



## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

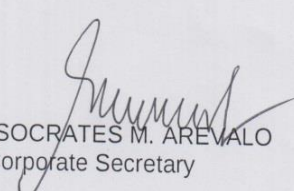
The Annual Meeting of Stockholders of Citystate Savings Bank will be held on Tuesday, May 26, 2015 at 9:00 a.m. at the 20<sup>th</sup> Floor of Citystate Centre Building, 709 Shaw Boulevard, Pasig City, to take up the following matters:

- I. Calling of Meeting to Order
- II. Certification of Notice of Meeting
- III. Determination of Quorum
- IV. Reading and approval of the Minutes of the Stockholders' Meeting held on May 27, 2014
- V. Consideration of the President's Report on the Results of the Bank's Operations for the Year Ended 31 December 2014 (Annual Reports and Financial Statements of the Bank)
- VI. Confirmation/Ratification of the Acts of Officers, Management, the Executive Committee and the Board of Directors
- VII. Election of Members of the Board of Directors
- VIII. Appointment of External Auditor and Fixing of Remuneration
- IX. Such other business as may properly come before the meeting
- X. Adjournment

Only stockholders of record at the close of business on April 24, 2015 are entitled to vote at this meeting. Kindly present any proof of identification, such as driver's license, passport, company I.D. or SSS/GSIS I.D. Aside from personal identification document, representatives of corporate stockholders and other entities should also present a duly sworn Secretary's Certificate showing his or her authority to represent the corporation or entity.

Shareholders who will not be able to attend the meeting may designate their respective proxies by sending the proxy forms to the Office of the Assistant Corporate Secretary at the 2<sup>nd</sup> Floor, Citystate Centre Building, 709 Shaw Boulevard, Pasig City not later than 5:00 P.M. of May 15, 2015.

Thank you.

  
ATTY. SOCRATES M. AREVALO  
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION  
 SEC FORM 20-IS  
 INFORMATION STATEMENT PURSUANT TO SECTION 20  
 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter CITYSTATE SAVINGS BANK, INC.
3. Makati City, Metro Manila, Philippines  
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number A1997-9587
5. BIR Tax Identification Code 005-338-421-000
6. Citystate Centre Building, 709 Shaw Boulevard, Pasig City 1600  
 Address of principal office Postal Code
7. Registrant's telephone number, including area code (632) 470-3333
8. May 26, 2015 at 9:00 AM; 20<sup>th</sup> Floor, Citystate Centre Building, 709 Shaw Boulevard, Pasig City  
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
May 5, 2015.
10. **In case of Proxy Solicitations:**  
*Name of Person Filing the Statement/Solicitor:* \_\_\_\_\_  
*Address and Telephone No.:* \_\_\_\_\_
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
 

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<u>Common Shares</u>	<u>72,764,998 shares</u>
12. Are any or all of registrant's securities listed in a Stock Exchange?  
 Yes  No   
 If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
Philippine Stock Exchange/Common Stock

## INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### Date, time and place of meeting of security holders.

Date	:	May 26, 2015
Time	:	9:00 A.M
Place	:	20 <sup>th</sup> Floor, Citystate Centre Building 709 Shaw Boulevard, Pasig City
Principal Office	:	2 <sup>nd</sup> Floor, Citystate Centre Building 709 Shaw Boulevard, Pasig City

This Information Statement is to be first sent to the security holders of Citystate Savings Bank, Inc. on May 5, 2015 in connection with the Annual Stockholders' Meeting.

**WE ARE NOT ASKING YOU FOR A PROXY BUT YOU MAY SEND YOUR PROXY IF YOU CANNOT ATTEND PERSONALLY**

#### Dissenters' Right of Appraisal

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by stockholders of their appraisal rights.

With respect to that any matter to be acted upon at the Meeting which may give rise to the right of appraisal in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder shall be reported within thirty (30) days after the date of the meeting at which such stockholder voted against the Corporate action, make a written demand on the Corporation for the value of his shares. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which vote was taken for payment of the fair value of his shares: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days after the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, that upon payment by the corporation of the agreed awarded price, the stockholder shall forthwith transfer his shares to the corporation.

#### Interest of Certain Persons in or Opposition to Matters to be Acted Upon

The Board of the Directors of the Company is not aware of any party who has indicated an intention to

oppose the motions set forth in the Agenda.

No person who has been a Director or Officer of neither the Corporation nor any of his/her associates has a substantial interest in any matter to be acted upon at the Stockholders' Meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Voting Securities and Principal Holders Thereof**

As of December 31, 2014, there are 72,764,998 shares of the Company common stock outstanding and entitled to vote at the Annual Meeting. Only holders of the Company's stock of record at the close of business on April 24, 2015, acting in person or by proxy on the day of the meeting are entitled to vote at the Annual Meeting to be held on May 26, 2015. Every stockholder shall be entitled to one vote for each share of common stock held as of the established record date.

Each stockholder may vote the number of shares of stock standing in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, that no delinquent stock shall be voted. Cumulative voting is allowed for election of members of the Board of Directors.

### **Security Ownership of Certain Record and Beneficial Owners**

The person known to the registrant to be directly or indirectly the record or beneficial owner of more than five (5%) of the registrant's voting securities as of December 31, 2014 are as follows:

## Beneficial Owners of Voting Securities

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	<b>Antonio L. Cabangon Chua</b> , Director 5 <sup>th</sup> Flr., Dominga Bldg. III 2113 Chino Roces Ave., Makati City	Antonio L. Cabangon Chua, Beneficial & Record Owner	Filipino	14,206,114	19.52328%
	<b>D. Alfred A. Cabangon</b> , Director 2 <sup>nd</sup> Flr., Citystate Centre Bldg., 709 Shaw Blvd., Pasig City	D. Alfred A. Cabangon, Beneficial & Record Owner	Filipino	8,283,330	11.38367%
	<b>Fortune Life Insurance Company, Inc.</b> (Affiliate) Fortune Life Bldg., 162 Legaspi St., Legaspi Village, Makati City	D. Arnold A. Cabangon, Director	Filipino	7,499,250	10.30612%
	<b>Fortune General Insurance Corporation</b> (Affiliate) 4 <sup>th</sup> Flr., Citystate Centre Bldg., 709 Shaw Blvd., Pasig City	J. Antonio A. Cabangon, Jr. Director	Filipino	5,484,000	7.53659%
	<b>Top Ventures Investments &amp; Management Corporation</b> (Affiliate) Dominga Bldg., 2113 Chino Roces Ave., Cor. Dela Rosa St., Makati City	Antonio L. Cabangon Chua, Director	Filipino	4,902,594	6.73757%
	<b>Feorelio M. Bote</b> Director 581 Wack Wack Road Shaw Blvd. Mandaluyong City	Feorelio M. Bote, Beneficial & Record Owner	Filipino	4,302,500	5.91287%

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.

**Security Ownership of Management as of December 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, Jr.	110	Filipino	0.00%
Common	Lucito L. Sioson	1	Filipino	0.00%
Common	Pedro E. Paraiso	1	Filipino	0.00%
Common	D. Arnold A. Cabangon	1	Filipino	0.00%
Common	Emmanuel R. Sison	1	Filipino	0.00%
Common	Jose Armando R. Melo	1	Filipino	0.00%
	<b>TOTAL</b>	<b>28,443,279</b>		<b>39.08%</b>

**Directors and Officers as a Group**

Title of Class	Director	Officer	Total	Percent of Class
Common	28,443,279	0	28,443,279	39.08%

**Voting Trust of 5% or More**

The company is not aware of any person holding 5% or more of common shares under a voting trust or similar agreement.

