108152016001629

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Jojit Licudine
Receiving Branch : SEC Head Office
Receipt Date and Time : August 15, 2016 02:00:54 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	A199709587
Company Name	CITYSTATE SAVINGS BANK INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	108152016001629
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2016
No. of Days Late	0
Department	CFD
Remarks	

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended June 30, 2016

2. Commission 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.

Makati City, Metro Manila, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

Citystate Centre Building, 709 Shaw Boulevard, Pasig City 1600

7. Address of issuer's principal office Postal Code

(632) 470-3333

8. Issuer's telephone number, including area code

N/A

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock	72,764,998

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

Yes [✓] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common Stock.

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CSBI's unaudited "interim" financial statements are shown in Annex “A” of this report comprising of the following:

a) Consolidated Statements of Condition as of June 30, 2016 and December 31, 2015;

b) Consolidated Statements of Income and Expenses for the quarter ended June 30, 2016 (with comparative figures for the same period ended June 30, 2015);

c) Consolidated Statements of Income and Expenses for the three months ended June 30, 2016 (with comparative figures for the same period ended June 30, 2015);

d) Consolidated Statements of Changes in Equity for the quarter ended June 30, 2016 (with comparative figures for the period ended June 30, 2015);

e) Consolidated Statement of Cash Flow for the period ended June 30, 2016 (with comparative figures for the quarter ended June 30, 2015);

f) Notes to the Financial Statements.

The unaudited "interim" financial statements of CSBI reflect all adjustments which are of normal recurring nature that transpired during the quarter ended June 30, 2016. The bank followed the same accounting policies and methods of computation in the "interim" financial statements as compared with the most recent annual financial statements.

The interim financial statements were prepared in compliance with generally accepted accounting principles in the Philippines as mandated by the Securities and Exchange Commission.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

For the Semester Ended June 30, 2016

Interest Income

Total gross interest income for the first semester of the year increased to P115.170 million versus P93.929 million recorded the previous year. This was mainly due to the 18.25% increase in Loans and Receivables from P81.496 million last year as compared to P96.373 million for this year as a result of increased lending activities during the period. Available-for-sale securities increased to P12.563 million from P2.746 million due to increase in debt securities. The aforementioned were comparative figures for the semester ending June 30, 2016 and June 30, 2015.

Interest Expense

For the six months ended, Interest Expense increased by 19.52% in the amount of P20.445 million versus P17.106 million recorded last year due to maturities paid off from Time Deposit. The Interest Expense is 17.75% of the Interest Income of P115.170 million.

Other Income/Expenses

Other Income generated during first semester amounting to P22.191 million is higher as compared to P17.569 million generated over the same period last year. Miscellaneous income increased by 71.33% from P8.122 million last year versus P13.916 million this year, while Service charges and fees decreased by 13.95% from 9.617 million last year to P8.276 million after six months of operation.

The bank’s Operating Expenses decreased by P5.776 million from P148.660 million to P142.884 million. Major accounts with positive variance are as follows, Employee benefits decreased from P51.188 million to P50.285 million; Security, janitorial and messengerial services from P18.881 million to P15.722 million; Occupancy from P14.380 million to P13.785 million; Communication, light and water from P12.618 million to P12.587 million; Taxes and licenses from P5.625 million to P5.163 million; Fuel and oil from P5.281 million to P5.004 million; Repair and maintenance from P1.526 million to P1.393 million; Litigation and asset acquired expenses from P0.897 million to P0.839 million and Miscellaneous from P13.519 million to P11.219 million. Notable decrease of major expenses was due to effective cost-cutting measures being implemented by the bank.

On the other hand, Depreciation and amortization increased from P16.949 million to P17.853 million and Insurance from P7.794 million to P9.034 million.

Net Income/Loss

The Bank recorded a net loss of P26.950 million after six months of operation versus P45.243 million net loss for the same period last year.

Total Resources

The bank's Total Resources was down to P4.253 billion or 12.69% lower as compared to P4.871 billion from 2015 year-end level. Due from Bangko Sentral ng Pilipinas decreased by 59.85% or P669.451 million from P1.118 billion last year-end to P449.044 million this semester. Likewise, Available for Sale Securities increased by 21.27% or P90.219 million from P424.195 to P514.413 million. Other Resources decreased by 0.31% or P0.838 million from P270.523 million year-end balance to P269.685 million. Investment Properties increased by 54.82%. Bank Premises, Furniture, Fixtures and Equipment was slightly lower by 2.63% from P224.501 million year-end balance to P218.606 million. Due from Other Banks decreased by 29.91%. Cash and Other Cash Items declined by 28.65% from P99.155 million year-end balance to P70.744 million. Likewise, Loans and Receivables were recorded at P2.540 billion higher by 1.77% or P44.092 million against year-end balance of P2.496 billion.

