. III 2113 Chino Roces Ave., Makati City	Antonio L. Cabangon Chua, Beneficial & Record Owner	Filipino	14,102,114	19.52328%
	D. Alfred A. Cabangon, Director 2nd Flr., Citystate Centre Bldg., 709 Shaw Blvd., Pasig City	D. Alfred A. Cabangon, Beneficial & Record Owner	Filipino	8,283,330	11.38367%
	Fortune Life Insurance Company, Inc. (Affiliate) Fortune Life Bldg., 162 Legaspi St., Legaspi Village,	D. Arnold A. Cabangon, Director	Filipino	7,499,250	10.306122%

	Makati City				
	Fortune General Insurance Corporation (Affiliate) 4th Flr., Citystate Centre Bldg., 709 Shaw Blvd., Pasig City	J. Antonio A. Cabangon, Jr. Director	Filipino	5,007,700	6.88202%
	Top Ventures Investments & Management Corporation (Affiliate) Dominga Bldg., 2113 Chino Roces Ave., Cor. Dela Rosa St., Makati City	Antonio L. Cabangon Chua, Director	Filipino	4,902,594	6.60014%
	Feorelio M. Bote Director 581 Wack Wack Road Shaw Blvd. Mandaluyong City	Feorelio M. Bote, Beneficial & Record Owner	Filipino	4,302,500	5.912870%

Shares of stock owned by Fortune General Insurance Corp., Top Ventures Investments & Management, and Fortune Life Insurance Co., Inc., are being represented and voted for by J. Antonio A. Cabangon, Jr., Antonio L. Cabangon Chua, and D. Arnold A. Cabangon, respectively.

1. Security Ownership of Management as of March 31, 2014

Directors

Title of class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Antonio L. Cabangon Chua	14,206,114	Filipino	19.52%
Common	D. Alfred A. Cabangon	8,283,330	Filipino	11.38%
Common	Feorelio M. Bote	4,302,500	Filipino	5.91%
Common	Alfonso G. Siy	1,650,000	Filipino	2.27%
Common	J. Antonio A. Cabangon Jr.	1,000	Filipino	0.00%
Common	Ramon L. Sin	110	Filipino	0.00%
Common	Rey D. Delfin	110	Filipino	0.00%
Common	Andres Y. Narvasa	110	Filipino	0.00%
Common	Lucito L. Sioson	1	Filipino	0.00%
Common	Pedro E. Paraiso	1	Filipino	0.00%
Common	J. Wilfredo A. Cabangon	1	Filipino	0.00%
Common	D. Arnold A. Cabangon	1	Filipino	0.00%
Common	Emmanuel R. Sison	1	Filipino	0.00%
Common	J. Armando R. Melo	1	Filipino	0.00%
	TOTAL	28,443,280		39.08%

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	28,443,280	0	28,443,280	39.08%

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. **GENCARS, INC.**

   This company has existing credit line with the Bank secured by Trust Receipts, Deed of Assignments over existing and future inventory/ies of all vehicles allocated/delivered by Isuzu Philippines, Continuing Suretyship of Antonio L. Cabangon Chua for the full amount of the line.

   Gencars, Inc. is chaired by Antonio L. Cabangon Chua who controls 19% of the company's shares, while his son J. Wilfredo A. Cabangon owns 10%. The President of Gencars, Inc., D. Edgard A. Cabangon, is the son of Antonio L. Cabangon Chua and the brother of Wilfredo A. Cabangon and D. Alfred A. Cabangon.

2. **BROWN MADONNA PRESS, INC.**

   Brown Madonna Press, Inc. is chaired by Antonio L. Cabangon who owns 20% of total shares. The other shares owned by T. Anthony C. Cabangon, D. Antoinette C. Cabangon, D. Adrian C. Cabangon, and D. Analyn C. Cabangon who represents 20%

of the shares each, are related to Antonio L. Cabangon Chua by second degree consanguinity.

3. **ETERNAL GARDENS MEMORIAL PARK CORPORATION**

   This company has an existing loan secured by Real Estate Mortgage which will mature on December 30, 2030.

   Antonio L. Cabangon Chua owns 10% of the shares of Eternal Garden Memorial Park Corporation. The following are related to him by second degree of consanguinity, J. Wilfredo A. Cabangon, D. Alfred A Cabangon, D. Edward A. Cabangon, D. Edgard A. Cabangon, and D. Antoinette C. Cabangon, owns 10% of the total shares each. Antonio L. Cabangon Chua, J. Wilfredo A. Cabangon, and D. Alfred A Cabangon are also Directors of the Bank.

4. **FILIPINAS PAWNSHOP, INC.**

   The bank leases its Paco and Guadalupe branch from Filipinas Pawnshop, Inc. Antonio L. Cabangon Chua owns 30% of the company's total shares.

5. **ALC BALIWAG CINEMA & SHOPPING COMPLEX, INC.**

   The bank leases its Baliuag branch from ALC Baliwag Cinema & Shopping Complex, Inc. Antonio L. Cabangon Chua owns 60% of this company, D. Edward A. Cabangon owns 25% of the shares, while J. Wilfredo A. Cabangon, D. Alfred A. Cabangon and D. Arnold A. Cabangon own 5% of the total shares each.

6. **ALC REALTY DEVELOPMENT CORPORATION**

   The bank leases its Chino Roces, New Panaderos and Pasay/Libertad branches from ALC Realty Development Corporation. Antonio L. Cabangon Chua owns 44% of the company's total shares; J. Wilfredo A. Cabangon owns 28% and T. Anthony C. Cabangon who is related by second degree of consanguinity to the former owns 28% of the total shares.

7. **ALIW CINEMA COMPLEX, INC.**

   The bank leases its Meycauayan branch from Aliw Cinema Complex, Inc. 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 own 15% of the total shares each.

8. **CITYSTATE TOWER HOTEL, INC.**

   The bank leases its A. Mabini branch from Citystate Tower Hotel, Inc. Antonio L. Cabangon Chua owns 60% 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 own 8% of the total shares each.

9. **FORTUNE LIFE INSURANCE COMPANY**

   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.

Subsidiaries and Affiliates

The bank has a number of affiliated or sister companies.

For some of its products and services, the bank has tie-ups and has established working relationships with its affiliated and sister companies that provide its customers with discounts and free services from these companies.

Affiliates and Sister Companies:

1. AAA Southeast Equities, Inc.
2. ALC Realty Development Corporation
3. ALC Industrial and Commercial Development Corporation
4. ALC Fortune Corporation
5. Citystate Tower Hotel, Inc.
6. Aliw Broadcasting Corporation
7. Aliw Publishing House, Inc.
8. Brown Madonna Publishing, Inc.
9. Eternal Group of Companies
10. Filipinas Pawnshop , Inc.
11. Fortune Insurance Group of Companies
12. Gencars, Inc.
13. Fortune Medicare, Inc.

PART IV - EXHIBITS AND SCHEDULES

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 Form 17-C

   1. Compliance Officer's Certification on Corporate Governance

2. Amended Corporate Secretary's Certification on the Attendance of Directors at Board Meetings for the year 2012
3. Appointment of Mr. J. Antonio A. Cabangon as Managing Director of the bank and appointment of Mr. Meliton A. Narciso as the bank's Chief Risk Officer
4. Balance Sheet as of December 31, 2012
5. Schedule of Annual Stockholders' Meeting
6. Disclosure of different committees of CSB
7. Certificate of Qualification for Independent Directors
8. Press Release : Citystate Savings Bank Q1 Profit Increases by 146.06%
9. Opening of Dagupan Branch
10. Balance Sheet as of June 30, 2013
11. Resignation of Director and Opening for subscription of the remaining unsubscribed shares
12. Balance Sheet as of September 30, 2013
13. Opening of Batangas City Branch
14. Resignation of Mr. Andres Y. Narvasa, Jr. as member of the Audit Committee and his appointment as Chairman of Trust Committee

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this amended report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April 14, 2014

By:

Atty. Rey D. Delfin Principal Executive Officer	**Eduardo O. Olavario** Comptroller
Atty. Rey D. Delfin Principal Operating Officer	**Eduardo O. Olavario** Financial Officer/Accounting Officer
Ruel L. Angga Compliance Officer	**Atty. Socrates M. Arevalo** Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15 APR 2014, affiant(s) exhibiting to me his/her Social Security System Number, as follows:

NAMES	**SOCIAL SECURITY SYSTEM NO.**
Atty. Rey D. Delfin	03-8581972-5
Eduardo O. Olavario	03-4421147-4
Ruel L. Angga	03-6369702-4
Atty. Socrates M. Arevalo	03-6715828-4

Notary Public

ATTY. CL[illegible] DE ALDAY
Notary Public for Pasig
Taguig, San Juan and Pateros
Until 31 Dec 2014
Appointment No. 18 (2013-2014)
4th Flr. Citystate Centre
709 Shaw Blvd., Pasig City
Roll No. 52308
IBP No. 949704; 2 Jan. 2014; Rizal
PTR No. 1944163; 3 Jan. 2014; Mandaluyong
MCLE Compliance IV - 0005253; 13 April 2012

Doc No. 503;
Page No. 102;
Book No. 25;
Series of 2014

SEC Form 17-A
February 2001

CITYSTATE
SAVINGS BANK
www.citystatesavings.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Citystate Savings Bank, Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2013 and 2012,** including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the stockholders or members.

Punongbayan & Araullo, the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to stockholders or members, has expressed opinion on the fairness of presentation upon completion of such examination.

AMB. ANTONIO L. CABANGON CHUA
Chairman of the Board

ATTY. REY D. DELFIN
President

EDUARDO O. OLAVARIO
Chief Financial Officer

STATEMENT OF MANAGEMENT'S RESPOSIBILITY
FOR FINANCIAL STATEMENTS (page 2)

SUBSCRIBED AND SWORN to before me on 15 APR 2014 at Pasig City, affiants exhibiting to me:

NAME	SOCIAL SECURITY SYSTEM NO.
Amb.Antonio L. Cabangon Chua	03-1121792-2
Atty. Rey D. Delfin	03-8581972-5
Eduardo O. Olavario	03-4421147-4

Notary Public

ATTY. CLA[illegible] E. DE ALDAY
Notary Public for Pasig
Taguig, San Juan and Pateros
Until 31 Dec 2014
Appointment No. 18 (2013-2014)
4th Flr. Citystate Centre
709 Shaw Blvd., Pasig City
Roll No. 52303
IBP No. 949704; 2 Jan. 2014; Rizal
PTR No. 1944163; 3 Jan. 2014; Mandaluyong
MCLE Compliance IV - 0005253; 13 April 2012

Doc. No. 502;
Page No. 102;
Book No. 25;
Series of 2014.

Punongbayan & Araullo
An instinct for growth™

Financial Statements and Independent Auditors' Report

Citystate Savings Bank, Inc.

December 31, 2013, 2012 and 2011
(With Corresponding Figures as of January 1, 2012)

Punongbayan & Araullo
An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
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1200 Makati City
Philippines

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F +63 2 886 5506
www.punongbayan-araullo.com

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

Report on the Financial Statements

We have audited the accompanying financial statements of Citystate Savings Bank, Inc., which comprise the statements of financial position as at December 31, 2013 and 2012, 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, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Citystate Savings Bank, Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

BUREAU OF INTERNAL REVENUE
RDO NO. 043A
EAST PASIG CITY
RECEIVED
21 APR 2014
BY: ALMARIO F. ACOSTA

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 year ended December 31, 2013 required by the Bureau of Internal Revenue as disclosed in Note 26 to the financial statements is presented for purposes of additional analysis 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 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: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 4225009, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-2 (until February 10, 2016)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-19-2012 (until May 15, 2015)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 14, 2014

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(With Corresponding Figures as of January 1, 2012)
(Amounts in Philippine Pesos)

	Notes	December 31, 2013	December 31, 2012 (As Restated – see Note 2)	January 1, 2012 (As Restated – see Note 2)
RESOURCES				
CASH AND OTHER CASH ITEMS		**P 127,556,153**	P 122,574,664	P 93,698,892
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	**602,895,583**	225,855,077	456,418,925
DUE FROM OTHER BANKS	8	**196,418,818**	112,890,196	200,252,193
AVAILABLE-FOR-SALE SECURITIES	9	**95,249,914**	102,025,957	107,230,428
LOANS AND RECEIVABLES - Net	10	**1,981,009,231**	1,979,599,643	1,479,309,187
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	11	**223,137,655**	189,031,596	186,980,147
INVESTMENT PROPERTIES - Net	12	**26,542,525**	34,965,694	37,624,888
OTHER RESOURCES - Net	13	**257,278,193**	111,473,979	90,853,445
TOTAL RESOURCES		**P 3,510,088,072**	P 2,878,416,806	P 2,652,368,105
LIABILITIES AND EQUITY				
DEPOSIT LIABILITIES	14			
Demand		**P 279,287,419**	P 269,823,523	P 227,016,959
Savings		**2,124,948,822**	1,702,958,386	1,580,267,904
Time		**275,361,324**	76,252,953	43,719,249
Total Deposit Liabilities		**2,679,597,565**	2,049,034,862	1,851,004,112
OTHER LIABILITIES	15	**69,960,638**	64,533,588	42,476,435
Total Liabilities		**2,749,558,203**	2,113,568,450	1,893,480,547
EQUITY	16	**760,529,869**	764,848,356	758,887,558
TOTAL LIABILITIES AND EQUITY		**P 3,510,088,072**	P 2,878,416,806	P 2,652,368,105

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
INTEREST INCOME				
Loans and receivables	10	**P 240,257,936**	P 217,338,321	P 140,366,740
Due from BSP and other banks	7, 8	**8,574,990**	13,694,352	21,471,877
Available-for-sale securities	9	**3,433,888**	5,216,732	1,277,767
Held-to-maturity investments		-	-	3,036,827
		252,266,814	236,249,405	166,153,211
INTEREST EXPENSE				
Deposit liabilities	14	**27,207,879**	27,904,120	27,284,096
Others		**239,774**	184,465	44,251
		27,447,653	28,088,585	27,328,347
NET INTEREST INCOME		**224,819,161**	208,160,820	138,824,864
IMPAIRMENT LOSSES (RECOVERIES) - Net	10, 13	**228,149**	6,612,310	(6,086,542)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES AND RECOVERIES		**224,591,012**	201,548,510	144,911,406
OTHER OPERATING INCOME				
Service charges and fees		**16,655,356**	15,880,133	17,523,082
Trading gains	9	-	2,045,867	2,040,053
Miscellaneous	17	**50,839,885**	36,640,942	31,065,411
		67,495,241	54,566,942	50,628,546
OTHER OPERATING EXPENSES				
Employee benefits	18	**100,211,569**	87,803,459	67,986,473
Security, janitorial and messengerial services		**30,859,408**	25,524,697	20,430,312
Occupancy	24	**27,795,714**	26,073,184	24,581,935
Communication, light and water		**24,764,326**	22,329,727	19,511,644
Depreciation and amortization	11, 12, 13	**16,930,896**	15,119,632	17,329,600
Taxes and licenses	26	**15,074,270**	13,983,991	12,183,114
Insurance		**14,856,969**	11,934,640	8,517,743
Fuel and oil		**10,292,167**	7,324,884	5,780,755
Litigation and asset acquired expenses	12	**5,687,774**	4,151,772	5,624,105
Repairs and maintenance		**4,853,944**	4,501,882	3,323,056
Miscellaneous	17	**23,263,542**	24,336,819	16,341,755
		274,590,579	243,084,687	201,610,492
PROFIT (LOSS) BEFORE TAX		**17,495,674**	13,030,765	(6,070,540)
TAX EXPENSE	19	**17,166,734**	11,332,048	13,418,477
NET PROFIT (LOSS)		**P 328,940**	P 1,698,717	(P 19,489,017)
Earnings (Losses) Per Share	22	**P 0.00**	P 0.02	(P 0.27)