**Change in Control**

There is no change in control that has occurred since the beginning of the last financial year.

**Directors and Executive Officers**

Registrant is not aware of any legal proceedings of the nature required to be disclosed under Part 1, paragraph (C) of Annex C of SRC Rule 12 with respect to the registrant's directors and executive officers. The information required by Part IV, paragraphs A and 1 (d) and (3) of Annex C of SRC Rule 12 relating to identity, affiliation and related transactions of directors is set forth in the report accompanying this Information Statement.

The directors of the company are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected or qualified.

The officers are likewise elected annually by the Board of Directors and serve for one (1) year and until their respective successors have been elected and qualified.

The following are the members of the Board of Directors and Executive Officers of the bank:

## Board of Directors

Amb. Antonio L. Cabangon Chua	-Chairman
Alfonso G. Siy	-Vice Chairman
Andres Y. Narvasa, Jr.	-Vice Chairman/Chief Executive Officer
Atty. Rey D. Delfin	-President
J. Antonio A. Cabangon, Jr.	-Managing Director
D. Arnold A. Cabangon	-Corporate Treasurer
D. Alfred A. Cabangon	-Director
Engr. Feorelio M. Bote	-Director
Ramon L. Sin	-Director
Pedro E. Paraiso	-Director
Atty. Emmanuel R. Sison	-Director
Lucito L. Sioson	-Independent Director
Justice Jose Armando R. Melo	-Independent Director

**Amb. Antonio L. Cabangon Chua, 80, 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.

**Alfonso G. Siy, 67, 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., Citystate Tower Hotel, Cherry Blossom Hotel and Phil. Fishing Gears Industries

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

**Andres Y. Narvasa, Jr., 58, Vice Chairman and Chief Executive Officer.** 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. 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.

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

**Atty. Rey D. Delfin, 50, 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.

**J. Antonio A. Cabangon, Jr., 46, Managing Director.** 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 Treasurer of Fortune Life Insurance, Co.

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

**D. Arnold A. Cabangon, 44, 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. and FIG Lending Investors Corporation. He is also the Senior Vice President of Fortune General Insurance Corporation and a Board Member of Fortune Medicare, Inc.

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

**D. Alfred A. Cabangon, 49, 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 Chairman of Fortune Life Insurance Co., Inc. He is presently a director of Fortune Guarantee and Insurance Corporation, Fortune Medicare, 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.

**Engr. Feorelio M. Bote, 72, 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 Key Finance and Investment Corporation and Citystate Properties & Management Corporation.

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

**Ramon L. Sin, 81, Director.** Mr. Sin is a Filipino citizen. He is a graduate of the University of Santo Tomas where he received an Associate in Arts degree in 1950. He finished his Doctor of Medicine from the same university in 1955. Dr. Sin is the Assistant to the Rector for Grants and Endowment of the University of Santo Tomas. He is also the Vice Chairman of Fortune Medicare, Inc., a Board Member of Fortune Life Insurance Co., Inc. and Eternal Plans, Inc., and the Medical Director of Philippine Airlines. He also chairs the KAAD (Scholarship Foundation of the German Catholic Bishop's Conference) at the University of Santo Tomas.

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

**Pedro E. Paraiso, 81, 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 post graduate 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, 65, 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.

**Lucito L. Sioson, 77, 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, 82, 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.

### Executive Officers

Andres Y. Narvasa, Jr.	- Chief Executive Officer
Atty. Rey D. Delfin	- President
Eduardo O. Olavario	- Vice President
Emerson G. Igarta	- Vice President
Ruel L. Angga	- Vice President
Des Corazon D. Cruz	- Vice President
Meliton A. Narciso	- Asst. Vice President
Jeffrey B. Domingo	- Asst. Vice President
Lawrence K. Cementina	- Asst. Vice President
Maria Christine A. Villanueva	- Asst. Vice President

**Andres Y. Narvasa, Jr., 58, Vice Chairman and Chief Executive Officer.** 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. 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. He has been a director of Citystate Savings Bank, Inc. since January 2007.

**Atty. Rey D. Delfin, 50, 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.

**Eduardo O. Olavario, 60, 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).

**Emerson G. Igarta, 50, 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, 51, 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, 55, 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.

**Meliton A. Narciso, 42, 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.

**Lawrence K. Cementina, 37, Assistant Vice President**, is the head of the Branch Banking Department. He joined the bank in November 2012. He started his banking career in 1997 at Traders Royal Bank. He graduated from San Beda College with a degree in Bachelor of Science in Management and Entrepreneurship in 1997.

**Jeffrey B. Domingo, 41, Assistant Vice President**, is the bank's Information Security Officer. He joined the bank in June 2013. Prior to this, he had worked for Robinsons Bank. He is a graduate of Adamson University with a degree in Bachelor of Science in Computer Science in 1995.

**Maria Christine A. Villanueva, 40, Assistant Vice President**, is the bank's Quality Assurance Officer. She joined the bank in May 2012. She started her banking career in 1997 at International Exchange Bank. She graduated from Polytechnic University of the Philippines with a degree in Bachelor of Computer Data Processing Management in 1995.

**Joseph D. Gonzaga, 38, Assistant Vice President**, is the head of Accounts Management Department. He joined the bank on October 16, 2014. He started his banking career in 1997 at Traders Royal Bank. He is a graduate of San Beda College with a Bachelor of Science in Management Entrepreneurship.

### **Compliance with SRC Rule 38**

The registrant has constituted its Nomination Committee in line with the Code of Corporate Governance and it is composed of:

1. Ambassador Antonio L. Cabangon Chua - Chairman
2. Atty. Rey D. Delfin - Member
3. Andres Y. Narvasa, Jr. - Member
4. Gemma F. Montes - Non-voting Member

During its last stockholders' meeting, the registrant elected two (2) independent directors in the persons of:

1. Lucito L. Sioson
2. Justice Jose Armando R. Melo

They possess the qualifications enumerated under SRC Rule 38.

In the forthcoming stockholders' meeting the nomination and election of directors and independent directors shall be conducted in line with the Corporation Code and with SRC Rule 38. The final list of the nominees is as follows:

#### As Directors

1. Amb. Antonio L. Cabangon Chua, 80, Filipino
2. D. Alfred A. Cabangon, 49, Filipino
3. Alfonso G. Siy, 67, Filipino
4. D. Arnold A. Cabangon, 44, Filipino
5. Engr. Feorelio M. Bote, 72, Filipino
6. J. Antonio A. Cabangon, Jr., 46, Filipino
7. Ramon L. Sin, 81, Filipino
8. Atty. Emmanuel R. Sison, 65, Filipino
9. Pedro E. Paraiso, 81, Filipino
10. Benjamin V. Ramos, 51, Filipino
11. Andres Y. Narvasa, Jr., 58, Filipino

#### As Independent Directors

1. Lucito L. Sioson, 77, Filipino

## 2. Justice Jose Armando R. Melo, 82, Filipino

The above-mentioned candidates have been pre-screened and qualified in accordance with the bank's Manual of Corporate Governance.

