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## I. INTRODUCTION

Citystate Savings bank, Inc. (CSB) observes strict compliance with the Exchange's Trading Rules and Restrictions, emphasizing the need for transparency and fairness in its transactions in order to fully apprise its investors of its current activities. The Bank is guided by, observes and complies with provisions of the Securities Regulation Code (RA Act No. 8799) with regard to the Prohibition on Fraud, Manipulation and Insider Trading.

In line with the principles of fairness and transparency by ensuring that shareholders are afforded due protection and that individuals does not benefit from information which is not otherwise generally to the market, CSB commits to deter Insider Trading as prohibited under Securities Regulation Code (SRC)<sup>1</sup> and to comply with requirements of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) as Publicly Listed Company.

This policy provides for the usual conduct applicable to directors and employees of Citystate Savings Bank, Inc. to the extent that they considered reporting insiders having possessions of material non-public involving the Bank's and its partner's securities. The Bank complies with the provisions of law set forth in the SRC and implement policies and procedures to prevent the unauthorized disclosure or misuse of material, non-public information in trading to preserve the reputation and integrity of the Bank.

## II. DEFINITION OF TERMS

***Insider Trading*** – refers to the trading activities of a public company's stock or other securities by the individuals with access to non-public information about the company. The term include both legal and illegal.

***Legal Insider trading*** – refers to the corporate insiders buy and sell stock and their own company.

***Illegal Insider trading*** – refers generally to buying and selling securities, in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of material non-public information about the security.

***Insider*** – refers to the company's directors, officers, and employees. Including consultants and retainers.

***Non-public Information*** – refers to information that has not been disseminated broadly to investors in the market place. Information becomes public after it become available to

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<sup>1</sup> Section 27 of Securities Regulation Code

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the general public through disclosure with the Securities and Exchange Commission and Philippine Stock Exchange, or publication of general circulation.

*Material Information* - refers to the information for which there is a substantial probability that an investor would consider is important in making his investment decision whether positively or negatively. Material information may include, but not limited to:

- a. Financial results;
- b. Projections of future earnings or losses;
- c. News pending or proposed merger;
- d. Change in the corporate structure such as reorganization;
- e. Acquisition/divestiture/Joint venture;
- f. Dividend declaration and changes in dividend policy;
- g. Stock splits;
- h. New significant equity investment or debt offering;
- i. Significant litigation exposure;
- j. Major change in key senior management position.

Under the SEC Regulations, information is “material non-public” if<sup>2</sup>:

- a. It has not been generally disclosed to the public and would likely affect the market price of the security after being disseminated to the public and the lapse of a reasonable time for the market to absorb the information;
- b. Would be considered by a reasonable person important under the circumstances in determining his course of action whether to buy, sell or hold a security.

### **III. OBJECTIVES**

1. This policy aims to restrict any director or employee of the Bank, who has material non-public information, to do the following whether directly or indirectly:
  - a. Trade either in CSB or Partner’s Securities;
  - b. Communicate material non-public information about the bank’s securities or any of its partner’s, to any employees or director of the bank;
  - c. Reports respective beneficial ownership of CSB shares of stock their or their associates, if any, including subsequent changes pursuant to the rules and regulations of the SEC and PSE.
  - d. Duly observe the defined “Blackout periods” or such period within which the buying and selling of CSBI shares of stocks by reporting insiders and their associates.

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<sup>2</sup> As defined under SEC Securities Regulation Code Chapter VII- Prohibition on Fraud, Manipulation and Insider Trading, Sec. 272 – Insiders Duty to disclose when trading.

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2. To help establish a diligent effort to avoid improper transaction (or even appearance of an improper account).

#### **IV. COVERED PERSONS**

1. The Issuer;
2. A director, officer or person perform similar functions of, or a person controlling the issuer;
3. A person whose relationship or former relationship to the issuer gives access to material information about the issuer or the security that is not generally available for public;
4. A government employee, or director, or officer of an exchange, clearing agency and/or self-regulatory organization who has access to material information about an issuer or a security that is not generally available to the public;
5. A person who learns such information by a communication from any of the foregoing insider;
6. Co-habitants like the Covered Person's spouse or relatives by affinity or consanguinity within the second degree, legitimate or common-law.

#### **V. POLICY STATEMENT**

1. All Citystate Savings Bank, Inc. Directors, Officers and Employees who are considered as insider are prohibited from engaging in trading such as buying and selling of CSBI securities while in possession of material information that is not generally available to the public.
  2. All Bank insider are prohibited
  3. Disclosure or communicating material non-public information about the Bank's securities to any person whom such Director, Officer or Employee has the reason to believe will trade on those securities (tipping) unless made strictly on a need-to-know basis only and in furtherance of a legitimate business legal counsel.
  4. Material non-public information must not be disclose to any person, except to persons within the Bank or third party agent such as investment banking advisors or outside legal counsel.
  5. All Directors, Officers and Employees have right and legal obligations to maintain the secrecy of information about the Bank and not to participate in transaction involving CSB securities while in possession of material non-public information.
  6. All CSB's Directors, Officers and Employees are strictly prohibited from trading the Bank's securities during Blackout periods.
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## **VI. DISCLOSURE AND DISCIPLINARY ACTION**

Any violation / non-compliance of the foregoing policy statement may subject the erring "Insider" to imposed sanctions in accordance with the Bank's Employees' Handbook of Code of Business Conduct and Ethics.

## **VII. REVIEW**

This policy is reviewed on a regular basis and at least once a year.

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