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
NET PROFIT (LOSS)		**P 328,940**	P 1,698,717	(P 19,489,017)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit post-employment plan	18	**(3,470,458)**	(3,018,304)	(4,124,992)
Tax income	19	**1,041,137**	905,491	1,237,497
		(2,429,321)	(2,112,813)	(2,887,495)
Item that will be reclassified to profit or loss				
Fair valuation of available-for-sale securities				
Fair value gains (losses) during the year	9	**(2,616,050)**	8,805,967	1,233,460
Reversal of fair value gains on available-for-sale securities sold during the year		**-**	(1,759,560)	-
Tax income (expense)	19	**397,944**	(671,513)	(131,281)
		(2,218,106)	6,374,894	1,102,179
Total Other Comprehensive Income (Loss) - net of tax		**(4,647,427)**	4,262,081	(1,785,316)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 4,318,487)**	P 5,960,798	(P 21,274,333)

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Surplus Reserves	Retained Earnings	Total
Balance as of January 1, 2013							
As previously reported	16	P 727,649,980	P 2,222,444	P 11,397,923	P 507,697	P 48,238,289	P 790,016,333
Prior period adjustments	2	-	-	(4,105,383)	-	(21,062,594)	(25,167,977)
As restated		727,649,980	2,222,444	7,292,540	507,697	27,175,695	764,848,356
Transfer to reserves	20	-	-		160,217	(160,217)	-
Total comprehensive income for the year	16	-	-	(4,647,427)	-	328,940	(4,318,487)
Balance as of December 31, 2013		**P 727,649,980**	**P 2,222,444**	**P 2,645,113**	**P 667,914**	**P 27,344,418**	**P 760,529,869**
Balance as of January 1, 2012							
As previously reported	16	P 727,649,980	P 2,222,444	P 5,023,029	P 363,134	P 46,700,158	P 781,958,745
Prior period adjustments	2	-	-	(1,992,570)	-	(21,078,617)	(23,071,187)
As restated		727,649,980	2,222,444	3,030,459	363,134	25,621,541	758,887,558
Transfer to reserves	20	-	-	-	144,563	(144,563)	-
Total comprehensive income for the year	16	-	-	4,262,081	-	1,698,717	5,960,798
Balance as of December 31, 2012		P 727,649,980	P 2,222,444	P 7,292,540	P 507,697	P 27,175,695	P 764,848,356
Balance as of January 1, 2011							
As previously reported	16	P 727,649,980	P 2,222,444	P 3,920,850	P 259,461	P 45,769,364	P 779,822,099
Prior period adjustment	2	-	-	894,925	-	(555,133)	339,792
As restated		727,649,980	2,222,444	4,815,775	259,461	45,214,231	780,161,891
Transfer to reserves	20	-	-	-	103,673	(103,673)	-
Total comprehensive loss for the year	16	-	-	(1,785,316)	-	(19,489,017)	(21,274,333)
Balance as of December 31, 2011		P 727,649,980	P 2,222,444	P 3,030,459	P 363,134	P 25,621,541	P 758,887,558

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 17,495,674	P 13,030,765	(P 6,070,540)
Adjustments for:				
Interest income	7, 8, 9, 10	(252,266,814)	(236,249,405)	(166,153,211)
Gains from assets acquired/exchanged	17	(33,537,450)	(20,258,791)	(16,152,356)
Interest expense	14	27,447,653	28,088,585	27,328,347
Depreciation and amortization	11, 12	16,930,896	15,119,632	17,329,600
Amortization of computer software and deferred charges	17	617,304	1,008,982	1,469,001
Unrealized foreign currency exchange losses (gains)	17	(545,319)	56,190	(594,194)
Impairment losses (recovery) - net	10	228,149	6,612,310	(6,086,542)
Loss on sale/retirement of bank premises, furniture, fixtures and equipment		63,263	978,553	53,748
Trading gains	9	-	(2,045,867)	(2,040,053)
Fair value loss on security deposits		-	213,850	54,629
Operating loss before working capital changes		(223,566,644)	(193,445,196)	(150,861,571)
Decrease in financial assets at fair value through profit or loss		-	-	123,000
Increase in loans and receivables		(25,902,384)	(487,827,394)	(388,965,772)
Decrease in investment properties		53,194,002	15,404,077	27,974,536
Increase in other resources		(146,230,742)	(8,780,499)	(2,407,665)
Increase in deposit liabilities		630,619,884	197,781,478	247,843,461
Increase (decrease) in other liabilities		(8,268,393)	17,073,212	(56,768,351)
Cash from (used in) operations		279,845,723	(459,794,322)	(323,062,362)
Interest received		252,327,035	213,999,249	180,412,865
Interest paid		(27,536,342)	(27,839,314)	(30,379,966)
Cash paid for income taxes		(5,869,103)	(7,257,797)	(10,058,845)
Net Cash From (Used in) Operating Activities		498,767,313	(280,892,184)	(183,088,308)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of bank premises, furniture, fixtures and equipment	11	(46,349,972)	(14,832,943)	(3,014,077)
Disposals of available-for-sale securities	9	-	44,296,745	-
Acquisitions of available-for-sale securities	9	-	(30,000,000)	(82,441,536)
Disposals of held-to-maturity investments		-	-	67,226,348
Maturities of held-to-maturity investments		-	-	12,630,000
Acquisitions of held-to-maturity investments		-	-	(12,526,450)
Disposals of bank premises, furniture, fixtures and equipment	11	-	-	1,210,000
Net Cash Used in Investing Activities		(46,349,972)	(536,198)	(16,915,715)
Effect of Foreign Currency Exchange Rate Changes in Cash and Cash Equivalents		545,319	(56,190)	594,194
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		452,962,660	(281,484,572)	(199,409,829)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		122,574,664	93,698,892	110,708,774
Due from Bangko Sentral ng Pilipinas	7	225,855,077	456,418,925	573,508,682
Due from other banks	8, 25	76,059,983	155,856,479	221,166,669
		424,489,724	705,974,296	905,384,125
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		127,556,153	122,574,664	93,698,892
Due from Bangko Sentral ng Pilipinas	7	602,895,583	225,855,077	456,418,925
Due from other banks	8, 25	147,000,648	76,059,983	155,856,479
		P 877,452,384	P 424,489,724	P 705,974,296

See Notes to Financial Statements.

CITYSTATE SAVINGS BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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 14, 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 2013, the Bank has 27 branches and 30 on-site and 7 off-site automated teller machines strategically located in key cities and municipalities within Metro Manila and provincial areas.

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.

The financial statements of the Bank for the year ended December 31, 2013 (including the comparatives for December 31, 2012 and the corresponding figures as of January 1, 2012) were authorized for issue by the Bank's Board of Directors (BOD) on April 14, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. 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 adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board (IASB).

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

(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.

In 2013, the Bank made material retrospective restatements on certain accounts in the comparative financial statements for December 31, 2012 and in the corresponding figures as of January 1, 2012 as a result of adoption of PAS 19 (Revised), *Employee Benefits,* and to correct the amounts of interest income on certain loan accounts which were inadvertently accrued in 2011. Accordingly, the Bank presents a third statement of financial position as of January 1, 2012 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

The effect of these restatements in the comparative financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012 on the affected assets, liabilities, and equity components, are shown below and in the succeeding page.

	December 31, 2012		
	As Previously Reported	Effects of Restatements	As Restated
Changes in resources and liability:			
Loans and receivables	P 2,000,233,891	(P 20,634,248)	P 1,979,599,643
Other resources	109,530,952	1,943,027	111,473,979
Other liabilities	(58,056,832)	(6,476,756)	(64,533,588)
Net decrease in equity		(P 25,167,977)	
Changes in components of equity:			
Revaluation reserves	P 11,397,923	(P 4,105,383)	P 7,292,540
Retained earnings	48,238,289	(21,062,594)	27,175,695
Net decrease in equity		(P 25,167,977)	

	January 1, 2012		
	As Previously Reported	Effects of Restatements	As Restated
Changes in resources and liability:			
Loans and receivables	P 1,499,943,435	(P 20,634,248)	P 1,479,309,187
Other resources	89,809,043	1,044,402	90,853,445
Other liabilities	(38,995,094)	(3,481,341)	(42,476,435)
Net decrease in equity		(P 23,071,187)	
Changes in components of equity:			
Revaluation reserves	P 5,023,029	(P 1,992,570)	P 3,030,459
Retained earnings	46,700,158	(21,078,617)	25,621,541
Net decrease in equity		(P 23,071,187)	

The restatement resulted in the changes in the following components of equity as of January 1, 2011:

	As Previously Reported	Effects of Restatements	As Restated
Revaluation reserves	P 3,920,850	P 894,925	P 4,815,775
Retained earnings	45,769,364	(555,133)	45,214,231
Net decrease in equity		P 339,792	

The restatements also affected the reported amounts of certain accounts in the statements of profit or loss and statements of comprehensive income for the year ended December 31, 2012 and 2011 as shown below.

	December 31, 2012		
	As Previously Reported	Effects of Restatements	As Restated
Changes in profit or loss:			
Employee benefits	(P 88,123,946)	P 320,487	(P 87,803,459)
Miscellaneousexpense	(24,039,222)	(297,597)	(24,336,819)
Tax expense	(11,325,181)	(6,867)	(11,332,048)
Net effect in net profit		P 16,023	
Changes in other comprehensive income –			
Remeasurement of defined benefit post-employment plan	P -	(P 3,018,304)	(P 3,018,304)
Tax income	-	905,491	905,491
Net effect in other comprehensive income		(P 2,112,813)	

	December 31, 2011		
	As Previously Reported	Effects of Restatements	As Restated
Changes in profit or loss:			
Interest income –			
Loans and receivables	P 161,000,988	(P 20,634,248)	P 140,366,740
Employee benefits	(68,208,109)	221,636	(67,986,473)
Miscellaneous expense	(16,278,354)	(63,401)	(16,341,755)
Tax expense	(13,371,006)	(47,471)	(13,418,477)
Net effect in net profit		(P 20,523,484)	
Changes in other comprehensive income –			
Remeasurement of defined benefit post-employment plan	P -	(P 4,124,992)	(P 4,124,992)
Tax income	-	1,237,497	1,237,497
Net effect in other comprehensive income		(P 2,887,495)	

The restatements did not have a material impact in the statements of cash flows for the years ended December 31, 2012 and 2011 and earnings per share (EPS) in 2012. On the other hand, the previously reported EPS of P0.01 per share in 2011 was restated to a loss per share of P0.27.

(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. The financial statements of the FCDU of the Bank, which are expressed in United States (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.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2013 that are Relevant to the Bank

In 2013, the Bank adopted for the first time the following new PFRS, revision, annual improvements, and amendments to PFRS that are relevant to the Bank and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 13	:	Fair Value Measurement
Annual Improvements	:	Annual Improvements to PFRS (2009-2011 Cycle)

Discussed below are the relevant information about these new, revised and amended standards.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss, and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Bank applied the amendment retrospectively, hence, the presentation of other comprehensive income has been modified to reflect the changes. In 2013, the Bank also opted to present two separate statements for the statement of profit or loss and statement of comprehensive income. Prior period comparatives have been restated as a consequence of this change in presentation.

(ii) PAS 19 (Revised 2011), *Employee Benefits* (effective from January 1, 2013). This revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plans as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Bank has applied PAS 19 (Revised) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative amounts disclosed in prior years and adjusted the cumulative effect of the changes against the 2012 and 2011 balances of the affected asset, liabilities, and equity components [see Note 2.1(b)].

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation.* The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The details and outstanding balances of financial assets and financial liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements are disclosed in Note 5.2.

(iv) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013, hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Note 6, the application of this new standard had no significant impact on the amounts recognized in the financial statements.

(v) 2009 – 2011 Annual Improvements to PFRS. Annual improvement to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Bank:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the third statement of financial position are not required to be presented.

Consequent to the Bank's adoption of PAS 19 (Revised) and certain restatements made on accrued interest in prior years which resulted in retrospective restatement of the prior years' financial statements, the Bank has presented a third statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8 as presented in Note 2.1(b).

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the Bank's financial statements since the Bank does not have servicing equipment used in its operations.

(c) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments.* The amendment clarifies that the consequences of income tax relating to distribution to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes.* Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Bank's financial statements as it has been recognizing the effect of distributions to holders of equity instruments and transaction costs of an equity transaction in accordance with PAS 12.

(d) PAS 34 (Amendment), *Interim Financial Reporting and Segment Information for Total Assets and Liabilities* (effective from January 1, 2013). This standard clarifies the requirements on segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in paragraph 23 of IFRS 8, *Operating Segments.* It also clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (a) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; and, (b) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment. This amendment has no impact on the financial statements both in the annual and interim reporting since the Bank has no reportable segment.

(b) *Effective in 2013 that are not Relevant to the Bank*

The following new PFRS, amendments, revisions, annual improvements and interpretation to existing standards are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to the Bank's financial statements:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
PFRS 10	:	Consolidated Financial Statements
PFRS 11	:	Joint Arrangements
PFRS 12	:	Disclosure of Interests in Other Entities
PAS 27 (Revised)	:	Separate Financial Statements
PAS 28 (Revised)	:	Investments in Associates and Joint Ventures
PFRS 10, 11 and 12 (Amendments)	:	Amendments to PFRS 10, 11 and 12 – Transition Guidance to PFRS 10, 11 and 12
Annual Improvement (2009-2011 Cycle)		
PPRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Costs
Philippine Interpretations International Financial Reporting Interpretation Committee 20	:	Stripping Costs in the Production Phase of a Surface Mine

(c) *Effective Subsequent to 2013 but not Adopted Early*

There are new PFRS, amendments, annual improvements and interpretation to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Bank will apply in accordance with their transitional provisions, to be relevant to their financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially determined that this amendment will have no impact on the Bank's financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Bank does not expect this amendment to have a significant impact on its financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' financial statements the changes arising from this relief on disclosure requirements if the resulting impact of the amendment will be applicable.

(iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective from January 1, 2014). The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Bank neither enters into transactions involving derivative instruments nor it applies hedge accounting, the amendment will not have an impact on its financial statements.

(v) PFRS 9, *Financial Instruments: Classification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to IFRS 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapters to IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Bank does not expect to implement and adopt PFRS 9 until all phases have been completed. However, management is currently assessing the implications of PFRS 9 on the Bank's financial statements and evaluating the need to conduct a comprehensive study of the potential impact and changes that may result from the adoption of this standard when it becomes effective.

(vi) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Bank but management does not expect a material impact on the Bank's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets.* The amendments clarify that when an item of property and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies the entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

2.3 Financial Assets

Financial assets are recognized when the Bank becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

A more detailed description of the categories of financial assets that are relevant to the Bank is described below.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Bank will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The Bank's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Loans and Receivables and Security Deposits (under Other Resources account) in the statement of financial position. Cash and cash equivalents comprise accounts with original maturities of three months or less, including cash and non-restricted balances with the BSP and amounts due from other banks. For statement of cash flows purposes, cash and cash equivalents include cash and other cash items, due from BSP and due from other banks.

Loans and receivables also include Securities Purchased Under Reverse Repurchase Agreement (SPURRA) wherein the Bank enters into short-term purchases of securities under reverse repurchase agreements of substantially identical securities with the BSP.

(b) *HTM Investments*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Bank has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss, which is the difference between the carrying value and the present value of estimated future cash flows of the investment, is recognized in profit or loss when there is an objective evidence that the investment has been impaired (see Note 2.14).

Should the Bank sell other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. However, the tainting provision will not apply if the sales or reclassification of HTM investments: (i) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; (ii) occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or, (iii) are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank.

(c) *AFS Securities*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Bank's AFS securities include government securities and proprietary club shares.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity. When the financial asset is disposed of, or is determined to be impaired (see Note 2.14), the cumulative fair value gains or losses recognized in other comprehensive income are reclassified from equity to profit or loss and are presented as a reclassification adjustment within other comprehensive income.

Impairment losses or recoveries recognized on financial assets are presented under Impairment Losses (Recoveries) account in the statement of profit or loss.

Non-compounding interest, dividend income, and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are 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.

2.4 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. 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; 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:

Bank premises	50 years
Office furniture, fixtures and equipment	5 years

Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

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 2.15).

The residual values and estimated useful lives 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

2.5 Investment Properties

Investment properties include land and buildings acquired by the Bank from defaulting borrowers which 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 2.15). 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.

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

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are charged against current operations 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 Income in the year of retirement or disposal.

2.6 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 entity and the asset has a cost or value that can be measured reliably.

2.7 Intangible Assets

Intangible assets include acquired branch licenses and computer software used in operations and administration which are accounted for under the cost model and reported under 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.

The acquired branch license is classified as intangible asset with indefinite useful life, and thus, not subject to amortization but would require an annual test for impairment (see Note 2.15). Branch license is subsequently carried at cost less accumulated impairment losses, if any.

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.

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; they are subject to the same subsequent measurement method as externally acquired software licenses. Any capitalized internally developed software that is not yet complete is not amortized but is subject to impairment testing as described in Note 2.15. Amortization commences upon completion of the asset.

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.

2.8 Financial Liabilities

Financial liabilities, which include deposit liabilities and other liabilities (except for income tax payable, post-employment benefit obligation and other tax related liabilities) are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as Interest Expense in the statement of profit or loss.

Deposit liabilities and other liabilities are recognized initially at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Bank, subject to the approval of the BSP.

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.

2.9 Offsetting Financial Instruments

Financial assets and liabilities are set off and the resulting net amount is reported in the statement of financial position when there is a 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.

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 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Bank; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Interest income and expense* - are recognized in the profit or loss for all financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes, all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) *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.

(c) *Trading gains* - are recognized when the ownership of the security is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the security.

(d) *Gains from assets acquired/exchanged* - are recognized in profit or loss when the title to the assets is transferred to the buyer or when the collectability of the entire sales price is reasonably assured.

(e) *Rental income* - is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in profit or loss as part of Miscellaneous under the Other Operating Income account. Rental income is generally earned from lease of investment property.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.16).

2.12 Leases

The Bank accounts for its leases as follows:

(a) *Bank as Lessee*

Leases, which transfer to the Bank substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases, which do not transfer to the Bank substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as 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.

(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.

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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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 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.

2.14 Impairment of Financial Assets

The Bank assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events, including, among others: (i) significant financial difficulty of the issuer or debtor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) the Bank granting the borrower, for economic or legal reasons relating to the borrower's difficulty, a concession that the lender would not otherwise consider; (iv) the probability that the borrower will enter bankruptcy or other financial reorganization; (v) the disappearance of an active market for that financial asset because of financial difficulties; or, (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

The Bank recognizes impairment loss based on the category of financial asset as follows:

(a) *Assets carried at amortized cost.* The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is an objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If income on loans has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimated future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When possible, the Bank seeks to restructure loans rather than to take possession of the collateral. This may involve extending the payment arrangement and agreement for new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria evidencing the good quality of the loan are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized as part of Impairment Losses (Recoveries) account in profit or loss.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

(b) *Assets carried at fair value.* In the case of equity investments classified as AFS securities, a significant or prolonged decline in the fair value of security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from revaluation reserves (part of equity) and recognized in profit or loss. Such reclassification is presented as an adjustment within other comprehensive income. Impairment losses recognized in profit or loss on equity instruments are not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as AFS securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the other comprehensive income.

(c) *Assets carried at cost.* The Bank assesses at the end of each reporting period whether there is objective evidence that any of the unquoted equity securities, which are carried at cost and for which objective evidence of impairment exist. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

2.15 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures and equipment, 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 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 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.

2.16 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.17 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan, defined contribution plans and other benefits as described below.

(a) 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 independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows arising from expected benefits payments using a discount rate derived from the interest rates of a zero coupon government bonds as published by the Philippine Dealing and Exchange Corporation, that are 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.

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.

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

(b) Defined Contribution Plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into an independent entity [e.g., Social Security System (SSS)]. 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 and 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 the reporting period. They are included in 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.

2.18 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred and current 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 provided using the liability method on temporary differences at the end of the 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 liabilities and assets 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 entity and the same taxation authority.

2.19 Related Party Relationships and Transactions

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.

2.20 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.

Revaluation reserves comprise of the following:

(a) Net unrealized fair value gain arising from the marked-to-market valuation of AFS securities.

(b) Reserves on remeasurements of defined benefit post-employment plan based on the accumulated balances of actuarial gains or losses and 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 account included in net interest).

Surplus reserve pertains to a portion of the Bank's income from trust operations set-up on a yearly basis in compliance with BSP regulations.

Retained earnings represent all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amount of dividends declared.

2.21 Earnings Per Share

Basic earnings per share is computed by dividing net profit attributable to 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 current period.

The diluted earnings per share is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loan and stock option.

Currently, the Bank's basic and diluted earnings per share are the same as the Bank does not have dilutive preferred shares, convertible loan and stock option.

2.22 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) *Classifying Financial Assets as HTM Investments*

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM investments, the Bank evaluates its intention and ability to hold such investments up to maturity. If the Bank fails to keep these investments to maturity (other than for specific circumstances as allowed under the standards, e.g. selling more than an insignificant amount close to maturity), it will be required to reclassify the whole class as AFS securities. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost.

In 2011, the Bank disposed of a significant portion of its HTM investments prior to maturity of those instruments. Accordingly, those investments were reclassified to AFS securities as the Bank cannot classify any investments under HTM category within two reporting periods after the year of sale or until 2013.

(b) *Impairment of AFS Securities*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Bank's AFS securities, management concluded that those assets are not impaired as of December 31, 2013 and 2012. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(c) *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.

(d) *Distinguishing Operating and Finance Leases*

The Bank has entered into various lease agreements as lessee and certain lease agreements as 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.

(e) *Classifying and Determining Fair Value of Acquired Properties*

The Bank classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as assets held for sale included as part of Non-financial assets under Other Resources account if the Bank expects that the properties will be recovered through sale rather than use, as Investment Properties if held for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets in accordance with PAS 39. At initial recognition, the Bank determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property. The Bank's methodology in determining the fair value of acquired properties are further discussed in Note 6.

(f) *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.

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) Estimating Impairment Losses on Loans and Receivables

Adequate amount of allowance is provided for specific and groups of accounts, where objective evidence of impairment exists. The Bank evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Bank's relationship with the borrowers, the borrowers' current credit status, average age of accounts, value of the collaterals, collection experience and historical loss experience.

The carrying value of loans and receivables and the analysis of allowance for impairment on such financial assets are shown in Note 10.

(b) Determining Fair Value Measurement for AFS Securities

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Bank utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income.

The carrying amount of the Bank's AFS securities and the changes in the fair value recognized on those financial assets are shown in Note 9.

(c) Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties Except Land, and Computer Software

The Bank estimates the useful lives of bank premises, furniture, fixtures, and equipment, investment properties, and computer software 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 bank premises, furniture, fixtures and equipment and investment properties are presented in Notes 11 and 12, respectively, while the carrying amount of computer software is presented in Note 13. Based on management's assessment as at December 31, 2013 and 2012, there is no change in the estimated useful lives of bank premises, furniture, fixtures and equipment, investment properties, and computer software during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Fair Value Measurement for Investment Properties

The Bank's investment properties are composed of parcels of land and buildings acquired from defaulting borrowers not held for sale in the next twelve months. The estimated fair values of these assets, as disclosed in Notes 6 and 12, 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.

(e) 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 19.1 can be utilized in the coming years or within their prescriptive period.

(f) Estimating Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives, 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 2.15). 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 values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that there are no indications of impairment on any of the Bank's non-financial assets at the end of each reporting period, hence, no impairment losses are required to be recognized on those assets in both years.

(g) Valuation of Post-employment Defined Benefit

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 expense 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 the obligation are presented in Note 18.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rate, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also trades financial instruments where it takes positions in traded and over-the-counter instruments, to take advantage of short-term market movements in equities and bonds.

The Bank's Risk Management Committee (RMC) has overall responsibility for the Bank's risk management systems and sets risks management policies across the full range of risks to which the Bank is exposed. The Bank's RMC places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. It provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, liquidity risk, foreign exchange risk, and investment of excess liquidity.

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. Impairment provisions are provided for losses that have been incurred at the end of the reporting period. 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.

The AMD undertakes credit analysis and review to ensure consistency in the Bank's risk assessment process. The AMD performs risk ratings for corporate accounts and risk scoring for consumer accounts. 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 an annual 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 2.14.

4.1.1 Exposure to Credit Risk

The carrying amount of financial assets recognized in the financial statements, represents the Bank's maximum exposure to credit risk without taking into account the value of any collateral obtained. The table below shows the credit quality by class of financial assets as of December 31, 2013.

	Neither Past Due nor Specifically Impaired		Past Due	
	High Grade	Standard Grade	Individually Impaired	Total
Cash and cash items	P 127,556,153	P -	P -	P 127,556,153
Due from BSP	602,895,583	-	-	602,895,583
Due from other banks	196,418,818	-	-	196,418,818
AFS securities	80,179,914	-	-	80,179,914
Loans and receivables	1,859,123,940	125,305,690	45,252,628	2,029,682,258
Security deposits	6,955,127	-	-	6,955,127
	P 2,873,129,535	**P 125,305,690**	**P 45,252,628**	**P 3,043,687,853**

The credit quality by class of financial assets as of December 31, 2012, as restated, follows:

	Neither Past Due nor Specifically Impaired		Past Due	
	High Grade	Standard Grade	Individually Impaired	Total
Cash and cash items	P 122,574,664	P -	P -	P 122,574,664
Due from BSP	225,855,077	-	-	225,855,077
Due from other banks	112,890,196	-	-	112,890,196
AFS securities	83,945,957	-	-	83,945,957
Loans and receivables	1,921,370,612	86,881,447	26,994,531	2,035,246,590
Security deposits	6,213,479	-	-	6,213,479
	P 2,472,849,985	P 86,881,447	P 26,994,531	P 2,586,725,963

The Bank is able to manage the credit risk arising from its deposits with other banks as the banks where these deposits are made have high reputation and good credit standing. Moreover, due from other banks includes P3.5 million amounts secured by the Philippine Depository Insurance Commission (PDIC) insurance coverage as of December 31, 2013 and 2012.

The Due from BSP account represents the aggregate balance of interest-bearing and noninterest-bearing deposit accounts in local currency maintained by the Bank with the BSP primarily to meet reserve requirements and to serve as clearing account for interbank claims. Hence, no significant credit risk is anticipated for this account.

AFS securities exposed to credit risk as of December 31, 2013 and 2012 pertain to quoted and unquoted government debt securities (see Note 9).

The Bank holds collateral against loans and receivables in the form of mortgage interests over property, other registered securities over assets and guarantees. An estimate of the fair value of collateral and other security enhancements held against loans and receivables is shown below.

	2013	2012
Against past due and impaired		
Properties	**P 6,693,525**	P 16,787,971
Against neither past due nor impaired		
Properties	**966,594,089**	2,989,376,716
Jewelries	**453,912,700**	597,132,122
Hold-out deposits	**709,150,530**	328,734,074
	P2,136,350,844	P3,932,030,883

4.1.2 Concentration of Credit Risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below.

	December 31, 2013		
	Cash and Cash Equivalents*	**Loans and Receivables****	**Investment Securities**
Financial intermediaries	P 749,896,231	P 402,000,428	P -
Consumption	-	679,322,883	-
Other community, social and personal activities	-	624,281,837	-
Real estate, renting and other related activities	-	169,182,646	-
Wholesale and retail trade	-	21,835,506	-
Manufacturing (various industries)	-	7,913,567	-
Agriculture, fishing and forestry	-	3,610,328	-
Others	-	-	80,179,914
	P 749,896,231	**P1,908,147,195**	**P 80,179,914**

	December 31, 2012		
	Cash and Cash Equivalents*	Loans and Receivables**	Investment Securities
Financial intermediaries	P 301,915,060	P 294,000,000	P -
Consumption	-	888,885,695	-
Other community, social and personal activities	-	455,523,284	-
Real estate, renting and other related activities	-	236,932,427	-
Wholesale and retail trade	-	56,607,275	-
Manufacturing (various industries)	-	15,439,613	-
Agriculture, fishing and forestry	-	4,976,849	-
Others	-	-	83,945,957
	P 301,915,060	P1,952,365,143	P 83,945,957

* Excludes cash and other cash items and due from other banks with more than three months maturity (see Note 25)

** Composed of SPURRA and Receivables from customers

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, 2013 and 2012 in accordance with the account classification of the BSP, are presented below.