### Information About the Nominees for Independent Directors

**Lucito L. Sioson, 77, 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 was appointed director of Citystate Savings Bank, Inc. on December 23, 2008.

He was nominated as independent director by Ms. Mercedita Gapaz, minority stockholder not in any manner related to the nominee.

**Justice Jose Armando R. Melo, 82, 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 the Director of Clark Development Corporation. Prior to this, he was the Director & Chairman of PNOC-EC from 2005-2008. He was appointed director of Citystate Savings Bank, Inc. on February 28, 2012.

He was nominated as independent director by Amb. Antonio L. Cabangon Chua, Chairman of the Nomination Committee not in any manner related to the nominee.

### Significant Employees

Other than the officers and employees reported, there are no significant employees expected by the registrant to make significant contribution to the business.

### Family Relationships

Antonio L. Cabangon Chua is the father of siblings D. Alfred A. Cabangon, D. Arnold A. Cabangon and J. Antonio A. Cabangon, Jr.

### Involvement in Certain Legal Proceedings

No directors of the registrant are currently involved in legal proceedings during the past 5 years in any of the following cases.

- a. Bankruptcy Petition
- b. Conviction by Final Judgment
- c. Being Subject to any Order, Judgment or Decree
- d. Violation of Securities Law

No director has resigned nor declined to stand for re-election due to disagreement with the registrant.

### 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.

### 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, most of which belong to ALC Group of 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.

#### Compensation of Directors and Executive Officers

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).

Year	Name and Principal Position	Salaries	Bonuses
For the twelve Months Ended December 31, 2013	EXECUTIVE OFFICERS	6,653,649.24	1,108,941.54
	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		
	<i>All Executive Officers as a Group</i>	7,762,590.78	
	<i>All Board Directors and Officers as a Group</i>	7,762,590.78	
For the twelve Months Ended December 31, 2014	EXECUTIVE OFFICERS	6,893,649.24	1,348,841.54
	Andres Y. Narvasa, Jr.		
	Atty. Rey D. Delfin – President		
	Eduardo O. Olavario – Vice President		
	Jeffrey T. Tantiado – Vice President		
	Emerson G. Igarta – Vice President		
	<i>All Executive Officers as a Group</i>	8,245,590.78	
	<i>All Board Directors and Officers as a Group</i>	8,245,590.78	
For the Year Ending December 31, 2015 (Estimated)	EXECUTIVE OFFICERS	7,940,870.76	1,323,478.46
	Andres Y. Narvasa, Jr. - Chief Executive Officer		
	Benjamin V. Ramos – President		
	Lawrence K. Cementina – Asst. Vice President		
	Emerson G. Igarta – Vice President		
	Des Corazon D. Cruz – Vice President		
	<i>All Executive Officers as a Group</i>	9,264,349.22	
	<i>All Board Directors and Officers as a Group</i>	9,264,349.22	

#### Other Annual Compensation

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

#### Compensation of Directors

##### (a) Standard Arrangements

At present, its members of the board of directors do not receive any fixed regular monthly compensation

from the bank, except per diem allowance in the amount of five thousand pesos (Php 5,000.00) for every board and committee meeting attended.

(b) Other Arrangements

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

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

(a) Employment Contract

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) Compensatory Plan or Arrangement

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

**Warrants and Options Outstanding Repricing**

(a) Outstanding Warrants or Options

There are no outstanding warrants or options held by the registrant's 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.

**Independent Public Accountants**

External Audit Fees and Services

The external audit and consultancy fees for the years 2014 and 2013 were as follows:

	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2013</u>
Audit Fees (Incurred by Registrant)	P1,080,000.00	P890,000.00
Audit-Related Fees	-	-
Tax Fees - VAT	129,600.00	106,800.00
All Other Fees	-	-
<b>Total</b>	<b><u>P1,209,600.00</u></b>	<b><u>P996,800.00</u></b>

The accounting firm of Punongbayan & Araullo (Member of Grant Thornton International) has been the Company's Independent Public Accountant for the last fifteen (15) 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 fifteen (15) 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 2012 and 2011 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.

The Bank's Audit Committee are as follows:

Chairman: Lucito L. Sioson (Independent Director)  
Engr. Feorelio M. Bote  
Pedro E. Paraiso

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Authorization or Issuance of Securities Other than for Exchange**

Not Applicable.

#### **Financial and Other Information**

##### **Management's Discussion and Analysis or Plan/Result of Operation**

Management's Discussion and Analysis or Plan of Operation of the Company is attached hereto as "Annex A".

##### **Financial Statements**

The Financial Statements and the Auditors' PTR, name of certifying partner and address are attached to this Information Statement as "Annex B".

### **D. OTHER MATTERS**

#### **Action with Respect to Reports**

Action to be taken will constitute reading and approval of the minutes of the previous stockholders' meeting, approval of the report for the year ended December 31, 2014 and ratification of all acts, proceedings and resolutions of the Board of Directors, the Executive Committee and the acts of the officers and management for the year 2014, details of which are hereto attached as Annex "C".

### **SUMMARY OF THE MINUTES OF THE 2014 STOCKHOLDERS' MEETING**

The Chairman, Amb. Antonio L. Cabangon Chua, called the meeting to order at 9:00 A.M.

The Corporate Secretary, Atty. Socrates M. Arevalo, certified that the Notice of the Annual Stockholders' Meeting was sent to all stockholders in good standing fifteen (15) business days prior to the date of the meeting as required under paragraph (3) ( C) of SRC Rule 20.

The Corporate Secretary, Atty. Socrates M. Arevalo, announced that the total stockholders physically present and/or represented by proxies of sufficiently met the required quorum for the conduct of the meeting.

Mr. Andres Y. Narvasa, Jr., Independent Director, took notice of the fact that the copies of the

Minutes of the Stockholders' Meeting held on April 30, 2013 have been previously distributed to the stockholders, and thus, he moved that the reading of the minutes be dispensed with and that the same be approved as circulated.

Atty. Emmanuel R. Sison, Stockholder/Director, seconded the motion.

There being no objections, the Minutes of the Annual Stockholders' Meeting was noted and approved.

#### **Amendments of Charter, By-laws, and other Documents**

The bank is complying with the procedures/guidelines for the nomination and election of independent directors as provided in SRC Rule 38.

The bank has adopted the pertinent provisions of SRC Rule 38, in its By-Laws and has been approved by the Bangko Sentral ng Pilipinas (BSP).

#### **Voting Procedures**

Pursuant to the by-laws of the corporation, in all regular and special stockholders' meeting, the presence of shareholders who represent a majority of the outstanding capital stock entitled to vote shall constitute a quorum and all decisions made by the majority shall be final, unless the law requires a higher number of votes.

On the election of the member of the Board of Directors, the nominees receiving the highest number of votes shall be declared elected under Section 24 of the Corporation Code of the Philippines. Likewise, the nominee for external auditor with the highest number of votes shall be declared elected as such.

Counting of votes will be done via raising of hands. Affirmative votes are counted separately, the negative votes and lastly the abstention votes, if any. The Corporate Secretary, Atty. Socrates M. Arevalo is authorized to supervise/count the vote to be cast.