Total Deposit Liabilities

Deposits generated by the bank’s thirty (30) branches decreased by P587.072 million from P4.144 billion year-end balance to P3.557 billion at the end of second quarter of 2016. Of this amount, P2.862 billion or 80.46% comprised savings deposits while the remaining 19.54% or P694.940 million is in the form of demand and time deposits. Total Deposit Liabilities of P3.557 billion is 97.00% of the Total Liabilities amounting to P3.667 billion and 83.63% of the Total Liabilities and Equity of P4.253 billion.

Other Liabilities

This account decreased by 6.80% from P118.214 million to P110.172 million at the end of second quarter of 2016. The ending balance of P110.172 million is 3.00% of the Total Liabilities of P3.667 billion.

Capital Funds/Equity

Capital Funds/Equity decreased by P23.289 million from P609.477 million year-end balance to P586.188 million at the end of second quarter of 2016.

Sources of Funds

Deposit generation provided the main source of loanable funds, although Deposit Liabilities decreased by 13.96% from P4.262 billion to P3.667 billion due to paydown of some back-to-back loan clients. Marketing programs are being implemented to increase and improve on deposit mix to attain higher interest margin.

Marketing Programs

To maintain its competitive advantage in public awareness and to reach a wider scope of audience, the bank continues to be aggressive in its advertising campaign through print and radio advertisements, social media and company website.

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	CSB *June 2016*	Industry *May 2016*
Capital Adequacy		
Capital to Risk Assets Ratio	23.63%	18.47%
Asset Quality		
Non-Performing Loan (NPL) Ratio	7.31%	5.11%
Non-Performing Loan (NPL) Cover	22.33%	71.63%
Liquidity		
Loans to Deposit	65.57%	86.24%
Profitability		
Return on Average Equity	-4.19%	9.83%
Net Interest Margin	6.44%	5.77%
Cost Efficiency		
Cost to Income	122.44%	65.94%

In terms of stability, the bank continues to benefit from a higher Capital Adequacy Ratio (CAR) of 23.63% versus the industry ratio of 18.47%. The bank's NPL ratio of 7.31% surpassed the industry's 5.11% as it continues to be highly selective in its lending operation and improve on loan collection. Allowance for Probable Losses over Non-performing loans is lower at 22.33% versus the industry's 71.63%.

The bank's loan to deposit ratio of 65.57% is lower compared with the thrift banking industry's 86.24%.

In terms of profitability, the bank's Return on Ave. Equity (ROE) is (4.19%), lower than the industry of 9.83%. The Bank's Net Interest Margin is higher at 6.44% as against the industry's 5.77%.

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	*Formula*
Capital to Risk Assets Ratio	BSP prescribed formula: 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:

	June 2016	June 2015
1. Liquidity Ratio	0.19:1	0.43:1
2. Solvency Ratios		
a) current ratio	0.19:1	0.43:1
b) current liabilities to net worth ratio	6.11:1	5.23:1
3. Debt-to-equity ratio	6.25:1	5.37:1
4. Asset-to-equity ratio	7.26:1	6.37:1
5. Interest rate Coverage ratio	6.72:1	6.52:1
6. Profitability Ratio		
a) Return on Asset Ratio	-0.66%	-1.26%
b) Return on Net Worth Ratio	-4.19%	-6.39%

Earnings per Share

Basic earnings per share are as follows:

	June 30, 2016	June 30, 2015
Net Income/Loss	P (26,950,107)	P (45,243,447)
Divided by the number of outstanding shares	72,764,998	72,764,998
Basic earnings per share	(0.37) =====	(0.62) =====

Dividends

No dividends declared during the quarter ended June 30, 2016.

PART II - OTHER INFORMATION

No other information for this period.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer Citystate Savings Bank, Inc.

Signature and Title Irish Janne B. Escio
Chief Compliance Officer

Date August 12, 2016

Principal Financial/Accounting Officer/Comptroller Martin Jerry E. Machado
Chief Financial Officer

Signature and Title

Date August 12, 2016

ANNEX A

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,2016 AND DECEMBER 31, 2015
(Amounts in Philippine Pesos)