	2013				
	Up to three months	**More than three months to one year**	**More than one year to five years**	**More than five years**	**Total**
Resources:					
Due from BSP	P 602,895,583	P -	P -	P -	P 602,895,583
Due from other banks	147,000,648	49,418,170	-	-	196,418,818
AFS securities	80,179,914	-	-	15,070,000	95,249,914
Loans and receivables	389,910,534	977,455,866	150,058,747	463,584,084	1,981,009,231
Other resources	21,569,483	8,591,172	1,440,416	3,890,758	35,491,829
Total Resources	1,241,556,162	1,035,465,208	151,499,163	482,544,842	2,911,065,375
Liabilities and Equity:					
Deposit liabilities	2,106,497,446	526,400,370	41,599,123	5,100,626	2,679,597,565
Other liabilities	52,958,242	87,418	9,651	-	53,055,311
Total liabilities	2,159,455,688	526,487,788	41,608,774	5,100,626	2,732,652,876
Equity	-	-	-	759,178,999	759,178,999
Total Liabilities and Equity	2,159,455,688	526,487,788	41,608,774	764,279,625	3,491,831,875
On-book gap	(917,899,526)	508,977,420	109,890,389	(281,734,783)	(580,766,500)
Cumulative on-book gap	(917,899,526)	(408,922,106)	(299,031,717)	(580,766,500)	-
Contingent assets	20,858	-	-	1,434,382	1,455,240
Contingent liabilities	(138,698,206)	(58,451,071)	(19,483,690)	-	(216,632,967)
Off-book gap	(138,677,348)	(58,451,071)	(19,483,690)	1,434,382	(215,177,727)
Cumulative total gap	**(P 779,222,178)**	**(P 211,793,687)**	**(P 82,419,608)**	**(P365,588,773)**	**P -**

	2012 (As Restated – see Note 2.1)				
	Up to three months	More than three months to one year	More than one year to five years	More than five years	Total
Resources:					
Due from BSP	P 225,855,077	P -	P -	P -	P 225,855,077
Due from other banks	76,059,983	36,830,213	-	-	112,890,196
AFS securities	83,945,957	-	-	18,080,000	102,025,957
Loans and receivables	838,666,794	591,623,314	73,260,844	476,048,691	1,979,599,643
Other resources	23,542,111	9,727,772	3,077,744	9,366,812	45,714,439
Total Resources	1,248,069,922	638,181,299	76,338,588	503,495,503	2,466,085,312
Liabilities and Equity:					
Deposit liabilities	1,689,305,550	349,319,741	6,634,571	3,775,000	2,049,034,862
Other liabilities	52,026,131	121,094	6,072	-	52,153,297
Total liabilities	1,741,331,681	349,440,835	6,640,643	3,775,000	2,101,188,159
Equity	-	-	-	768,848,356	768,848,356
Total Liabilities and Equity	1,741,331,681	349,440,835	6,640,643	772,623,356	2,870,036,515
On-book gap	(493,261,759)	288,740,464	69,697,945	(269,127,853)	(403,951,203)
Cumulative on-book gap	(493,261,759)	(204,521,295)	134,823,350	(403,951,203)	-
Contingent assets	22,187	-	-	1,434,382	1,456,569
Contingent liabilities	(165,275,611)	(69,725,648)	(23,241,883)	-	(258,243,142)
Off-book gap	(165,253,424)	(69,725,648)	(23,241,883)	1,434,382	(256,786,573)
Cumulative total gap	**(P 328,008,335)**	**P 30,457,777**	**P 123,397,605**	**(P 147,164,630)**	**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, stated at their settlement amounts as of December 31, 2013 and 2012, are presented below.

	2013				
	Up to three months	More than three months to one year	More than one year to five years	More than five years	Total
Deposit liabilities	P 2,106,497,446	P 526,400,370	P 41,599,123	P 5,100,626	P2,679,597,565
Other liabilities	57,929,666	121,094	6,072	-	58,056,832
	P 2,164,427,112	**P 526,521,464**	**P 41,605,195**	**P 5,100,626**	**P2,737,654,397**

	2012				
	Up to three months	More than three months to one year	More than one year to five years	More than five years	Total
Deposit liabilities	P 1,986,685,908	P 51,939,383	P 6,634,571	P 3,775,000	P2,070,322,950
Other liabilities	50,026,131	121,094	6,072	-	50,153,297
	P 2,036,712,039	P 52,060,477	P 6,640,643	P 3,775,000	P2,120,476,247

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, 2013 and 2012 translated to closing rates consist of the following:

	2013		2012	
	US Dollar	**Peso**	US Dollar	Peso
Due from other banks	**$ 1,996,855**	**P 88,656,352**	$ 1,744,788	P 73,668,469
Other resources	**17,516**	**777,956**	32,204	1,359,717
Deposit liabilities	**(1,899,904)**	**(84,351,917)**	(1,768,495)	(74,669,396)
Other liabilities	**(3,025)**	**(134,352)**	(8,813)	(372,102)
Short-term exposure	**$ 111,442**	**P 4,948,039**	($ 316)	(P 13,342)

The sensitivity of the net profit before tax and equity in regards to the Bank's financial assets and liabilities and the US dollar - Philippine peso exchange rate assumes a +/- 23.82% change and +/- 13.83% change in the Philippine peso/US dollar exchange rate for the years ended December 31, 2013 and 2012, 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 in the preceding page 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' 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, AFS debt securities – bonds, SPURRA 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 before tax and equity will be immaterial. All other financial assets and liabilities have fixed rates.

The following table illustrates the sensitivity of the Bank's profit 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.

	2013		
	+/- %	**Profit Before Tax**	**Equity**
Due from other banks	**1.21%**	**P 9,671,704**	**P 6,770,193**
AFS securities – bonds	**1.78%**	**818,800**	**573,160**
Loans and receivables	**0.35%**	**5,061,480**	**3,543,036**
		P 15,551,984	**P 10,886,389**

	2012		
	+/- %	Profit Before Tax	Equity
Due from other banks	1.08%	P 3,658,449	P 2,560,914
AFS securities – bonds	0.88%	440,000	308,000
Loans and receivables	0.13%	826,663	578,664
		P 4,925,112	P 3,447,578

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.

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 liabilities:

		2013		2012 (As Restated – see Note 2.1)	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and other cash items		**P 127,556,153**	**P 127,556,153**	P 122,574,664	P 122,574,664
Due from BSP	7	**602,895,583**	**602,895,583**	225,855,077	225,855,077
Due from other banks	8	**196,418,818**	**196,418,818**	112,890,196	112,890,196
Loans and receivables	10	**1,979,960,436**	**1,979,960,436**	1,983,599,643	1,983,599,643
Other resources	13	**12,652,580**	**12,652,580**	21,151,640	21,151,640
AFS securities	9	**49,249,914**	**49,249,914**	52,025,957	52,025,957
		P2,968,733,484	**P2,968,733,484**	P 2,518,097,177	P2,518,097,177
Financial Liabilities					
At amortized cost:					
Deposit liabilities	14	**P2,679,597,565**	**P2,679,597,565**	P2,049,034,862	P2,049,034,862
Other liabilities	15	**53,055,311**	**53,055,311**	52,153,297	52,153,297
		P2,732,652,876	**P2,732,652,876**	P 2,101,188,159	P2,101,188,159

The amounts of AFS securities presented above for 2013 and 2012 are net of P46.0 million and P50.0 million debt security, respectively, which is carried at cost as their fair value cannot be determined (see Note 9).

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

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements. Due from other banks include interbank deposits and 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 discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximates the nominal value.

(b) Loans and receivables and other resources

Loans and receivables and 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) 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.

(d) 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.

See Notes 2.3 and 2.8 for the description of the accounting policies for each category of financial instruments and Note 6.2 for the information related to the determination of fair values of the Bank's AFS securities carried at fair value. Moreover, 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:

	December 31, 2013			
	Gross amounts recognized in the statement of financial position	**Related amounts not set off in the statement of financial position**		
		Financial Instruments	**Collateral received**	**Net amount**
Loans and receivables – Receivables from customers				
December 31, 2013	**P 1,908,147,195**	**(P 709,150,530)**	**P -**	**P 1,198,996,665**
December 31, 2012	P 1,658,365,143	(P 328,734,078)	P -	P 1,329,631,065

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

	December 31, 2013						
	Gross amounts recognized in the statement of financial position	Related amounts not set off in the statement of financial position					
		Financial Instruments		Collateral received		Net amount	
Deposit liabilities –							
December 31, 2013	**P 2,679,597,565**	**(P**	**709,150,530)**	**P**	**-**	**P**	**1,970,447,035**
December 31, 2012	P 2,049,034,862	(P	328,734,078)	P	-	P	1,720,300,784

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 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:

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

b) 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,

c) 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 does 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.

6.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2013 and 2012.

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Debt securities -				
AFS financial assets	P 23,557,188	P 10,622,726	P -	P 34,179,914
Proprietary shares -				
AFS financial assets	-	15,070,000	-	15,070,000
	P 23,557,188	**P 25,692,726**	**P -**	**P 49,249,914**

	2012			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt securities -				
AFS financial assets	P 23,198,348	P 10,747,609	P -	P 33,945,957
Proprietary shares -				
AFS financial assets	-	18,080,000	-	18,080,000
	P 23,198,348	P 28,827,609	P -	P 52,025,957

The Bank has no financial liabilities measured at fair value as of December 31, 2013 and 2012.

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 AFS financial assets are determined.

a) 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 on price quoted or actually dealt in an active market at the end of each of the reporting period. On the other hand, government bonds with fair value categorized within Level 2 is determined based on the prices of relative benchmark securities which are also quoted in an active market or bond exchange (i.e., Philippine Dealing and Exchange Corporation).

b) Propriety 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 the reporting period.

6.3 Fair Value Disclosures for Investment Properties

The total estimated fair values of the Bank's investment properties amounted to P82.4 million and P67.9 million as of December 31, 2013 and 2012, respectively. The fair value hierarchy of those properties as of December 31, 2013 categorized as Level 3, are shown below.

Land	P 80,457,408
Buildings	1,967,650
	P 82,425,058

The fair value disclosed for the Bank's investment properties as of December 31, 2013 and 2012 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 value 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 were 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 were 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.

There has been no change to the valuation technique during the year.

7. DUE FROM BANGKO SENTRAL NG PILIPINAS

As of December 31, 2013 and 2012, the Bank has deposits considered as mandatory reserves with the BSP totaling P602.9 million and P225.9 million, respectively.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements on deposit liabilities for thrift banks. Due from BSP bears annual interest at rates of 2.00% to 3.00% in 2013, 3.66% to 4.69% in 2012 and 4.00% to 4.69% in 2011. Total interest earned from these deposits amounted to P6.6 million, P11.9 million and P17.7 million in 2013, 2012 and 2011, respectively, and are shown as part of Interest Income on Due from BSP and Other Banks 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:

	2013	2012
Time deposits	**P 136,026,861**	P 73,063,776
Savings deposits	**60,391,957**	39,826,420
	P 196,418,818	P 112,890,196

Savings accounts represent clearing and other depository accounts with other banks which bear annual interest at rates of 0.25% to 0.88% in 2013, 2012 and 2011.

Time deposits include special savings deposits which bear annual interest of 1.00% to 2.20% in 2013, 0.50% to 2.25% in 2012 and 0.75% to 5.00% in 2011 and have average maturities of one month.

Interest income earned from these savings and time deposits amounted to P1.97 million, P1.79 million and P3.77 million in 2013, 2012 and 2011, respectively, and are shown as part of Interest Income on Due from BSP and Other Banks account in the statements of profit or loss.

The breakdown of this account by currency is as follows:

	2013	2012
Peso	**P 107,762,466**	P 38,088,032
US dollar	**88,656,352**	74,802,164
	P 196,418,818	P 112,890,196

For statements of cash flows purposes, deposits amounting to P49.4 million and P36.8 million as of December 31, 2013 and 2012, respectively, are not included as cash and cash equivalents since these have maturities of more than three months (see Note 25).

9. AVAILABLE-FOR-SALE SECURITIES

The breakdown of AFS securities as to type of instrument is shown below.

	2013	2012
Government debt securities:		
Unquoted	**P 46,000,000**	P 50,000,000
Quoted	**34,179,914**	33,945,957
Quoted proprietary club shares	**15,070,000**	18,080,000
	P 95,249,914	P 102,025,957

Quoted government debt securities include debt securities issued by the Republic of the Philippines, which earn annual interest of 5.0% to 6.5% in 2013, 2012 and 2011. These securities will mature in various dates within 2014 to 2037.

Unquoted debt security amounting to P46.0 million and P50.0 million as of December 31, 2013 and 2012, respectively, is issued by the local government of Infanta and earns annual interest of 4.4% in 2013, 5.6% in 2012 and 4.9% in 2011. This investment is carried at cost as the fair value of such security cannot be determined.

Proprietary club shares consist of golf shares of Forest Hills Golf & Country Club, previously acquired from borrowers as settlement of loan, and of Wack Wack Golf & Country Club. The golf shares have been designated by the Bank as AFS securities as these shares are being held indefinitely.

The reconciliation of the carrying amounts of AFS securities follows:

	2013	2012
Balance at beginning of year	**P 102,025,957**	P 107,230,428
Acquisitions	**-**	30,000,000
Disposals	**-**	(42,250,878)
Amortization	**(4,159,993)**	-
Fair value gains (losses) – gross of tax	**(2,616,050)**	7,046,407
Balance at end of year	**P 95,249,914**	P 102,025,957

In 2011, the Bank's HTM investments amounting to P12.5 million were reclassified to AFS securities after the Bank has sold a significant portion of its HTM investment portfolio. Consequently, the Bank is not allowed to categorize any of its financial assets as HTM investments within two reporting periods subsequent to the year of reclassification to AFS financial assets or until end of 2013.

Trading gains recognized on AFS securities disposed of in 2012 amounted to P2.0 million and are presented as part of Other Operating Income account in the 2012 statement of profit or loss. Consequently, fair value gains amounting to P1.8 million related to the investments disposed of were transferred and recycled to profit or loss.

Interest income earned by the Bank from AFS securities amounted to P3.4 million, P5.2 million and P1.3 million in 2013, 2012 and 2011, respectively.

Unrealized fair value losses on AFS securities amounting to P2.6 million in 2013 and unrealized gains on AFS securities amounting to P8.8 million and P1.2 million in 2012 and 2011, respectively, were reported in Other Comprehensive Income, gross of tax, and formed part of the Revaluation Reserves account in the statements of changes in equity.

The fair values of quoted government debt securities and proprietary club shares have been determined under Level 1 and Level 2 hierarchy, respectively (see Note 6.2).

