



2022 ANNUAL REPORT

The Bank that Farmers Built . . .



Unyielding Strength, Enduring Prosperity:
The Resilient Path of the
COOPERATIVE BANK OF CAGAYAN

ABOUT US

Brief Story about CBC

The Cooperative Rural Bank of Cagayan Inc. now Cooperative Bank of Cagayan is one of the oldest and stable cooperative bank in the Philippines. It was organized on March 22, 1977 through the initiative of 105 Samahang Nayons and one Area Marketing Cooperative, the Kilusang Bayan sa Pangangalakal ng Cagayan at Kalinga-Apayao, Inc. After the issuance of its Certificate of Authority from the Central Bank of the Philippines in 1979, now the Bangko Sentral ng Pilipinas (BSP), the Cooperative Bank of Cagayan (CBC) formally opened its doors to the public in September 1979.

The Bank's Branches and Branch Lites

The Main (Tuguegarao City) Branch was first established to cater the entirety of Cagayan Province and some areas in Isabela and Kalinga. In 2004, the BSP granted the bank the permission to build its second branch (Lal-lo Branch) in the Municipality of Lal-lo, Cagayan to serve the first district of Cagayan. Following that, was the establishment of Pamplona Branch (now Abulug Branch) in 2007, to cater the second district of Cagayan and some municipalities of Apayao.

The bank further expands its operation in the province of Ilocos and Isabela through its branch-lite units in Burgos, Ilocos Norte (Burgos Branch-lite), Cabagan, Isabela (Cabagan Branch-lite), and San Manuel, Isabela (San Manuel Branch-lite) which was simultaneously established in 2020.



CORE VALUES

The Cooperative Bank of Cagayan shall operate and serve with **PRIDE** along with the Universal Cooperative Values at all times. PRIDE stands for the set of values that shall guide every officers and employees' conduct, and it shall permeate throughout the system of our Bank.

PARTNERSHIP We share responsibility with our member-affiliates and other stakeholders in promoting solidarity as we deliver high quality products and services that are responsive to their needs.

RESPECT We uphold in our undertakings Reverence, Esteem, Serenity, Politeness, Equality, Courtesy and Truthfulness.

INTEGRITY We are fair and just in all our undertakings as we take responsibility for our actions and give credit to whom it is due as we stand firm on our convictions and principles.

DEDICATION We are committed to serve with conscientiousness, resoluteness, optimism, perseverance and stamina.

EXCELLENCE We effectively and efficiently deliver customer-centric products and services.

About the Cover

This image represents the bank's support for local agriculture. The farmer symbolizes the bank's commitment to helping community thrive. The bank's ability to adapt in the face of diversity is exemplified by this image. The individuals stand in for the bank's dedication to supporting its clientele during challenging times. It portrays a sense of resilience and sustainability, both of which are crucial to its aim of promoting community well-being.

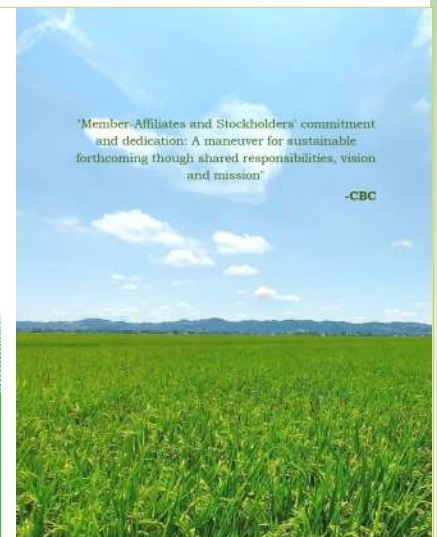
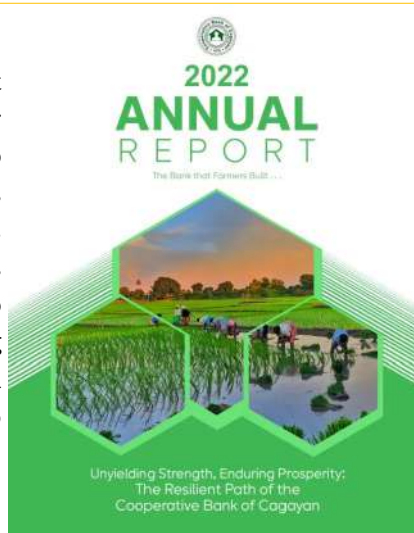


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CORPORATE POLICY

VISION

The leading and most trusted Cooperative Bank in Northern Luzon devoted to uplift the quality of life in the countryside.

MISSION

We are committed to provide responsive financial access and opportunities to member-affiliates and stakeholders through innovative and technologically superior products and services anchored on:

- ✓ holistic development;
- ✓ quality customer service;
- ✓ good governance; and
- ✓ corporate social responsibility.

THE BUSINESS SYMBOL



This represents the combined efforts of the 105 Samahang Nayons and an Area Marketing Cooperative who initiated to organize the Cooperative Bank of Cagayan

The name of the Bank and the year it was founded

This symbolizes the building structure of CBC

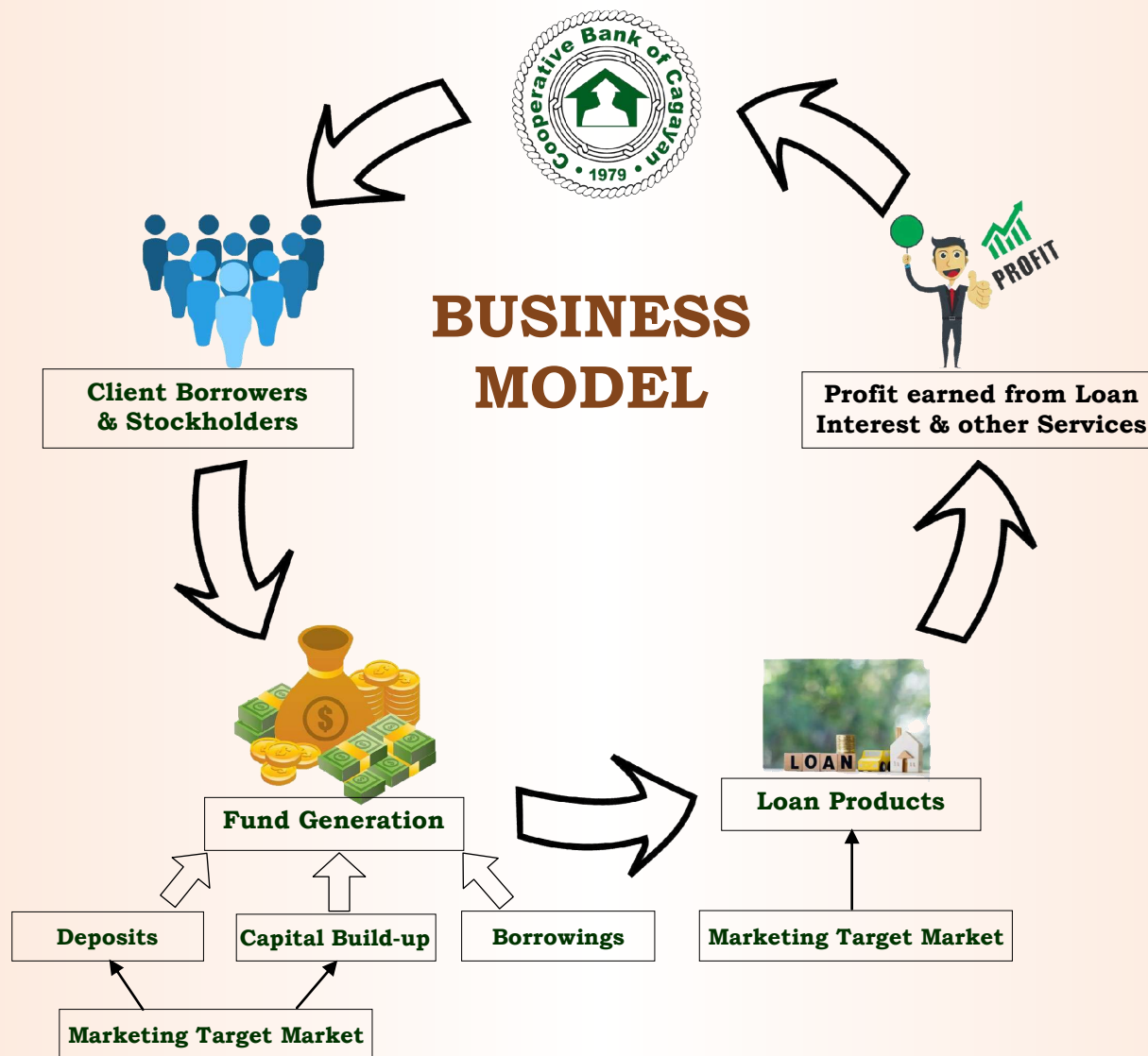
This exemplifies the stockholders, member-affiliates, clients, borrowers and depositors who continuously patronizing and supporting the products and services of the Bank.

This interlocking chain signifies the helping hands of every stockholders, member-affiliates, board of directors, officers & staffs, cooperative affiliates, borrowers, depositors and other government or private sectors in the attainment of the Cooperative Bank of Cagayan mission-vision and its goals.

COOPERATIVE BANK OF CAGAYAN

“...THE BANK THAT FARMERS BUILT”

It is the Bank where the spirit of agriculture thrives in the world of finance. Through our brand name, we embrace the heritage and legacy of the farmers who built this institution. Their hard work, perseverance, and unwavering spirit inspire us every day to create a banking experience that celebrates their contributions and safeguards their future.



The bank's primary business process emanates from clients and stockholders' deposit, capital build-up or infusion. The Fund Management and Branch Operation (FMBO) Department through its three (3) branches, and three (3) branch lite units strategically located in the Provinces of Cagayan, Isabela, and Ilocos Norte, will properly and efficiently manage the financial resources generated therein. The fund generated will be mainly utilized through the marketing of bank's loan products to be processed by the Loans Department.

Eventually, the bank will distribute the share of profit and retained earnings to its stockholders in the form of dividends upon

proper approval of the Bangko Sentral ng Pilipinas (BSP).

Aside from loans and deposit services, the Bank also offer other services such as Cagayan Electric Cooperative (CAGELCO) Bills Payment, dormitory-type room and function hall rental. The over-all operations of the Bank is bound by its internal policies and procedures, and regulations of the Bangko Sentral ng Pilipinas (BSP), Cooperative Development Authority (CDA), Bureau of Internal Revenue (BIR), Philippine Deposit Insurance Corporation (PDIC) and other regulatory bodies with the support of the Board of Directors, Management and employees.

Chairperson's Statement

Cooperative Greetings!

It is with immense pride and gratitude that I present to you my sincerest introduction message to the 2022 Annual Report of the Cooperative Bank of Cagayan. This report signifies a remarkable milestone in our journey of recovery, resilience, and growth following the unprecedented challenges posed by the global pandemic.

Over the past year, we have witnessed the unwavering spirit of our cooperative bank and its ability to adapt, innovate, and serve our members in the face of adversity. As we emerge from the shadows of the pandemic, our collective efforts have allowed us to rebuild and thrive, re-establishing our commitment to excellence and reimagining the future of banking.

The 2022 Annual Report showcases not only the financial achievements of our Bank but also the profound impact we have had on the lives of our members and the communities we serve. It is a testament to the unwavering dedication of our team, the trust bestowed upon us by our members, and the collaborative spirit that defines us as a cooperative bank.

Throughout the past year, we prioritized the well-being of our members, staff, and the wider community, ensuring their safety while maintaining uninterrupted access to essential financial services. We swiftly adapted to the changing landscape, embracing digital innovations and enhancing our online platforms to ensure convenience, accessibility, and seamless banking experiences for all.

Moreover, our commitment to the agricultural sector, the backbone of our community, remained steadfast. We extended tailored financial solutions to farmers, empowering them to overcome the challenges posed by the pandemic and continue cultivating the land with passion and resilience. By supporting sustainable agriculture and promoting the welfare of our farmers, we fostered a more inclusive and prosperous agricultural ecosystem.

I would like to express my deepest gratitude to our members for their unwavering trust and loyalty, and to our dedicated staff for their tireless efforts in serving our cooperative bank and community. Their commitment and resilience have been instrumental in our recovery and the achievements we celebrate today.

As we turn the pages of this Annual Report, we invite you to delve into the inspiring stories of our members, the impactful initiatives we undertook, and the financial milestones we achieved. It is a testament to the enduring strength of our cooperative bank, our collective journey of growth, and our unwavering dedication to the principles of cooperation.

Looking ahead, we stand poised to build upon the momentum we have gained. We will continue to innovate, adapt to emerging trends, and seize opportunities for further growth. By leveraging our cooperative values and fostering strategic partnerships, we will explore new avenues for sustainable development, financial inclusion, and community empowerment.

In conclusion, I extend my sincere appreciation to all our stakeholders, partners, and supporters who have contributed to the Cooperative Bank of Cagayan's remarkable journey of recovery. Your unwavering beliefs in our mission and your invaluable collaboration have been pivotal to our success.

As we reflect on the challenges we have overcome and the milestones we have achieved, let us embrace the future with renewed determination and a shared vision for a more prosperous and inclusive tomorrow. Together, we will continue to nurture the spirit of cooperation, empower our members, and uplift the communities we serve.

Thank you, and may the 2022 Annual Report be a testament to our resilience, achievements, and unwavering commitment to building a brighter future through the Cooperative Bank of Cagayan.

"It is a testament to the enduring strength of our cooperative bank, our collective journey of growth, and our unwavering dedication to the principles of cooperation.

We will explore new avenues for sustainable development, financial inclusion, and community empowerment"


Engr. Nestor T. Bautista
Chairperson



President's Report

Naragsak nga Maikauppat nga Pulo ket Uppat nga Annibersaryo ti Banko Tayo.

The past two (2) years of operation were the defining years of the existence and resiliency of the Cooperative Bank of Cagayan. The said years were the most challenging years as no one expected that during those years, COVID 19 pandemic will be declared and the start of the unthinkable scenario where almost 90% of the businesses were temporary closed which tremendously affected the Rural Banking Industry. While the Bank has a comprehensive business continue plan, still, the challenge of pandemic was so enormous that it affected the totality of its operation.

The year 2022 was a little bit favorable for the Bank. Businesses opened up on a regular basis and became stable and the Agricultural Sector increased its activities. The previous experiences of the Bank became the basis of the Board and Management to crop up the 2022 budget. Strategies which were very effective during the height of the pandemic were adopted and new ones were incorporated. The test of the continuing resiliency of the Bank started in the first quarter of fiscal year 2022. The result was satisfying that it was continued in the second quarter. The efforts of the Bank was gifted as at the end of the first semester of year 2022, it registered a positive net income in the amount of Six Million plus pesos.

The second semester of the year 2022 was challenging as it was during that time that natural calamities regularly visited the Valley. Though the operation slowed down, the Bank still made good as it was able to address the problem of past due and the deficiency in allowance for credit losses and ultimately registered a net income of Five Million plus pesos. The productivity of the strategies and action plans can be best manifested on the comparative income of the 2021 and 2022 operations wherein in 2021, the Bank netted an income in the amount of One Million plus while in the year 2022, it garnered a net income of Five Million plus which is about five hundred percent (500%) increase than the preceding year.

The Board and the Management are in continuous search of other safe and sound banking practices to be incorporated on our existing practices with the end view of furthering the brand of the bank, Bangko nga mapangnamaan, Cooperative Bank of Cagayan.

God bless us all and stay safe always.

“Though the operation slowed down, the Bank still made good as it was able to address the problem of past due and the deficiency in allowance for credit losses and ultimately registered a net income of Five Million plus pesos.”

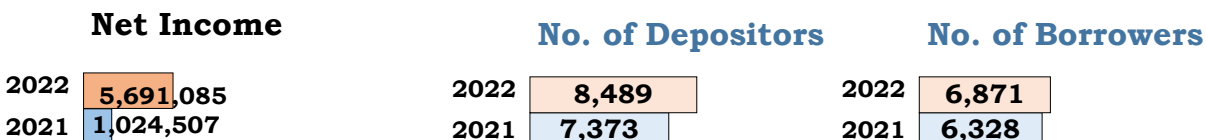
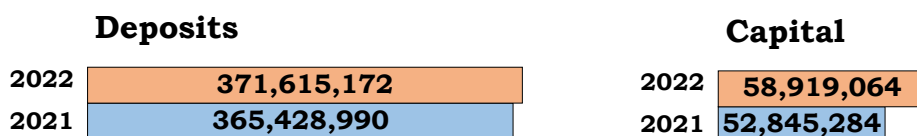
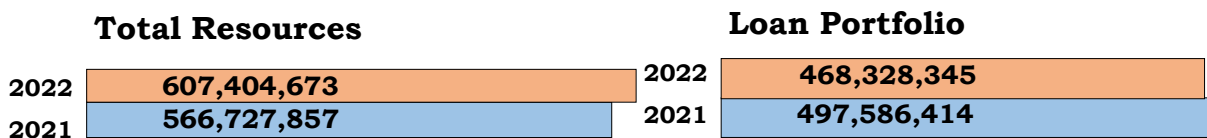

Atty. Robin James A. Gunnacao
President/CEO



FINANCIAL HIGHLIGHTS

Particulars	2022	2021
	<i>In Millions</i>	
Total Resources	607.40	566.73
Loan Portfolio	468.33	497.59
Deposit	371.62	365.43
Capital	58.92	52.85
Net Income	5.69	1.02

Particulars	2022	2021
Number of Depositors	8,489	7,373
Number of Borrowers	6,871	6,328



FINANCIAL SUMMARY

PROFITABILITY	2022	2021
Total Net Interest Income	58,657,905	51,535,614
Total Non-Interest Income	23,735,902	17,767,381
Total Non-Interest Expenses	(65,334,444)	(57,702,372)
Pre-provision profit	17,059,363	11,600,623
Allowance for Credit Losses	(11,368,278)	(10,535,808)
Net Income	5,691,085	1,024,507¹
Balance Sheet Data		
Liquid Assets	172,158,251	98,771,469
Gross Loans	468,328,346	497,586,414
Total Assets	607,404,673	566,727,857
Deposits	371,615,172	365,428,990
Total Equity	58,919,064	52,845,284
Financial Ratios		
Return on Equity	9.66%	17.16%
Return on Assets	0.94%	0.18%
Past Due Ratio	20.88%	20.20%
Minimum Liquidity Ratio	51.96%	31.43%
Fixed Asset Ratio	3.60%	4.27%
Qualifying Capital	58,131,168.83	59,027,555.12
Risk Weighted Assets	542,855,283.91	446,479,616.62
Capital Adequacy Ratio	10.71%	11.38%
Others		
Headcount	111	108
No. of Offices	6	6
Officers	5	5
Department Heads	7	7
Supervisors	5	5
Branch Manager & Asst. Branch Manager	6	6
Staff	81	79

¹Net of Income Tax Expense

CAPITAL ADEQUACY

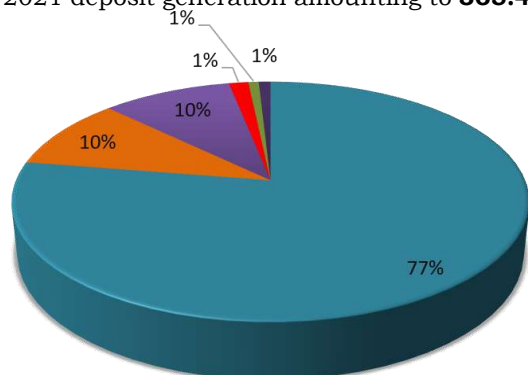
A. Tier 1 capital	
Core Tier 1 Capital	58,131,167.83
Paid up common stock,	33,716,925.86
Paid-up perpetual and non-cumulative preferred stock,	21,780,000.00
Deposit for perpetual and non-cumulative preferred stock subscription,	
Surplus, and RE	(2,742,511.98)
Surplus reserves (undivided Profit)	5,376,753.95
Deduction from Core Tier 1 Capital	
B. Tier 2 capital and a breakdown of its components	
Upper Tier 2 Capital	
Perpetual cumulative preferred stock, and	1,000,000.00
General loan loss provision	2,691,841.86
Deductions from Upper Tier 2	
Perpetual cumulative preferred stock, and	
Sinking fund	5,190,121.19
Total Upper Tier 2 Capital	
Lower Tier 2 Capital	
Deductions from Lower Tier 2 Capital	
C. Deductions from Tier 1 fifty percent (50%) and Tier 2 fifty percent (50%) capital	
D. Total qualifying capital	58,131,167.83
E. Total Credit Risk-Weighted Assets	462,939,799.58
F. Total Market Risk-Weighted Assets	
G. Total Operational Risk-Weighted Assets	79,915,484.34
H. RISK – BASED CAPITAL ADEQUACY RATIO	10.71%

RESULT OF OPERATION

I. Fund Management and Branch Operation

1. Liabilities per Branch & Branch Lites

Cooperative Bank of Cagayan (CB Cagayan) generated **371.6M** deposits in 2022. It increases to **6.2M** or **1.29%** as compared to 2021 deposit generation amounting to **365.4M**.