	2016 Unaudited	2015 Audited
R E S O U R C E S		
CASH AND OTHER CASH ITEMS	**70,744,185**	99,154,882
DUE FROM BANGKO SENTRAL NG PILIPINAS	**449,044,011**	1,118,494,957
DUE FROM OTHER BANKS	**147,729,099**	210,773,710
AVAILABLE-FOR-SALE SECURITIES	**514,413,146**	424,194,665
LOANS AND RECEIVABLES - Net	**2,540,490,243**	2,496,398,635
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	**218,605,649**	224,500,601
INVESTMENT PROPERTIES - Net	**42,153,538**	27,227,394
OTHER RESOURCES - Net	**269,685,336**	270,523,132
TOTAL RESOURCES	**4,252,865,208**	4,871,267,976
LIABILITIES AND EQUITY		
DEPOSIT LIABILITIES		
Demand	**526,948,985**	531,012,854
Savings	**2,861,565,036**	3,253,885,651
Time	**167,991,196**	358,678,563
Total Deposit Liabilities	**3,556,505,217**	4,143,577,068
OTHER LIABILITIES	**110,172,173**	118,214,324
Total Liabilities	**3,666,677,390**	4,261,791,392
EQUITY	**586,187,818**	609,476,584
TOTAL LIABILITIES AND EQUITY	**4,252,865,208**	4,871,267,976

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the Semester Ended June 30,2016
(With Comparative Figures for the Semester Ended June 30,2015)
(Amounts in Philippine Pesos)

	2016	2015
INTEREST INCOME		
Loans and receivables	96,372,793	81,496,012
Due from BSP and other banks	6,234,018	9,201,005
Available-for-sale securities	12,563,266	2,745,675
Held to maturity	-	486,358
	115,170,076	93,929,050
INTEREST EXPENSE		
Deposit liabilities	20,055,232	17,105,715
Others	390,198	-
	20,445,430	17,105,715
NET INTEREST INCOME	94,724,646	76,823,335
IMPAIRMENT LOSSES - Net	(1,730,800)	(11,341,507)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	96,455,446	88,164,842
OTHER OPERATING INCOME		
Service charges and fees	8,275,502	9,617,314
Trading Gains		(170,361)
Miscellaneous	13,915,732	8,122,016
	-	
	22,191,234	17,568,969
OTHER OPERATING EXPENSES		
Employee benefits	50,284,851	51,188,178
Security, janitorial and messengerial services	15,722,351	18,880,795
Depreciation and amortization	17,853,488	16,949,157
Occupancy	13,784,808	14,380,489
Communication, light and water	12,586,589	12,618,313
Taxes and licenses	5,162,953	5,624,919
Insurance	9,034,257	7,794,472
Fuel and oil	5,003,870	5,280,824
Repairs and maintenance	1,392,548	1,526,491
Litigation and asset acquired expenses	839,306	896,948
Miscellaneous	11,218,666	13,519,120
	142,883,685	148,659,706
PROFIT (LOSS) BEFORE TAX	(24,237,005)	(42,925,895)
TAX EXPENSE	2,713,102	2,317,552
NET PROFIT (LOSS)	(26,950,107)	(45,243,447)
OTHER COMPREHENSIVE INCOME (LOSS)		
Fair value gain (loss)	14,629,885	9,263,814
TOTAL COMPREHENSIVE INCOME (LOSS)	(12,320,222)	(35,979,633)
Earnings Per Share	(0.37)	(0.62)

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the Quarter Ended June 30,2016
(With Comparative Figures for the Quarter Ended June 30,2015)
(Amounts in Philippine Pesos)

	2016	2015
INTEREST INCOME		
Loans and receivables	**49,028,443**	39,693,284
Due from BSP and other banks	**1,583,734**	5,040,909
Available-for-sale securities	**6,834,039**	1,201,889
Held to maturity	**-**	208,574
	57,446,216	46,144,657
INTEREST EXPENSE		
Deposit liabilities	**9,227,881**	8,738,193
Others	**390,198**	-
	9,618,079	8,738,193
NET INTEREST INCOME	**47,828,137**	37,406,464
IMPAIRMENT LOSSES - Net	**-**	(11,341,507)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	**47,828,137**	48,747,971
OTHER OPERATING INCOME		
Service charges and fees	**4,024,396**	4,884,832
Trading gains	**-**	-
Trading Gains		(170,361)
Miscellaneous	**6,305,203**	4,846,884
	-	
	10,329,599	9,561,355
OTHER OPERATING EXPENSES		
Employee benefits	**25,746,991**	26,032,330
Security, janitorial and messengerial services	**7,898,003**	9,437,095
Depreciation and amortization	**9,133,433**	9,138,840
Occupancy	**6,281,348**	7,357,749
Communication, light and water	**6,670,532**	6,322,669
Taxes and licenses	**3,302,304**	2,869,594
Insurance	**4,439,559**	3,638,922
Fuel and oil	**2,642,053**	2,518,315
Repairs and maintenance	**635,850**	756,354
Litigation and asset acquired expenses	**462,705**	(145,367)
Miscellaneous	**5,430,747**	6,729,572
	72,643,525	74,656,074
PROFIT (LOSS) BEFORE TAX	**(14,485,789)**	(16,346,749)
TAX EXPENSE	**1,072,572**	1,268,348
NET PROFIT (LOSS)	**(15,558,361)**	(17,615,097)
OTHER COMPREHENSIVE INCOME (LOSS)		
Fair value gain (loss)	**2,380,358**	(219,249)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(13,178,003)**	(17,834,346)
Earnings Per Share	**(0.21)**	(0.24)