Certain government securities amounting to P3.0 million as of December 31, 2013 and 2012 were earmarked for trust duties and tagged as non-tradable by the Bureau of Treasury (see Note 20).

10. LOANS AND RECEIVABLES

The details of this account follows:

	2013	2012 (As Restated – see Note 2.1)
Receivables from customers	**P 1,908,147,195**	P 1,658,365,143
Sales contract receivables	**71,940,686**	34,196,853
SPURRA	**-**	294,000,000
Other receivables	**49,594,377**	48,684,594
	2,029,682,258	2,035,246,590
Unearned interests, discounts and other charges	**(19,919,205)**	(25,844,330)
Allowance for impairment	**(28,753,822)**	(29,802,617)
	P 1,981,009,231	P 1,979,599,643

Included in receivables from customers are non-accruing loans amounting to P35.3 million and P30.9 million as of December 31, 2013 and 2012, respectively.

Receivables from customers are composed of the following:

	2013	2012
Time loans	**P1,427,869,310**	P 1,592,227,386
Bills discounted	**403,918,167**	25,163,243
Bills purchased	**28,567,627**	11,505,092
Items in litigation	**22,354,349**	15,400,561
Past due loans	**20,348,127**	14,063,060
Restructured loans	**5,089,615**	5,801
	P 1,908,147,195	P 1,658,365,143

Receivables from customers bear annual interest rates of 1.25% to 55.00% in 2013, 3.65% to 55.00% in 2012 and 4.20% to 48.60% in 2011. On the other hand, sales contract receivables bear annual interest rates of 8.13% to 18.16% in 2013, 2012 and 2011.

The maturity profile of the Bank's receivables from customers follows:

	2013	2012
Within one year	**P1,336,006,670**	P 1,149,240,686
Beyond one year:		
Within five years	**229,936,708**	339,413,842
Beyond five years	**342,203,817**	169,710,615
	P 1,908,147,195	P 1,658,365,143

The breakdown of total receivables from customers as to type of interest rate follows:

	2013	2012
Variable interest rates	**P1,446,137,053**	P 766,673,556
Fixed interest rates	**462,010,142**	891,691,587
	P1,908,147,195	P1,658,365,143

The breakdown of total receivables from customers as to secured and unsecured and type of security follows:

	2013	2012
Secured:		
Hold-out deposit	**P 709,150,530**	P 328,734,078
Real estate mortgage	**486,465,502**	327,194,632
Chattel mortgage	**216,932,934**	259,152,401
Others	**459,412,700**	631,306,922
	1,871,961,666	1,546,388,033
Unsecured	**36,185,529**	111,977,110
	P1,908,147,195	P1,658,365,143

All acquired SPURRA in 2012 are recognized as loans and receivables and the related income thereon are presented as part of Interest Income on Loans and Receivables. The Bank's SPURRA earn annual interest of 3.50% in 2012 and 4.50% in 2011.

Changes in the amounts of allowance for impairment of loans and receivables are summarized below.

	2013	2012
Balance at beginning of year	**P 29,802,617**	P 23,039,787
Impairment loss	**-**	15,719,403
Impairment reversal	**(1,048,795)**	(8,956,573)
Balance at end of year	**P 28,753,822**	P 29,802,617

The breakdown of allowance for impairment on loans and receivables is shown below.

	2013	2012
Receivables from customers	**P 26,634,182**	P 27,682,977
Sales contract receivables	**501,115**	501,115
Other receivables	**1,618,525**	1,618,525
	P 28,753,822	P 29,802,617

In 2013, the Bank recognized an impairment loss of P1.3 million on certain other receivables directly written-off during the year. Such impairment loss, net of P1.1 million recoveries on other loan accounts, is presented in the 2013 statement of profit or loss.

11. 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 2013 and 2012 are shown below.

	Land	Bank Premises	Office Furniture, Fixtures and Equipment	Leasehold Improve-ments	Total
December 31, 2013					
Cost	P 99,656,485	P 124,396,533	P 121,385,196	P 20,066,421	P 365,504,635
Accumulated depreciation and amortization	-	(36,920,585)	(93,882,632)	(11,563,763)	(142,366,980)
Net carrying amount	**P 99,656,485**	**P 87,475,948**	**P 27,502,564**	**P 8,502,658**	**P 223,137,655**
December 31, 2012					
Cost	P 85,003,485	P 120,298,796	P 99,911,979	P 15,958,288	P 321,172,548
Accumulated depreciation and amortization	-	(32,527,964)	(88,436,567)	(11,176,421)	(132,140,952)
Net carrying amount	P 85,003,485	P 87,770,832	P 11,475,412	P 4,781,867	P 189,031,596
January 1, 2012					
Cost	P 85,003,485	P 119,258,807	P 91,592,311	P 21,242,593	P 317,097,196
Accumulated depreciation and amortization	-	(28,292,968)	(83,627,304)	(18,196,777)	(130,117,049)
Net carrying amount	P 85,003,485	P 90,965,839	P 7,965,007	P 3,045,816	P 186,980,147

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2013 and 2012, is shown below.

	Land	Bank Premises	Office Furniture, Fixtures and Equipment	Leasehold Improve-ments	Total
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 85,003,485	P 87,770,832	P 11,475,412	P 4,781,867	P 189,031,596
Additions	14,653,000	4,097,737	22,500,265	5,098,970	46,349,972
Depreciation and amortization charges for the year	-	(4,392,621)	(6,363,849)	(1,424,180)	(12,180,650)
Reclassification	-	-	(49,001)	49,001	-
Disposals	-	-	(60,263)	(3,000)	(63,263)
Balance at December 31, 2013, net of accumulated depreciation and amortization	**P 99,656,485**	**P 87,475,948**	**P 27,502,564**	**P 8,502,658**	**P 223,137,655**
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 85,003,485	P 90,965,839	P 7,965,007	P 3,045,816	P 186,980,147
Additions	-	1,085,127	10,288,891	3,458,925	14,832,943
Depreciation and amortization charges for the year	-	(4,280,134)	(5,821,060)	(1,701,747)	(11,802,941)
Disposals	-	-	(957,426)	(21,127)	(978,553)
Balance at December 31, 2012, net of accumulated depreciation and amortization	P 85,003,485	P 87,770,832	P 11,475,412	P 4,781,867	P 189,031,596

Depreciation and amortization expenses amounting to P12.2 million in 2013, P11.8 million in 2012 and P15.4 million in 2011 are shown as part of the Depreciation and Amortization account in the statements of profit or loss.

As of December 31, 2013, the gross carrying amount of the Bank's fully-depreciated assets that are still in use is P80.8 million.

The BSP requires that investments in fixed assets do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2013, the Bank has satisfactorily complied with this BSP requirement.

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation and impairment of investment properties at the beginning and end of 2013 and 2012 are shown below.

	Land	Buildings	Total
December 31, 2013			
Cost	P 17,433,054	P 13,618,758	P 31,051,812
Accumulated depreciation	-	(3,959,198)	(3,959,198)
Allowance for impairment	(550,089)	-	(550,089)
Net carrying amount	**P 16,882,965**	**P 9,659,560**	**P 26,542,525**
December 31, 2012			
Cost	P 18,877,674	P 21,607,723	P 40,485,397
Accumulated depreciation	-	(4,969,614)	(4,969,614)
Allowance for impairment	(550,089)	-	(550,089)
Net carrying amount	P 18,327,585	P 16,638,109	P 34,965,694
January 1, 2012			
Cost	P 23,638,008	P 18,358,950	P 41,996,958
Accumulated depreciation	-	(3,821,981)	(3,821,981)
Allowance for impairment	(550,089)	-	(550,089)
Net carrying amount	P 23,087,919	P 14,536,969	P 37,624,888

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2013 and 2012 is shown below.

	Land	Buildings	Total
Balance at January 1, 2013, net of accumulated depreciation and impairment	P 18,327,585	P 16,638,109	P 34,965,694
Additions	10,036,256	3,964,357	14,000,613
Disposals	(11,480,876)	(8,343,365)	(19,824,241)
Depreciation charges for the year	-	(2,599,541)	(2,599,541)
Balance at December 31, 2013, net of accumulated depreciation and impairment	**P 16,882,965**	**P 9,659,560**	**P 26,542,525**

	Land	Buildings	Total
Balance at January 1, 2012, net of accumulated depreciation and impairment	P 23,087,919	P 14,536,969	P 37,624,888
Additions	248,895	4,296,318	4,545,213
Disposals	(5,009,229)	(27,914)	(5,037,143)
Depreciation charges for the year	-	(2,167,264)	(2,167,264)
Balance at December 31, 2012, net of accumulated depreciation and impairment	P 18,327,585	P 16,638,109	P 34,965,694

Income earned by the Bank from its investment properties leased to third parties under operating lease agreements amounted to P3.4 million, P2.4 million and P3.4 million in 2013, 2012 and 2011, respectively, and is recorded as Rental income under Miscellaneous Income account in the statements of profit or loss (see Notes 17.1 and 24.2).

Direct operating expenses on these investment properties amounted to P5.7 million, P4.2 million and P5.6 million for the years ended December 31, 2013, 2012 and 2011, 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, 2013 and 2012 amounted to P82.4 million and P67.9 million, respectively, as determined by the Bank's in-house and independent appraisers (see Note 6.3).

As of December 31, 2013 and 2012, 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.

13. OTHER RESOURCES

The details of this account follows:

	Notes	2013	2012 (As Restated – see Note 2.1)
Non-financial assets – net		**P 146,625,005**	P 11,223,512
Branch licenses		**32,500,000**	32,500,000
Computer software – net		**20,583,839**	1,686,487
Sundry debits		**17,491,194**	11,987,633
Security deposits	21.4	**6,955,127**	6,213,479
Stationery and supplies on hand		**6,416,151**	4,710,779
Prepaid expenses		**6,308,581**	4,547,959
Deferred tax assets – net	19.1	**5,683,937**	15,604,760
Returned checks		**3,197,453**	12,438,161
Deposit with Philippine Clearing House Corp. (PCHC)		**2,500,000**	2,500,000
Advance rental		**2,270,959**	2,673,284
Documentary stamps		**524,732**	410,960
Bancnet		**500,000**	500,000
Utility deposit		**410,892**	404,460
Other investments		**153,333**	153,333
Advances to suppliers		**5,000**	469,034
Miscellaneous		**5,151,990**	3,450,138
		P 257,278,193	P 111,473,979

Non-financial assets include foreclosed vehicles and jewelry items formerly classified as real and other properties acquired (ROPA). As per BSP classification, ROPA which are neither held for capital appreciation, leased out or used in operation, shall be classified as other non-financial asset, accounted for using cost model, subject to periodic depreciation and annual impairment testing. Depreciation expense recognized for the foreclosed vehicles amounting to P2.2 million in 2013, P1.1 million in 2012 and P0.5 million in 2011 are included as part of Depreciation and Amortization account in the statements of profit or loss.

Branch licenses pertain to the cost of licenses the Bank acquired 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.

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. During the year, the Bank acquired a new banking software amounting to P19.8 million. Amortization of computer software amounted to P0.6 million in 2013, P1.0 million in 2012 and P1.5 million in 2011 and are included as part of Other Expenses in the statements of profit or loss (see Note 17.2).

Sundry debits and sundry credits (see Note 15) mainly pertain to automated teller machine 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.

Security deposits include refundable and non-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% 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.

In 2011, the Bank has reversed the impairment loss that was recognized in 2010 relating to certain impaired other resources. The reversal amounting to P0.3 million were presented as part of Impairment Losses (Recovery) account in the 2011 statement of profit or loss.

14. DEPOSIT LIABILITIES

Deposit liabilities have interest rate of 0.25% per annum in 2013, 2012 and 2011. Peso term deposit interest rates range between 0.31% to 3.25% per annum in 2013, 1.25% to 2.75% per annum in 2012 and 1.50% to 3.75% per annum in 2011 while US dollar term deposit interest rates range between 0.13% to 1.25% per annum in 2013, 0.50% to 0.90% per annum in 2012 and 0.38% to 1.35% per annum in 2011.

The breakdown of deposit liabilities as to currency is shown below.

	2013	2012
Philippine Peso	**P2,595,245,648**	P1,974,365,466
US Dollars	**84,351,917**	74,669,396
	P2,679,597,565	P2,049,034,862

The maturity profile of the Bank's deposit liabilities follows:

	2013	2012
Within one year	**P2,632,897,816**	P2,038,625,291
Beyond one year:		
Within five years	**41,599,123**	6,634,571
Beyond five years	**5,100,626**	3,775,000
	P2,679,597,565	P2,049,034,862

15. OTHER LIABILITIES

This account consists of the following:

	Notes	2013	2012 (As Restated – see Note 2.1)
Accounts payable		**P 28,511,108**	P 12,432,132
Accrued expenses		**17,094,618**	13,726,216
Post-employment benefit obligation	18.2	**14,111,947**	8,907,924
Cashier's and manager's checks		**4,271,939**	21,440,058
Income tax payable		**3,533,281**	3,472,367
Security deposits		**1,280,059**	751,949
Bills purchased clearing		**878,425**	512,295
Sundry credits	13	**209,342**	3,240,480
Miscellaneous		**69,919**	50,167
		P 69,960,638	P 64,533,588

Accounts payable is mainly composed of collections of SSS contributions from various clients of the Bank which are remitted to SSS in the succeeding month following the month of collection, advanced collections from borrowers and payable to third party vendors for purchases of goods and services.

Accrued expenses are mainly composed of gross receipts taxes, insurance premium accrual for PDIC, and various accruals for utilities, security and janitorial services.

Security deposits pertain to the deposits received from third parties related to the lease of Bank-owned investment properties, refundable at the end of the lease terms. The security deposits are remeasured at amortized cost using the effective interest method. The fair values on initial recognition of the security deposits were determined by calculating the present value of the cash flows anticipated until the end of the lease term using the effective interest rates ranging from 6.35% to 6.56% at the inception of the lease. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rate of comparable financial instrument.

16. EQUITY

16.1 Capital Stock

As of December 31, 2013 and 2012 the Bank has total authorized capital stock of 100,000,000 common shares at P10 par value per share. As of those dates, total issued and outstanding shares consisted of 72,764,998 shares amounting to P727.6 million.

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. As of December 31, 2013, there are 59 holders of the Bank's total outstanding shares. Such listed shares closed at P16 per share as of December 31, 2013.