#### **SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on the 17<sup>th</sup> day of April 2015.

By:

  
**MR. BENJAMIN V. RAMOS**  
President



**REPORT ACCOMPANYING INFORMATION SHEET  
REQUIRED UNDER SRC RULE 20**

**( A ) AUDITED FINANCIAL STATEMENTS**

The audited financial statements of the registrant as of December 31, 2014 and the Statement of Management Responsibility for Financial Statements are attached hereto.

**( B ) MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

I. Financial Condition, Changes in Financial Condition and Results of Operations for each of the last three (3) fiscal years.

<b>Key Operating and Financial Indicators</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of Branches / Cash Unit	25	27	28
Number of Employee	309	324	326
*****	-	-	-
Cash	122,575	127,556	152,247
Due from BSP and Other Banks	338,745	602,896	1,258,401
Available-For-Sale-Securities	102,026	95,249	87,226
Loans and Receivables	2,000,234	1,981,009	2,130,816
Total Resources	2,897,108	3,510,131	4,193,301
Deposit Liabilities	2,049,035	2,679,598	3,396,810
Total Liabilities	2,107,092	2,749,602	3,501,192
Capital Funds	790,016	760,530	692,108
*****	-	-	-
Net Interest Income	208,161	224,819	191,882
Fee-Based and Other Income	54,567	67,495	64,387
Net Income	1,683	329	-70,063
*****	-	-	-
Earnings per Share**	0.02	0.00	0.96
Book Value per Share*	10.86	10.45	9.51

(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 2014	INDUSTRY March 2014
<u>Capital Adequacy</u>		
Capital to Risk Ratio	27.31%	14.95%
<u>Asset Quality</u>		
Non-performing Loan (NPL) Ratio	5.74%	4.94%
Non-Performing Loan (NPL) Cover	44.42%	71.36%
<u>Liquidity</u>		
Loans to Deposit	59.11%	85.62%
<u>Profitability</u>		
Return on Average Equity	-9.15%	6.85%
Net Interest Margin	7.08%	5.28%
<u>Cost Efficiency</u>		
Cost to Income	141.26%	67.35%

In terms of stability, the bank continues to enjoy a higher Capital Adequacy Ratio (CAR) of 27.31% versus the industry ratio of 14.95%. The Bank's NPL ratio of 5.74% is higher compared with the industry's 4.94%. Its Allowance for Probable Losses over Non-performing loans is 44.42% versus the industry's 71.36% as it continues to be highly selective in its lending operation and improve on loan collection.

The Bank's loan to deposit ratio of 59.11% is lower compared with the thrift banking industry's 85.62%.

In terms of profitability, the bank is lower than the thrift banking industry with a Return on Ave. Equity (ROE) of -9.15%, versus the industry of 6.85%. Its Net Interest Margin is 7.08% as against the industry's 5.28%.

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	$\frac{\text{Total Qualifying Capital}}{\text{Market and Credit Risk Weighted Exposures}}$
Non-performing Loan (NPL) Ratio	$\frac{\text{Non-performing Loans}}{\text{Gross Loans}}$
Non-performing Loan (NPL) Cover	$\frac{\text{Allowance for Probable Losses}}{\text{Non-performing Loans}}$
Loans to Deposits Ratio	$\frac{\text{Total Loans}}{\text{Total Deposits}}$
Return on Average Equity	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Capital Accounts}}$
Net Interest Margin	$\frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$
Cost to Income	$\frac{\text{Total Operating Expenses}}{\text{Net Interest Income + Other Income}}$

## **December 31, 2012**

### Interest Income

Gross Interest Income ended higher than prior year by 26.48% of P49.462 million on account of significant improvement and income in loan-jewelry-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 P161.001millionrecorded 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 versus P5.217 million. On the other hand, interest income on Due from BSP and Other Banks was lower at P13.694 million to 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% to P27.904 million versus 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 posted a 7.78% increase in 2012, versus its performance in 2011, while Trading Gains and Miscellaneous Income posted an increased of 13.94%. 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 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 increased of 29.20%. Fuel and Oil increased by P26.71% from P5.781 million to P7.325 million. Security, Janitorial and Messenger Services from P20.430 million to P25.525 million. In addition, 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. "Others" 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 reached a record net income of P1.683 million in 2012, 5.60% higher than the year-ago level of P1.034 million primarily due to the outstanding growth in its loan portfolio.

### 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

#### 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/ Held-to-Maturity Investments

Available-for-Sale Investments representing 3.52% of total assets decreased by 4.85% from P107.230 million to P102.026 million in 2012, while Held to Maturity investments remains P0.00 from 2011 to 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 stiff market competition and lowered interest rates. 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 54.62% 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 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.

#### 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%.

**December 31, 2014**

Interest Income

Gross Interest Income for the twelve (12) months ending December 31, 2014 amounted to P221.612 million from P252.267 million over the same period in 2013 for a 13.83% decrease. Of the former amount, about 90.90% came from its lending operations which amounted to P201.449 million and the rest were from Due From BSP and other Banks which increased from P8.575 million to P15.357 million and Available-for-sale securities which rose from P3.434 million to P4.806 million. The Gross Interest Income of P221.612 million represents 77.49% of the bank's total gross income for the year 2014 which amounted to P285.999 million.

Interest Expense

Interest Expense increased by 8.31% from P27.448 million in 2013 to P29.730 million for the period ending December 31, 2014. The Interest Expense of P29.730 million is 13.42% of the Gross Interest Income of P221.612 million.

Other Income

Other Income comprising of Service Charges and Fees and Miscellaneous Income posted a 5.37% decrease in 2014, versus its performance in 2013. Of the 2014 decrease in Other

Operating Income, fee-based sources accounted for P17.499 million while Miscellaneous Income is accounted for P46.795 million. The amount of P64.387 million represents 22.51% of the bank's Total Gross Income in 2014 in the amount of P285.999 million.

#### Other Expenses

Other operating expenses increased by 5.81% from P275.136 million in 2013 versus P291.127 million in 2014. This was due to increases in Employee Benefits from P100.212 million to P106.834 million, Security, Janitorial and Messengerial Services from P30.859 million to P32.546 million, Occupancy from P27.796 million to P28.167 million, Communication, Light and Water from P24.764 million to P27.782 million, Depreciation and Amortization from P16.931 million to P19.526 million, Taxes and Licenses from P15.074 million to P16,010 million and Fuel and Oil from P10.292 million to P11.006 million. The total Other Operating Expenses of P291.127 million is 90.73% of the total expenses.

#### Net Income

Net Income decreased by P69.734 million from a P0.329 million income in 2013 to P 70.063 million net loss in 2014.

#### Cash and Other Cash Items

Cash and Other Cash Items posted a P24.691 million increase from P127.556 million in the year ending 2013 as against P152.247 million in 2014.

#### Due from BSP and Other Banks

Due from BSP and Other Banks increased by 57.44% from P799.314 million in 2013 to P1.258 billion in 2014 as investible funds were placed in local banks. Due from BSP and Other Banks is 30% of Total Resources.

#### Available-For-Sale Securities

Available-for-Sale Investments representing 2.08% of total assets decreased by 8.42% from P95.250 million to P87.226 million in 2014.

#### Loans and Receivables

Loans and Receivables increased to P2.131 billion from P1.981 billion in 2013. The amount of P2.131 billion is 50.82% of the Total Resources.