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE SEMESTER ENDED JUNE 30,2016
(With Comparative Figures for the Semester Ended June 30,2015)
(Amounts in Philippine Pesos)

	2016	2015
CAPITAL STOCK		
Balance at the beginning of the period	**727,649,980**	727,649,980
Issuance of additional shares	**-**	-
Balance at the end of the period	**727,649,980**	727,649,980
ADDITIONAL PAID-IN CAPITAL	**2,222,444**	2,222,444
REVALUATION RESERVES		
Balance at the beginning of the period	**12,950,952**	3,868,665
Total Comprehensive Income (Loss)	**-**	
Punongbayan Audit Adjustments	**-**	
Balance at the end of the period	**12,950,952**	3,868,665
SURPLUS RESERVES		
Reserve for trust operations during the period	**1,069,924**	813,500
		-
	1,069,924	813,500
RETAINED EARNINGS		
Balance at the beginning of the period	**(130,755,376)**	(43,844,665)
Net income (Loss)	**(26,950,107)**	(45,243,447)
Dividends	**-**	-
P&A audit adjustments	**-**	-
Balance at the end of the period	**(157,705,483)**	(89,088,110)
TOTAL CAPITAL FUNDS	**586,187,817**	645,466,479

CITYSTATE SAVINGS BANK, INC.
STATEMENTS OF CASH FLOWS
For the Semester Ended June 30,2016
(With Comparative Figures for the Semester Ended June 30,2015)
(Amounts in Philippine Pesos)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (Loss) before tax	**(24,237,005)**	(42,925,895)
Adjustments for:		
Gain / (Loss) from sale of ASS	**14,629,885**	9,263,814
Depreciation and amortization	**17,853,488**	16,949,157
Punong bayan audit adjustments	**-**	-
Operating income before working capital changes	**8,246,368**	(16,712,924)
Decrease (Increase) in loans and receivables	**584,777,793**	(189,369,012)
Decrease (Increase) in investment properties (ROPA)	**11,071,962**	8,090,645
(Increase) in other resources	**64,599,365**	19,513,824
(Decrease) Increase in deposit liabilities	**201,691,143**	(41,995,684)
Increase in other liabilities	**(110,172,173)**	(113,085,617)
Cash from operations	**760,214,457**	(333,558,768)
Cash paid for income taxes	**(5,162,953)**	(5,624,919)
Net Cash From Operating Activities	**755,051,505**	(339,183,687)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of bank premises, furniture, fixtures and equipment	**(404,633,003)**	(382,130,416)
(Increase) Decrease in available-for-sale securities	**342,142,040**	63,044,784
Net Cash (Used) in Investing Activities	**(62,490,963)**	(319,085,632)
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of dividends	**-**	-
Issuance of capital stock	**-**	-
Net Cash Used in Financing Activities	**-**	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**692,560,542**	(658,269,319)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**67,108,110**	152,246,760
Due from Bangko Sentral ng Pilipinas	**1,230,405,378**	1,037,862,022
Due from other banks	**150,849,366**	220,538,904
	1,448,362,854	1,410,647,686
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and other cash items	**70,744,185**	67,108,110
Due from Bangko Sentral ng Pilipinas	**449,044,011**	1,230,405,378
Due from other banks	**147,729,099**	150,849,366
	667,517,295	1,448,362,854

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

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

The Bank's common shares were listed in the Philippine Stock Exchange (PSE) on November 28, 2001. On March 4, 2004, the Bank was authorized by the BSP to engage in quasi-banking functions. On July 13, 2006, the Bank was granted license to operate foreign currency deposit unit (FCDU) and trust function. The Bank's FCDU started operations in November 2006, while its trust operations started in February 2007. At the end of 2015, the Bank has 30 branches and 30 on-site and five off-site automated teller machines (ATMs) strategically located in key cities and municipalities within Metro Manila and provincial areas.

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

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

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

1.2 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2015 (including the comparative financial statements as of December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Bank's Board of Directors (BOD) on April 26, 2016.