16.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statement of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	AFS Securities	Defined Benefit Plan	Total
Balance as of January 1, 2013 (as restated – see Note 2.1)	P 11,397,923	(P 4,105,383)	P 7,292,540
Remeasurements of defined benefit post-employment plan	-	(3,470,458)	(3,470,458)
Fair value loss on AFS securities	(2,616,050)	-	(2,616,050)
Other comprehensive loss before tax	(2,616,050)	(3,470,458)	(6,086,508)
Tax income	397,944	1,041,137	1,439,081
Other comprehensive loss after tax	(2,218,106)	(2,429,321)	(4,647,427)
Balance as of December 31, 2013	**P 9,179,817**	**(P 6,534,704)**	**P 2,645,113**
Balance as of January 1, 2012 (as restated – see Note 2.1)	P 5,023,029	(P 1,992,570)	P 3,030,459
Remeasurements of defined benefit post-employment plan	-	(3,018,304)	(3,018,304)
Fair value gains on AFS securities	8,805,967	-	8,805,967
Transfer of realized fair value gains on AFS securities to profit or loss	(1,759,560)	-	(1,759,560)
Other comprehensive income (loss) before tax	7,046,407	(3,018,304)	4,028,103
Tax income (expense)	(671,513)	905,491	233,978
Other comprehensive income (loss) after tax	6,374,894	(2,112,813)	4,262,081
Balance as of December 31, 2012	P 11,397,923	(P 4,105,383)	P 7,292,540
Balance as of January 1, 2011 (as restated – see Note 2.1)	P 3,920,850	P 894,925	P 4,815,775
Remeasurements of defined benefit post-employment plan	-	(2,887,495)	(2,887,495)
Fair value gain on AFS securities	1,102,179	-	1,102,179
Other comprehensive income (loss) before tax	1,233,460	(4,124,992)	(2,891,532)
Tax income (expense)	(131,281)	1,237,497	1,106,216
Other comprehensive income (loss) after tax	1,102,179	(2,887,495)	(1,785,316)
Balance as of December 31, 2011	P 5,023,029	(P 1,992,570)	P 3,030,459

16.3 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 the reporting period follows:

	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Tier 1 Capital	**P 706,522,924**	P 696,798,101	P 695,243,947
Tier 2 Capital	**11,461,003**	10,420,949	7,605,742
Total Qualifying Capital	**P 717,983,927**	P 707,219,050	P 702,849,689
Total Risk Weighted Assets	**P 2,271,577,145**	P 1,724,236,787	P 1,117,153,330
Capital Adequacy Ratio (CAR)	**31.61%**	41.02%	62.91%

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.

16.4 Minimum Capital Requirement

Under an existing BSP circular, thrift banks are required to comply with the minimum capital requirements amounting to P400.0 million.

As of December 31, 2013, the Bank has complied with the above capitalization requirement.

17. MISCELLANEOUS INCOME AND OTHER OPERATING EXPENSES

Presented below are the details of these accounts:

17.1 Miscellaneous Income

	Notes	**2013**	2012	2011
Gains from assets acquired/ exchanged		**P 33,537,450**	P 20,258,791	P 16,152,356
Interbank automated teller machine (ATM) transactions		**5,620,752**	5,411,462	7,248,960
Rental income	12, 24.2	**3,395,134**	2,366,519	3,376,257
Penalty on loans		**2,644,428**	2,072,836	320,751
Income from trust department	20	**1,602,168**	1,445,630	1,036,726
Income from loans		**1,004,788**	786,733	628,202
Legal and appraisal fees		**993,038**	2,305,004	162,520
Income from re-ordered and pre-encoded checks		**979,577**	666,841	710,766
Gain on reversal of liabilities		**629,300**	-	-
Fair value gain on security deposits		**60,222**	53,440	131,022
Foreign exchange gains - net		**-**	-	594,194
Others		**373,028**	1,273,686	703,657
		P 50,839,885	P 36,640,942	P 31,065,411

Gains from assets acquired/exchanged represent gains arising from the disposal of investment properties and other non-financial assets foreclosed from defaulting borrowers.

17.2 Other Expenses

	Notes	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Office supplies		**P 3,751,588**	P 3,133,055	P 2,894,132
Representation and entertainment		**2,893,410**	1,990,447	1,201,331
Management and professional fees		**2,429,827**	2,214,065	1,641,559
Meals and other incentives		**1,847,509**	1,360,021	319,262
Transportation and travel		**1,436,678**	1,427,092	757,056
Advertising and publicity		**981,003**	3,429,356	2,924,079
PCHC charges		**918,533**	963,427	1,273,824
Association dues		**861,404**	699,641	904,118
Banking fees		**808,538**	837,250	644,264
Amortization of computer software and deferred charges	13	**617,304**	1,008,982	1,469,001
Interest expense on post-employment defined benefit obligation	2.1, 18.2	**505,970**	297,597	63,401
Annual fees for PSE, SEC and Bancnet		**467,103**	453,967	368,783
Utilities expense		**193,160**	187,000	120,000
Rental fee on motor vehicles		**106,200**	132,246	140,391
Christmas party expenses		**101,008**	774,823	474,962
Membership fees and dues		**25,381**	104,778	103,994
Foreign exchange losses – net		**-**	56,189	-
Others		**5,318,926**	5,266,883	1,041,598
		P 23,263,542	P 24,336,819	P 16,341,755

18. EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefit Expense

Details of salaries and employee benefits are presented below.

	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Short-term employee benefits	**P 97,400,196**	P 85,847,677	P 66,959,454
Post-employment – defined benefit	**2,811,373**	1,955,782	1,027,019
	P100,211,569	P 87,803,459	P 67,986,473

18.2 Defined Benefit Post-employment 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 150% 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 2013 including the comparative year which has been restated in line with the adoption of PAS 19 (Revised), see Note 2.1(b).

The amounts of defined benefit post-employment obligation recognized in the statements of financial position (as part of Other Liabilities account – see Note 15) are determined as follows:

	2013	2012 (As Restated – see Note 2.1)
Present value of the obligation	**P 23,266,881**	P 17,461,500
Fair value of plan assets	**(9,154,934)**	(8,553,576)
	P 14,111,947	P 8,907,924

The movements in the present value of the defined benefit post-employment obligation recognized in the financial statements are as follows:

	2013	2012 (As Restated – see Note 2.1)
Balance at beginning of year	**P 17,461,500**	P 13,934,704
Current service cost	**2,811,373**	1,955,783
Interest expense	**991,813**	850,017
Remeasurements – actuarial losses (gains) arising from:		
- changes in financial assumptions	**3,249,018**	1,027,011
- experience adjustments	**(676,506)**	1,722,784
Benefits paid	**(570,317)**	(2,078,799)
Balance at end of year	**P 23,266,881**	P 17,461,500

The movements in the fair value of plan assets are presented below.

	2013	2012 (As Restated – see Note 2.1)
Balance at beginning of year	**P 8,533,576**	P 9,056,072
Interest income	**485,843**	552,420
Return on plan assets (excluding amounts included in net interest)	**(897,946)**	(218,509)
Contributions to the plan	**1,583,778**	1,242,392
Benefits paid	**(570,317)**	(2,078,799)
Balance at end of year	**P 9,154,934**	P 8,553,576

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2013	2012
Cash and cash equivalents	**P 6,061,843**	P 5,940,576
Quoted equity securities:		
Holding firms	**860,495**	847,500
Financial institutions	**482,596**	845,500
	1,343,091	1,693,000
Debt securities –		
Corporate bonds	**1,750,000**	920,000
	P 9,154,934	P 8,553,576

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 incurred a negative return of P0.4 million in 2013 and earned returns of P0.3 million and P0.1 million in 2012 and 2011, respectively.

Plan assets of the post-employment plan includes cash deposits of P1.6 million and P1.0 million in the Bank, 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:

	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Reported in profit or loss:			
Current service cost	**P 2,811,373**	P 1,955,783	P 1,027,019
Net interest expense	**505,970**	297,597	63,401
	P 3,317,343	P 2,253,380	P 1,090,420
Reported in other comprehensive income:			
Actuarial losses (gains) arising from changes in:			
Financial assumptions	**P 3,249,018**	P 1,027,011	P 3,558,939
Experience adjustments	**(676,506)**	1,772,784	-
Return on plan assets (excluding amounts included in net interest expense)	**897,946**	218,509	566,053
	P 3,470,458	P 3,018,304	P 4,124,992

Current service cost is presented in the statements of profit or loss as part of Employee benefits under Other Operating Expenses account.

The net interest expense is included in Miscellaneous under Other Operating Expenses account (see Note 17.2).

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:

	2013	2012
Discount rates	**4.6%**	5.7%
Expected rate of salary increases	**3.0%**	3.0%

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 65 is 20.

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 bonds 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 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. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities and corporate debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is 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 both during and after 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.

(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, 2013:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	(P 3,108,803)	P 3,790,686
Salary growth rate	+/- 2.0%	8,097,467	(5,657,900)

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 liability 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 actively 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 large portion of the plan assets as of December 31, 2013 and 2012 consists of equity and debt securities, although the Bank also invests in cash and cash equivalents. The Bank believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equities are 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 P14.1 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 20 years' time when a significant number of employees is expected to retire.

The Bank expects to make contribution of P1.8 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2013	2012
Within one year	**P 350,879**	P -
More than one year to five years	**4,317,935**	4,027,011
More than five years to ten years	**10,293,737**	8,144,300
More than ten years to 15 years	**37,821,295**	37,893,220
More than 15 years to 20 years	**51,522,596**	42,567,442
More than 20 years	**269,397,335**	245,117,924
	P 373,703,777	P 337,749,897

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

19. TAXES

19.1 Current and Deferred Taxes

The components of tax expense relating to profit or loss and other comprehensive income for the years ended December 31 are as follows:

	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Reported in profit or loss:			
Current tax expense:			
Minimum corporate income tax (MCIT) at 2% – RBU	**P 3,524,003**	P 3,479,921	P 2,451,349
Income tax - FCDU	**18,723**	13,338	1,069
Final tax at 20% and 7.5%	**2,307,967**	5,704,207	7,810,216
	5,850,693	9,197,466	10,262,634
Deferred tax expense relating to origination and reversal of temporary differences	**11,316,041**	2,134,582	3,155,843
	P 17,166,734	P 11,332,048	P 13,418,477
Reported in other comprehensive income:			
Deferred tax income relating to remeasurement of defined benefit post-employment plan	**(P 1,041,137)**	(P 905,491)	(P 1,237,497)
Deferred tax expense (income) relating to fair valuation of AFS securities	**(397,944)**	671,513	131,281
	(P 1,439,081)	(P 233,978)	(P 1,106,216)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss follows:

	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Tax on pretax profit (loss) at 30%	**P 5,248,702**	P 3,909,230	(P 1,821,162)
Adjustments for income subjected to lower income tax rates	**(1,153,984)**	(2,832,614)	(3,905,108)
Tax effects of:			
Unrecognized deferred tax assets	**7,828,451**	3,500,126	5,473,203
Non-deductible interests and other expenses	**3,309,178**	4,034,670	10,608,651
Expired MCIT	**2,549,050**	2,401,370	3,041,309
Expired net operating loss carryover (NOLCO)	**23,618**	464,821	348,897
Tax exempt income	**(320,215)**	(128,668)	(254,182)
Nontaxable income	**(18,066)**	(16,887)	(73,131)
Tax expense	**P 17,166,734**	P 11,332,048	P 13,418,477

The net deferred tax assets [presented under Other Resources account in the statements of financial position (see Note 13)] as of December 31 relate to the following:

	2013	2012 (As Restated – see Note 2.1)
Deferred tax assets:		
Allowance for impairment	**P 8,626,146**	P 8,984,648
Defined benefit post-employment obligation	**4,233,585**	2,672,378
NOLCO	**2,973,314**	2,996,932
Unamortized past-service cost	**428,550**	523,030
MCIT	**-**	2,549,050
Unrealized foreign exchange losses	**-**	16,857
Deferred tax liability:		
Profit on assets sold under installment method	**(8,892,874)**	(369,471)
Fair value gains on AFS securities	**(804,000)**	(1,201,944)
Accrued rent under PAS 17	**(717,188)**	(566,720)
Unrealized foreign exchange gains	**(163,596)**	(-)
Net deferred tax assets	**P 5,683,937**	P 15,604,760

Movements in net deferred tax assets for the year ended December 31 are as follows.

	Profit or Loss			Other Comprehensive Income		
	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)	**2013**	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Profit on assets sold under installment method	**P 8,523,403**	(P 42,989)	(P 26,935)	**P -**	P -	P -
MCIT	**2,549,050**	2,401,370	3,041,309	**-**	-	-
Defined benefit post-employment obligation	**(520,070)**	(303,296)	(14,991)	**(1,041,137)**	(905,491)	(1,237,497)
Allowance for impairment	**314,639**	(1,983,693)	1,825,963	**-**	-	-
Unrealized foreign exchange gains	**163,596**	(178,258)	178,258	**-**	-	-
Accrued rent under PAS 17	**150,468**	(45,434)	446,256	**-**	-	-
Past-service cost amortization	**94,480**	94,480	94,480	**-**	-	-
NOLCO	**23,618**	2,209,259	(2,624,418)	**-**	-	-
Unrealized foreign exchange losses	**16,857**	(16,857)	235,921	**-**	-	-
Fair value gains on AFS securities	**-**	-	-	**(397,944)**	671,513	131,281
Deferred tax expense (income)	**P 11,316,041**	P 2,134,582	P 3,155,843	**(P 1,439,081)**	(P 233,978)	(P 1,106,216)

As of December 31, 2013, the Bank has not recognized the deferred tax assets on MCIT totalling to P9.5 million incurred in 2013, 2012 and 2011, and a total of P7.3 million deferred tax assets on NOLCO incurred in 2013 and 2011. 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 MCIT and NOLCO after it has applied the available MCIT and NOLCO from prior years.

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, 2013, 2012 and 2011, the Bank is liable for MCIT of P3.5 million, P3.5 million and P2.5 million, respectively, since it has no regular taxable income in those years.

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
2013	P 3,524,003	P -	P 3,524,003	2016
2012	3,479,921	-	3,479,921	2015
2011	2,451,349	-	2,451,349	2014
2010	2,549,050	(2,549,050)	-	
	P 12,004,323	(P 2,549,050)	P 9,455,273	

The breakdown of NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred, is shown below.

Year Incurred	Original Amount	Applied/ Expired	Remaining Balance	Year of Expiry
2013	P 14,285,750	P -	P 14,285,750	2016
2011	19,822,097	-	19,822,097	2014
2010	78,725	(78,725)	-	
	P 34,186,572	(P 78,725)	P 34,107,847	

In 2012, the Bank claimed as deduction from its taxable income portion of its available NOLCO incurred in 2009 amounting to P5.8 million.

In 2012, the Bank's FCDU also claimed as deduction from its tax due the MCIT incurred in 2011 and 2010 amounting to P1,056 and P844, respectively.

The Bank claimed itemized deductions in all years presented.