#### Bank Premises, Furniture, Fixtures and Equipment

This account increased to P225.148 million from P223.138 million. The net amount of P225.148 million represents 5.37% of the Total Resources.

#### Other Resources

Other Resources increased by 23.21% from P257.278 million in 2013 to P316.982 million in 2014. The amount of P316.982 million is 7.56% of Total Resources.

#### Total Deposit Liabilities

Deposits generated by the bank's twenty-eight (28) branches increased by P717 million. From P2.680 billion, Total Deposit Liabilities reached P3.397 billion at the end of 2014. Of this amount, P2.689 billion or 79.16% comprised savings deposits while the remaining 20.84% or P708 million is in the form of time and demand deposits. The Total Deposit Liabilities of P3.397 billion is 97.03% of the Total Liabilities and 81.01% of the Total Liabilities and Equity.

#### Other Liabilities

This account increased by 49.20% from P69.960 million to P104.382 million. The ending balance of P104.382 million is 2.98% of the total liabilities.

Capital Funds/Equity

Capital Funds/Equity decreased by P68.422 million in 2014. Net Loss for the year was P70.063 million.

Capital Adequacy Ratio (CAR)

The bank posted a higher than industry risk-based capital adequacy ratio of 27.31% versus the 14.95% of the industry.

Liquidity

CSBI's loans to deposit ratio is 59.11%.

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.**

For 2015, Citystate Savings Bank plans to open an additional of two (2) 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.

### **Prospects for the Future**

For the year 2015, CSBI will focus on further enhancing its service delivery system through the following action plans:

- Establishment and/or acquisition of additional branch network;
- 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 2014 performance as it pursues aggressively its marketing strategies to deepen its reach to its target market.

### **( C ) BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF BUSINESS OF THE REGISTRANT**

Citystate Savings Bank, Inc. was registered with the Securities and Exchange Commission on May 2, 1997. The Monetary Board of the Bangko Sentral ng Pilipinas on the other hand, granted the bank a license to operate as Thrift Bank on August 07, 1997. The bank's Authorized Capital is P1,000,000,000.00 consisting of 100,000,000 common shares, with a par value of P 10.00 per share.

The bank began its commercial operations on August 08, 1997 when it opened its first branch located in the Dominga Building III, 2113 Chino Roces Avenue corner Dela Rosa Street, Makati City. At present, the bank's principal office is located at Citystate Centre Building, 709 Shaw Boulevard, Pasig City.

The bank itself provides a wide range of banking and other financial services such as but not limited to traditional and innovative deposit products and services, cash management, corporate and retail banking, treasury services. The bank caters to the needs of corporate, middle market and retail clients.

On March 4, 2004, the Bangko Sentral ng Pilipinas approved the application of Citystate Savings Bank, Inc. to engage in quasi-banking functions.

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.

(D) **MARKET INFORMATION**

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 2013 & 2014 are as follows:

<b><u>QUARTERLY</u></b>	<b><u>HIGH</u></b>		<b><u>LOW</u></b>	
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
First Quarter	27.50	14.80	18.00	9.42
Second Quarter	18.00	12.70	10.00	8.70
Third Quarter	13.48	10.58	9.56	9.32
Fourth Quarter	15.98	14.00	8.58	9.88

For the interim period in 2015, the following are the high and low market prices of CSBI shares of stocks:

<b><u>MONTH</u></b>	<b><u>HIGH</u></b>	<b><u>LOW</u></b>
January 2015	11.10	9.03
February 2015	10.02	9.03
March 2015	10.50	10.00

As of December 31, 2014 CSBI has a total of fifty-five (55) stockholders owning 72,764,998 common shares.

**Dividends Declared for the Last ten (10) years:**

- In 1999, cash dividends totaling P594,750.00 were declared and paid covering fiscal years 1997 to 1999.
- 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 6,615,000 shares and cash dividend amounting to P1,984,500.00 were declared, approved by BSP and paid by the bank.
- In 2007, cash dividend declared was 3/10 of 1% of the par value share or Php 0.03 per share.
- In 2008, cash dividend declared was 3/10 of 1% of the par value share or Php 0.03 per share.
- In 2009, cash dividend declared was 3/10 of 1% of the par value share or Php 0.03 per share.
- All cash dividends declarations are subject to Bangko Sentral ng Pilipinas approval.

As of December 31, 2014 the stocks are trading at P13.98 per share.

As of December 31, 2014, the top twenty (20) shareholders are as follows:

**Top 20 Stockholders**

	<b><u>Shareholder</u></b>	<b><u>No. of Shares Owned</u></b>	<b><u>Percent to Total</u></b>	<b><u>Nationality</u></b>
1.	Amb. Antonio L. Cabangon Chua	14,206,114	19.523280%	Filipino
2.	D. Alfred A. Cabangon	8,283,330	11.383674%	Filipino
3.	Fortune Life Insurance, Co. Inc.	7,499,250	10.306123%	Filipino
4.	Fortune General Insurance Corporation	5,484,000	7.536591%	Filipino
5.	Top Ventures Investments & Management	4,902,594	6.737572%	Filipino
6.	Feorelio Bote	4,302,500	5.912870%	Filipino
7.	Ronaldo Zamora	3,521,000	4.838865%	Filipino
8.	Angelita Jose	3,100,074	4.260392%	Filipino
9.	Gencars-Batangas, Inc.	2,846,250	3.911565%	Filipino
10.	Eternal Plans, Inc.	2,641,700	3.630454%	Filipino
11.	D. Edgard A. Cabangon	2,143,350	2.945578%	Filipino
12.	Alfonso G. Siy	1,650,000	2.267574%	Filipino
13.	D. Antoinette Cabangon	1,650,000	2.267574%	Filipino
14.	Aliw BroadcastingCorp.	767,300	1.054491%	Filipino
15.	Gencars-San Pablo, Inc.	726,000	0.997732%	Filipino
16.	J. Wilfredo A. Cabangon in Trust for: Michael Wesley M. Cabangon	714,450	0.981859%	Filipino
17.	J. Wilfredo A. Cabangon in Trust for : William Matthew M. Cabangon	714,450	0.981859%	Filipino
18.	Eternal Plans Inc. Life Trust Fund	689,100	0.947021%	Filipino
19.	Eternal Plans Inc. Pension Trust Fund	686,300	0.943173%	Filipino
20.	D. Arnold A. Cabangon In Trust For: Andrew Nicholas N. Cabangon	550,000	0.755858%	Filipino
		<b><u>67,077,762</u></b>	<b><u>92.184104%</u></b>	

**( E ) DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE**

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

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

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

**UNDERTAKING TO PROVIDE ANNUAL REPORT**

**The registrant undertakes to provide without charge any person a copy of the Bank's Annual Report on SEC Form 17-A upon written request to the registrant addressed to:**

**MR. EDUARDO O. OLAVARIO  
Vice President, Comptrollership/Accounting  
Citystate Centre Building  
709 Shaw Boulevard, Pasig City**



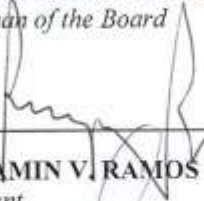
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The Management of **Citystate Savings Bank, Inc.** is responsible for the preparation and fair presentation of the financial statements for the year ended **December 31, 2014 and 2013**, 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 and 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*