BRANCH	AMOUNT	%
MAIN	288,190,683.72	77.55%
LALLO	36,208,356.28	9.74%
ABULUG	35,760,771.57	9.62%
CABAGAN	5,346,609.44	1.44%
SAN MANUEL	2,877,521.72	0.77%
BURGOS	3,231,229.46	0.87%
TOTAL	371,615,172.19	100.00%

The figures expose that the trust of banking public with Cooperative Bank of Cagayan is rising and with the help of three (3) branches and three (3) branch-lites, a higher number of deposits is expected to be generated in the succeeding years.

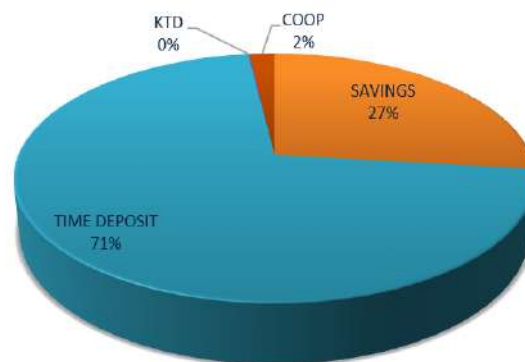
The increase in the Bank's deposit can be attributed to the increase in the number of account holders. From 7,373 number of depositors recorded in 2021, a total of **1,125** new depositors were added, making the 2022 record climbed to **8,489 depositors**.

In this year, Time Deposit still holds the highest amount among deposit products of the bank followed by Savings Deposit. The grounds for this figures is that Cooperative Bank of

Cagayan Time Deposit Product has a competitive interest rate.

To encourage more depositors, the bank is looking forward in innovating new deposit products not only to make them grow their money with us, but also to build confidence for their future.

Through the collective efforts of managements and employees to market our deposit products, more trust will be generated by the bank.



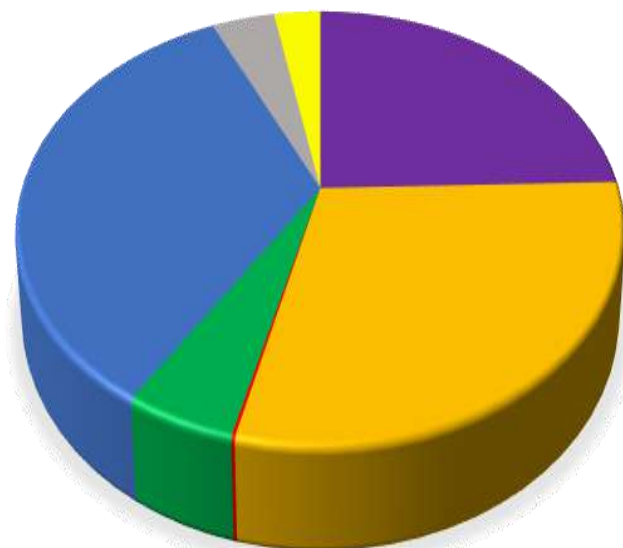
TYPE	AMOUNT	%
SAVINGS	99,705,299.07	26.83%
TIME DEPOSIT	264,618,624.75	71.21%
KTD	423,138.64	0.11%
COOP	6,868,109.73	1.85%
	371,615,172.19	100.00%

In 2022 a total of 12 newly affiliated Cooperatives wrote down from different branches/ branch lites. This manifest that Cooperatives in the area invested not only their money but their trust to grow with Cooperative Bank of Cagayan.

The Cooperative Bank of Cagayan will continue to take full advantage of all the available resources and opportunities seen in its areas of operation to introduce its presence and improve further its deposit structure.

II. Lending Operation

As of December 2022, the total outstanding loan of the bank decreases to 5.88% compared to 2021. With the past years struggles due to Covid-19 and typhoons that affected the



borrowers, the bank became more strict and stern in implementing its lending policy. As a result, some loan application were being deferred or disapproved.

On our regular loan products, except government funded loan, Agri-Agra—OACL, LIOP -Salary and Housing loan has the top highest loan volume. The said products recorded Php104.72Million, Php 64.70Million and Php40.10Million respectively. The remaining Php258.83Million is the accumulated volume of other loan products including Fringe Benefit Loan (for employees) and government funded loan.

To manifest that the bank wanted to stretch-out its financial opportunities, a new loan product has been launched (*Special Loan Product for Modernized Public Utility Vehicle*) and 2 more products will be introduced for the succeeding year.

29.24% **Php 136.95 million**
AGRI-AGRA LOAN (ARL, OACL)

0.16% **Php 742,648.06**
DEVELOPMENT INCENTIVE LOAN (DIL)

5.03% **Php 23.54 million**
CONSUMER/ PERSONAL LOAN (Appliance, MPL, Vehicle)

3.99% **Php 18.70 million**
MICROFINANCE LOAN

2.96% **Php 13.86 million**
SMALL MEDIUM ENTERPRISE (SME) LOAN

34.09% **Php 159.64 million**
LOANS FOR INDIVIDUAL FOR OTHER PURPOSES
(Salary, Housing, Lot, Back to Back, Student, Others)

24.53% **Php 114.89 million**
OTHER LOAN TYPE (ACPC, Fringe, RESBAC)

III. Non-Interest Income

For the year 2022, the bank gained a Php3.18million on sale of Real and Other Properties Acquired (ROPA), Php88,143.00 recorded for Income from investment and the bank also generated Php3.17million other income which includes Recovery from Written-off accounts, Service Charge, and Miscellaneous income.

IV. Looking Forward

With the opportunities expected for the year 2023 within the area of operation, CB Cagayan will upgrade its process, re-orient its employees to be more adaptable and to provide the highest standard of service and welfare to our stakeholders and continue to propose new products in lieu with the needs of the people, to be able the bank to become better than its previous operation or may become better than what has been expected.

RISK MANAGEMENT FRAMEWORK

It is often presume that risk is everywhere and often said that profit is a reward for risk bearer or risk taker. Banks are literally exposed to different types of risks. A successful banker is one that can mitigate these risks and create significant returns for the shareholders or members on a consistent basis. Mitigation of risks begins by correctly identifying the risks, why they arise and what damage can they cause in the operation of the bank.

“Managing risk is a cornerstone of sound banking practices that has been part of banking since the industry began. What is new, however, is how the bank itself applies the principles of sound risk management to day-to-day operations “ - CBC RMO

Risk Management Charter

The Risk Management Committee (RMC) has been instituted to assist the Board of Directors in the effective and efficient discharge of its oversight function on the Bank’s risk management program. An effective risk management program is a multifaceted element for a safe and sound banking practices and operations of Cooperative Bank of Cagayan (CBC) towards the achievement of its objectives, plans and goals.

Risk Management System and structure

The committee shall be composed of at least three (3) members of the board of directors, majority of whom shall be independent directors, including the chairperson. The Risk Management Committee chairperson shall not be the chairperson of the board of directors, or any other board-level committee. The risk oversight committee shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts to assist it in discharging its responsibilities.

The Internal Audit Department serves as the third line of defense, providing independent assurance on the continued relevance and sufficiency of the bank’s overall risk management.

Together with the Audit Committee, the Internal Audit Department reviews the bank’s risk management systems, functions and activities recognizing that these have been undertaken in accordance with the Risk Management Department’s duties and responsibilities.



It also assess the bank’s Senior Management oversight to be generally sufficient with performance and overall risk profiles regularly discussed during meeting.

The **Risk Management Office (RMO)** is responsible for overseeing the day-to-day implementation of the risk management function – identification, measurement, monitoring and control of risks. As an independent unit reporting directly to the Board, RMO consults with business units in identifying, measuring and implementing risk management methodologies and controls. It assist business and operating units in measuring risk/return to better manage their risk profile.

Senior Management of Cooperative Bank of Cagayan is also actively involved in the planning, reviewing and assessing different risks being managed by the Bank through various committees. The Management Committee (MANCOM) ensures that all business objectives are align with the risk tolerance set by the Board.

The **Assets and Liabilities Management Committee (ALCO)** is responsible for ensuring market and liquidity risks are adequately addressed on long-term and daily basis.

The **Credit Committee (CRECOM)** which has been delegated with credit authority limits, reviews, approves/recommends loan proposals and credit policies to the Board. Compliance Office oversees that the Bank is effectively managing compliance of regulatory risk as prescribed by the Compliance Manual. It also responsible for the implementation of the Anti-Money Laundering Program.

RISK GOVERNANCE FRAMEWORK

The risk governance framework shall include policies, supported by appropriate processes and control procedures, designed to ensure that the risk identification, aggregation, mitigation and monitoring capabilities are commensurate with the Bank's size, complexity, risk profile, and systematic importance. The risk governance framework shall consider the following:

Risk appetite. The Bank's risk appetite shall be clearly conveyed through a risk appetite statement that can be easily understood by all relevant parties, e.g., board of directors, senior management, employees, the public, regulators and others stockholders. The RAS shall represent the individual and aggregate level and types of risk that the Bank is willing to assume in order to achieve its business objectives and considering its capability to manage risk.

Risk management policy. Risk management policies shall cover:

- ◆ structure of limits and guidelines to govern risk-taking. These shall include actions that will be taken when risk limits are breached, including notification and escalation to higher level of Management and corresponding sanctions for excessive risk taking;
- ◆ clearly delineated responsibilities for

managing risk based on the three lines of defense;

- ◆ system for measuring risk;
- ◆ checks and balances system; and
- ◆ framework for risk data aggregation and risk reporting.

Risk management processes and infrastructure.

The degree of sophistication of the risk management and internal control processes and infrastructure shall keep pace with developments in the Bank such as balance sheet and revenue growth; increasing complexity of the business; risk configuration or operating structure; geographical expansion; mergers and acquisitions; or the introduction of new products and business lines, as well as with the external risk landscape; business environment; and industry practice. This should enable a dynamic, comprehensive, and accurate risk reporting both at the disaggregated and aggregated level to allow for the bank-wide or integrated perspective of risk exposures. The following principles of risk data aggregation capabilities should be met:

Accuracy and Integrity – this refers to the capability to generate accurate and reliable risk data to meet normal and stress reporting accuracy requirements.

- ◆ **Completeness** – this refers to the capability to capture and aggregate all material risk data across the banking operation. Data should be available by business line, legal entity, asset type, industry, region and other groupings, as relevant for the risk in question, and should permit the identification and reporting of risk exposures, concentrations, and any emerging risks.
- ◆ **Timeliness** – this refers to the capability to generate aggregate and up-to-date risk data in a timely manner while also meeting the principles relating to accuracy and

Risk Management Framework

integrity, completeness and adaptability.

- ◆ Adaptability – this refers to capability to generate aggregate risk data to meet a broad range of on-demand, ad hoc risk management reporting requests, including requests during stress/ crisis situations, requests due to changing internal needs and requests to meet supervisory queries.

Risk identification, monitoring and controlling.

The Bank shall identify and assess all material risks including new and emerging risks, as well as hard to quantify risks e.g., reputational risk, on a bank-wide and entity specific levels. In this respect, the Bank shall use accurate internal and external data and consider the external operating environment in the risk assessment process to inform strategic business decisions and risk management approaches.

Risk communication. Bank shall promote an open communication about risk issues, including risk strategies across the organization. They shall adopt an effective information sharing and communication system enabling the timely, accurate, concise, and understandable transfer of information. This includes the risk reporting framework, which should accurately communicate risk exposures and results of stress tests and should promote robust discussion of risk exposures.

The risk reporting framework should be governed by the following principles:

- ◆ Accuracy – Reports should accurately and precisely convey aggregated risk data and reflect risk in an exact manner. In this regard, relevant reports should be reconciled and validated.
- ◆ Comprehensiveness – Reports should cover all material risk areas within the organization. The depth and scope of these reports should be consistent with the size and complexity of the Bank's operation and risk profile, as

well as the requirements of the users of information.

- ◆ Clarity and usefulness – Reports should communicate information in a clear and concise manner. Reports should be easy to understand and comprehensive enough to facilitate informed decision-making. Reports should include meaningful information tailored to the needs of the recipients or end-users.

Different Types of Risk

1. **Credit Risk** – is the risk that counterparty fails to discharge an obligation to the Bank. It arises from lending, treasury and other activities undertaken by the Bank. Managing credit risk involves defining the principles and parameters governing credit activities at various levels i.e. strategic level, portfolio level down to individual transaction or account level.
2. **Market Risk** – is the risk to earnings or capital arising from changes in the value of traded portfolio of financial instruments. This risk arises from market-making, dealing and position-taking in interest rate, equity and commodities markets.
3. **Liquidity Risk** – is the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

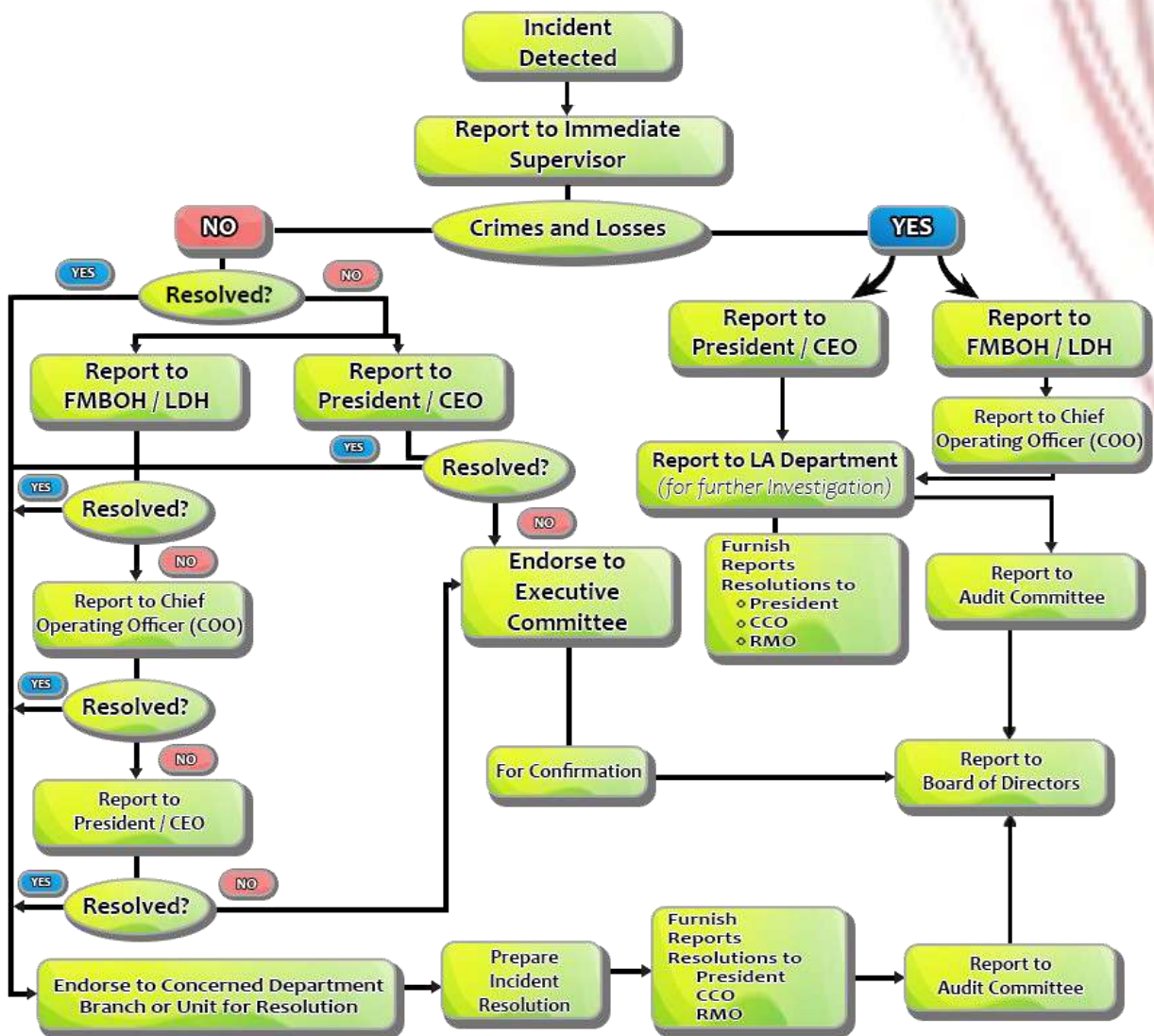
4. **Operational Risk** – is the current and prospective risk to earnings or capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information. Risk is inherent in efforts to gain strategic advantage, and in failure to keep pace with changes in the financial services market place. Operational risk is evident in each product and service offered. Operational risk encompasses:(i) product development and delivery, (ii) operational processing, (iii) systems development, (iv) computing systems, (v) complexity of products and services, and (vi) the internal control environment.
5. **Physical Risks** - risks connected to the physical assets of the Bank such as properties and equipment. Also include the risks involved in keeping and transporting of cash, documents, accountable forms and acquired assets. These also include the risks involved in Information Technology such as viruses, database crashes, etc.
6. **Information Technology (IT) Risk** – any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks.
7. **Compliance Risk** – is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Compliance risk also arises in situations where laws or regulations governing a certain Bank’s products or activities may be ambiguous or untested. This risk exposes the Bank to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential, and lack of contract enforceability. In line with the compliance risk includes:
 - BSP requirements
 - ANTI-MONEY LAUNDERING (AML)
 - Bank Security & Protection
 - Consumer Protection
 - PDIC risk
 - Cooperative Development Authority (CDA) requirements
 - Bureau of Internal Revenue (BIR)
 - Other regulatory bodies and governing units
8. **Interest Rate Risk** – is the current and prospective risk to earnings or capital arising from movements in interest rates. Interest rate risk arises from differences between the timing rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting Bank’s activities (basic risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in Bank’s products (options risk).
9. **Strategic Risk** – is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization’s strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks and managerial capacities and capabilities. The organization’s internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

Risk Management Framework

10. **Reputation Risk** – a risk resulting from damages to Bank’s reputation which may trigger bank run, low income due to low products or services availment, legal expenses, low capitalization and other financial loss. This affects the Bank’s ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the

Bank to litigation, financial loss or a decline in its customer base. In extreme cases, a financial institution that losses their reputation may suffer a run on deposits. Reputation risk exposure is present throughout the organization and requires the responsibility to exercise an abundance of caution in dealing with customers and the community.