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 issued by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Financial Statements

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

(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.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Bank

The Bank adopted for the first time the following amendment and annual improvements to PFRS, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits: Defined Benefits Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits*: *Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans 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. The amendment did not have a significant impact on the Bank's financial statements since the Bank's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Bank but had no material impact on the Bank's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 8 (Amendment), *Operating Segments*. The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant 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 that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also 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 management entity to its employees or directors.

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, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.

- 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 in accordance with PAS 40 or a business combination in accordance with PFRS 3.

(a) Effective in 2015 but not Relevant to the Bank

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Bank's financial statements:

PFRS (2010-2012 Cycle)		
PFRS 2 (Amendment)	:	Share-based Payment – Definition of Vesting Condition
PFRS 3 (Amendment)	:	Business Combinations – Accounting For Contingent Consideration in a Business Combination
PFRS (2011-2013 Cycle)		
PFRS 3 (Amendment)	:	Business Combinations – Scope Exceptions for Joint Ventures

(b) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e. January 1, 2016), indefinitely.

(v) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- new 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.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) 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 amendment also 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 than in profit or loss.

The Bank does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Bank and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vi) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Bank but management does not expect these to have material impact on the Bank's financial statements:

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*. The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Financial Assets

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

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at 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 currently relevant to the Bank is as follows:

(i) 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. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

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 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 that are unrestricted and readily-available for use in the Bank's operations and are subject to insignificant risk of change in value (see Note 25).

2.4 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

Building and improvements	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.

2.5 Investment Properties

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

Investment properties are stated at cost, less accumulated depreciation and any impairment losses. 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.

2.6 Intangible Assets

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

2.7 Other Resources

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

2.8 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.

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

2.9 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Bank currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously

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.
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 and expense is recognized:

(a) *Interest income and expense* – are recognized in 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.

(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) *Gains from assets acquired/exchanged* – are recognized in profit or loss (as part of Miscellaneous under Other Operating Income) when the risks and rewards of the assets are transferred to the buyer or when the collectability of the entire sales price is reasonably assured.

(d) *Rental income* – is accounted for on a straight-line basis over the lease terms on operating 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.

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

(f) *Dividend income* is recognized when the Bank's right to receive payment is established. Dividend income is included as part of Other Operating Income in the statement of profit or loss.

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*

value of the leased property at the inception of the lease or if lower at the present value of minimum lease 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 payments.

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

2.13 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.

2.14 Employee Benefits

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

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired.

(b) *Post-employment Defined Contribution Plans*

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

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits.

(d) *Compensated Absences*

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

2.15 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 accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

2.16 Related Party Transactions and Relationships

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

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

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

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

Surplus 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 (deficit) 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.

2.18 Earnings (Losses) Per Share

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

2.19 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) 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.

(b) 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.

(c) Distinguishing Operating and Finance Leases

The Bank has entered into various lease agreements as a lessee or 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.

(d) 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 the 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.

e) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies.

(a) *Estimating Impairment Losses on Loans and Receivables*

Adequate amount of allowance for impairment 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.

(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.

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.

(d) *Fair Value Measurement for Investment Properties*

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

(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.

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

Except for intangible assets with indefinite useful lives, which are tested for impairment at least annually, PFRS requires that an impairment review be performed when certain impairment indications are present. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. .

(g) Valuation of Post-employment Defined Benefit Plan

The determination of the amounts of post-employment benefit obligation is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increases.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

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.

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.

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.

4.3 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 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.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

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.

b. *Loans and receivables and the reserves*

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.

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.

5.2 Offsetting of Financial Assets and Financial Liabilities

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

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 Fair Value Hierarchy

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

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

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

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

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

6.2 Financial Instruments Measurement at Fair Value

(a) Equity securities

The fair values of equity securities were valued based on their market prices quoted in the Philippine Stock Exchange at the end of each reporting period.

(b) Debt Securities

The fair value of the Bank's debt securities which consist of government bonds categorized within Level 1 is determined directly based on published bid 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 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 (e.g., PDEx).

(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 each reporting period.

6.3 Fair Value Disclosures for Investment Properties

The fair values of the Bank's investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using the observable recent prices of the reference properties and was adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value of the properties.

(b) Fair Value Measurement for Buildings

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

7. DUE FROM BANGKO SENTRAL NG PILIPINAS

The balance of this account consists of the following:

	2016	2015
Demand deposit	**P 267,780,139**	P 342,494,957
Special deposit	**181,263,872**	776,000,000
	P 449,044,011	P 1,118,494,957

Mandatory reserve represents the balance of the deposit account maintained with BSP To meet reserve requirements on deposit liabilities for thrift banks.