  
\_\_\_\_\_  
**BENJAMIN V. RAMOS**  
*President*

  
\_\_\_\_\_  
**EDUARDO O. OLAVARIO**  
*Chief Financial Officer*



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

SUBSCRIBED AND SWORN to before me on 20 APR 2015 at Pasig City,  
affiants exhibiting to me:

NAME	SOCIAL SECURITY SYSTEM NO.
Amb. Antonio L. Cabangon	03-1121792-2
Benjamin V. Ramos	03-7460820-6
Eduardo O. Olavario	03-4421147-4

Notary Public

**JOEL C. BANTASAN**

Notary Public for Pasig, Pateros, Taguig and San Juan, Philippines  
Commission No. 223 (2014-2015)

Commission Expires December 31, 2015

PTR No. 0596242, issued January 07, 2015, Quezon City

IBP Lifetime Membership No. 013170

ROR No. 56492, released April 30, 2009

MCLE Compliance No. IV-002343/December 16, 2013/Quezon City

(5th MCLE Compliance (24 Units/Dec. 07, 2013)

2/F Citystate Centre Building  
706 Shaw Boulevard, Pasig City

Doc. No. SA3  
Page No. 28  
Book No. 1  
Series of 2015

CITYSTATE SAVINGS BANK, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2014 AND 2013  
 (Amounts in Philippine Pesos)

ANNEX "B"

<b>Draft</b> <b>4/14/2015</b>
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	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<b><u>R E S O U R C E S</u></b>			
CASH AND OTHER CASH ITEMS		P 152,246,760	P 127,556,153
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	1,037,862,022	602,895,583
DUE FROM OTHER BANKS	8	220,538,904	196,418,818
AVAILABLE-FOR-SALE SECURITIES	9	87,226,323	95,249,914
LOANS AND RECEIVABLES - Net	10	2,130,815,636	1,981,009,231
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	11	225,147,757	223,137,655
INVESTMENT PROPERTIES - Net	12	22,481,257	26,542,525
OTHER RESOURCES - Net	13	<u>316,982,148</u>	<u>257,278,193</u>
<b>TOTAL RESOURCES</b>		<b><u>P 4,193,300,807</u></b>	<b><u>P 3,510,088,072</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>DEPOSIT LIABILITIES</b>	14		
Demand		P 301,591,137	P 279,287,419
Savings		2,688,820,124	2,124,948,822
Time		<u>406,398,497</u>	<u>275,361,324</u>
Total Deposit Liabilities		3,396,809,758	2,679,597,565
<b>OTHER LIABILITIES</b>	15	<u>104,382,577</u>	<u>69,960,638</u>
Total Liabilities		3,501,192,335	2,749,558,203
<b>EQUITY</b>	16	<u>692,108,472</u>	<u>760,529,869</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 4,193,300,807</u></b>	<b><u>P 3,510,088,072</u></b>

*See Notes to Financial Statements.*

**CITYSTATE SAVINGS BANK, INC.**  
**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

<b>Draft</b>
<b>4/14/2015</b>

	Notes	2014	2013	2012
<b>INTEREST INCOME</b>				
Loans and receivables	10	P 201,449,274	P 240,257,936	P 217,338,321
Due from BSP and other banks	7, 8	15,356,728	8,574,990	13,694,352
Available-for-sale securities	9	4,806,174	3,433,888	5,216,732
		<b>221,612,176</b>	<b>252,266,814</b>	<b>236,249,405</b>
<b>INTEREST EXPENSE</b>				
Deposit liabilities	14	29,728,494	27,207,879	27,904,120
Others		1,691	239,774	184,465
		<b>29,730,185</b>	<b>27,447,653</b>	<b>28,088,585</b>
<b>NET INTEREST INCOME</b>		<b>191,881,991</b>	<b>224,819,161</b>	<b>208,160,820</b>
<b>IMPAIRMENT LOSSES - Net</b>	10, 13	<b>29,135,637</b>	<b>228,149</b>	<b>6,612,310</b>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES AND RECOVERIES</b>		<b>162,746,354</b>	<b>224,591,012</b>	<b>201,548,510</b>
<b>OTHER OPERATING INCOME</b>				
Service charges and fees		17,499,146	16,655,356	15,880,133
Trading gains	9	92,941	-	2,045,867
Miscellaneous	17	46,794,805	51,385,204	36,640,942
		<b>64,386,892</b>	<b>68,040,560</b>	<b>54,566,942</b>
<b>OTHER OPERATING EXPENSES</b>				
Employee benefits	18	106,833,959	100,211,569	87,803,459
Security, janitorial and messengerial services		32,546,262	30,859,408	25,524,697
Occupancy	24	28,166,835	27,795,714	26,073,184
Communication, light and water		27,782,098	24,764,326	22,329,727
Depreciation and amortization	11, 12, 13	19,526,318	16,930,896	15,119,632
Taxes and licenses	26	16,010,345	15,074,270	13,983,991
Insurance		14,639,209	14,856,969	11,934,640
Fuel and oil		11,006,058	10,292,167	7,324,884
Litigation and asset acquired expenses	12	5,340,584	5,687,774	4,151,772
Repairs and maintenance		3,482,882	4,853,944	4,501,882
Miscellaneous	17	25,792,949	23,808,861	24,336,819
		<b>291,127,499</b>	<b>275,135,898</b>	<b>243,084,687</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>( 63,994,253 )</b>	<b>17,495,674</b>	<b>13,030,765</b>
<b>TAX EXPENSE</b>	19	<b>6,069,266</b>	<b>17,166,734</b>	<b>11,332,048</b>
<b>NET PROFIT (LOSS)</b>		<b>( P 70,063,519 )</b>	<b>P 328,940</b>	<b>P 1,698,717</b>
Earnings (Losses) Per Share	22	<b>( P 0.96 )</b>	<b>P 0.00</b>	<b>P 0.02</b>

*See Notes to Financial Statements.*



CITYSTATE SAVINGS BANK, INC.  
 STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012  
 (Amounts in Philippine Pesos)

<b>Draft</b> <b>4/14/2015</b>
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	Notes	2014	2013	2012
<b>NET PROFIT (LOSS)</b>		( P 70,063,519 )	P 328,940	P 1,698,717
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Remeasurement of defined benefit post-employment plan	18	3,940,141	( 3,470,458 )	( 3,018,304 )
Tax income (expense)	19	( 1,182,042 )	1,041,137	905,491
		<u>2,758,099</u>	<u>( 2,429,321 )</u>	<u>( 2,112,813 )</u>
<b>Item that will be reclassified to profit or loss</b>				
Fair valuation of available-for-sale securities				
Fair value gains (losses) during the year	9	( 1,115,977 )	( 2,616,050 )	8,805,967
Reversal of fair value gains on available-for-sale securities sold during the year	9	-	-	( 1,759,560 )
Tax income (expense)	19	-	397,944	( 671,513 )
		<u>( 1,115,977 )</u>	<u>( 2,218,106 )</u>	<u>6,374,894</u>
<b>Total Other Comprehensive Income (Loss) - net of tax</b>		<u>1,642,122</u>	<u>( 4,647,427 )</u>	<u>4,262,081</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u>( P 68,421,397 )</u>	<u>( P 4,318,487 )</u>	<u>P 5,960,798</u>