RISK INCIDENT REPORTING PROCESS—Employees or officers of the bank who identified risk issues or incident shall observed the flow of risk reporting.



OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees and shareholders of Cooperative Bank of Cagayan believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore continue to undertake every effort necessary to create awareness within the organization.

GOVERNANCE STRUCTURE

The Board of Directors is primarily responsible for the governance of the Bank. It shall establish strategic objectives, policies and procedures that will guide and direct the Bank's activities and the means of attaining the organizational goals and targets. The Board shall be responsible for monitoring and overseeing management action and contributions in achieving the same.

Board Level Committees are created to carry out specific functions of their duties and responsibilities namely. These committees are supported by independent offices functionally under the Board of Directors namely (1) Risk Management Office; (2) Compliance Office and (3) Internal Audit Office. The office of the President/CEO which includes the Office of the Executive Secretary, supervises the head of Operation of the bank and the support departments; (1) Accounting Department; (2) IT Department; (3) AMLD Department; (4) Research and Development Department; (5) Human Resource & Facilities Department; and On the other hand, the Head of the Operation is the Chief Operating Officer who supervises the Loan Department and the Fund Management and Branch Operation Department.

The **Management Level Committees** are created as the Bank's permanent collegiate executive body. It oversees the day-to-day operation of the Bank in the authority of the President/CEO and the Chief Operating Officer. It is obliged to provide the Board with complete and adequate information on the operations and affairs of the bank in a timely manner.

COMPOSITION OF THE ORGANIZATION

A. BOARD OF DIRECTORS

1. Composition of the Board

The Board should be composed of directors with adequate knowledge, skills and experience to provide strong oversight and relevant inputs into strategic decisions. They should possess functional knowledge in the field finance, banking, accounting, law and marketing as well as knowledge related industries in order to truly understand specific issues and challenges confronting the Bank. The Board shall determine the appropriate number of its members to ensure that it is commensurate with the size and complexity of the Bank's operations.

The Board shall, as a rule, be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure

objective, independent judgment on corporate affairs and to substantiate proper checks and balances. Non-executive members of the Board shall refer to those who have no executive responsibility and are not part of the day to day management of banking operations and shall include the independent directors.

Currently, the Board of Directors has (7) members who are elected during the general assembly, (5) are regular directors and (2) independent directors who are appointed by the General Assembly.

1.1. Limits on Membership

a) Limit on Numbers

Pursuant to Sec. 15 and 17 of R.A. 8791 "The General Banking Law of 2000", there shall be at least (5), and a maximum of (15) members of the Board elected by the shareholders, where at least (1/3) but not

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less than (2) members of the Board shall be independent directors. Provided, that any fractional result from applying the said requirement, shall be rounded up to the nearest whole number or such number as to constitute at least (1/3) of the members of the Board, whichever is higher.

⇒ In case of merger or consolidation, the number of directors may be increased up to the total number of members of board of directors of the merging or consolidating bank as provided for in their respective Articles of Incorporation, but in no case to exceed twenty-one (21).

b) Limits on Nationality of Directors

⇒ Non-Filipino citizens may become members of the Board to the extent of the foreign participation in the equity of the Bank: Provided, pursuant to Section 23 of the Corporation Code of the Philippines (BP Blg. 68), a majority of the directors must be residents of the Philippines.

1.2. Definition of Directors

Directors shall include:

- a) Directors who are named as such in the Articles of Incorporation
- b) Directors duly elected in subsequent meetings of the shareholders
- c) Those elected to fill vacancies in the board of directors

1.3. Independent and Non-Executive Directors

In selecting independent directors and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities.

1.4. Definition of Executive Director

Is a director who has executive responsibility of day-to-day operations of a part of the whole of the organization.

1.5. Definition of Non-Executive Director

Shall refer to those who are part of the day-to-day management of operations and shall include the independent directors. However, not all non-executive directors are considered independent directors.

1.6 Chairperson of the Board

The Chairperson of the board of directors shall provide leadership. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with board members shall render advice and counsel to the President/CEO.

Duties and Responsibilities of the Chairperson of the Board

1. The Chairperson of the board shall ensure the following:
 - a. The meeting agenda focuses on strategic matters including discussion on risk appetites;
 - b. A sound decision making process;
 - c. The dissenting views can be expressed and discussed within the decision-making process;
 - d. The members of the board of directors receives accurate, timely, and relevant information;
 - e. The conduct of proper orientation for the first time directors and provide training opportunities for all directors; and
 - f. The conduct of performance evaluation of the board of directors at least once a year.
2. Encourage and promote critical discussion;

Qualifications of the Chairman of the Board

To promote checks and balances, the Chairperson of the board shall be:

- a. A non-executive director or an independent director;
- b. Must not have served as CEO of the Bank within the past three (3) year.

1.7 The President/ Chief Executive Officer

The President/CEO shall be responsible for the general supervision, administration and management of the day-to-day affairs of the Bank. He may assign and delegate the exercise or performance of his powers, duties and functions to any other officer/s subject to his supervision and control. He may also constitute management committees for this purpose. In carrying out the Bank's business, the President/CEO and Senior Management are accountable to the Board of Directors and ultimately to the shareholders.

His responsibilities include among others, the following:

- a. To ensure that all orders and resolutions of the Board of Directors are carried into effect;
- b. To submit regularly to the Board a complete report on the results of operations of the Bank;
- c. To promptly notify the board on all matters within his knowledge which concerns the interest of the Bank;
- d. Determines the bank's strategic direction and formulates and implements its strategic plan;
- e. Oversees the operations of the bank and manages human and financial resources in accordance with the strategic plan;
- f. Directs, evaluates and guides the work of the key officers of the bank.

1.8. Election of Directors Policies and Guidelines for Interested Applicants

A. Qualifications/Disqualifications of Candidate for Directorship Position

1. The candidate shall be at least (25) years of age at the time of his/her election or appointment;
2. The candidate must be duly authorized representative of a regular member at the time of his/her election or appointment as such;
3. Any member aspiring for the directorship by election and

appointment must not have any past due loans from the Cooperative Bank of Cagayan either personal, coop-represented, and of relatives up to the first degree of consanguinity or affinity. Past due accounts/obligations relative to the candidate must be updated within (15) banking days prior to filing of candidacy;

4. The Cooperative he/she represents must satisfy at least three(3)-year affiliation and membership with the Cooperative Bank and must be active and continuously support all bank's undertakings, programs and projects prior to its candidacy;
5. The cooperative he/she represents must have subscribed and paid a thirty(30) - share capital amounting to Thirty Thousand (Php30,000.00) and infused an increment of Thirty Thousand (Php30,000.00) per year effective prospectively;
6. The cooperative he/she represents must be a member of good standing (Certificate of Good Standing issued by the Cooperative Development Authority);
7. The candidate must be at least a college graduate or have at least (5) years experience in business;
8. The candidate for Directorship is not engaged in business similar to the Cooperative Bank;
9. The candidate for directorship must not be an incumbent elective official of the government;
10. Applicant should not be convicted or found guilty of any criminal or administrative case and/or dismissed from the service for cause;

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11. He must be fit and proper for the position of a director of the Bank. In determining whether a person is fit and proper for the position of director, the following matters must be considered: Integrity/probity, physical / mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence, and independence of mind; sufficiency of time to fully carry out responsibilities; and concurrent position in the bank and interlocking positions in other entities that may pose conflict of interest.
12. He must comply with the mandatory training requirements in accordance with the rules and regulations issued by (CDA). Non compliance with the training requirements during their term shall be one of the grounds for disqualification for future election in any position in the cooperative.
13. He must have attended a special seminar on corporate governance for BODs conducted or accredited by the BSP, provided, however, that incumbent directors as well as those newly elected shall comply within a period of (6) months from date of election (MORB Sec. X141.2)
5. Photocopy and original copy of transcript of records (TOR) from school he/she graduated or a board resolution from the cooperative she represents that he/she has been engaged with them for at least 5 years;
6. Certification from the Chief Finance Officer of the Cooperative Bank of Cagayan that the cooperative represented has an updated yearly contribution on their capital share;
7. Certification from the Chief Finance Officer of the Cooperative Bank of Cagayan as to the capital shares of the cooperative and the candidate;
8. Certification from the Chief Finance Officer of the Cooperative Bank of Cagayan as to the attendance of the cooperative the candidate represents for (3) consecutive General Assembly meetings;
9. Certification from Chief Finance Officer of the Cooperative Bank of Cagayan that the Cooperative he/she represents had been affiliated in the Bank for three (3) years.

DOCUMENTARY REQUIREMENTS FOR CANDIDACY:

1. Duly accomplished candidacy application form properly endorsed by the chairman of the cooperative he/she represents;
2. Certificate of Good Standing of the cooperative he/she represents from the CDA for 3 years;
3. Clearance from the Municipal Trial Court and Regional Trial Court and the office he represents;
4. Certification from the Loans Department Head of the Cooperative Bank of Cagayan as to the status of loans availed if any;

1.9. Vacancies in the Office of a Director

Any vacancies occurring in the Board may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, provided, that any vacancy occurring by reason of removal by shareholders, by expiration of term or increase in the number of directors shall be filled by the shareholders in a regular or special meeting called for the purpose.

2. Powers & Responsibilities of the Board

2.1. Powers of the board—The corporate powers of the Bank shall be exercised, its business conducted and all its resources controlled through its board of directors. The powers of the Board as conferred by law are original and cannot be revoked by the shareholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the Bank.

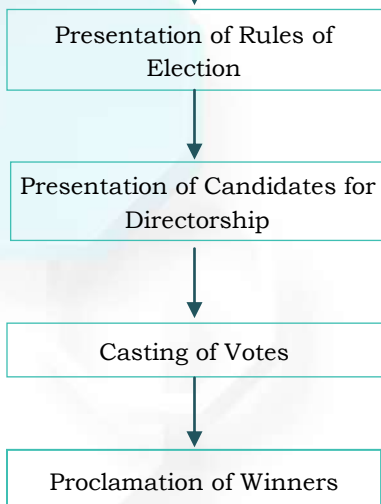
Selection Process of Candidates for Directorship Position

Notice of Election of Board of Directors
Member-cooperatives of the Bank are notified regarding the conduct of an election for the members of the Board of Directors of the Bank including the start and deadline of filing of candidacy..

Screening of the Election Committee—The bank's Elections Committee shall review and screen the qualifications/disqualifications and requirements of the members who filed their candidacy for directorship in lieu of the Revised Election Policies and Guidelines of the Bank.

Notice to the Candidates for Directorship— Upon screening of the Elections Committee, members who filed their candidacy for directorship shall be notified whether they are qualified or disqualified to run for directorship.

Election Proper—The election of Directors shall be conducted during the Annual General Assembly of the Bank. During the Election Proper, the following activities shall be chronologically conducted:



2.2 General Responsibility of the Board

The Board is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board is also responsible for monitoring and overseeing the performance of Senior Management as the latter manages the day to day affairs of the Bank.

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its shareholders and other stakeholders.

Compliance with the principles of good corporate governance begins with the Board.

The Board shall conduct itself with utmost honesty and integrity in the discharge of its fiduciary responsibilities, duties and functions in the best interest of the Bank, its shareholders and other stakeholders.

It shall properly discharge its functions by meeting regularly. At least once a year, the Board shall meet in an executive session without the presence of the President/CEO. Independent views during board meetings should be given due consideration and all such meetings should be properly minuted.

2.3 Specific Responsibilities and Duties of the Board

1. Oversee the development, approve and monitor the implementation of strategic objectives
2. Approve and oversee the implementation of policies governing major areas of banking operations
3. Approve and oversee the implementation of risk management policies
4. Oversee selection and assessment of performance of Management led by the President, and control functions led by their respective heads
5. Consistently conduct the affairs of the Bank with a high degree of integrity. The Board shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in

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- compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.
6. Define appropriate governance policies and practices for the Bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.
 7. Constitute committees to increase efficiency and allow deeper focus in specific areas. The BODs shall create committees, the number and nature of which would depend on the size of the bank and the board, the complexity of operations, long-term strategies and risk tolerance level of the bank.
 8. Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.
 9. Have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the group.
 10. Identify the corporations' stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.

2.4. Multiple Board Seats—The Board may consider guidelines on the number of directorship for elected/appointed directors to ensure that they will commit sufficient time and efforts in carrying out their responsibilities free from any possible conflict of interest.

Interlocking directorship and/or officership—As a general rule, there shall be no concurrent directorship or officership between banks or between a bank and a Quasi Bank QB or a non-bank financial institution (NBFI) except with prior approval of the BSP. It shall be the responsibility of the OCS to seek BSP's approval in case of concurrent/interlocking directorship/officership.

Reportorial Requirements

- a. Certifications Required
- b. Bio-Data
- c. Notarized Authorization Form to Query in BSP Watch list File
- d. List of incumbent Directors/Officers
- e. Certification by an Independent Director
- f. Certificate of Attendance

Conduct of Board Meetings and Quorum Requirements

A director's commitment to the bank is evident in the amount of time he/she dedicates to performing his/her duties and responsibilities, which includes his/her presence in all meetings of the Board, Committees and shareholders. In this way, the director is able to effectively perform his/her duty to the Bank and its shareholders. The directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the Board shall constitute a quorum for the transaction of business and the vote of a majority of the quorum of the Board shall always be needed to decide any action. It shall meet regularly to properly discharge its functions. It shall also ensure that independent views in Board meetings shall be given full consideration and all such meetings shall be duly minuted.

The meetings of the Board may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: Provided, that every member of the Board shall participate in at least 50%) and shall physically attend at least (25%) of all Board meetings every year: Provided, further, that in the case of a director who is unable to physically attend or participate in Board meetings via teleconferencing or video conferencing, the corporate secretary shall execute a notarized certification attesting that said director was given the agenda materials prior to the meeting and that his comments / decisions thereon were

submitted for deliberation/discussion and were taken up in the actual Board meeting, (and that the submission of said certification shall be considered compliance with the required (50%) minimum attendance in Board meetings. Provided, furthermore, that the (25%) physical attendance requirement is lifted during the periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the bank.

B. DIRECTORS

1. Qualifications of a Director

- a. He shall be at least (25) years old at the time of his election or appointment;
- b. He shall be at least a college graduate, or have at least (5) years experience in banking or trust operations or related activities or in a field related to his position and responsibilities, or have undergone training in banking or trust operations acceptable to the appropriate department of the SES;
- c. He must be fit and proper for the position of a director of a bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; sufficiency of time to fully carry out responsibilities; and concurrent positions in the bank and interlocking positions in other entities that may pose conflict of interest.
- d. He must have attended a seminar on corporate governance for board of directors.

* In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability

to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

2. Persons disqualified to become a director

- a. Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:

a.1. Permanently disqualified

- i. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg.22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R. A. No.6713;
- ii. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than 6 years;
- iii. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations;
- iv. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
- v. Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board;
- vi. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is Imposed, and which

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- finding of the Monetary Board has become final and executory;
- vii. Directors of banks found by the Monetary Board to be unfit for the position of directors because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.
- b.1. Temporarily disqualified**
- i. Directors who refuse to fully disclose the extent of their business interest or any material information to the appropriate department of the SES when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;
 - ii. Directors who have been absent or who have not participated for whatever reasons in more than (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least (25%) of all board meetings in any year, except that when a notarized certification executed by the Board Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purposes of the immediately succeeding election;
 - iii. Directors who are delinquent in the payment of their obligations;
 - iv. Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Sec. 7 of R.A. No. 6713, violation of banking laws, rules, and regulations or those sentenced to serve a maximum term of imprisonment of more than (6) years but whose conviction has not yet become final and executory;
 - v. Directors and officers of closed banks pending their clearance by the Monetary Board;
 - vi. Directors disqualified for failure to observe/dischARGE their duties and responsibilities prescribed under existing regulations.
 - vii. Directors who failed to attend the special seminar for board of directors required under Item "c" of Subsec. X141.2.
 - viii. Persons dismissed/terminated from employment for cause;
 - ix. Those under preventive suspension;
 - x. Persons with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine National Police (PNP), quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations.
 - xi. Directors of banks found by the monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed;
 - xii. Directors of banks or any person found by the Monetary Board to be unfit for the position of director or officer because they were found administratively liable by another government agency for violation of

banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; and

- xiii. Directors of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from the office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid.

3. Disqualification procedures

- a. The Board and Management shall be responsible for determining the existence of the ground for disqualification of a director/officer or employee and for reporting the same to BSP. Grounds for disqualification made known to the Bank, shall be reported to BSP within (72) hours from knowledge thereof.
- b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in BSP MORB Secs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his last known address by BSP of the existence of the ground for his disqualification and shall be allowed to submit within (15) calendar days from receipt of such notice an explanation on why he should not be disqualified and included in the watch listed file, together with the evidence in support of his position.
- c. Upon receipt of the reply explanation of the director/officer concerned, BSP shall proceed to evaluate the case.
- d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and BSP shall proceed to evaluate the case based on available records/evidence.
- e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of (30) calendar days within which to settle said obligations or, restore it to its current status or, to explain why he should not be disqualified and included in the watch listed file, before the evaluation on his disqualification and watch listing is elevated to the Monetary Board.
- f. If the disqualification is based on dismissal from employment for cause, BSP shall, as much as practicable, endeavor to establish the specific acts or omissions constituting the offense or the ultimate facts which resulted in the dismissal to be able to determine if the disqualification of the director/officer concerned is warranted or not. The evaluation of the case shall be made for the purpose of determining if disqualification would be appropriate and not for the purpose of passing judgment on the findings and decision of the entity concerned. BSP may decide to recommend to the Monetary Board a penalty lower than disqualification if, in its judgment the act committed or omitted by the director/officer concerned does not warrant disqualification.
- g. All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the procedures provided in Items a, b, c, d.
- h. Upon approval by the Monetary Board, the concerned director/officer shall be informed by BSP in writing either by personal service or through registered mail with registry return receipt card, at his last known address of his disqualification from being elected/

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- appointed as director/officer in any financial institution under the supervision of BSP and/or of his inclusion in the master list of watch listed persons so disqualified.
- i. The Board shall be immediately informed of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following Board meeting.
 - j. Persons who are elected or appointed as director or officer in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification provided for under BSP MORB Secs. X143.1 and X143.2, shall be afforded the procedural due process prescribed above.
 - k. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board.