8. DUE FROM OTHER BANKS

This account represents deposits with local banks which are composed of the following:

	2016	2015
Time deposits	**P 97,752,739**	P 97,752,739
Savings deposits	**49,976,360**	113,020,971
	P 147,729,099	P 210,773,710

Savings deposits represent clearing and other depository accounts with other banks.

Time deposits include special savings deposits and have average maturities of one to 12 months.

9. AVAILABLE-FOR-SALE SECURITIES

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

	2016	2015
Equity securities:		
Quoted	**P 56,908,170**	P 56,908,170
Unquoted	**50,000,000**	50,000,000
Government debt securities:		
Quoted	**40,079,408**	40,079,408
Unquoted	**25,138,940**	35,314,284
Corporate bonds:		
Quoted	**306,716,828**	206.322.803
Unquoted	**20,000,000**	20,000,000
Quoted proprietary club shares	**15,570,000**	15,570,000
	P 514,413,146	P 424,194,665

Unquoted government debt securities is composed of debt securities issued by the local government of Infanta, Quezon.

Unquoted corporate debt securities pertain to debt securities issued by a private corporation.

Quoted equity securities pertains to shares of stock of domestic corporations whose shares of stock are publicly traded in the PSE.

Quoted government debt securities represents debt securities issued by the Republic of the Philippines.

Quoted corporate bonds are marketable debt securities issued by top corporations in the Philippines.

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.

10. LOANS AND RECEIVABLES

The details of this account follows:

	Notes	**2016**	2015
Receivables from customers		**P2,274,318,644**	P2,383,787,755
Sales contract receivables	11, 21.5	**111,479,716**	113,457,634
Long-term negotiable certificate of deposit		**-**	-
Other receivables		**197,665,564**	43,947,678
		2,583,463,924	2,541,193,067
Unearned interests, discounts and other charges		**(13,261,063)**	(7,431,375)
Allowance for impairment		**(29,712,618)**	(37,363,057)
		P 2,540,490,243	P2.496.398.635

11. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

Office

	Land	**Building and Improvements**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
June 30,, 2016					
Cost	P 71,375,102	P 146,991,449	P 146,778,162	P 32,314,166	P 397,458,879
Accumulated depreciation and amortization	-	(51,416,754)	(107,638,178)	(13,903,346)	(172,958,278)
Net carrying amount	**P 71,375,102**	**P 95,574,695**	**P 39,139,984**	**P 18,410,820**	**P 224,500,601**
December 31, 2015					
Cost	P 71,375,102	P 146,641,240	P 138,318,214	P 22,709,254	P 379,043,810
Accumulated depreciation and amortization	-	(51,416,754)	(107,638,178)	(13,903,346)	(172,958,278)
Net carrying amount	P 71,375,102	P 103,633,264	P 39,361,124	P 10,778,267	P 225,147,757

_The BSP requires that investments in fixed assets do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2015, the Bank satisfactorily complied with this BSP requirements.

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation and impairment of investment properties at the beginning and end of 2016 and 2015 are shown below.

	Land	Buildings	Total
June 30, 2016			
Cost	P 71,375,102	P 146,991,449	P 218,366,551
Accumulated depreciation	-	(55,695,124)	(55,695,124)
Allowance for impairment	(550,089)	-	(550,089)
Net carrying amount	**P 70,825,012**	**P 91,296,325**	**P 162,121,338**
December 31, 2015			
Cost	P 71,375,102	P 146,991,449	P 218,366,551
Accumulated depreciation	-	(51,416,754)	(51,416,754)
Allowance for impairment	(550,089)	-	(550,089)
Net carrying amount	**P 70,825,012**	**P 95,574,695**	**P 166,399,708**

Income earned by the Bank from its investment properties leased to third parties under operating lease agreements amounted to P5.1 million, P4.1 million in 2015 and 2014 respectively, and presented as rental income under the Miscellaneous Income account in the statement of comprehensive income.

13. OTHER RESOURCES

The details of this account follows:

	Notes	2016	2015
Assets held-for-sale – net	13.1	**P 514,413,146**	P 118,408,793
Computer software – net	13.2	**49,058,460**	50,054,393
Sundry debits	13.4	**30,425,103**	33,498,794
Branch licenses	13.3	**32,500,000**	32,500,000
Stationery and supplies on hand		**8,197,070**	7,559,286
Security deposits	13.5, 21.4	**7,157,557**	7,369,426
Prepaid expenses	13.6	**15,376,843**	5,958,899
Deferred tax assets – net	19	**4,577,816**	4,577,816
Deposit with Philippine Clearing House Corp. (PCHC)		**2,500,000**	2,500,000
Advance rental		**2,538,930**	2,426,993
Utility deposit		**1,089,373**	849,014
Documentary stamps		**665,783**	658,254
Deposit to Bancnet		**500,000**	500,000
Other investments		**153,333**	153,333
Miscellaneous		**399,468,078**	3,508,131
		P 269,685,336	P 270,523,132

Non-financial assets include foreclosed vehicles and jewelry items foreclosed from borrowers.