*See Notes to Financial Statements.*

**CITYSTATE SAVINGS BANK, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

<b>Draft</b>
<b>4/14/2015</b>

	Notes	Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Surplus Reserves	Retained Earnings	Total
Balance as of January 1, 2014	16	P 727,649,980	P 2,222,444	P 2,645,113	P 667,914	P 27,344,418	P 760,529,869
Transfer to reserves	20	-	-	-	139,683	( 139,683 )	-
Total comprehensive income (loss) for the year	16	-	-	1,642,122	-	( 70,063,519 )	( 68,421,397 )
Balance as of December 31, 2014		<b><u>P 727,649,980</u></b>	<b><u>P 2,222,444</u></b>	<b><u>P 4,287,235</u></b>	<b><u>P 807,597</u></b>	<b><u>( P 42,858,784 )</u></b>	<b><u>P 692,108,472</u></b>
Balance as of January 1, 2013		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 loss for the year	16	-	-	( 4,647,427 )	-	328,940	( 4,318,487 )
Cash dividends	16	-	-	-	-	-	-
Balance as of December 31, 2013		<b><u>P 727,649,980</u></b>	<b><u>P 2,222,444</u></b>	<b><u>P 2,645,113</u></b>	<b><u>P 667,914</u></b>	<b><u>P 27,344,418</u></b>	<b><u>P 760,529,869</u></b>
Balance as of January 1, 2012		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 loss for the year	16	-	-	4,262,081	-	1,698,717	5,960,798
Cash dividends	16	-	-	-	-	-	-
Balance as of December 31, 2012		<b><u>P 727,649,980</u></b>	<b><u>P 2,222,444</u></b>	<b><u>P 7,292,540</u></b>	<b><u>P 507,697</u></b>	<b><u>P 27,175,695</u></b>	<b><u>P 764,848,356</u></b>

*See Notes to Financial Statements.*

**CITYSTATE SAVINGS BANK, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

<b>Draft</b>
<b>4/14/2015</b>

	<u>Notes</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before tax		( P 63,994,253 )	P 17,495,674	P 13,030,765
Adjustments for:				
Interest income	7, 8, 9, 10	( 221,612,176 )	( 252,266,814 )	( 236,249,405 )
Interest expense	14	29,730,185	27,447,653	28,088,585
Impairment losses - net	10	29,135,637	228,149	6,612,310
Gains from assets acquired/exchanged	17	( 28,538,746 )	( 33,537,450 )	( 20,258,791 )
Depreciation and amortization	11, 12	19,526,318	16,930,896	15,119,632
Amortization of computer software and deferred charges	17	724,102	617,304	1,008,982
Unrealized foreign currency exchange losses (gains)	17	172,566	( 545,319 )	56,190
Trading losses (gains)	9	92,941	-	( 2,045,867 )
Loss on sale/retirement of bank premises, furniture, fixtures and equipment		-	63,263	978,553
Fair value loss on security deposits		-	-	213,850
Operating loss before working capital changes		( 234,763,426 )	( 223,566,644 )	( 193,445,196 )
Increase in loans and receivables		( 199,117,723 )	( 29,902,384 )	( 487,827,394 )
Decrease in investment properties		31,312,013	53,194,002	15,404,077
Increase in other resources		( 59,135,742 )	( 146,230,742 )	( 8,780,499 )
Increase in deposit liabilities		717,172,014	630,619,884	197,781,478
Increase (decrease) in other liabilities		25,468,793	( 8,268,393 )	17,073,212
Cash generated from (used in) operations		280,935,929	275,845,723	( 459,794,322 )
Interest received		234,226,350	252,327,035	213,999,249
Interest paid		( 29,690,007 )	( 27,536,342 )	( 27,839,314 )
Cash paid for income taxes		5,641,981	( 5,869,103 )	( 7,257,797 )
Net Cash From (Used in) Operating Activities		<u>491,114,253</u>	<u>494,767,313</u>	<u>( 280,892,184 )</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of bank premises, furniture, fixtures and equipment	11	( 76,059,644 )	( 46,349,972 )	( 14,832,943 )
Disposals of available-for-sale securities		6,650,000	4,000,000	44,296,745
Acquisitions of available-for-sale securities		-	-	( 30,000,000 )
Disposals of bank premises, furniture, fixtures and equipment	11	56,118,942	-	-
Net Cash Used in Investing Activities		<u>( 13,290,702 )</u>	<u>( 42,349,972 )</u>	<u>( 536,198 )</u>
<b>Effect of Foreign Currency Exchange Rate Changes in Cash and Cash Equivalents</b>				
		<u>( 172,566 )</u>	<u>545,319</u>	<u>( 56,190 )</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>477,650,985</u>	<u>452,962,660</u>	<u>( 281,484,572 )</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
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
		<u>877,452,384</u>	<u>424,489,724</u>	<u>705,974,296</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
Cash and other cash items		152,246,760	127,556,153	122,574,664
Due from Bangko Sentral ng Pilipinas	7	1,037,862,022	602,895,583	225,855,077
Due from other banks	8, 25	164,994,587	147,000,648	76,059,983
		<u>P 1,355,103,369</u>	<u>P 877,452,384</u>	<u>P 424,489,724</u>

*See Notes to Financial Statements.*

**RESOLUTIONS APPROVED BY THE BOARD OF DIRECTORS  
FOR THE CONFIRMATION OF THE STOCKHOLDERS**

**2014 BOARD RESOLUTIONS**

<b>DATE</b>	<b>BR NO.</b>	<b>PARTICULARS</b>
January 14, 2014	2014-0001	Back-to-Back Loan of Fortune General Insurance Corp.
January 21, 2014	2014-0002	Business Improvement Plan and Corporate Governance Reforms
	-0003	Lodgement of CSBI Shares
	-0004	Renewal and Increase of CTS Financing – International Silverwings Investment, Inc.
	-0005	Resignation of Assistant Corporate Secretary
February 25, 2014	2014-0006	Report of Examination of BSP
	-0007	EMV Migration Plan
	-0008	Account Opening for SSS Reimbursement
	-0009	Renewal of Back-to-Back Loan of Fortune Medicare
	-0010	Renewal of RPNL of Fortune Medicare
	-0011	CTS Financing – Landworks Asia, Inc.
	-0012	Credit Line – Sps. Francisco & Susan Pua
	-0013	Annual Stockholders' Meeting for 2014
	-0014	Bank's Strategic Plan
	-0015	Additional Signatories / Court Representatives
	-0016	Amendment on the Lodgement of CSBI Shares
	-0017	Seafarer Loan
	-0018	Authority to Purchase Urdaneta Property
March 25, 2014	2014-0019	Postponement of the Annual Stockholders' Meeting to May 27, 2014
	-0020	Confirmation of Revised PCA Plan
	-0021	Anti-Money Laundering Action Plan
	-0022	Restructured Term Loan – Rosa Solatorio RTW
	-0023	Appointed Signatory of the Trust Committee
	-0024	Revised HRAD OPPM / Personnel Handbook