4. Removal Procedures

- a. A director may be removed from office by a vote of the shareholders holding or representing at least two-thirds (2/3) of the outstanding capital share.
- b. The removal shall take place either at the regular shareholder’s meeting or at a special meeting called for the purpose, and in either case, after previous notice to shareholders of the intention to propose such removal at the meeting.
- c. The Corporate Secretary shall call a special meeting, on order of the President or on the written demand of the shareholders representing or holding at least a majority of the outstanding capital share for the purpose of removal of a director. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in the Corporation

Code of the Philippines.

- d. A director removed from office is not eligible to seek re-election and/or be reappointed to the Board unless a written consent is obtained from shareholders holding or representing at least two thirds (2/3) of the outstanding capital share.

5. Specific Duties and Responsibilities of a Director

- a. Remain fit and proper for the position for the duration of his term.
- b. Conduct fair business transactions with the Bank and to ensure that personal interest does not bias Board decisions.
- c. To act on a fully informed basis, honestly and in good faith, with loyalty and in the best interest of the Bank, its shareholders, regardless of the amount of their shareholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public.
- d. To devote time and attention necessary to properly discharge their duties and responsibilities.
- e. To act judiciously. Before deciding on any matter brought before the Board, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- f. To contribute significantly to the decision-making process of the Board.
- g. To exercise independent judgment.
- h. To have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies
- i. To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. No disclosure of information without the authority of the board.

6. Confirmation of Election/Appointment of Directors/Officers

The election/appointment of directors/officers (Senior Vice President (SVP) and above) of the Bank shall be subject to confirmation by the Monetary Board. Confirmation by the Monetary Board shall not be required in the following cases:

- a. Re-election of a director (as a director) in the same bank or election of the same director in another bank, QB, trust entities other than stand-alone or trust corporation within the banking group;
- b. Re-election of an independent director (as an independent director or not) in the same bank or election of the same director (as an independent director or not) in another bank, QB, trust entities other than stand-alone or trust corporation within the banking group;
- c. Promotion of an officer, other than to that which requires (i) prior Monetary Board approval or (ii) a different set of minimum qualifications or (iii) a different level of confirming authority as provided, in the

same bank or appointment/transfer to another bank, QB, trust entities other than stand-alone or trust corporation within the banking group; Provided, that the director/officer concerned has been previously confirmed or in the case of a compliance officer or trust officer who will be promoted to the rank of SVP or above (or equivalent rank), previously approved/confirmed by the Monetary Board, his re-election/promotion/transfer requires the same level of confirming authority as provided: provided, further, that said director/officer has had continuous service within the same bank.

The election/appointment shall be deemed to have been confirmed by BSP, if after (60) banking days from receipt of the required reports, no advice against said election/appointment has been received by the Bank.

The appointment of the Compliance Officer and Trust Officer regardless of rank shall be subject to prior Monetary Board approval and confirmation, respectively.

COMPOSITION OF THE BOARD OF DIRECTORS

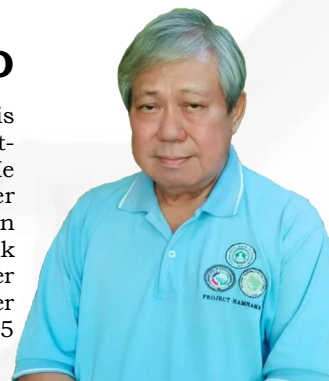


ENGR. NESTOR T. BAUTISTA

Chairperson of the Board of Directors of Cooperative Bank of Cagayan, a Non-Executive Director, 62 years old and a Filipino citizen. He finished Bachelor of Science in Agricultural Engineering. He was the President/CEO of the bank from 2011 to 2017. He is the Chairperson in Cagayan Seed Producers MPC in 2022. He was employed as Agricultural Engineer in Al Hinawi Est KSA in 1985 to 1986 and Al Sudairi Est KSA in 1988 to 1989. He became a Chairman and CEO in NORFARCO in 1994 to 2001.

ANTHONY A. PARAGOSO

Vice-Chairperson. A Non-Executive Director, 74 years old and a Filipino. He is also the Chairperson of Cagayan Development Cooperative. He is also a Part-Time Consultant on Livelihood Program, Program-LGU Quirino Province. He finished Bachelor of Arts in Economics at University of Sto. Tomas and Master of Science in Economics. He was the former Managing Director-CAVADECO in 2000. Appointed as Corporate Secretary and became a director in Rural Bank of Gattaran. He was also a former Assistant Researcher in NEDA and a former Teacher in Ateneo de Manila University. He was a former Chief Finance Officer for 2 years and Former Consultant in Cooperative Bank of Cagayan for 5 years. He became a part of Cooperative Bank of Cagayan since 2011.





ENGR. RUSTICO R. TURINGAN

An Independent Director, a member of the Board of Directors, he is 63 years old and a Filipino citizen. He took a Bachelor of Science in Civil Engineering, Bachelor of Science in Geodetic Engineering and Master in Public Administration. He was the Chairperson in Cagayan Valley Seed Growers in 2013, and, Cagayan Seed Producers Multi-Purpose Cooperative in 2007. He also became a member of the Board of Directors in Cagayan Seed Producers in July 2015. He is currently a member of the Board of Director of Rainbow Marketing Cooperative. He is a Provincial Agrarian Reform Program Officer, Department of Agrarian Reform since 2018.

DANIEL M. NARAG

Member of the board. A Non-Executive Director, 73 years old and a Filipino citizen. He has been a Board of Director for six (6) years since 2016. A graduate of Bachelor of Science in Business Administration. He is the Chairperson of Northern Philippine Farmers' Cooperative (NORFARCO) since 2013. He is the present President in Provincial Farmers Action Council. Farmers Organization Representative in Provincial Agrarian Reform Committee since 2018. He was a former Board of Trustee in Mill District Development Council (MDDC. He also served as Barangay Kagawad, Brgy. Dagupan, Tuao, Cagayan in 1997-2000 and a former Pollution Control Officer in Pollution Control Office in 2013-2014.



NATHANIEL B. GARCIA

A member of the Board of Directors. A Non-Executive Director. 67 years old and a Filipino citizen. He attended a Bachelor of Science in Architecture and an undergraduate in Civil Engineering in International Correspondence School. He is the Chairperson of Hacienda Intal Credit Cooperative. He was an Instructor in National Manpower and Youth Council, a former Director Regional Chamber of Furniture Producers in 2 years, a former Brgy. Kagawad in Baggao, Cagayan, a former Chairperson Peoples Economic Council of Baggao in 1996-1999.

CARMELITA R. ABUEL

A member of the Board of Directors. An Independent Director. 62 years old and a Filipino citizen. He was an undergraduate of Bachelor of Science in Education in Cagayan State University-Piat Campus in 1979-1980. She is the Chairperson of MSRT Culung Credit Cooperative. She was a former Brgy. Kagawad, Brgy. Culung Tuao East, Cagayan in 2013-2014 and former Auditor in Movement Self-Reliant of Tuao in 2007-2014.



CHARLENE T. CAPILI

A member of the Board of Director. A Non-Executive Director, 53 years old and a Filipino. A high school graduate. The Manager in Western Alcala Farmers Irrigators Cooperative (WAFIC) in 2013. He also became a member of Board of Directors of WAFIC in 2012-2013.

Name	Position	Paid-in Preferred Capital	Number Of Preferred Shares Held	Percentage Of Shares Held To Total Outstanding Preferred Shares	Principal Stockholder Represented	Paid In Common Capital	No. of Common Shares Held	Percentage Of Shares Held To Total Outstanding Common Shares
Engr. Nestor T. Bautista	Chairperson	57,000	57	0.17%	Cagayan Seed Producers Cooperative	294,670.24	294	0.87%
Anthony A. Paragoso	Vice Chairperson	286,000	286	0.88%	Cagayan Valley Development Cooperative (CAVADECO)	5,559,617.46	5,559	16.49%
Nathaniel B. Garcia	Director	411,500	411	1.26%	Hacienda Intal Credit Cooperative	910,518.91	910	2.70%
Carmelita R. Abuel	Director	423,500	423	1.30%	MSRT Culung Credit Cooperative	444,620.24	444	1.32%
Daniel M. Narag	Director	484,000	484	1.49%	NorPhil Farmers MPC (NORFARCO)	405,114.25	405	1.20%
Engr. Rustico R. Turingan	Director	355,500	355	1.09%	Rainbow Marketing Cooperative	90,000.00	90	0.27%
Charlene T. Capili	Director	295,000	295	0.91%	Western Alcala Farmers Irrigators Cooperative	600,269.51	600	1.78%

BOARD OF DIRECTORS' ATTENDANCE

Composition	Regular BOD Meeting				Special BOD Meeting			
	No. of Meetings	Physical	Virtual	%	No. of Meetings	Physical	Virtual	%
Nestor T. Bautista <i>Chairperson</i>	9	100%		100%	6	100%		100%
Anthony A. Paragoso <i>Vice Chairperson</i>	12	17%	83%	100%	6	33%	50%	83%
Carmelita R. Abuel <i>Director</i>	12	100%		100%	6	100%		100%
Daniel M. Narag <i>Director</i>	12	92%	8%	100%	6	50%		50%
Rustico R. Turingan <i>Director</i>	12	42%	42%	83%	6	17%	50%	67%
Nathaniel B. Garcia <i>Director</i>	12	100%		100%	6	100%		100%
CharleneT. Capili <i>Director</i>	12	100%		100%	6	67%		66.7%

C. BOARD LEVEL COMMITTEES

Creation of Committees The board of directors shall constitute, at a minimum, the following:

1. Audit Committee
2. Risk Oversight Committee
3. Corporate Governance Committee
4. Related Party Transactions Committee

The existence of the above-mentioned committees does not preclude the bank from creating additional committees that shall aid the board in the discharge of its governance functions, as follows:

5. Credit Committee
6. Asset and Liabilities Committee
7. Human Resource Committee
8. Gender Development Committee
9. Mediation/Conciliation Committee
10. Health and Safety Committee
11. Ethics Committee
12. Bids and Awards Committee
13. Compliance Committee

1. Audit Committee

As an extension of the Board, the Audit Committee shall assist the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective

oversight of internal and external audit functions, transparency and proper reporting, compliance with laws, rules and regulations and code of conduct, and adequate and effective internal controls.

A. Purpose of the Audit Committee—to represent and assist the BODs in its general oversight of the bank's accounting and financial reporting process, audits of the financial statements, and internal control and audit functions. Management is responsible for the following:

- a. The preparation, presentation and integrity of the bank's financial statements;
- b. Accounting and financial reporting principles; and
- c. The bank's internal control and procedures designed to promote compliance with accounting standards applicable laws and regulations.

B. Membership and Structure—The Committee shall be composed of at least three(3) members of the board of directors, who shall all be non-executive directors, majority of whom shall be independent

directors, including the chairperson. The committee shall have accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the bank. To the greatest extent possible, the audit committee shall be composed of a sufficient number of independent and non-executive board members.

The Committee will engage in an annual self-assessment with the goal of continuing improvement, and will annually review and reassess the adequacy of its charter, and recommend any changes to the Board en banc.

The Committee shall have the Authority to engage independent legal, accounting and other advisers, as it determines necessary to carry out its duties. The Audit Committee shall have to approve related fees and retention terms.

C. Duties and Responsibilities of the Audit Committee

The Audit committee is responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. Ensure that system and processes are designed to provide assurance in areas including reporting, monitoring and compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. In general, the audit committee is responsible for the following:

- a. Oversee the financial reporting framework.
- b. Monitor and evaluate the adequacy and effectiveness of the internal control system.
- c. Oversee the internal audit function.
- d. Oversee the external audit function.
- e. Oversee implementation of corrective actions.
- f. Investigate significant issues/ concerns raised.
- g. Establish whistle blowing

mechanism.

In particular, the audit committee shall be responsible for:

- a. Ensuring the independence of the internal audit function;
- b. Reporting to the BOD on the status of accomplishments of the internal audit activities, including significant findings noted during the conduct of the internal audit;
- c. Ensuring that the internal audit complies with sound internal auditing standards such as the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics;
- d. Ensuring that the audit plan is aligned with the overall plan strategy and budget of the bank and is based on robust risk assessment; and
- e. Ensuring that the internal audit has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities.

AUDIT COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meet-ings	Physical	Virtual	%
Carmelita Abuel <i>Chairperson</i>	7	86%	14%	100%
Rustico Turingan <i>Member</i>	7	14%	71%	86%
Charlene Capili <i>Member</i>	7	100%		100%

2. Risk Oversight Committee

The Risk Oversight Committee, as the extension of the Board, shall be responsible for the development and oversight of the risk management program for the Bank and its Trust Banking Group.

The Board of Directors (the “Board”) and Management of Cooperative Bank of Cagayan have established a corporate risk governance process that focuses on the major risks that are inherent to the bank, including emerging

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risks. Generally, these risks can be categorized in the following classifications-business strategy risk, reputation risk, liquidity risk, interest rate sensitivity risk, credit risk, market risk, and operational risk.

A. Purpose of the Risk Oversight Committee

Committee—is appointed by the Board to assist in overseeing, and receiving information regarding the bank’s policies, procedures and practices relating to business, market, and operational risk.

B. Membership and Operation

The committee shall be composed of at least (3) members of the board of directors, majority of whom shall be independent directors, including the chairperson. The ROC’s chairperson shall not be the chairperson of the board of directors, or any other board-level committee. The risk oversight committee shall possess a range of expertise and adequate knowledge on risk management issues and practices. The Senior Risk Committee (ManComm level) shall consist of the following:

1. Chief Operating Officers
2. Branch Managers
3. Department Heads

It shall be headed by the Chief Operating Officer. The said Committee shall meet every quarter or as it deems necessary. The COO shall report to the Board during the regular meeting.

The Junior Risk Committee (Branch Level)

1. Branch Manager
2. New Account Staff
3. Cashier

C. Duties, Responsibilities, and Authority of the Committee

1. The Committee shall annually review and approve the bank’s risk policy, and annually review those policies. In addition, the Committee may authorize management to develop and implement any additional detailed policies and procedures relating to risk management as may

be consistent with these policies.

2. The Committee shall receive information from management, as appropriate, and shall discuss matters relating to risk-related activities, including the following:
 - i. Any material regulatory or rating agency issues.
 - ii. Material emerging risks to the bank.
 - iii. New or proposed products, services, or businesses that may expose the bank to new material types of risk or present material reputation risk.
 - iv. Other significant matters relating to liquidity, credit, market, and operational risk
3. The Committee shall receive information from the (ALCO) and management, as appropriate, and shall discuss matters including following items:
 - i. The capital and liquidity position of the bank.
 - ii. The sensitivity of the bank’s earnings under varying interest rate scenarios.
 - iii. Trends in the economy in general and interest rates in particular, with a view toward their impact on the bank.
 - iv. Information relating to compliance with both external regulations and internal policies regarding asset, liability, and risk management.
4. The Committee shall receive information from management, as appropriate, and shall discuss matters, including the following:
 - i. Risks relating to the bank’s information technology activities, including the current operating environment and the strategic deployment of new technologies, and risks associated with the bank’s technology infrastructure.

- ii. The bank’s compliance program, including the structure of the program and the assessment of risk regarding the bank’s compliance with legal, regulatory, and ethical requirements.
 - iii. As appropriate, issues relating to business continuity planning, and risks relating to financial controls, capital, implementation, legal, loss management, compliance, technology and management.
5. The Committee may also request other reports and information, as it may deem desirable from the external or internal sources. In particular, in light of the responsibilities of the Board’s Audit Committee with respect to risk assessment and compliance, the Committee and the Audit Committee shall each provide the other with the information and reports regarding activities, as necessary and appropriate.

D. Reporting Committee Activities to the Board of Directors; Delegation

The Committee shall report its activities to the Board and, where appropriate, its recommendations for action by the Board at their next meeting subsequent to that of the Committee. Certain action by the Committee may be similarly reported to the Board for approval, ratification, and/or confirmation.

E. Review of Committee Charter and Committee Performance Evaluation

The Committee shall review and reassess the adequacy of the Risk Management Charter semi-annually. In addition, the Committee shall prepare and review with the Board and semi-annual performance evaluation of the Committee.

F. Committee Resources—In order to carry out the duties conferred upon the Committee by this Charter, the Committee is authorized to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, or other professional advisors, as it deems appropriate, without seeking approval of management or the Board. The bank shall

provide for appropriate funding, as determined by the Committee, for the payment of any such fees.

G. Frequency of Meeting—The Risk Management Committee shall meet quarterly or at such other times, it deems necessary. The Committee may elect to meet from time to time in executive session with the RMO or any other member of management, as it deems appropriate.

RISK COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meetings	Physical	Virtual	%
Rustico Turingan <i>Chairperson</i>	9		100%	100%
Anthony Paragoso <i>Member</i>	9		78%	78%
Carmelita Abuel <i>Member</i>	9	33%	44%	78%

3. Corporate Governance Committee

The Committee shall assist the Board in fulfilling its corporate governance responsibilities and in providing oversight on the implementation of the Bank’s Compliance System.

A. Objective — The committee shall assist the board of directors in fulfilling its corporate governance responsibilities. It shall review and evaluate the disqualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the board of directors.

B. Composition and Structure

1. Membership

- a. The Committee shall be composed of at least (3) members of the Board who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson.
- b. The BODs shall have the power to remove and replace the members of, and fill vacancies in, the Corporate Governance Committee.

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2. Meeting Arrangements

- a. The Committee shall meet quarterly or at such other times it deems necessary;
- b. A quorum shall constitute more than half the number of members of the Risk Management Committee;
- c. A resolution shall constitute the majority votes by committee members present during the meeting;
- d. The Committee may invite other officers / personnel responsible for any matter related to the meeting agenda to provide representation in the meeting.

C. Duties and Responsibilities of the Corporate Governance Committee

- 1. Oversee the nomination process for members of the BODs and for positions appointed by the BODs.
- 2. Oversee the continuing education program for the board of directors.
- 3. Oversee the performance evaluation process
- 4. Oversee the design and operation of the remuneration and other incentives policy.