Depreciation expense recognized for the foreclosed properties vehicles amounting to 582,957.15 in2015 are included as part of Depreciation and Amortization account tin the Statement of Comprehensive Income.

Branch license pertain to the cost of licenses the Bank acquired in 2014 and in 2006 for a consideration of P11.0miilio and P20.0million respectively. The bank also incurred P1.5 million representing relocation costs of the branches acquired in 2014.

Computer software pertqins 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 10 years.

Security deposits include refundable and non-refundable deposits for the lease of various Bank branches from several parties. Refundable security deposits are remeasuired 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 valueof 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.

Sundry debits and sundry credits mainly pertains to automated teller machine deposits and withdrawals transactions including fees and charges thereon, which are yet to be classified, cleared and applied against proper customer's accounts within one month from date of entry.

DEPOSIT LIABILITIES

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

	2016	2015
Philippine Peso	**P2,943,554,283**	P4,058,030,548
US Dollar	**86,001949**	85,546,520
	P3,556,505,217	P4,143,577,068

14. OTHER LIABILITIES

This account consists of the following:

	Notes	2016	2015
Accounts payable	15.1	**P 32,439,796**	P 46,856,979
Accrued expenses	15.2	**38,458,001**	25,912,460
Cashier's and manager's checks		**25,292,115**	24,493,245
Post-employment benefit obligation	18.2	**0**	12,506,323
Sundry credits	13	**5,193,609**	5,865,139
Income tax payable		**-**	1,483,351
Security deposits	15.3	**976,702**	976,702
Bills purchased clearing		200,000	-
Miscellaneous		**3,175,715**	120,125
		P 105,735,938	P 118,214,324

Accounts payable is mainly composed of collections from 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 receipt 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.

15. EQUITY

16.1 Capital Stock

As of December 31, 2015 and 2014, 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.

16.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account. 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 amount of surplus finds available for dividend declaration is determined also on the basis of regulatory networth after considering certain adjustments.

The Bank 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 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.

16.3 Minimum Capital Requirement

On October 9, 2014, the Monetary Board of the BSP issued Circular No. 854 increasing the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks. As mandated by this new circular, the revised capitalization requirement applicable to the Bank is P1.0 billion for head office in Metro Manila. The Bank is contemplating for the feasible capital build-up program that it will implement within the five year period required by the BSP to meet this new minimum capital requirements.

16. MISCELLANEOUS INCOME AND MISCELLANEOUS EXPENSES

Presented below are the details of these accounts:

17.1 Miscellaneous Income

	Notes	2016	2015
Penalty on loans		**P 3,022,108**	P 6,757,480
Rental income	12, 24.2	**1,990,243**	5,142,059
Legal and appraisal fees		**1,985,016**	2,974,513
Income from trust department	20	**1,809,143**	2,564,244
Dividends	9	**0**	2,,272,418
Interbank ATM transactions		**-**	2,131,738
Income from re-ordered and pre-encoded checks		**970,984**	970,984
Gain from assets acquired/ exchanged		**384,976**	384,976
Foreign exchange gains – net			216,862
Gain on sale of bank premises	11	**746,017**	-
Fair value gain on security deposits		**-**	-
Gain on reversal of liabilities		**-**	-
Others		**346,179**	840,752
		P11,218,666	P 24,256,026

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 Miscellaneous Expenses

	Note	2016	2015
Meals and other incentives		**P 1,237,984**	P 3,443,145
Office supplies		**232,242**	3,128,221
Loss on sale of acquired assets		**2,942,680**	2,942,680
Management and professional fees		**2,211,778**	2.211.778
Annual fees for PSE, SEC, and Bancnet		**717,039**	1,717,039
Transportation and travel			1,538,584
Representation and entertainment			1,398,347
PCHC charges		**198,256**	1,073,295
BSP Supervision fees		**998,332**	998,332

Advertising and publicity		**434,183**	634,183
Association dues		**459,866**	632,933
Interest expense on post-employment defined benefit obligation	18.2	**606,046**	606,046
Christmas party expenses		**444,973**	444,973
Loss on sale of bank premise		**51,214**	51,214
Foreign exchange losses – net		**-**	-
Rental fee on motor vehicles		**-**	-
Others		**684,073**	6,121,316
		P 11,218,666	P 26,942,086

17. TAXES

18.1 . Gross Receipts Tax (GRT)

In lieu of value-added taxes, the Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Sections 1.21 od the amended Tax Code.