19.2 Gross Receipts Tax (GRT)

On January 29, 2004, RA No. 9238 reverted the imposition of GRT on banks and financial institutions. This law is retroactive from January 1, 2004. Further, on May 24, 2005, the amendments on RA No. 9337 was approved imposing the following rates to be collected on gross receipts derived from sources in the Philippines by all banks and non-bank financial intermediaries:

(a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

With maturity period of five years or less	5%
With maturity period of more than five years	1%

(b)	On dividends and equity shares in the net income of subsidiaries	0%
(c)	On royalties, rentals of property, real or personal, profits from exchange and all other items treated as gross income under Section 32 of the National Internal Revenue Code	7%
(d)	On net trading within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments	7%

Provided, however, that in case the maturity period referred to in paragraph (a) is shortened through pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.

19.3 Documentary Stamp Tax (DST)

DST at rates ranging from P0.30 to P2 on each P200 of the face value of the certificate or document are imposed on the following (amounts herein are expressed in absolute value):

(a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;

(b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Philippine Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;

(c) Acceptance of bills of exchange and letters of credit; and,

(d) Bills of lading or receipt.

On February 7, 2004, RA No. 9243 was passed amending the rates of DST, the significant provisions of which are summarized below.

(a) On every issue of debt instruments, there shall be collected DST of P1 on each P200 or fractional part of the issue price of any such debt instrument;

(b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of P0.75 on each P200, or fractional part, of the par value of such stock;

(c) On all bills of exchange or drafts, there shall be collected DST of P0.30 on each P200, or fractional part, of the face value of any such bill of exchange or draft; and,

(d) The following instruments, documents and papers shall be exempt from DST:

- Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;

- Loan agreements or promissory notes, the aggregate of which do not exceed P250 thousand or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on instalment for his personal use;

- Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the effectivity of RA No. 9243;

- Fixed income and other securities traded in the secondary market or through an exchange;

- Derivatives including repurchase agreements and reverse repurchase agreements;

- Bank deposit accounts without a fixed term or maturity; and,

- Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

20. TRUST OPERATIONS

Investments amounting to P216.5 million and P257.0 million held by the Bank as of December 31, 2013 and 2012, respectively, in fiduciary or agency capacity (for a fee) for its customers are not included in the statement of financial position since these are not resources of the Bank (see Note 24.3).

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) Investment in government securities of P3.0 million deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 9); 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, 2013, 2012 and 2011, the reserve for trust operations amounted to P0.7 million, P0.5 million and P0.4 million, respectively, and is shown as Surplus Reserves in the statement of changes in equity.

Income from trust operations, net of the related expenses amounted to P1.6 million, P1.4 million and P1.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, and are shown as part of Miscellaneous Income in the statements of profit or loss (see Note 17.1).

21. 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 significant transactions and the related outstanding balances with DOSRI and other related parties as of and for the years ended December 31, 2013 and 2012 are as follows (in thousands):

Related Party Category	Notes	2013 Amount of Transaction	2013 Outstanding Balance	2012 Amount of Transaction	2012 Outstanding Balance
Stockholders					
Loans and receivables	21.1	**P 7,742**	**P 7,742**	P 7,485	P 8,751
Interest income	21.1	**910**	**-**	618	47
Deposit liabilities	21.2	**518,920**	**11,938**	26,893	185,815
Interest expense	21.2	**979**	**1**	632	108
Related Parties Under Common Ownership					
Loans and receivables	21.1	**362,413**	**323,613**	146,373	421,178
Interest income	21.1	**33**	**1**	25,286	2,941
Deposit liabilities	21.2	**1,306,275**	**867,668**	66,403	824,039
Interest expense	21.2	**253**	**236**	742	-
Rent income	21.4	**2,451**	**-**	2,337	-
Rent expense	21.4	**2,036**	**1,425**	2,391	-
Officers and Employees					
Loans and receivables	21.1	**10,389**	**7,695**	9,346	5,940
Interest income	21.1	**309**	**-**	320	-
Deposit liabilities	21.2	**16,350**	**12,218**	1,185	1,903
Interest expense	21.2	**-**	**1**	2	-

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 the reporting period.

21.1 Loans to Related Parties

Under existing policies of the Bank, these loans are made on substantially 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. In the aggregate, loans to DOSRI generally 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.

The following additional information relates to the DOSRI loans:

	2013	2012	2011
Total outstanding DOSRI loans	**P339,050,420**	P 435,869,172	P 354,754,759
% to total loan portfolio	**18.06%**	26.28%	32.64%
% of unsecured DOSRI loans to total DOSRI loans	**0.00%**	11.87%	0.92%
% of past due DOSRI loans to total DOSRI loans	**0.00%**	0.00%	0.00%
% of non-performing DOSRI loans to total DOSRI loans	**0.00%**	0.00%	0.00%

DOSRI loans bear annual interest rates of 6.7% to 12.5% in 2013, 6.0% to 13.4% in 2012 and 7.96% to 12.5% in 2011. These loans are secured through hold-out deposit and are payable within one month to six months.

Total loan releases and collections in 2013 amounted to P219.7 million and P144.0 million, respectively. Total loan releases and collections in 2012, on the other hand, amounted to P163.2 million and P118.9 million, respectively.

21.2 Deposit Liabilities to Related Parties

As of December 31, 2013 and 2012, deposit liabilities to related parties amount to P891.8 million and P1.0 billion, respectively, of which, P527.8 million and P461.6 million, respectively, are being held by the Bank as collateral against loans and receivables from related parties. The related interest expense incurred by the Bank from these deposits amounted to P1.2 million and P1.4 million in 2013 and 2012, respectively.

21.3 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, 2013 and 2012 are shown below (see Note 18.2).

	2013	2012
Cash and cash equivalents	**P 6,061,843**	P 5,940,576
Equity securities	**1,343,091**	1,693,000
Fixed income debt securities	**1,750,000**	920,000
	P 9,154,934	P 8,553,576

Total deposits of the retirement fund to the Bank amount to P1.6 million and P1.0 million as of December 31, 2013 and 2012, respectively. The related interest expense recognized by the Bank from these deposits amounted to P0.01 million and P0.05 million in 2013 and 2012, respectively.

Equity securities of the retirement fund consist of investments in corporations listed in the PSE, which include P0.9 million investments in the shares of stock of the Bank as of December 31, 2013 and 2012; 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 and the benefits paid out by the plan to the employees in 2013 and 2012 amounted to P1.6 million and P1.2 million, respectively (see Note 18.2).

21.4 Lease Transactions

The Bank, as a lessee, has lease agreements with related parties under common ownership (see Note 24.1). In relation to these lease agreements, the Bank made certain security deposits totaling P7.0 million and P6.2 million as of December 31, 2013 and 2012, respectively, and are presented as part of Other Resources account in the statements of financial position (see Note 13). Rent expense arising from these leases are presented as part of Occupancy 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 12, 17.1 and 24.2).

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 the reporting period.

21.5 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Short-term employee benefits	**P 11,695,364**	P 10,972,165	P 10,125,118
Post-employment benefits	**217,580**	1,215,444	212,271
	P 11,912,944	P 12,187,609	P 10,337,389

22. EARNINGS (LOSSES) PER SHARE

Earnings per share is computed as follows:

	2013	2012 (As Restated – see Notes 2.1)	2011 (As Restated – see Notes 2.1)
Net profit (loss)	**P 328,940**	P 1,698,717	(P 19,489,017)
Divided by the weighted average number of outstanding common shares	**72,764,998**	72,764,998	72,764,998
Earnings (loss) per share	**P 0.00**	P 0.02	(P 0.27)

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 earnings per share is presented.

23. SELECTED PERFORMANCE INDICATORS

Following are some measures of the Bank's financial performance for the past three years:

	2013	2012 (As Restated – see Note 2.1)	2011 (As Restated – see Note 2.1)
Return on average equity	**0.04%**	0.22%	-2.53%
Return on average resources	**0.01%**	0.06%	-0.76%
Net interest margin	**8.41%**	8.91%	6.49%
Net profit margin	**0.13%**	0.72%	-11.73%
Interest rate coverage	**226.29%**	186.74%	126.89%
Debt-to-equity	**361.54%**	276.34%	249.51%
Resources-to-equity	**461.54%**	376.34%	349.51%
CAR	**31.61%**	41.02%	62.91%

24. COMMITMENTS AND CONTINGENCIES

24.1 Operating Lease Commitments - Bank as Lessee

The Bank leases the premises where some of its branches and extension offices are situated for a period of one to ten years, renewable upon mutual agreement between the parties and with terms of one to seven years (see Note 21.4). These leases are accounted for as operating leases which either require fixed rental rate over the term of the lease or with stipulated annual escalation rate of 5% to 10%.

As of December 31, future minimum rental payments under these operating leases contracts are as follows:

	2013	2012
Within one year	**P 24,307,708**	P 22,889,418
After one year but not more than five years	**23,470,194**	23,202,096
More than five years	**16,499,118**	4,140,684
	P 64,277,020	P 50,232,198

The Bank's total rent expense (shown as Occupancy account in the statements of profit or loss) amounted to P27.8 million in 2013, P26.1 million in 2012 and P24.6 million in 2011.

24.2 Operating Lease Commitments - Bank as Lessor

The Bank is a lessor under non-cancellable operating lease agreements for the lease of its 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:

	2013	2012
Within one year	**P 2,616,144**	P 2,412,630
After one year but not more than five years	**12,846,286**	10,971,412
More than five years	**7,911,525**	13,038,844
	P 23,373,955	P 26,422,886

The total rent income on investment properties amounted to P3.4 million, P2.4 million and P3.4 million in 2013, 2012, and 2011, respectively, and is presented as Rental income under Miscellaneous Income account in the statements of comprehensive income (see Notes 12, 17.1 and 21.4).

24.3 Others

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the financial statements. Management believes that as of December 31, 2013, losses, if any, which may arise from these commitments and contingencies will not have a material effect on the Bank's financial statements.

Following is a summary of the Bank's commitments and contingent accounts as of December 31:

	Note	2013	2012
Trust department accounts	20	**P 216,459,793**	P 256,959,031
Deficiency claims receivable		**1,434,382**	1,434,382
Late deposits/payments received		**168,313**	1,272,127
Items held as collateral		**20,853**	22,187
Items held for safekeeping		**4,802**	5,617
Outward bills for collection		**59**	6,367

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:

	2013	2012	2011
Settlement of loans receivable arising from property foreclosure	**P 16,234,627**	P 10,122,213	P 5,539,903
Unrealized fair value gains (losses) on AFS securities	**(2,616,050)**	8,805,967	1,233,460
Carrying amount of HTM investments reclassified to AFS securities	**-**	-	12,495,432

For statements of cash flows purposes, the amount of due from other banks as of December 31, 2013 and 2012 considered as cash and cash equivalents follows (see Note 8):

	2013	2012
Due from other banks	**P 196,418,818**	P 112,890,196
Due from other banks not considered as cash and cash equivalents	**(49,418,170)**	(36,830,213)
	P 147,000,648	P 76,059,983

26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS. All information are presented in their absolute amounts.

26.1 Requirements Under Revenue Regulations (RR) No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Gross Receipts Tax

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 2013, the Bank reported total GRT amounting to P8,372,010, which is shown as part of Taxes and Licenses account in the 2013 statement of profit or loss.

(b) Documentary Stamp Tax

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, 2013, DST affixed amounted to P10,204,511, representing documentary stamps imposed mainly on debt instruments documents issued during the year, of which P5,614,194 were charged to the Banks's clients, hence, not reported as part of taxes and licenses in the 2013 statement of profit or loss.

(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, 2013.

(d) Excise Tax

The Bank did not have any transaction in 2013 which is subject to excise tax.

(e) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2013 are shown below.

Final	P	17,054,528
Compensation and employee benefits		12,229,547
Expanded		2,737,872
	P	**32,021,947**

(f) *Taxes and Licenses*

The details of Taxes and Licenses account shown in the 2013 statement of profit or loss follows:

GRT	P	8,372,010
DST		4,590,317
Local taxes and business permits		1,465,765
Real property taxes		646,178
	P	**15,074,270**

(g) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2013, 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 years.

26.2 Requirements Under RR No. 19-2011

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts of revenues reflected in the 2013 statement of profit or loss.

(a) *Taxable Revenues*

The Banks's taxable revenues at regular tax rate (excluding FCDU operations) for the year ended December 31, 2013 amounted to P240,726,978.

(b) *Deductible Costs of Services*

Deductible costs of services at regular tax rate for the year ended December 31, 2013 comprise the following:

Salaries and employee benefits	P	72,017,845
Interest expense		23,639,507
Miscellaneous		5,280,052
	P	**100,937,404**

(c) *Taxable Non-operating and Other Income*

The details of taxable non-operating and other income in 2013 which are subject to regular tax rate are shown below.

Service charges and fees	P	16,655,356
Interbank ATM transactions		5,620,752
Gains on assets acquired/exchanged		5,126,107
Penalty on loans		2,644,428
Rental income		2,450,946
Legal and appraisal fees		993,038
Income from re-ordered and pre-encoded checks		979,577
Gain on reversal of liabilities		629,300
Others		1,311,091
	P	**36,410,595**

(d) *Itemized Deductions*

The details of itemized deductions at regular tax rate for the year ended December 31, 2013 are as follows:

Outside services	P	30,859,408
Rental		27,353,089
Salaries and allowances		26,775,092
Communication, light and water		24,764,326
Taxes and licenses		15,074,270
Insurance		14,856,969
Depreciation and amortization		12,107,425
Fuel and oil		10,292,167
Litigation/assets acquired		5,687,774
Repairs and maintenance		4,853,944
Office supplies		3,751,588
Representation and entertainment		2,771,376
Management and consultancy fees		2,429,827
Transportation and travel		1,436,678
Advertising		981,003
Amortization of intangibles		617,304
Miscellaneous		5,873,679
	P	**190,485,919**

CITYSTATE SAVINGS BANK, INC.
List of Supplementary Information
December 31, 2013

* *These schedules and supplementary information are not included as these are not applicable to Citystate Savings Bank, Inc.*

CITYSTATE SAVINGS BANK, INC.
Schedule A - Financial Assets (Available-for-sale Securities)
December 31, 2013

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amounts shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
A. GOVERNMENT SECURITIES:				
RCBC	P 2,000,000	P 2,049,539	P 2,049,539	P 125,347
RCBC	1,000,000	1,062,273	1,062,273	64,635
RCBC	9,000,000	9,560,453	9,560,453	581,719
Bureau of Treasury	10,000,000	10,753,825	10,753,825	501,389
Bureau of Treasury	10,000,000	10,753,825	10,753,825	501,389
B. LOCAL GOVERNMENT -				
INFANTA WATER BOND-DBP *	50,000,000	-	46,000,000	1,819,402
C. CLUB SHARES				
WACK-WACK Country Club and Golf Course	-	15,000,000	15,000,000	-
Forest Hills Country Club	-	70,000	70,000	-
Total	P 82,000,000	P 49,249,914	P 95,249,914	P 3,593,881

* Carried at cost.