CORPORATE GOVERNANCE COMMITTEE MEETING				
Composition	No. of Meet-	Physi- cal	Vir- tual	%
Rustico Turingan <i>Chairperson</i>	3	33%	67%	100%
Carmelita Abuel <i>Member</i>	3	67%	33%	100%
Charlene Capili <i>Member</i>	3		33%	33%
Nestor Bautista <i>Member</i>	3	33%		33%

4. Related Party Transaction (RPTs)

Committee—A Committee tasked to ensure that Bank’s transactions with related parties are reviewed to assess risks and subjected to appropriate restrictions to ensure that such are conducted at arm’s length terms and that corporate and business resources of the Bank are not misappropriated or misapplied.

A. Purpose—ensuring transparency and fairness for all stakeholders, the (RPTs)

Committee is constituted by the Board to review proposed Related Party Transactions for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances.

B. Authority—This Committee is appointed and authorized by the Board to assist them in fulfilling its responsibility to strengthen corporate governance and practices particularly on related party transactions (RPTs) to wit:

- i. Review and endorse all RPTs including those involving DOSRI which shall require final Board approval;
- ii. Formulate, revise and approve policies on related party transactions;
- iii. Conduct any investigation required to fulfill its responsibilities on RPTs;
- iv. Consult or retain at the Bank’s expense such outside legal counsel, accounting or other advisers, consultants or experts as the Committee may consider necessary from time to time to carry out its duties.
- v. Access to all bank records in order to perform its responsibilities.

C. Membership

- i. The committee shall be composed of at least (3) members of the board of directors, (2) of whom shall be independent directors, including the chairperson.
- ii. The chairman and the members of the Committee shall be appointed by the Board.
- iii. The Chief Compliance Officer and the Internal Audit Head shall join the RPTC as non-voting members.

D. Meetings

- 1. The Committee should meet often enough or as deemed necessary to undertake its role effectively, but not less than quarterly. Meetings are initially set monthly.
- 2. In addition, the Chairman may call a meeting at any time and will call a meeting of the Committee if so requested

by any member of the Committee.

3. A quorum will be (2) members, regardless of position.

E. Duties and Responsibilities of the Related Party Transactions Committee

1. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the BSFI are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:
 - i. The related party’s relationship to the BSFI and interest in the transaction;
 - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - iii. The benefits to the BSFI of the proposed RPT;
 - iv. The availability of other sources of comparable products or services; and
 - v. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The BSFI shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the BSFI’s RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
4. Report to the BOD on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Related Party Transaction Committee Composition	
Chairperson	Dir. Carmelita R. Abuel
Members	Dir. Rustico R. Turingan
	Dir. Daniel M. Narag

- 5. Credit Committee**—The Committee shall be responsible for assessing the credit standing and ability to repay debt of prospective borrowers of the bank including the determination of the bank’s credit policy and spotting potential risks of various transactions assumed by the bank.

A. Purpose and Scope—In line with the Bank’s trusts of maintaining high quality, sound and profitable loan portfolio:

1. To evaluate and approve loan accounts within its credit approval authority.
2. To review credit evaluation and approval procedures and recommend changes, if necessary to ensure continues relevancy and effectiveness.

B. Duties and Responsibilities

1. Establishing the Bank’s overall credit risk capacity
2. Setting strategic targets, portfolio

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composition and limits at the corporate level.

3. Reviewing and approving credit decision that may pose material risks to the Bank’s business strategy or reputation.
4. Reviewing the financial results of the Bank and determining action plans.
5. Reviewing and approving all loans and credit transactions with the scope of its authority.
6. The Committee shall review at least quarterly the industry ratios pertaining to the asset quality.

C. Resources and Authority—The Credit Committee in carrying out its objectives, is authorized to:

1. Call on Management Committee, Operational Committee, concerned group, area, department, branch head, collection specialists, credit specialists, credit appraisers and other responsible employees in the conduct of its duties and responsibilities.
2. Access data or records of loan accounts requiring actions from the Committee.

In case of non-cooperation of management in the conduct of the Committee’s functions, the penalties imposed under the Manual of Regulations for Banks (MORB) shall be applied and related provisions of the Code of Conduct shall also be enforced.

D. Evaluation and Reports — The Credit Committee shall review this charter at least annually and submit recommendations for any additions or changes for approval of the Board.

E. Committee Composition and Resource Persons

1. The Committee shall consist of at least (3) members of the (BOD).
2. The BOD will appoint Committee members and the Committee chair.
3. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.
4. The Committee will invite members of management, auditors or others to

attend meetings and provide pertinent information as necessary.

CREDIT COMMITTEE MEETING ATTENDANCE				
Composition	No.of Meet-	Physi- cal	Virtu- al	%
Nathaniel Garcia <i>Chairperson</i>	12	83%	17%	100%
Anthony Paragoso <i>Member</i>	12	17%	83%	100%
Nestor Bautista <i>Member</i>	12	67%		67%

6. Asset and Liabilities Committee—As

extension of the Board, the ALCO is tasked to ensure that Management is appropriately identifying, measuring, controlling and monitoring the bank’s liquidity risk, interest rate risk and capital adequacy position.

A. Purpose and Scope — The ALCO committee has been established to provide the framework to strategically manage the bank’s overall assets and liabilities for the long-term and the short term:

1. Establish policies, limits and guidelines within which Asset and Liability Management strategies are to be executed (within limits set by Board)
2. Liquidity management
3. Monitor the bank’s performance and overall liquidity risk profile in a timely manner by requiring regular reports. These reports should, at a minimum, contain the liquidity position of the bank along with information related to compliance with established risk limits, and on new or emerging liquidity risks.
4. Provide direction, guidance, and monitor performance of bank’s products rendered to its client
5. Mandate and track the resolution of breaches in risk limits and actions taken on deviations from policies and procedures.
6. Monitor activities and review results of ALM strategy implementation and execution.

B. Duties and Responsibilities

1. Defining bank's management objectives for customer transactions dealing
2. Defining bank's liquidity management
3. Receive reports from Finance department and review, revise and adjust limits as necessary
4. Provide guidance and monitor performance of Investments of the bank
5. Review markets and new investment opportunities
6. Review performance of existing investments
7. Review and approve new investments and changes in allocations within approved guidelines and risk exposure limits.
8. Reviews and maintains agreed risk exposures.
9. Review and approve the recommendation of the Risk Management Officer (RMO) or the Risk Management Committee on the booking of Allowance for Credit Losses
10. Review the over-all risk exposure of the bank as to other assets and liabilities.

C. Resources and Authority

1. ALCO is primarily a decision making body for executing the Asset and Liability Management strategies.
2. All decisions are to be taken by a simple majority vote. The casting vote in the event of a tie will be that of the Chairman of the Committee.

D. Evaluation and Reports—The Asset and Liabilities Committee shall review this charter at least annually and submit recommendations for any additions or changes for approval of the Board.

E. Committee Composition and Resource Persons

1. The Committee shall consist of at least t (3) members of the Board of Directors.
2. The BOD will appoint Committee members and the Committee chair.
3. The Committee will invite members of the management and/or members of

the board on a case-to-case basis, however, they will not constitute a part of ALCO.

ASSETS & LIABLITIES COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meet-ings	Physi-cal	Virtu-al	%
Anthony Paragoso <i>Chairperson</i>	6		100%	100%
Daniel Narag <i>Member</i>	6	40%	60%	100%
Nathaniel Garcia <i>Member</i>	6	67%		67%

7. Human Resource Committee

The Human Resource Committee is tasked with establishing a formal and transparent procedure in determining the remuneration of directors and officers that is consistent with the Bank's culture, strategy, business environment and industry practice.

A. Objective

1. To give a clear and concrete information on the personnel and administrative policies and procedures to all staff members (employees) of the Cooperative Bank of Cagayan;
2. To create and maintain a closer relationship among employees;
3. To gain the maximum cooperation of every member in the implementation of the cooperative policies and procedures in order to ensure a good working HABIT for the success of the whole operation;
4. To set on valuable time in dealing with personnel complaints, grievances and procedural issues.
5. To assist the Board in discharging its duty to oversee the establishment of appropriate human resources policies and strategies that provide the Bank with the capability to achieve its short and long term business objectives.

B. Authority

1. The Committee's functions and powers are as set out in this Charter or otherwise delegated to it by the Board, in accordance with the Bank's policies and procedures.

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2. The Committee’s primary role is to review and make recommendations to the Board. The Board has, however, delegated certain matters to the Committee.
3. The Board retains full responsibility for the Bank’s human resources strategy.
4. In this Charter, ‘Executives’ refers to the direct reports of the President/CEO

C. Committee Composition and Resource Persons

1. The Committee must consist of a minimum of three members of the Board.
2. The Chairman and members of the Committee will be appointed by the Board, and the Board may remove or replace a member of the Committee.

D. Duties and Responsibilities

The Committee is responsible for overseeing the overall human resources strategy of the Bank, which is designed to provide:

1. A rich supply of high caliber talent with the capability to lead the business now and in the future;
2. Diversity of employees to reflect the available talent in the market place and consumer demographics;
3. Training and development that will equip employees with the skills and knowledge to perform their duties and achieve their individual level of potential;
4. A high performance culture and employee engagement that will drive organization success;
5. a level and mix of reward and recognition that will attract and, retain employees with the requisite skills and expertise and motivate high performance; maintains the integrity of the Bank’s remuneration principles, strategies and practices; aligns shareholder and employee interests; provides a framework for undertaking reviews of remuneration proposals;

Talent Management — The Committee is to oversee the annual talent review process for Executives and senior management

and the development of succession plans for Executives and key senior management to foster an appropriate balance of skills, experience, and expertise to support the ongoing successful management of the Bank.

Diversity

- The Committee is responsible for overseeing and ensuring that diversity remains a key component of the global Human Resources strategy.
- The Committee is to oversee an appropriate wide diversity policy and report to the Board at least annually on progress in achieving the objectives of that policy.
- The Committee is to satisfy itself that all legal and disclosure requirements in relation to diversity are satisfied.

HUMAN RESOURCE COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meetings	Physical	Virtual	%
Anthony Paragoso <i>Chairperson</i>	11	9%	91%	100%
Nestor Bautista <i>Member</i>	11	73%		73%
Nathaniel Garcia <i>Member</i>	11	73%	9%	82%

8. Gender and Development Committee

A Board level Committee that is tasked to ensure the fundamental equality before the law of women and men.

A. Purpose and Objectives—This committee is created to harmonize Gender and Development guidelines seek to promote the twin goals of gender equality and women’s empowerment. Specifically, these aim to help achieve gender equality in, and empower women through, projects and programs. This involves the expansion of freedom and strengthening of capabilities. Integrate gender perspective in the entire operation of the Bank to ascertain that the system, processes are fair, empowering and sustainable. Reduce inequality and discrimination in coops.

B. Committee Composition & Resource

Person/s—The Committee must consist of a minimum of (3) members of the Board. The Chairperson, GAD Focal Person and members of the Committee will be appointed by the Board. The Board shall have the power to change the members of the Committee at any time, to fill vacancies therein and to discharge or dissolve the Committee with or without cause.

C. Role and Responsibilities

1. Develop an overall action plan, outlining the initial concrete actions to be taken by the Committee which will be included in the program budget.
2. To carry out the responsibility to implement gender mainstreaming in the substantive work program.
3. To provide technical assistance on gender perspective in the office and other stakeholders.

Functions and Responsibilities

a. GAD Focal person

- Coordinates and reviews implementation of GAD programs/ activities/project based on the approve plans and budget.
- Prepares performance reports and recommends policy improvement to the GAD Committee.
- Gathers and analyzes gender-related information and other data and provides administrative services to the GAD Committee

b. GAD COMMITTEE

- Conducts gender analysis □
- Develops and recommends GAD and GE policies and programs/ activities/projects to the Board
- Monitors and assesses progress in the implementation of GAD programs/ activities/projects towards achieving GE
- Submit report to the Board
- Provides directional guidance

c. BOARD OF DIRECTORS

- Acts on reports of the GAD Committee and Management

- Approves GAD Plan and budget

D. Meetings and Quorum—Meetings will initially be held quarterly. A majority of the members shall constitute a quorum for the transaction of business and every decision of a majority of the quorum duly assembled shall be valid as an act of the GAD Committee.

GENDER AND DEVELOPMENT COMMITTEE COMPOSITION	
Chairperson	Dir. Carmelita R. Abuel
Members	Dir. Charlene T. Capili
	Dir. Daniel M. Narag

9. Mediation/Conciliation Committee

The Mediation and Conciliation Committee acts as a consultant of the HRD in planning and coordinating education and training activities and programs for officers, encourages the alternative methods of resolution and conciliation of all conflicts and disputes.

A. Purpose—The Committee Charter is created as mandated by DOLE as a mandate under RA 9520 also known as “Philippine Cooperative Code of 2008” which shall formulate policies, develop plans and programs and set standards and procedures relative to the promotion of conciliation and mediation of labor disputes through the preventive mediation, conciliation and voluntary arbitration; facilitation of labor management cooperation through joint mechanisms for information sharing, effective communication and consultation and group-problem solving.

B. Functions

1. Formulate policies, programs, standards, procedures, manuals of operations and guidelines pertaining to effective mediation and conciliation of all labor dispute.
2. Perform preventive mediation and conciliation functions.

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3. Coordinate and maintain linkages with other sectors of institutions, and other government authorities concerned with matters relative to the prevention and settlement of labor disputes.
4. Formulates policies, plans, programs, standards, procedures, manuals of operations and guidelines pertaining to the promotion of cooperative and non-adversarial schemes, grievance handling, voluntary arbitration and other voluntary modes of dispute settlement.
5. Administer the voluntary arbitration program; maintain /update a list of voluntary arbitrators, compile arbitration awards and decisions.
6. Provide counseling and preventive mediation assistance particularly in the administration of collective agreements.
7. Monitor and exercise technical supervision over the Board's programs being implemented in the regional offices;
8. Submit semi-annual reports of cooperative cases to CDA within 15 days after the end of every semester;
9. Issue the Certificate of Non-Settlement
10. Recommend to the BODs any member of the cooperative for Conciliation-Mediation Trainings as Cooperative Conciliator-Mediator;
11. Act as conciliator-mediator during their term, provided the persons who will mediate are mutually selected by both parties; and
12. Perform such other functions as may be provided by law or assigned by the Board of Directors.

C. Committee Composition

1. The Committee shall consist of at least three (3) members of the Board of Directors (BOD);
2. The Chairman and members of the Committee will be appointed by the Board, and the Board may remove or replace a member of the Committee.

MEDIATION AND CONCILIATION COMMITTEE COMPOSITION	
Chairperson	Dir. Daniel M. Narag
Members	Dir. Charlene T. Capili
	Dir. Nathaniel Garcia

10. Health and Safety Committee

A Board level Committee committed to provide a safe place to work and protecting the environment in which the banks' operate.

A. Activities—The health and safety activities of the committee will include, but are not limited to the following:

1. Identify unsafe work practices and conditions and suggest appropriate remedies.
2. Conduct health and safety inspections of both operations and facilities, identify safety hazards and recommend corrective measures.
3. Review accident/incident reports. Types of accidents, causes and trends shall be identified and appropriate corrective action suggested.
4. Obtain and analyze available data on past injuries and illnesses and identify trends and suggest appropriate corrective actions.
5. Assist in the development and implementation of effective health and safety awareness programs.
6. Encourage feedback from all individuals with regard to health and safety related ideas, problems, and solutions.
7. Provide support and serve as a resource in the development, implementation, and maintenance of a comprehensive safety, loss prevention and loss control program.
8. Develop written programs to ensure compliance with OSHA health and safety regulations.

9. Serve as an advisory body to management on health and safety issues.
10. Providing suggestions and recommendations for resolution of health and safety concerns.

B. Members

Committee members shall be appointed by Board of Directors and constitute a diverse group of employees from both represented and non-represented personnel

HEALTH & SAFETY COMMITTEE ATTENDANCE				
Composition	No. of Meetings	Physical	Virtual	%
Charlene Capili <i>Chairperson</i>	1	100%		100%
Carmelita Abuel <i>Member</i>	1		100%	100%
Daniel M. Narag	0			
Nathaniel Garcia <i>Member</i>	0			

** Meeting is held during the first quarter & new set of committee members were not yet pronounced*

11. Ethics Committee—It is assigned to provide guidance throughout the organization to minimize business ethics and sustainability risks and any negative impacts for the bank.

A. Purpose and Objectives—It shall promote and help sustain a culture of ethical conduct throughout the operation of the Bank. It shall review all Bank’s codes of conduct, conflict of interest regulations and disclosures, and other policies and reports addressing prescribed and recommended standards of behavior of Bank’s members and employees.

B. Functions and responsibilities

- a. Develop Code of Governance and Ethical Standard to be observed by the cooperative-affiliates, officers and employees subject to the

approval of the BOD and ratification of the GA;

- b. Disseminate, promote and implement the approved Code of Governance and Ethical Standards;
- c. Monitor compliance with the Code of Governance and Ethical Standards and recommend to the BOD measures to address the gap, if any
- d. Conduct initial investigation or inquiry upon receipt of a complaint involving Code of Governance and Ethical Standards and submit report to the board together with the appropriate sanctions;
- e. Recommend ethical rules and policy to the BOD;
- f. Perform such other functions as may be prescribed in the By-laws or authorized by the GA.

C. Committee Composition

It is created and shall be composed of (3) members to be appointed by the Board of Directors. Within (10) days after their appointment, they shall elect Chairperson, Vice Chairperson and Secretary who shall serve for a term of (1) year or until successors shall have been elected and qualified. No member of the Committee shall hold any other position in the Cooperative during his/her term of office.

ETHICS COMMITTEE COMPOSITION	
Chairperson	Dir. Rustico R. Turingan
Members	Dir. Carmelita R. Abuel
	Dir. Daniel M. Narag
	Dir. Charlene T. Capili

12. Bids and Awards Committee (BAC)

The Committee shall be responsible for the determination of eligibility, conduct of bidding, evaluation of bids, post qualification of the lowest calculated bid and recommending award of contracts.

A. Purpose and Objectives—The BAC is constituted to assist the BODs of the bank in exercising its oversight function and in upholding

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transparency and accountability by implementing rules and regulations that promote fair, objective, efficient and transparent procurement of goods and services.

B. Authority and Responsibilities

1. The BAC shall ensure that all procurement activities that will be carried out by the Bank will: provide the best possible value for money; 2) be conducted in a fair, objective, efficient, and transparent manner; 3) be compliant with all internal policies and meet all legal and internal control requirements; and 4) use best practices in the application of ethical standards.
2. It shall ensure that procurement options are chosen on the basis of the degree to which these fulfill the Bank’s aims and objectives.
3. It shall enforce internal compliance with a consistent and standard approach in the procurement of goods and services by all units and employees of the Bank.
4. It shall cause the establishment of a pool of vendors, suppliers, and contractors that will offer the best mix of quality, reliability, customer service, after-sales support, price competitiveness, and available warranty packages.
5. The BAC shall ensure that the selection of suppliers, vendors, and contractors shall be based on demonstrated ability to meet the Company’s business and operational objectives, and the required technical and nontechnical specifications in a cost-effective manner.
6. It shall annually review and assess its performance.
7. All actions of the BAC shall be reduced into minutes and reported to the Board at the next meeting following such action.
8. It shall periodically review and assess the adequacy of this Charter and

recommend any proposed changes to the Board for approval.