18.2 Dicumentary StampTax (DST)

Thae Bank is enrolled under the Electronics DST system. In general, the Bank's DST transactions arise from the execution of debt instruments, security documents and bills of exchange.

18. 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.

19.1 Loans to Related Parties/DOSRI

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.

19.2 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.

Equity securities of the retirement fund consist of investments in corporations listed in the PSE, which includes P0.3 million and P1.2 million investments in the shares of stock of the Bank as of December 31, 2015 and 2014, respectively, while debt securities is composed of investments in corporate bonds.

19.3 Lease Transactions

The Bank, as a lessee, has lease agreements with related parties under common ownership. In relation to these lease agreements, the Bank made certain security deposits totaling P7.4 million and P6.9 million as of December 31, 2015 and 2014, respectively, and are presented as part of Other Resources account in the statements of financial position. 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.

20 COMMITMENTS AND CONTINGENCIES

20.1 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%.

The Bank's total rent expense amounted to P21.85million for the period ended December 31, 2015.

20.2 Operating Lease Commitments – Bank as Lessor

The Bank is a lessor under non-cancellable operating lease agreements for the lease of its certain investment properties. The leases have terms of five to ten years, with renewal options, and include annual escalation rate of 5% to 10%.

The total rent expense on investment properties amounted to P2.43 million in 2015 and is presented as Rental income under Miscellaneous in the statements of comprehensive Income.

20.3 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, 2015, 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, 2015 and June 30, 2016:

	2016	**2015**
Trust and Agency Accounts	764,401,260	543,230,084
Others	127,996,348	1,515,077

24. OTHER THAN WHAT WERE REPORTED OR DISCLOSED IN THE ACCOMPANYING FINANCIAL STATEMENTS, THERE ARE NO:

- Material transactions that had an effect on the assets,liabilities,equity,net
- income, cash flows which are of unusual nature or size brought about by seasonal events or cyclical events.
- Changes in estimates of amounts reported in prior interim periods of prior financial years that material effect in the current interim period.
- There are no known material commitments for capital expenditures as of reporting date.
- Issuances, repurchases and repayments of equity securities.
- Segment revenue and segment result for business segments or geographical segments.
- Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- Material contingencies and any other events of transactions that are material to an understanding of the current interim period.
- Events that will trigger direct or contingent financial obligations that is material to the company including any default or acceleration of an obligation.
- Material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

CITYSTATE SAVINGS BANK, INC.
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2016

Accountee	Below 60 days	61 to 180 days (Substandard)	181 to 360 days (Doubtful)	361 days or more (Loss)	TOTAL
HEAD OFFICE	55,661,411.11	3,677,115.47	898,771.09	5,274,097.06	65,511,394.73
CHINO ROCES BRANCH	20,000.00	793.00	-	321,368.88	342,161.88
BINONDO BRANCH	-	-	-	-	-
PANADEROS BRANCH	232,231.10	-	-	-	232,231.10
PACO BRANCH	-	-	-	-	-
GUADALUPE BRANCH	-	-	-	-	-
MABINI BRANCH	245,380.08	-	-	-	245,380.08
BACLARAN BRANCH	5,000.00	-	-	-	5,000.00
PASAY BRANCH	-	-	-	-	-
SHAW BRANCH	-	10,000.00	-	-	10,000.00
CUBAO	-	-	-	-	-
MUNTINLUPA	-	-	-	2,361.29	2,361.29
CALOOCAN	-	3,000.00	-	-	3,000.00
MARIKINA	6,000.00	-	-	-	6,000.00
BLUMENTRITT	-	-	-	-	-
LAS PIÑAS	15,000.00	-	-	-	15,000.00
GREENHILLS	-	-	-	-	-
PASAY ROAD	-	-	-	-	-
ANTIPOLO	-	-	-	-	-
KATIPUNAN	3,000.00	-	-	-	3,000.00
TAGUIG	-	-	-	-	-
DAGUPAN	78,000.00	10,000.00	-	-	88,000.00
URDANETA	10,146.00	4,635.00	-		14,781.00
BALIUAG BRANCH	-	-	-	-	-
MEYCAUYAN BRANCH	-	-	-	-	-
PLARIDEL	-	480.00	-	-	480.00
BATANGAS	-	-	-		-
PALAWAN	-	-	-		-
CEBU BRANCH	5,000.00	-	-	-	5,000.00
TOTAL	**56,281,168.29**	**3,706,023.47**	**898,771.09**	**5,597,827.23**	**66,483,790.08**