	-0025	Authorized Court Representatives
	-0026	General Policy on Settlement of Cases of Erring Employees
	-0027	Appointment of Pro-Signers
	-0028	Authorization of Branch Managers and Branch Accountants for Processing of Business Permits
	-0029	Amendments to the Jewelry Loan Manual
	-0030	Confirmation of Contract to Sell of ROPA in favor of Ms. Rosell Feliciano
April 29, 2014	2014-0031	Appointment of Per Pro-Signers
	-0032	Appointment of Atty. Joel C. Bantasan as Assistant Corporate Secretary
	-0033	Opening of Account at UCPB Urdaneta for CSBI Urdaneta Branch
	-0034	Deposit / Pick up / Cash Delivery Service at UCPB Urdaneta for CSBI Urdaneta Branch
	-0035	Relocation of Taguig Branch
	-0036	Approval of Sales and Marketing Department (SMD) Manual
May 27, 2014	2014-0037	Election of Corporate Officers and Appointment of Committee Members
	-0038	Receipt of the Financial Audit Report and Action on the findings and/or recommendation of Punongbayan & Araullo
	-0039	Approval of Department Manuals:
Credit Services Quality Assurance Loans Administration and Implementation	-0040	Treasury Manual Amendment
	-0041	Omnibus Line – Citystate Properties & Management Corp. (CPMC)
	-0042	Contract of Lease of Affiliates at Batangas City and Urdaneta City
	-0043	Confirmation of Anti-Money Laundering Officer
	-0044	Confirmation of Termination of Employees
	-0045	Standby Credit Line – Fortune Medicare, Inc.
	-0046	Progress Report on the Prompt Corrective Action (PCA) Plan

June 24, 2014

2014-0047	Updated Interbank Call Loan-IBCL
-0048	Additional Signatory of Trust Department
-0049	CSBI Money Market Trust Fund
-0050	Philippine Depository Trust Corp. (PDTC) Requirements
-0051	Authority of Officers Representing the Bank
-0052	Housing Loan of Sps. Robert and Agnes Reyes
-0053	Approval of Information Security Manual
-0054	Approval of Legal Services and Corporate Affairs Manual
-0055	Personal Salary Loan Program
-0056	CEO as Bank Signatory

July 28, 2014

2014-0057	Updating of Signatories for PDEX
-0058	Updating of Signatories – CSBI Account at Unionbank
-0059	Opening of UCPB Dollar Savings Account – Urdaneta Branch
-0060	Opening of UCPB Dollar Savings Account – Batangas City Branch]
-0061	Bank's Representative in Court and Out-of-court Dispute
-0062	Revolving Promissory Note Line of Fortune Medicare
-0063	Credit Line of Landworks Asia, Inc.
-0064	Renewal of Accreditation of Employees Salary Loan Program – Landworks Asia
-0065	50% Discount on Penalty Charges of Asiaprime Properties
-0066	Transfer of ROPA to Bank Property
-0067	Resignation of Trust Officer – Emily A. Laurente
-0068	Approval of Account Management Department (AMD) and Branch Services and Support Department (BSSD) Manuals
-0069	Appointment of External Auditor
-0070	Revisions in the Internal Audit Department Manual
-0071	Offer to Purchase of Sps. Daniel & Leslie Marie Lim
-0072	Offer to Purchase of Ms. Amelita Ocampo
-0073	Offer to Purchase of Mr. Ephraim Del Rosario
-0074	Amended Pricing Policy of Jewelry Loans Department

August 26, 2014

2014-0075	Amendment of Assets and Liabilities Committee (ALCO) Charter
-0076	Opening of Current Account at BDO Capitol Pasig Branch for CIS Bayad Center
-0077	Confirmation of the previously approved policy on the referral and commission on sale of acquired properties
-0078	Amendment on the selling price of acquired properties for sale
-0079	Renewal of Omnibus Line – Brown Madonna Press
-0080	Floor Stock Financing to Omnibus Line – Gencars Batangas and San Pablo
-0081	BP / Check Rediscounting Line – ALC Realty Development Corp.
-0082	New Table of Organization
-0083	Amendment on the Corporate Governance Manual per SEC Circular No. 9 Series of 2014
-0084	Confirmation of termination of Alice B. Geronimo and Elizabeth E. Fuentes for BSP Watchlisting
-0085	Cash Advance and Liquidation Policy of the Bank

September 30, 2014

2014-0086	Approval of Security Services Unit Manual
-0087	Sale of CSBI Acquired Asset in favor of MGE Transportation
-0088	Offer to Purchase of Sps. Penafrancia & Youxian Yu
-0089	Auto Loan of Rolando L. Gabriela
-0090	Accreditation as Participating Financial Institution with the Social Security System (Omnibus Line)
-0091	Approval to invest in Promissory Note
-0092	Back to Back Loan / Standby Credit – Aliw Broadcasting

October 21, 2014

2014-0093	Approval of Authorized Investment Outlets & Increase in the Trading Inventory of Government Securities
-0093-A	Metrobank – LTNCD
-0094	Confirmation of Contracts of Lease between CSBI and Affiliates
-0095	Approval of Service Level Agreement (SLA) between CSBI and Fortune Medicare, Inc.
-0096	Signatory for Trust Department

	-0097	Signatory for Account Management Department
	-0098	Approval to amend Articles of Incorporation and By-Laws
	-0099	Credit Line with Philippine Business Bank
	-0100	Branch Managers and Service Heads as Authorized Court Representatives
	-0101	Sale of the Bank's properties in Batangas and Urdaneta
November 25, 2014	2014-0102	Approval of Omnibus Line – R.J. Lhinnet Development Corporation
	-0103	Confirmation of Credit Line – Filipiniana Resorts Development Corporation
	-0104	Confirmation of Credit Line Renewal – Sps. Francisco Y. Pua / Susan Q. Pua
	-0105	Confirmation of Proposal for Standard Trust Fee Rates
	-0106	Confirmation to participate in BDO Unsecured Subordinated Debt Eligible as Tier 2 Capital
	-0107	Confirmation of Liquidity Contingency Plan and Marked to Market Process
	-0108	Confirmation of Amendment of Client Suitability Form and Investment Policy Statement
	-0109	Confirmation of Risk Rating for Trust Department
	-0110	Approval of Bank's Replies and Actions to be taken on Anti-Money Laundering (AML) Advance Findings
	-0111	CSBI Treasury Department Purchase of BDO Unsecured Subordinated Debt Eligible as Tier 2 Capital
	-0112	Sale of the Bank's Properties
December 17, 2014	2014-0113	Policy on the disposal of jewelry items under ROPA
	-0114	Offer to Purchase Bank Property – Buyer: Mr. Marlon Zialcita
	-0115	Acceptance of Surety Bond from Fortune General Insurance
	-0116	Amendment of Approved Terms and Conditions of RJ Lhinnet Development Corporation
	-0117	Authority to deposit at PlanBank
	-0118	Transfer of Chief Risk Officer, Meliton A. Narciso, to the Treasury Department as Officer-in-Charge
	-0119	Updating of Signatories for Philpass



- 0120                      Updating of Signatories for Demand Deposit Account (DDA)
- 0121                      Renewal of Revolving Promissory Note Line (RPNL) of Fortune Medicare
- 0122                      Designation of Justice Melo as Corporate Governance Committee Chairman
- 0123                      Confirmation of Contract to Sell between CSBI and ALC Realty Development Corporation

\*\*\**Nothing follows*\*\*\*