C. Organization and Composition

Board may, by resolution or resolutions passed by a majority of its members, create the Bids and Awards Committee which shall be comprised of at least three (3) members. The members of the BAC shall be appointed by the Board. The Board shall have the power to change the members of the Committee at any time, to fill vacancies therein and to discharge or dissolve the Committee with or without cause. The Board shall appoint the Chairperson of the Bids and Awards Committee.

BIDS AND AWARDS COMMITTEE COMPOSITION	
Chairperson	Dir. Nestor T. Bautista
Members	Dir. Anthony A. Paragoso Atty. Robin James A. Gunnacao

13. Compliance Committee—A Board level Committee assigned to provide direct supervision

A. Overall Purpose/Mission Statement

The Compliance Committee operates with assessment, consultative and proposing functions. It provides direct supervision over the bank’s operations. The Committee is dedicated to provide a valuable service to the Cooperative Bank of Cagayan on matters of regulatory compliance needs and requests.

B. The tasks of the Compliance Committee

- a. Carry out the Roles and Responsibilities as set out in Section V of this Charter;
- b. Assess the work plans prepared by the Risk Management and the Internal Audit Functions;
- c. Evaluate potential findings arising from the Bank’s Internal Audit function or from other third parties’ examinations and/or investigations,

in particular the inspection reports from the (BSP);

d. Evaluate the adequacy and effectiveness of the Bank's procedures and systems for ensuring compliance with legal and regulatory requirements and internal policies, including, but not limited to those relating to capital adequacy, risk management, exposure limits, anti-money laundering and combating the financing of terrorism;

e. Maintain effective working relationships with the Board, Management, and the Internal and External Auditors.

f. Advise the BODs and Senior Management on relevant laws, rules and standards, including keeping them informed on developments in the area

g. Apprise bank personnel on compliance issues, and act as a contact point within the bank for compliance queries from bank personnel

h. Establish a written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines

i. Identify, document and assess the compliance risk associated with the bank's business activities, including new products and business units

j. Assess the appropriateness of the bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments

k. Monitor and test compliance by performing sufficient and representative compliance testing.

l. Maintain a high constructive working relationship with the BSP.

m. Report at least quarterly to the Board of Directors.

n. Review the compliance program of the bank at least annually.

C. Duties and Responsibilities

1. Compliance with Laws and Regulations
 - a. Review the effectiveness of the system for monitoring compliance with laws and regulations as well as the results of investigation and follow-up (including disciplinary action and legal proceedings) by the management of the Bank in connection with any non-compliance with legal and regulatory requirements and violations of internal policies and procedures;
 - b. Obtain regular updates from the Anti-Money Laundering (AML) Officer, Bank's legal counsel, management and other officers;
 - c. Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
 - d. Review the findings of any examinations by regulatory agencies.
2. Compliance with the Bank's Code of Conduct / Business Ethics
 - a. Ensure that the Code of Conduct is in writing and that arrangements are made for all employees to be aware of it;
 - b. Evaluate whether Management is putting sufficient emphasis by communicating the importance of the Code of Conduct and the guidelines for acceptable behavior;
 - c. Review the process for monitoring compliance with the Code of Conduct;
 - d. Obtain regular updates from Management regarding compliance.
3. Reporting Responsibilities
 - a. Regularly update and report (at least semi-annually) to the BODs about the Committee activities and make appropriate recommendations.
 - b. Ensure the BODs is aware of matters, which may significantly impact the financial condition or affairs of the business

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4. Other Responsibilities

- a. Perform other oversight functions as requested by the BODs
- b. Evaluate the Committee’s own performance on a regular basis.

D. Composition

The Compliance Committee shall be composed of three (3) members of the Board of Directors, selected by the Board of Directors.

COMPLIANCE COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meetings	Physical	Virtual	%
Nathaniel Garcia <i>Chairperson</i>	3	33%	67%	100%
Carmelita Abuel <i>Member</i>	3	67%	33%	100%
Nestor Bautista <i>Member</i>	3	67%		67%

MANAGEMENT LEVEL COMMITTEE

1. Management Committee (MANCOM)

A. Overall Purpose — It provides review, guidance and oversight for the overall management of the Bank’s operations and administration. It tackles issues and concerns from the different departments and come-up with a proper resolution that will be subject to the review of the concerned Board Level Committees and approval of Board

B. Organization

- a. Composition—The committee is composed of the President/CEO, Chief Operating Officer, FMBO Head, Loans Head, HR & Admin. Department Head, Chief Accountant, AMLD Head, R & D Department Head, I.T. Department Head, Security Officer
- b. The Committee may request the attendance of the Risk Management Officer, Chief Audit Officer, Chief Compliance Officer and/or any

representative from the rank and file employees during their meeting to serve as their resource speakers;

- c. Each member shall be professionally capable of making a valuable contribution to the Committee;
- d. The President/CEO shall be the Head of the Management Committee; and
- e. The Secretary of the Committee will be appointed by Committee itself.

C. Duties and Responsibilities

- a. Each of the Department shall be required to discuss their monthly accomplishment report and/or present any issues/concerns;
- b. Review issues and concerns of the different departments of the Bank and to come-up with a resolution that will address the issue or concern.
- c. Review the proposed Annual Budget and Targets and/or Strategic Development Plan initiated by the Operations Committee.
- d. Guide the Operations Committee in the:1) Review and monitoring of the operational performance of the Bank, including key performance indicator results and trends; and, 2) Review and monitor matters of operational significance to the Bank such as reliability, quality of service, customer care and satisfaction, public reputation.
- e. Review and monitor operational risk exposure and risk mitigation strategies;
- f. Guide the different departments in the implementation of their plan of action in order to accomplish the Bank’s vision, mission and goals.
- g. Other Responsibilities — Perform other management oversight functions and lawful tasks as required by the BODs

MANAGEMENT COMMITTEE MEETING ATTENDANCE								
Composition	REGULAR				SPECIAL			
	No. of Meetings	Physical	Virtual	%	No. of Meetings	Physical	Virtual	%
Robin James A. Gunnacao <i>Presiding Officer</i>	8	50%		50%	1	100%		100%
Marilyn L. Sagala— <i>Member</i>	8	88%		88%	1	100%		100%
Jitko B. Tayawa— <i>Member</i>	8	75%		75%	1			0%
Dominic G. Tumaliuan Jr.— <i>Member</i>	8	100%		100%	1	100%		100%
Joel V. Bugaring— <i>Member</i>	8	100%		100%	1	100%		100%
Maynard B. Corpuz— <i>Member</i>	8	100%		100%	1	100%		100%
Karina P. Bunagan— <i>Member</i>	8	100%		100%	1			0%
Steven B. Bañez— <i>Member</i>	8	100%		100%	1	100%		100%
Karen Rose G. Pagulayan— <i>Member</i>	8	100%		100%	1	100%		100%
Kristoffer Joseph R. Trinidad— <i>Member</i>	8	63%		63%	1	100%		100%
Rizza T. Sulla— <i>Member</i>	8	100%		100%	1	100%		100%
Kristine Joyce S. Agustin— <i>Member</i>	8	63%		63%	1			0%

2. Operation Committee

A. Overall Purpose—The Committee provides review, guidance and oversight for the overall operations of the Bank. It develops insight into the Bank operations in order to suggest strategic directions and policy implementation.

B. Authority—The President/Chief Executive Officer authorizes the Operations Committee, within the scope of its responsibilities, to:

1. Request any information it requires from any employee (and all employees are directed to cooperate with any request made by the Operations Committee) and/or external parties;
2. Retain, at the expense of the Bank, such outside consultants, experts and other advisors as it deems appropriate to assist it in the full performance of its duties and responsibilities.
3. Ensure the attendance of Bank

officers at meetings as appropriate;

C. Duties and Responsibilities

1. Initiate the preparation of the Annual Budget and Targets.
2. Set plan of action to accomplish the Bank's vision, mission and goals.
3. Review and monitor the operational performance of the Bank, including key performance indicator results and trends.
4. Review and monitor matters of operational significance to the Bank such as reliability, quality of service, customer care and satisfaction, public perception and reputation.
5. Review and monitor operational risk exposure and risk mitigation strategies, including business continuity.

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OPERATION COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meetings	Physical	Virtual	Percentage
Marilyn L. Sagala <i>Presiding Officer</i>	12	100%		100%
Jitko B. Tayawa— <i>Member</i>	12	100%		100%
Dominic G. Tumaliuan Jr.— <i>Member</i>	12	92%		92%
Melody Faith C. Macababbad— <i>Member</i>	12	83%		83%
Joan T. Soriano— <i>Member</i>	12	92%		92%
Robin T. Cajio— <i>Member</i>	5	100%		100%
Roldan B. Apacible— <i>Member</i>	12	83%		83%
Joel U. Tabangay— <i>Member</i>	12	75%		75%
Janice G. Ulep— <i>Member</i>	12	100%		100%
Melanie B. Rosete— <i>Member</i>	12	92%		92%
Kaepee T. Corpuz— <i>Member</i>	12	100%		100%
Gina V. Sardena— <i>Member</i> <i>(reliever of Mr. Cajio)</i>	7	100%		100%
Kristine P. Pasicolan— <i>Member</i> <i>(Appointed 4.1.2022)</i>	8	100%		100%

D. OFFICERS**1. Qualifications of an Officer**

- a. He shall be at least (21) years of age; and
- b. He shall be at least a college graduate, or have at least (5) years' experience in banking or trust operations or related activities or in a field related to his position and responsibilities.

Provided, however, that the trust officer who shall be appointed shall possess any of the following:

- a. at least (5) years of actual experience in trust operations;
- b. at least (3) years of actual experience in trust operations and must have:
 - b.1. completed at least (90) training hours in trust, other fiduciary business, or investment management activities acceptable to the BSP; or
 - b.2. completed a relevant global or local professional certification program; or
- c. at least (5) years of actual experience as an officer of a bank and must have:
 - c.1. completed at least (90) training hours in trust, other fiduciary business, or investment management activities acceptable to the BSP; or
 - c.2. completed a relevant global or local professional certification program;
 - c.3. He must be fit and proper for the position he is being proposed/ appointed to.

2. Duties and Responsibilities of Officers

- a. To set the tone of good governance from the top.
- b. To oversee the day-to-day management of the Bank.
- c. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.
- d. To promote and strengthen checks and balances systems in the Bank.

3. Disqualifications of Officers

- a. The disqualifications for directors mentioned in the Disqualification of Directors (Part II B 7) shall likewise apply to officers, except those stated in items "b.2)" and "b.7)".
- b. The spouses or relatives within the second degree of consanguinity or affinity are prohibited from holding officership positions across the following functional categories within the Bank:
 1. Decision making and Senior Management function, e.g., chairman, president, chief executive officer, chief operating officer, and other than the treasurer or controller;
 2. Treasury function, e.g., Treasurer and Vice President – Treasury;
 3. Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
 4. Safekeeping of assets, e.g., chief cashier;
 5. Risk management function, e.g., chief risk officer;
 6. Compliance function, e.g., compliance officer; and
 7. Internal audit function, e.g., internal auditor.
- c. Any appointive or elective official, whether full time or part time, except in cases where such service is incident to financial assistance provided by the government or government owned or -controlled corporations (GOCCs) or in cases allowed under existing law.
- d. Except as may otherwise be allowed under Commonwealth Act No. 108, otherwise known as "The Anti-Dummy Law", as amended, foreigners cannot be officers or employees of the Bank.
- e. All officers shall comply with the mandatory training requirements in accordance with the rules and regulations issued by Cooperative Development Authority (CDA). Non compliance with the training requirements during their term shall be one of the grounds for future election or appointment in any position in the bank.

ORGANIZATIONAL FUNCTIONS

I. INTERNAL AUDIT OFFICE

1. Oversee the financial reporting process, practices and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
2. Oversee the implementation of internal control policies and activities. It shall ensure that periodic assessment of the internal control is conducted to identify the weaknesses and evaluate its robustness considering the bank's risk profile and strategic direction.
3. Plans, directs and control activities of auditing to achieve the established objectives and targets of the office within the guidelines and limits of authority prescribed by the Board of Directors and other regulatory bodies.
4. Investigates significant issues/concerns raised.
5. It shall be responsible for the implementation of the approved Internal Audit Charter.
6. Perform such other duties and functions as are incidental to the office and those which the Board of Directors may from time to time require and/or prescribed.

II. RISK MANAGEMENT OFFICE

1. Oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
2. It is responsible for the implementation of the approved Risk Management Charter.

III. COMPLIANCE OFFICE

1. Responsible for the design of the Bank's

compliance system that includes the compliance program specifically identifying and mitigating business risks that may erode the value of the bank.

2. It shall be responsible for the implementation of the approved Compliance Charter

IV. OFFICE OF THE PRESIDENT/CHIEF EXECUTIVE OFFICER

1. Ensures that all orders and resolutions of the BODs are carried into effect
2. Submits regularly to the Board a complete report on the results of operations
3. Promptly notifies the board on all matters within his knowledge which concerns the interest of the Bank. Determines the bank's strategic direction and formulates and implements its strategic plan.
4. Oversees the operations of the bank and manages human and financial resources in accordance with the strategic plan
5. Directs, evaluates and guides the work of the key officers of the bank.
6. Supervise the day to day operation of the corporate office or the support department.
7. Responsible for the efficient and accurate execution of the BSP circulars, issuances and bank's policies.
8. Ensures that all orders and resolutions of the BODs are carried into effect
9. Submits regularly to the Board a complete report on the results of overall operations of the Bank.
10. Promptly notifies the board on all matters within his knowledge which concerns the interest of the Bank. Determines the bank's strategic direction and formulates and implements its strategic plan.
11. Supervise the Functions of Corporate Office or the Support Departments.

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V. Office of the Executive Secretary

1. Prepare agenda and minutes of Board and Committee Meetings in consultation with the Chairperson and the President/CEO.
2. Ensures that the minutes are accurately recorded, approved and attested.
3. Ensures that records of the Bank are maintained as required by law and made available when required by authorized persons;
4. Ensure proper notification of Directors and Members' meetings is given. It shall manage general correspondence of the BODs.

Departments under the Supervision of the President/CEO

I. Accounting Department

1. Ensures effective implementation of the financial control system on operational expenses.
2. Ensures the expenditures are within prescribed policies, laws, rules and regulations.
3. Responsible for the accounting/bookkeeping, budgeting, report preparation and disbursement activities of the Bank.
4. Prepares proof sheets for daily transactions and balances end-of-day transactions.
5. Prepares schedules of past due accounts and accounts receivables as well as aging, accruals and other accounts that may be requested by Management.

II. Human Resource Department

1. Responsible for overseeing the overall welfare of the employees during their employment with the Bank.
2. Provides adequate and competent workforce through training and development.
3. It shall be in charge of the administration of personnel movements and processing of employee benefits.
4. Monitors the implementation of

succession plan.

5. Administers the job evaluation program. It manages job performance and total compensation system including benefits, incentives and rewards.

III. Asset Management and Legal Department

1. Responsible for addressing and controlling the risks of loan delinquency and loan default.
2. It shall address the growing NPL portfolio of the Bank and ensure its maximum collection/recovery.
3. Renders legal advice and reviews documents and contracts for legal sufficiency.
4. Analyze and advices Management on existing and new cases and rulings affecting baking operations.

IV. Research and Development Department

1. Collects data by undertaking or conducting survey
2. Collates/organizes the collected data on the above indicators and present in tabular, line graph, bar graph or pie chart.
3. Market products and services of the bank.
4. Conceptualize and develop marketing tools
5. Market viable cooperatives in the province to affiliate with the bank.
6. Responsible for the event of the bank within or outside the organization.

V. Information Technology Department

1. Provide leadership, management and supervisory functions to plan, develop, implement and administer the programs and projects for the application of computer and communications technologies.
2. Monitor the system used by the bank for its operation.
3. Prepares reports, data back-up processes, online support to IT users, coordination and contact with IT

suppliers and service providers, feedback and recommendations for improvement in the various aspects of their work and current operations documentation

V. OFFICE OF THE CHIEF OPERATING OFFICER

1. Directs, evaluates and guides the work of the Branch Operation and Lending activities.
2. Supervise the day to day operation of Fund Management and Branch Operation Department and Loan Department.
3. Prepare Annual Bank Operational Plan.
4. Accountable to the overall operations of

the bank

5. Plans Organize, Coordinate, Direct, Supervise and Control all the financial and Administrative activities of the Fund Management and Branch Operation and Lending activities.
6. Responsible for the efficient and accurate execution of the BSP circulars, issuances and bank's policies.
7. Overall management, administration and control of operations in the area.

CBC OFFICERS AND SENIOR MANAGEMENT



ATTY. ROBIN JAMES A. GUNNACAO
President / CEO

The President/Chief Executive Officer since 2018. He is 47 years old and a Filipino citizen. He was appointed as Head of the AMLD in 2008, Executive Assistant in April 2011 and General Manager concurrent AMLD-Head in December 2011 and became part of the Legal Counsel of Cooperative Bank of Cagayan. He finished Bachelor of Laws, Bachelor of Arts in Political Science and earned 30 units in Master in Public Administration. He's been in the Bank for more than 18 years.



MARILYN L. SAGALA, CPA
Chief Operating Officer

The Chief Operating Officer since 2018. She is a Certified Public Accountant. Ms. Sagala is 38 years old and a Filipino. She took Bachelor of Science in Accountancy at St. Louis University-Tuguegarao and Bachelor of Laws and Letter at Cagayan State University. She became an Internal Auditor, Chief Compliance Officer and Chief Finance Officer. She's been in the service for more than 15 years.



DOMINIC G. TUMALIUAN JR., CPA
Fund Management & Branch Operation Head

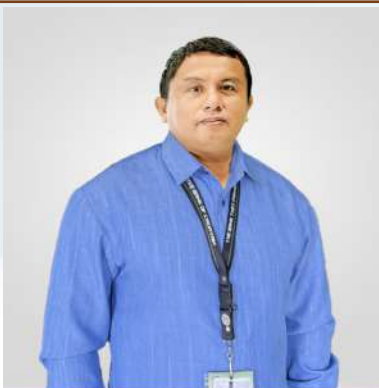
He is the Fund Management & Branch Operations Department Head. A Certified Public Accountant. He is 26 years old and a Filipino citizen. He finished his Bachelor of Science in Accountancy at Cagayan State University and currently taking up Juris Doctor at University of Cagayan Valley. He was the former Audit Head of the bank and almost 3 years in the service. Also, he was appointed as Audit Associate of Sycip Gorres Velayo & Co. (SGV) in Makati City.

Corporate Governance



JITKO B. TAYAWA
Loans Head

Loans Department Head. He is 41 years old and a Filipino citizen. He finished a degree in 2002 with a Bachelor of Science in Business Administration Major in Management at Polytechnic University of the Philippines. He was appointed as Project Account Officer, Account Officer, Branch Loan Officer and Branch Manager. He has been in the bank for 15 years. He became a Credit Counselor and Marketing Assistant at Motortrade.