CITYSTATE SAVINGS BANK, INC.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related parties)
December 31, 2013

Name and Designation of debtor	Balance at beginning of period	Deductions			Current	Non Current	Balance at end of period
		Additions	Amounts collected	Amounts written off			
Due from Related Parties(Loans &	P 392,721,126	P 69,504,644	P 103,159,642	P -	P 359,066,128	P -	P 359,066,128
Due from Affiliates	-	-	-	-	3,854,250	-	3,854,250
GRAND TOTAL	P 392,721,126	P 69,504,644	P 103,159,642	P -	P 362,920,379	P -	P 362,920,379

CITYSTATE SAVINGS BANK, INC.
Scheduler D - Intangible Assets - Other Assets
December 31, 2013

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Branch licenses	P 32,500,000					P 32,500,000
Other Assets:						
Trust Investment System	2,128,000		P 1,461,844			666,156
Service Fee for Trust System	140,000		25,667			114,333
Triple Des Host Compliance	672,000		526,400			145,600
I.T. Formulation Manuals	150,000		149,999			1
I.T Vulnerability Assessment	500,000		499,999			1
Sophos Anti-Virus Software	80,000		79,999			1
Fortigate Software (firewall)	27,090		27,089			1
WEB Hosting Windows E-Commerce	23,000					23,000
Software Window Server	121,515		7,667			113,848
VPN Solutions/Tunnels Network	467,040		16,202			450,838
Oracle Database ENT edition	4,600,000					4,600,000
IBM Oracle Database	2,760,000					2,760,000
Infosys Master Services/Agreements	11,143,570					11,143,570
Novell OEM 4.11	48,500		48,499			1
ATM Connection License Fee	604,800		634,585			(29,785)
Host Expansion License Fee	4,340,262		3,743,989			596,273
	27,805,777		7,221,937			20,583,839
	P 60,305,777		**P 7,221,937**			**P 53,083,839**

CITYSTATE SAVINGS BANK, INC.
Schedule H - Capital Stock
December 31, 2013

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	100,000,000	P 72,764,998	-	29,909,009	28,443,280	14,412,709

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, 2013

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year – As Previously Stated	P	48,238,289
Effect of Adoption of PAS 19 (Revised)	(	21,062,594)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year – As Restated		27,175,695
Prior Year's Outstanding Reconciling Item		
Deferred tax income	(	15,176,988)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		11,998,707
Net Profit Realized during the Year		
Net profit per audited financial statements		328,940
Non-actual/unrealized income		
Unrealized foreign exchange gain	(	545,319)
Deferred tax income	(	1,537,589)
	(	1,753,968)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**10,244,739**

CITYSTATE SAVINGS BANK, INC.

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures **(deferred application)*			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments **(deferred application)*			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(deferred application)			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities* *(effective January 1, 2014)*			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12: Investment Entities* *(effective January 1, 2014)*			✓
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Employee Benefits - Defined Benefit Plans - Employee Contributions* *(effective January 1, 2014)*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities* *(effective January 1, 2014)*			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2014)*			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets* *(effective January 1, 2014)*			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting* *(effective January 1, 2014)*			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies* *(effective January 1, 2014)*			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2013 and are not early adopted by the Bank.

** These standards have been adopted in the preparation of financial statements but the Bank has no significant transactions covered in both years presented.

CITYSTATE SAVINGS BANK, INC.
Schedule of Financial Indicators
December 31, 2013, 2012 and 2011

Financial Indicator	2013	2012 (As Restated)	2011 (As Restated)
Return on average equity:			
Net profit / Average total equity accounts	**0.04%**	0.22%	-2.53%
Return on average resources:			
Net profit / Average total resources	**0.01%**	0.06%	-0.76%
Net interest margin:			
Net interest income / Average interest earning resources	**8.41%**	8.91%	6.49%
Net Profit margin:			
Net profit / Revenues	**0.13%**	0.72%	-11.73%
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**226.29%**	186.74%	126.89%
Debt to equity:			
Total liabilities / Total equity	**361.54%**	276.34%	249.51%
Resources to equity:			
Total resources / Total equity	**461.54%**	376.34%	349.51%

SCHEDULE "I"

Citystate Savings Bank Inc
Schedule of Accounts Receivable (AFFILIATES)
As Of December 31, 2013

GAD						
EASTERN DEFENDER	12/14/2012	382	Security Guard's 13th month pay	501,790.88		
	12/9/2013	22	Security Guard's 13th month pay	1,110,472.13	1,612,263.01	
PHILIPPINE GRAPHIC	5/11/2012	599	Charge to ads placements		158,675.99	
FORTUNE GEN INSURANCE	5/31/2012	579	Unpaid Power and lights at Binondo Branch		264,080.21	
ETERNAL PLANS	3/27/2009	1740	For the period February 23, 2009-March 22, 2009	12,500.00		
	4/23/2009	1713	For the period March 23, 2009 - April 22, 2009	12,500.00	25,000.00	
CLAYTON LEARNING CENTER	7/30/2013	154	Application of PAS17 in recognizing rent income for 2012		746,707.69	
	2/28/2013	306	Lease of portion of the Bldg at Mandaluyong - February 2013	114,041.11		
	3/27/2013	279	Lease of portion of the Bldg at Mandaluyong - March 2013	132,157.00		
	4/30/2013	245	Lease of portion of the Bldg at Mandaluyong - April 2013	132,157.00		
	5/31/2013	214	Lease of portion of the Bldg at Mandaluyong - May 2013	132,157.00		
	6/28/2013	186	Lease of portion of the Bldg at Mandaluyong - June 2013	132,157.00		
	7/31/2013	153	Lease of portion of the Bldg at Mandaluyong - July 2013	132,157.00		
	8/30/2013	123	Lease of portion of the Bldg at Mandaluyong - August 2013	132,157.00		
	9/30/2013	92	Lease of portion of the Bldg at Mandaluyong - September, 2013	132,157.00		
	10/31/2013	61	Lease of portion of the Bldg at Mandaluyong - October, 2013	132,157.00		
	11/30/2013	31	Lease of portion of the Bldg at Mandaluyong - November, 2013	132,157.00		
	12/27/2013	4	Lease of portion of the Bldg at Mandaluyong - December, 2013	132,157.00	1,435,611.11	4,242,338.01
CHINO						
EGMPC	09/23/09	1560	Electric bill for the billing pd 8/11-9/10/09.	6,691.43		
EGMPC	10/19/09	1534	Electric bill for the billing pd 9/10-10/10/09.	6,495.14		
EGMPC	11/18/09	1504	Electric bill for the billing pd 10/10-11/10/09.	6,787.26		
EGMPC	12/17/09	1475	Electric bill for the billing pd 11/10-12/11/09.	2,750.44		
DWIZ			Payment on Elec. Share (Jan 14 to Mar. 13, 2012	-		
EGMPC	03/22/13	284	Electric bill for the billing period 12/14/12-01/13/13	8,492.33		
Eternal Garden Mem. Park	12/28/12	368	Electric bill for the billing pd 04/14-12/13/12.	24,260.09		
Eternal Garden Mem. Park	03/22/13	284	Electric bill for the billing period 01/14/13-02/13/13	8,207.45		
Eternal Garden Mem. Park	03/22/13	284	Electric bill for the billing period 02/14/13-03/13/13	7,524.68	71,208.82	

PHIL. GRAPHIC/BUSS. MIRROR	03/13/11	1024	Electric bill for th[illegible]ng pd 03/13-04/13/11.	[illegible],223.56		
PHIL. GRAPHIC/BUSS. MIRROR	12/28/12	368	Electric bill for the billing pd 04/14-12/13/12.	80,803.92		
PHIL. GRAPHIC/BUSS. MIRROR	03/22/13	284	Electric bill for the billing period 12/14/12-01/13/13	2,164.07		
PHIL. GRAPHIC/BUSS. MIRROR	03/22/13	284	Electric bill for the billing period 01/14/13-02/13/13	1,995.37		
PHIL. GRAPHIC/BUSS. MIRROR	04/19/13	256	Electric bill for the billing period Augsut 14, 20122 to Sep 2013	18,866.39		
PHIL. GRAPHIC/BUSS. MIRROR	05/21/13	224	Electric bill for the billing period 04/13/13-05/14/13	12,144.63		
PHIL. GRAPHIC/BUSS. MIRROR	06/22/13	192	Electric bill for the billing period 05/13/13-06/14/13	12,241.57		
PHIL. GRAPHIC/BUSS. MIRROR	07/17/13	167	Electric bill for the billing period 06/14/13-07/13/13	11,899.92		
PHIL. GRAPHIC/BUSS. MIRROR	08/27/13	126	Electric bill for the billing period 08/14/13-08/13/13	11,521.31		
PHIL. GRAPHIC/BUSS. MIRROR	08/14/13	139	Electric bill for the billing periodd 08/13-09/13/11.	11,534.85		
PHIL. GRAPHIC/BUSS. MIRROR	10/24/13	68	Electric bill for the billing periodd 09/13-10/13/11.	10,588.62	174,984.21	
Citystate Prop.	12/28/12	368	Electric bill for the billing pd 11/14-12/13/12.		7,949.05	
Fortune Life	12/28/12	368	Electric bill for the billing pd 04/14-12/13/12.	25,834.30		
Fortune Life	03/22/13	284	Electric bill for the billing period 12/14/12-01/13/13	2,827.90		
Fortune Life	03/22/13	284	Electric bill for the billing period 01/14/13-02/13/13	2,544.87		
Fortune Life	10/24/13	7	Electric bill for the billing period 09/14/13-10/13/13	2,483.18	33,690.25	
ALIW PUBLISHING HOUSE	03/22/13	284	Electric bill for the billing period 12/14/12-01/13/13	8,492.33		
ALIW PUBLISHING HOUSE	03/22/13	284	Electric bill for the billing period 01/14/13-02/13/13	8,207.45		
ALIW PUBLISHING HOUSE	03/22/13	284	Electric bill for the billing period 02/14/13-03/13/13	7,724.68	24,424.46	
			TOTAL			
DWIZ	04/19/13	256	Electric bill for the billing period January 2012 to March 2012		6,447.57	
ETERNAL PLANS	11/07/13	54	SERVICE CHARGES ON OVERNIGHT CHECKS		529.29	319,233.65
HOB						
BROWN MADONNA	9/27/2013	95	Printing Servives for Bank's Calendar and Planners			29,772.00
			Grand Total			**4,591,343.66**

Prepared By:

Martin Jerry E. Machado
Manager

Noted by:

Eduardo O. Olavario
VP - Controller

SCHEDULE "II"

Citystate Savings Bank Inc
Schedule of Accounts Payable (AFFILIATES)
As Of December 31, 2013

VARIOUS PAYROLL DEDUCTION:

1/3/2011	FORTUNE CARE	Underremittance for the month of December 2010	1,113.00	
2/28/2011		Underremittance for the month of February 2011	180.50	
4/29/2011		Underremittance for the month of April 2011	327.00	
5/31/2001		Underremittance for the month of May 2011	180.50	
10/13/2011		Payroll period October 1-15, 2011	13,774.50	
10/26/2011		Payroll period October16 -31, 2011	19,425.50	
12/9/2011		Remittance for the month of Nov 2011	(17,728.00)	
1/31/2012		Underremittance for the month of January 2012	511.00	
3/1/2012		over remittance for the month of February 2012	(36.00)	
5/29/2012		under remittance for the month of May 2012	511.00	
6/29/2012		under remittance for the month od June 2012	255.50	
7/31/2012		under remittance for the month od July 2012	651.50	
8/16/2012		FAO; Apple Garing (Maternity)	1,022.00	
8/28/2012		FAO: Mary Ann Mendoza (Maternity)	776.00	
9/28/2012		Overremittance for the month of September 2012	(643.50)	
10/12/2012		Payroll October 1-15, 2012	14,212.00	
10/29/2012		Payroll October 16-31, 2012	17,393.00	
11/23/2012		Payroll November 1-15, 2012	18,448.50	
11/27/2012		Payroll November 16-30, 2012	19,785.00	
12/14/2012		Payroll December 1-15, 2012	18,896.00	
12/27/2012		Payroll December 16-31, 2012	18,896.00	
12/28/2012		Remittance for Dec 2012	(36,719.00)	
12/12/2012		for adjstment (Renewal for HMO dependents)	(1,584.00)	
6/7/2012		Maternity for Mila Curan	1,552.00	
6/28/2013		Overremittance for the month of June 2013	(388.00)	
7/12/2013		Maternity for Cristina Somera	1,022.00	
7/30/2013		Overremittance for the month of July 2013	(776.00)	
8/29/2013		Overremittance for the month of August 2013	(1,675.00)	
9/30/2013		Overremittance for the month of September, 2013	(511.00)	
10/31/2013		Fortune care dependents FAO: P. Canare	3,803.00	92,675.00

2/13/2012	FORTUNE LIFE INSURANCE., CORP.	Diff in ittance for the month of February 2012	276.05	
12/10/2012		Diff in remittance for the month of November 2012	(0.30)	
7/12/2013		Payroll July, 2013 (diff)	(421.55)	
7/25/2013		Maternity for Cristina Somera	1,686.00	
8/13/2013		Payroll August, 2013 (diff)	406.90	
9/16/2013		Payroll September, 2013 (diff)	828.45	
10/11/2013		Payroll October 1-15, 2013	(1,500.00)	1,275.55
7/15/2011	KEY FINANCE	refund on over deductions	(812.50)	
8/11/2011		Diff in remittenace for the month of July 2011	2,437.50	
9/20/2011		Diff in remittance for the month of August 2001	1,404.50	
9/27/2011		Payroll period Sept 16-31, 2011	(3,325.50)	
9/27/2011		Payroll period September 2011 (DIFF)	1,108.50	
1/6/2012		Diff in remittance for the November 2011	2,437.50	
12/13/2011		Diff in remittance for the December 2011	(1,223.00)	
1/13/2012		Diff in remittance for the January 2012	(402.00)	
2/13/2012		Diff in remittance for the February 2012	(812.50)	812.50

LOAN TRANSACTION

Various Dates	ALC Company	Excess Loan Payments	24,157.05	
Various Dates	Aliw Management Ventures	Excess Loan Payments	14,776.50	
Various Dates	Brown Madonna	Excess Loan Payments	1,539.00	
Various Dates	Citystate Tower	Excess Loan Payments	99,364.31	
Various Dates	Fortune Medicare	Documentary Stamps	322,292.71	462,129.57

TOTAL **556,892.62**

Prepared By

Martin Jerry E. Machado
Manager

Noted by:

Eduardo O. Olavario
VP - Controller

SCHEDULE – III

A 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.

Citystate Savings Bank, Inc.
- No Subsidiaries and Associates -