JOEL V. BUGARING
Risk Management Officer

The Risk Management Officer and Concurrent Security Officer. A Filipino and 43 years of age. He finished Bachelor of Science in Accountancy and Master in Business Administration at University of Cagayan Valley. He's been in CB Cagayan for more than 20 years. He was designated as Audit Aide, OIC Loans Bookkeeper, Branch Loans Bookkeeper, Branch Accountant, OIC Chief Accountant, Branch Manager and Loans Department Head.



STEVEN B. BAÑEZ, CPA
Chief Compliance Officer

He is the Chief Compliance Officer of the bank. A Certified Public Accountant, 26 years old and a Filipino citizen. He graduated Bachelor of Science in Accountancy at Cagayan State University-Andrews Campus and finished Master's Degree in Business Administration at St. Paul University Philippines. He was appointed as Chief Accountant in 2019. He's been in the service for more than 3 years.



KRISTOFFER JOSEPH R. TRINIDAD
Internal Audit Head

The Internal Audit Head of the bank. A 30 years old and a Filipino citizen. He finished Bachelor of Science in Business Administration major in Management Accounting at Cagayan State University-Andrews Campus. He was also appointed as Audit Staff and been in the bank for more than 7 years.



KAREN ROSE G. PAGULAYAN
Chief Accountant

The bank's Chief Accountant. A Certified Public Accountant and Filipino citizen. She is 25 years old. She graduated Bachelor of Science in Accountancy at Cagayan State University. She also worked as Part time Instructor at Cagayan State University - Andrews Campus. She is serving the bank for more than 1 year.



MAYNARD B. CORPUZ
Information Technology Head

The Information & Technology Head, 44 years old and a Filipino citizen. He finished Bachelor of Science in Computer Engineering and Master's in Information Technology at University of St. Louis Tuguegarao formerly St. Louis College-Tuguegarao. He's been in the bank for more than 20 years, and formerly occupied the positions of Programmer, General Clerk, Computer Programmer and Senior IT Staff/Programmer.



KARINA P. BUNAGAN
Human Resource Head

The Human Resource and Administrative Facilities Department Head, Filipino citizen, and 35 years old. She finished degrees of Bachelor of Laws and Letter, and Bachelor of Arts in Legal Management at Cagayan State University. She was formerly an Administrative Assistant/Executive Secretary and AMLD Staff. She's been in the bank for more than 10 years.



RIZZA T. SULLA
Research & Development Head

Presently the OIC Research and Development Head. A 33 years old and a Filipino citizen. She holds a degree of Bachelor of Arts in English at Cagayan State University-Carig Campus. She was appointed as Executive/Administrative Assistant and Personnel Staff in the bank and she has been serving for more than 5 years.



KRISTINE JOYCE S. AGUSTIN
Asst. Asset Management & Legal Department Head

Assistant Asset Management and Legal Department Head and concurrent Corporate Secretary. A 23 years old and Filipino citizen. Finished Bachelor of Science in Legal Management at Cagayan State University-Andrews Campus and presently studying Juris Doctor in University of Cagayan Valley. She is serving the bank for more than 4 years.



MELODY FAITH C. MACABABBAD
Manager, Main Branch

She is designated as Branch Manager of Main Branch. A 39 years old, and a Filipino citizen. She finished Bachelor of Science in Business Administration major in Management Accounting and took Master in Business Administration. She was hired in the bank as Savings Bookkeeper, Loans Bookkeeper and Branch Accountant. She is more than 17 years in service.



ROBIN T. CAJIO
Manager, Abulug Branch

Branch Manager of Abulug branch. He is 44 years old and a Filipino citizen. He was appointed as Audit Staff, Appraiser, Lending Unit Supervisor, and Credit Management Supervisor. He is in the bank for more than 11 years. He finished Bachelor of Science in Accountancy, Masters in Business Administration and Juris Doctor. He is a licensed Real Property Appraiser.



JOAN T. SORIANO
Manager, Lallo Branch

The Branch Manager of Lal-lo Branch. She is 43 years old and a Filipino citizen. She graduated Bachelor of Science in Business Administration major in Banking and Finance at St. Paul University in 2000, and Master in Business Administration in University at St. Louis Tuguegarao in 2005. She was appointed in same institution as Teller, Loans & Savings Bookkeeper and Cashier. She's been in the bank for more than 21 years.

Corporate Governance



BOBBY U. MARTINEZ
Assistant Branch Manager, Cabagan

He is the Assistant Branch Manager of Cabagan Branch Lite. He is 41 years old and a Filipino citizen. He was appointed as Account Officer, Credit Specialist and Evaluation Staff. He finished Bachelor of Science in Environmental Science. He's been in the bank for more than 7 years.



DEAN CARLO V. AGUINALDO
Assistant Branch Manager, San Manuel

Assistant Branch Manager of San Manuel Branch Lite. He is 26 years old and a Filipino citizen. He finished a Bachelor of Science in Accountancy in 2016. Before he promoted as Assistant Branch Manager, he first appointed as Teller for more than 1 year. He was employed at Green Rose Marketing as Auditor before he got hired at CB Cagayan. He's been in the bank for more than 2 years.



GINA V. SARDEÑA
Assistant Branch Manager, Burgos

She is appointed as Assistant Branch Manager of Burgos Branch Lite. A 46 years old and a Filipino citizen. She finished Bachelor of Arts in Cooperatives in Cagayan State University. She was appointed as Loans Clerk, Cashier and Teller. She's been serving the bank for more than 14 years. She also once became a Manager in Sta. Cruz Multi-Purpose Cooperative in 1998.



KRISTINE P. PASICOLAN
Assistant Loans Head

She is the Assistant Loans Head. A 31 years old and a Filipino citizen. Before appointed as Asst. Loans Head, she was appointed as Internal Audit Head, Risk Management Officer and Branch Manager. She's been with the bank for more than 7 years.



MELANIE B. ROSETE
Appraisal Head

She is a licensed appraiser and currently the Appraisal Unit Supervisor. She is 30 years old and a Filipino citizen. She was a Former Freelance Appraiser and Bookkeeper/Accountant in Bangko Montanosa before Cooperative Bank of Cagayan hired her. She finished Bachelor of Science in Business Administration Major in Management Accounting. She's been with the bank for almost 2 years.



JANICE T. ULEP
Lending Support Unit Supervisor

Lending Support Unit Supervisor. 39 years old and Filipino citizen. She then held the positions of Bookkeeper, Branch Accountant, Teller and Accounting Staff of Cooperative Bank of Cagayan. She finished Bachelor of Science in Business Administration and Master in Business Administration. She's been in the bank for more than 13 years.



JOEL U. TABANGAY
Evaluation Supervisor

Evaluation Supervisor. 38 years old and a Filipino citizen. He was appointed as Account Officer and Evaluation Staff at Cooperative Bank of Cagayan. He finished Bachelor of Science in Business Administration major in Banking and Finance. He's with the bank for more than 11 years.



ROLDAN B. APACIBLE
Credit Management Supervisor

Credit Management Unit Supervisor. 33 years old and Filipino citizen. He was appointed as Account Officer, Credit Specialist, Appraisal/Evaluation Staff and Account Management Supervisor. He finished Bachelor of Science in Business Administration major in Banking and Finance. More than 11 years in service



KAEPEE T. CORPUZ
Account Management Supervisor

Account Management Unit Supervisor. A 28 years old and a Filipino citizen. He was also appointed as 4Ps Project Employee and Collection Specialist in this bank. He holds a bachelors degree in Information Technology. He's been in the bank for more than 5 years.

RECRUITMENT, SELECTION AND HIRING

Employee selection involves a serious responsibility and it is worth the effort to know and observe the proper procedures in hiring to ensure success in choosing the right man for the job and avoid snapshot judgment.

OBJECTIVES—To hire people who possess the ability and competence to accomplish successfully the duties and responsibilities not only of the job to be filled but also of the potential to grow with the bank.

A. GENERAL GUIDELINES

1. It is vital for the efficiency of the bank that hired personnel meet the requirements of the job.
2. Efficient and professional recruitment procedures shall at all times be applied, in accordance with the Personnel Manual. The Management shall advertise the position needed in conspicuous places containing a concise description and the requirements of the job.
3. All vested interest and NEPOTISM shall be avoided, in accordance with existing laws.

B. APPLICATION—Application for employment may be personally, through letters or email

of application by stating the position desired and describing the applicant's qualification for that position.

POLICIES—Recruitment of new employee shall be the responsibility of the Human Resources/Administrative Department (HR/Admin Department).

The line supervisor must inform thru Personnel Requisition Form or letter (PRF, HRAD Form- 001) the HR/Admin Department about the existence of vacancy to be filled-up. Notice should be given by the supervisor one month before the actual date, to enable the HR/Admin Department to recruit qualified applicant for the said vacant position.

If the position is not budgeted for, a brief justification should be included in the request and to be approved by the President/CEO or his/her representative.

The PRF is then signed by the HR/Admin Head, then the President. When the PRF has been approved by President sourcing will commence through the following channels:

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- 1.1 Active File—A file of qualified applicants shall be kept by the HR/Admin for future reference.
- 1.2 Internal Transfers/Detail—Existing employees who qualify for the position may apply, and they must do so in writing. This request for transfer should be address to and acknowledged by their present supervisor.
- 1.3 Referrals from Staff—Referrals from staff are welcome. These, however, must be coursed through the HR/Admin Dept.
- 1.4 Externally (Job Advertising) - Advertising through posting of Job Vacancy in conspicuous public places, radio, television, social media and other means, schools and colleges to recruit young talented and highly motivated applicants.

SELECTION is a joint effort/responsibility of the requesting department and the HR/Admin Department.

- i. A shortlist of candidate is compiled by the HR/Admin Head and submitted to the requesting Department/Branch.
- ii. HR/Admin Head, in consultation with the President and immediate supervisor for the position, call the attention of the Screening Committee. Screening Committee is composed of HR Committee.
- iii. The Screening Committee shall read all resumes and culls out unqualified candidates. All remaining resumes can be sorted into "maybe" and "yes" groups and selects those to be qualified for testing.
- iv. The HR/Admin Department Head then schedules the testing for the qualified applicants.
- v. The applicant must take and pass the necessary examination and interview given by the bank before processing for hiring will continue.
- vi. Upon passing the qualifying exam preliminary interview, the applicant is eligible for final interview by the HR Committee.
- vii. HR/Admin Head shall develop a

standard interview procedure for pre-qualified applicants.

- viii. The Dept. Head/Branch, Manager shall asses the applicant's personal behavior, work attitude on applicants neighbor, on place of residence and character investigation by sending queries to previous employers about the personal behavior, work attitude and the reason for his/her separation from his previous employment.
- ix. The President/CEO or the Chief Operating Officer (COO) shall approve the salary being offered based on the approved Salary Standardization of the Bank.
- x. The immediate supervisor and HR/Admin Head make the job offer to the qualified candidate and finalize effectivity date.

Notes: If there is only one (1) applicant, the same procedure should be undertaken. Employees from a rank and file position who will fit in the senior management position shall be bound by the promotion policy of the bank.

PROMOTION OBJECTIVES

1. To give employee chances for advancement, greater job satisfaction, enhancement of employees' quality of life and self actualization; and
2. To recognize and reward exemplary performance, innovativeness and work excellence.

POLICIES

1. Promotion to any vacant position shall be filled from the qualified employees through recommendation for promotion emanating from Branch Manager / Supervisor/ Department Head or through application of the employee to a vacant position which should be filled by hiring and placement.
2. In case (2) or more contending candidates/aspirants for any available position, pre-requisite should be taken

into consideration such as education, performance evaluation (PES), innovation, research and length of service. If after considering all other factors and found to be equal, PES shall apply.

3. Assumption of office by the promoted employee shall be deemed regular and he/she will no longer undergo probationary appointment in her/his new position.
4. The increase of salary and other entitlements shall be based on approved Plantilla of the Payment Classification Pay Plan (PCPP).

PERFORMANCE EVALUATION SYSTEM

POLICIES

1. Adheres to the principle of performance-based security of tenure. It provides motivation and basis for incentives to performers and applies sanctions to non-performers.
2. Operates on shared commitments and objective measurement of performance results.
3. Enhances productivity by using performance targets and standards attuned to organizational goals and mandate;
4. Recognizes the role of the supervisor's objective assessment and feed backing on individual employee performance;
5. Promotes transparency and provides mechanism for appeal and resolution of conflicts and/or disagreements.

OBJECTIVES

1. Continuously fosters improvement of employee's performance and efficiency.
2. Enhances organizational effectiveness and productivity;.
3. Provides an objective performance rating which serves as basis for personnel actions, incentives, rewards and administrative sanctions.

RATING PERIOD—The Rating Period shall be quarterly except for Probationary Employees who are rated monthly

PERFORMANCE STANDARD

1. **Managers**—The evaluation process is conducted by superior in the presence of the subordinate basing appraisal on measurable results. Performance is reviewed quarterly.
2. **Branch Staff**—The employee or the supervisor shall immediately notify the PERC of such modifications to serve as guide in the review of ratings of affected employees.
3. **Appraisal Discussion and Rating Proper**—At the end of the evaluation period, the supervisor and the employee meet to discuss the latter's accomplishments against established targets and standards. They discuss the ratings and the supervisor gathers, tabulates, summarizes and presents to the Employee the ratings.
4. Together, they compute the overall performance rating of the employee using the prescribed weight allocation and computation under this system.
5. Comments and recommendations are required in the space provided for in PEF to serve as guide in improving employee performance in subsequent evaluation periods and in other appropriate personnel actions.

MECHANICS OF RATING

1. **Levels of Performance**—Each employee is rated on the basis of the levels of performance set below:
2. **Components of Rating**—The overall rating of employees for a given rating period consists of (2) parts:
 - 2.1. Performance (85%-90%)**
 - Part I – Major Tasks
 - Part II – Minor Tasks or compliance of rules, regulations and policies of the Bank.
 - 2.2. Behavioral Factors (10%-15%)**
Behavioral dimensions that affect the job performance of the employee for this purpose, factors like human relations, innovative, leadership, result focus, Punctuality and attendance.

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Numerical Rating Achievement of Target	Adjectival Rating
Performance rating of 90%-100%	Outstanding (O)
Performance rating of 80 % to 89.99%	Very Satisfactory (VS)
Performance of 65%-79.99%	Satisfactory (S)
below 65%	Needs Improvement (NI)

ORIENTATION AND TRAINING

1. Orientation Program

- 1.a. The bank shall allocate funds for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 1.b. A new director shall, within a period of (6) months from the date of his election shall be required to attend a special seminar on corporate governance which shall be conducted by a BSP accredited private or government institute.

2. Continuing Education Program for the Directors and Key Officers—At least annually, as part of the continuing education

program for the directors, they are required to attend a program on corporate governance conducted by a training provider duly accredited by BSP, CDA and other regulating agencies.

EMPLOYEE ORIENTATION

POLICIES

1. It is the responsibility of HR/Admin Head to give orientation to a newly hired employees including, but not limited to:
 - 1.1. providing the employee their own workplace which may include supplies
 - 1.2. introducing the employee to co-workers
 - 1.3. provide the employee a copy of employees manual/handbook
 - 1.4. In case of field work, the employee shall be oriented on the nature of his work in the field
2. The HR/Admin Head may discuss the employees' duties and responsibilities, salaries and benefits, Mission and Vision of Cooperative Bank and other rules and regulations that the bank have.
3. The HR/Admin Head may use the orientation checklist form.

#	List of Trainings/ Seminars/ Workshop	No. of hours	No. Participants	
			Board of Directors	Senior Management
1	Risk and Credit Management	16 hours	6	4
2	Credit Management Course	8 hours		1
3	Financial Statement Analysis: A tool in Credit Decision Making	16 hours		1
4	Webinar on Strategic Marketing and Basic Branding	16 hours		1
5	Complaints Management Training	16 hours		1
6	Strategic Human Resource Management and its evolving practices	16 hours		1
7	Financial Management	16 hours	7	3
8	Basic Corporate of Governance and Management	16 hours	7	3
9	Risk and Credit Management	16 hours	7	3
10	Fundamentals of Cooperative	16 hours	7	3
11	Targeted Financial Sanctions Webinar for covered person	8 hours		1
12	Corporate Governance Course for Rural Bank Directors and Officers	8 hours		1
13	What is the Changing Role for Monetary Policy and Central Banking in the New Economy	8 hours		1
14	Occupational First Aid and Basic Life Support	16 hours	3	5

RETIREMENT PROGRAM POLICY

In able to pay back employees who is loyal and faithful with Cooperative Bank of Cagayan, the management through the initiative of the Chief Operating Officer approved the Retirement Program Policy for its employees.

1. Separation Pay

Regular employees who have reached the minimum 5 years length of service regardless of age shall be granted a separation pay as an incentive to his/her loyalty based on the following percentage of computation:

Basis of Computation—Basic Salary (BS) at the time of separation from the Bank

No. of Years in Service	Separation Pay Computation
5 yrs.	50% of basic salary times number of years in service
6 yrs.	55% of basic salary times number of years in service
7 yrs.	60% of basic salary times number of years in service
8 yrs.	65% of basic salary times number of years in service
9 yrs.	70% of basic salary times number of years in service

No. of Years in Service	Retirement Pay Computation
10 yrs.	75% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
11 yrs.	80% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
12 yrs.	85% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
13 yrs.	90% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
14 yrs.	95% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service

2. Retirement Pay

Regular employees who have reached the minimum 10 years length of service regardless of age shall be granted a retirement pay based on the following percentage of computation:

- Basis of Computation- Basic Salary at the time of retirement
Plus
Additional two (2) step increment or 10% of the basic salary whichever is higher.
- Compulsory Retirement- 60 years old
- The Board may offer special retirement package from time to time and as needs arise.
- All Board Resolution contrary to this resolution are deemed repealed or rescinded.

Notes: The computation for retirement Pay shall not be less than the standard set forth by the Department of Labor and Employment and any governing agencies.

No. of Years in Service	Retirement Pay Computation
15 yrs.	100% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
16 yrs.	105% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
17 yrs.	110% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
18 yrs.	115% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
19 yrs.	120% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service
20 yrs. & above	125% of BS at the time of retirement plus additional (2) step increment or 10% of the BS whichever is higher times number of years in service

SUCCESSION PLAN

STATEMENT OF POLICY—Banking is not just an ordinary business. It is a business imbued with public interest and therefore, the safest and soundest measures should be adopted to ensure that the investments of the stockholders, stakeholders and the banking public as a whole are properly secured thru a prudent and implementable succession plan.

PURPOSES

1. To provide stability and sustainability in the management and operation of the Bank;
2. To enable the appointing authority enough leeway to recruit, screen and appoint the most qualified applicant to the position vacated;
3. To afford the Board a wider field from which to select and choose the most qualified successor to the vacated position;
4. To provide a successful probationary period for the selection, training and improvement of the work attitude of appointed employees;
5. To enable the appointee to imbibe the culture, mission, and vision as well as the plans and programs and to get assimilated into the organization gradually and with a greater degree of certainty.

SUCCESSION—In case of death, dismissal, resignation, permanent physical and mental incapacity, or in case of leave of absence of whatever purpose or nature of the President, Chief Operating Officer (COO), Fund Management and Branch Operation (FMBO) Head, Loan Department Head (LDH) and Branch Manager (BM), the herein below temporary succession shall govern;

1. **PRESIDENT**—Upon the occurrence of the immediately stated contingency, the COO shall act as the O.I.C. of the Bank. In case of incapacity of the COO, the following officers in chronological order shall act as OIC of the Bank:
 1. FMBO Head;
 2. Loan Department Head;
 3. Available Branch Manager according to geographical proximity
 4. HR and Facilities Admin. Head
 5. Chief Accountant, and

6. Research and Development Head;

2. **CHIEF OPERATING OFFICER**—Upon the occurrence of the immediately stated contingency, the Most Senior between the LDH and FMBO Head shall act as the OIC COO. In case of incapacity of the Most Senior between LDH and FMBO Head; the Junior Officer between the two shall temporarily take-over.

3. FUND MANAGEMENT AND BRANCH OPERATION DEPARTMENT HEAD—

Upon the occurrence of the immediately stated contingency, the Most Senior Branch Manager shall act as the OIC of the FMBO Department. In case of incapacity of the Most Senior Branch Manager, the next in rank to the Most Senior between the Branch Managers shall temporarily take-over. The Seniority shall be determined by the number of years of employment with the Bank.

4. **LOANS DEPARTMENT HEAD**—Upon the occurrence of the immediately stated contingency, the Most Senior Supervisor of the Loans Department shall act as the OIC of the Loan Department. In case of incapacity of the Most Senior Supervisor, the next in rank to the Most Senior Supervisor between the Supervisors shall temporarily take-over. The Seniority shall be determined by the number of years of employment with the Bank.

5. **BRANCH MANAGER**—Upon the occurrence of the immediately stated contingency, the following employees in chronological order shall act as the Branch OIC:

1. Marketing Specialist;
2. Teller

EXTENT OF TENURE AS OIC:

Except for leave of absence, the aforementioned OIC shall act as such for a period not more than 30 days from assumption of office. However, the Board may extend the same for a longer period until the appointment of the permanent successor as the need warrants.

APPOINTMENT OF SUCCESSOR— Upon the occurrence of the vacancy, the Board shall immediately convene to discuss matters related to the appointment of the successor. Within 30 days from the occurrence of the contingency, the Board shall appoint the permanent successor except when upon their judicious determination, an extension is inevitable to give them enough time to screen and appoint the successor.

STATUS OF APPOINTMENT—The appointed successor shall undergo a probationary period of (6) months after which, the successor shall be appointed regular if able to hurdle the standard of the Bank made known to him/her upon assumption of office.

SUCCESSION IN CASE OF LEAVE OF ABSENCE OF DEPARTMENT HEADS

The following are the department heads of the Bank:

1. Head of Internal Audit;
2. Information Technology Head;
3. HR and Facilities Admin Head;
4. Chief Compliance Officer;
5. Research and Development Head;
6. AMPD Head;
7. Chief Accountant

In case any of the above-mentioned Senior Bank Officer shall take a leave of absence, the most senior staff shall be the OIC until the Senior Bank Officer shall return to work, the President shall designate among the qualified staff as OIC who shall remain as such until the Senior Bank Officer resumes to work. For other Employees in the Corporate Department who shall take a leave of absence, the President shall designate a reliever from qualified employees of the Corporate Department.

SUCCESSION IN CASE OF LEAVE OF ABSENCE OF SUPERVISORY EMPLOYEES

The following are the Supervisory Employees of the Bank:

1. Lending Unit Supervisor;
2. Appraisal and Evaluation Supervisor;
3. Credit Management Unit Supervisor;
4. Account Management Supervisor;

In case any of the above-mentioned Supervisory Employee shall take a leave of

absence, the most senior staff shall be the OIC until the Supervisory Employee shall return to work. In the event there is no senior staff of the Supervisory Employees, the Loan Department Head shall designate among the qualified staff to act as OIC who shall remain as such until the Senior Bank Officer shall report to work.

For other Employees in the Branch who shall take a leave of absence, the Branch Manager shall appoint a reliever from qualified employees of the Branch.

REMUNERATION / COMPENSATION

1. POLICY—The members of the Board received a remuneration and compensation based on the approved per diem by the General Assembly. Also, the Bank offers a competitive remuneration packages to its Senior Management and reward them with incentives based on the Board-approved Position Classification and Pay Plan (PCPP).

2. STRUCTURE—It shows the breakdown and what a member of the Board and a Senior Management received in exchange of their dedicated services and loyalty.



POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

In accordance with the regulations, policies and guidelines on Corporate Governance issued by the Bangko Sentral ng Pilipinas (BSP), the Cooperative Development Authority (CDA) and other regulatory bodies, Cooperative Bank of Cagayan recognizes the need to strengthen its policy on related-party transactions with related parties and avoid risks of conflict of interest.

This is also in consonance with CBC's adherence to the highest principles of good governance as the bank subscribes to the philosophy of integrity, accountability and transparency in doing business.

Similarly, Philippine Accounting Standard (PAS) 24 Related Party Disclosure provides that an entity should disclose information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statement.

Objective—To exercise appropriate oversight and implement effective control systems for managing exposures to related parties as these may potentially lead to abuses that are disadvantageous to the bank and its depositors, creditors, fiduciary clients, and other stakeholders

Board Duties and Responsibilities / Roles and Functions—The board shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

Responsibilities of the Related Party Transaction Committee

1. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties

(from non-related to related and vice versa) are captured.

2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement)
3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
4. Report to the board on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Roles of Senior Management and Self-Assessment Functions

—It shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the Bank's policy and BSP's regulations.

The internal audit function shall conduct a periodic formal review of the effectiveness of the bank's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limit, shall be communicated directly to the Audit Committee.

The compliance function shall ensure that the bank complies with relevant rules and

regulations and is informed of regulatory developments in areas affecting related parties. It shall aid in the review of the bank's transactions and identify any potential RPT that would require review by the Board or RPT Committee. It shall ensure that the RPT policy is kept updated and is properly implemented throughout the FI.

Disclosure and Regulatory Reporting—

The Bank shall adequately disclose in its Annual Report, if applicable, the overarching policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflicts of interest; responsibility of RPT committee; nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, of material RPTs.

Transactions concerning deposit operations, credit card availments, regular trade transactions involving purchases and sales of debt securities traded in an active market, are excluded from the reporting requirement to BSP. Provided, that credit card lines with amounts falling within the definition of "material transactions" shall be reported to the BSP upon approval of the line.

Lease contracts and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transaction by the board of directors. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of a lease contract, or the party engaging/requesting for the services of the other bank, in case of other contracts, shall submit the report.

Disclosure/Reportorial Requirements

1. The Bank, shall, in addition to the required disclosure under Philippine Accounting Standards (PAS) 24, disclose in its Annual report the following:
 - i. Policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflict of interest;

- ii. Responsibilities of Credit Committee; and
 - iii. Nature, terms and conditions, as well as original and outstanding individual and aggregate balances including off-balance sheet commitments of material RPTs.
2. Lease and other similar contracts with recurring payment transactions should only be reported once, upon approval of said transaction by the Board of Directors.
 3. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of lease contract, or the party engaging/requesting for the services of the other financial institution, in case of other contracts shall submit the report.
 4. Procedures
 - i. All RPTs that exceed the material threshold amount shall be submitted to the Related Party Committee for review and if necessary, for endorsement to the Board for approval.
 - ii. RPTs that are below the material threshold amount shall be presented to the respective supervising management committee for approval.
 - iii. Transactions with DOSRI, regardless of amount shall be reviewed and endorsed to the Board by the Related Party Committee for approval.
 - iv. The Operational Committee shall prepare a monthly report of all related party transactions to the Credit Committee for the latter's information. Said Committee shall be provided with all pertinent documents and material facts that support the transaction.
Operation committee shall also be in-charge of submitting the required report to BSP using the report format shown in Annex A under BSP Circular No. 895.

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- v. If a related party transaction would be ongoing, the Board of Directors shall periodically review and assess ongoing relationships with related parties to determine and ensure compliance with all the regulatory requirements.
- vi. No director may engage in any Board or Committee discussion or approval of any related party transaction in which he or she is a related party. However, such director must provide to the Board or Committee all material information reasonably requested concerning the transaction.

SELF-ASSESSMENT FUNCTION

Internal Audit Function—The Bank's internal audit department is an Independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes of an organization, which helps management and the board of directors in protecting the bank and its reputation. The internal audit function shall both assess and complement operational management, risk management, compliance and other control functions. In this respect, internal audit shall be conducted in frequencies commensurate with the assessed levels of risk in specific banking areas.

Purpose of the Internal Audit— The purpose of the internal audit is to help the bank in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It represents and assists the Board in its general oversight of the bank's accounting and financial reporting processes, audits of the financial statements, and internal control. It is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses

and assessments of data and business processes.

Membership and Structure—The size of the internal audit department will be determined by the bank's BOD through the Audit Committee. Such shall be determined based on the needs of the bank. The working experience and educational background of each personnel shall be taken into consideration. The head and staff of the internal audit function must have an unassailable integrity, relevant education/ experience/ training, and has an understanding of the risk exposures of the bank, as well as competence to audit all areas of its operations. The Internal Audit head is responsible for the oversight of audit staffs and shall consolidate reports submitted to him/her during discussions and meetings. The consolidated report shall be discussed by the Internal Audit head to the members of the Audit Committee for proper deliberation and review during the Audit Committee meetings and the same shall be elevated to the BOD meetings for further review and consultation. The internal audit office is composed of one (1) audit head and three (3) audit staffs.

Authority—The Internal Audit derives its oversight function from the bank's BOD granted to it through the Audit Committee. It shall have authority to directly access and communicate with any officer or employee, to examine any activity of the bank, as well as to access any records, files or data whenever relevant to the exercise of its assignment. CBC Annual Report 2017 53 The head and staff of the internal audit are authorized to:

- Have unrestricted access to all functions, records, property, and personnel relevant to the performance of engagements. The documents and information entrusted to Internal Audit will be handled with the required level of confidentiality and integrity.
- Have full and free access to the Audit Committee.

- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the bank where they perform audits, as well as other specialized services from within or outside the bank.

The head and staff of the internal audit however are not authorized to:

- Perform any operational duties for the Bank.
- Initiate or approve accounting transactions external to the Internal Audit Service.
- Direct the activities of any Bank's employees not employed by Internal Audit, except to the extent such employees have been appropriately assigned to Internal Audit or to otherwise assist the internal auditors.

Scope—The scope of the internal audit encompasses all processes, systems, units and activities, including outsourced services shall fall within the overall scope of the internal audit function.

The scope of the internal audit shall cover, among others but not limited to the following:

- Evaluation of the adequacy, efficiency and effectiveness of internal control, risk management and governance systems in the context of current and potential future risks;
- Review of the reliability, effectiveness and integrity of management and financial information systems, including the electronic information system and electronic banking services;
- Review of the systems and procedures of safeguarding the bank's physical and information assets;
- Review of compliance of banking activities with relevant laws, rules and regulations;
- Review of the compliance system and the implementation of established policies and procedures; and

- Review of areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

Audit Approach—The internal audit department will conduct observation of internal control system of the bank, set of interviews with key officers and employees, direct verification or confirmation with clients, documentary review, physical count, asset inspections, data analysis and review of accounting entries and usage and among others. To comprehensively conduct and establish the aforementioned, different phases shall be adopted which comprises the following:

- **Mobilization Phase.** On this phase, the Internal Auditor (IA) will request reports, schedules and pertinent or relevant documents and information needed for the review from the auditable unit/branch which is basically based from the programmed audit work/activity. The department will ensure that all pertinent working papers relevant to the audit activity were prepared prior to audit review and shall further request additional data or CBC Annual Report 2017 54 information from the auditable unit/branch relevant to the conduct of audit.
- **Execution Phase.** After all information or data has been gathered and note the deviations, observations, findings and/or exceptions during the conduct of audit. c.) Reporting Phase After information, data and documents have been comprehensively examined, reviewed and gathered from the unit/branch, the assigned audit personnel will now prepare and present a draft audit report to the Internal Audit (IA) head the result of conducted audit review.

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After which, the IA will check the audit report submitted and shall discuss the audit findings, exceptions and/or observations to the personnel concerned and branch/unit head or supervisor for their justification, explication and committed to comply. Subsequently, a preliminary audit report will be prepared for the IA's recommendation/s and branch/ unit's action plan to comply on the discussed audit finding, exceptions and/or observations.

Finally the IA will then assess and evaluate if the branch/unit's response and action taken were actually Complied or Acceptable, Partially Complied or Not Complied or Not Acceptable. The IA will prepare and present an audit report, which summarizes the over-all report of the entire audit activity conducted, to the BOD thru the Audit Committee and attach the final audit report together with necessary supporting documents for reporting, discussion and deliberation during the regular board meeting.

After each audit engagements, the result of the audit and level of performance of the audited branch/unit shall be assessed and weighed by the IA through the use of the simplified audit rating system. Level of performance will be rated as "Strong or exemplary", "Acceptable", "Deficient, Weak or unsatisfactory".

- **Monitoring Phase.** Lastly, the IA will monitor on the issues, findings, exceptions and/or observations with regards to the branch/unit partial and non compliance within the committed timetable. However, it is the top management's responsibility and assurance that the entire audit exceptions, findings and/or observations were properly addressed and resolved immediately of within the committed timeframe particularly those major exceptions which may trigger financial loss or future risk to the bank. As such, the internal audit department

shall check and monitor the compliance progress of the auditable branch/unit within the committed timeframe. Delayed or non compliance of the auditable branch/unit shall be reiterated on the next audit report and the reason thereof by the unit/head. Monitoring tool on audit observations, findings and/or exceptions shall be utilized by the audit department to monitor the compliance and action taken by the auditable branch/unit. The IA shall highlight, discuss and report those long outstanding audit observations, exceptions and/or findings through the Audit committee for further action by the Board of Directors.

Compliance Function

The Compliance Office is headed by a Chief Compliance Officer (CCO) with a rank of Department Head. The CCO is the lead senior officer for purposes of administering the CBC Annual Report 2017 55 compliance program and interacting with the BSP on compliance-related issues. The principal function of the CCO is to oversee the design of an appropriate compliance system, promote its effective implementation and address breaches that may arise. The CCO shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to the BSP. The CCO shall be functionally reporting to the Bank's Board of Director or board-level committee. The appointment/designation of the CCO shall require prior approval of the Monetary Board. The bio-data of the proposed CCO shall be submitted to the appropriate department of the BSP. The CCO shall have commensurate skills and expertise to provide appropriate guidance and direction to the bank on the development, implementation and maintenance of the compliance program. The CCO should have a sound under-

standing of relevant laws and regulations and their potential impact on the bank's operations. The CCO shall oversee the identification and management of the bank's compliance risk and shall supervise the compliance function staff.

Duties and Responsibilities

1. Compliance with Laws and Regulations
 - i. Review the effectiveness of the system for monitoring compliance with laws and regulations as well as the results of investigation and follow-up (including disciplinary action and legal proceedings) by the management of the Bank in connection with any non-compliance with legal and regulatory requirements and violations of internal policies and procedures;
 - ii. Obtain regular updates from the Anti-Money Laundering (AML) Officer, Bank's legal counsel, management and other officers;
 - iii. be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
 - iv. Review the findings of any examinations by regulatory agencies.
2. Compliance with the Bank's Code of Conduct/ Business Ethics
 - i. Ensure that the Code of Conduct is in writing and that arrangements are made for all employees to be aware of it;
 - ii. Evaluate whether Management is putting sufficient emphasis by communicating the importance of the Code of Conduct and the guidelines for acceptable behavior;
 - iii. Review the process for monitoring compliance with the Code of Conduct; and
 - iv. Obtain regular updates from Management regarding compliance.

3. Reporting Responsibilities

- i. Regularly update and report (at least semi-annually) to Board of Directors about the Committee activities and make appropriate recommendations.
- ii. Ensure the Board of Director is aware of matters, which may significantly impact the financial condition or affairs of the business.

4. Other Responsibilities

- i. Perform other oversight functions as requested by the Board of Directors;
- ii. Evaluate the Committee's own performance on a regular basis.

Authority—The BOD authorizes the Compliance Officer, within the scope of its responsibilities, to:

- a. Request any information it requires from any employee (and all employees are directed to cooperate with any request made by the Compliance Committee and external parties.
- b. Retain, at the expense of the Bank, such outside consultants, experts and other advisors as it deems appropriate to assist it CBC Annual Report 2017 56 in the full performance of its duties and responsibilities;
- c. Ensure the attendance of Bank officers at meetings as appropriate;

Responsibilities of the Board of Directors and Senior Management

Authority

- The board of directors shall ensure that a compliance program is defined for the bank.
- The board of directors shall ensure that compliance issues are resolved expeditiously.
- The board of directors shall ensure that bank personnel and affiliated parties adhere to the pre-defined compliance standards of the bank's rests collectively with senior management, of which the CCO is the lead operating officer on compliance.

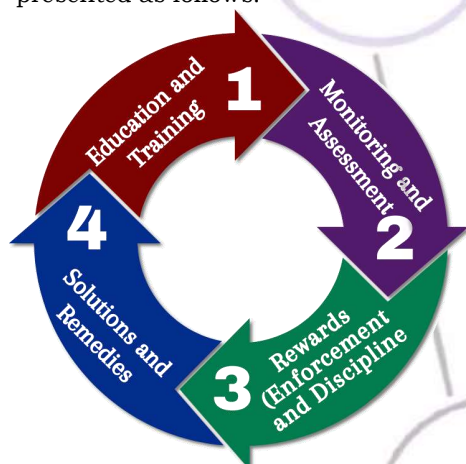
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- Senior Management through the CCO, should periodically report to the board of directors or its designated committee matters that affect the design and implementation of the compliance program.
- The board of directors shall approve any updates and amendments to the compliance program. However, any material.

The Structural Component

This includes the basic framework necessary to build and operate an effective compliance program and create compliance consciousness within the Bank. It comprises all the activities and initiatives undertaken to comply with the banking laws, rules and regulations.

The structural framework is graphically presented as follows:



1. Education and Training—These pertain to all the activities and learning processes related to informing personnel about laws, rules, regulations, internal policies and procedures. These are, but not limited to:

- Circularization of new laws;
- Circularization of BSP, PDIC, CDA, BIR and other regulatory agencies' rules and regulations;
- Consultations on new products and processes and the procedures

consolidated in a manual that go with them;

- Issuance of legal opinion by the Legal Counsel on legal and contentious issues;
- Issuance of opinion by the Chief Compliance Officer on compliance issues;
- Screening and orientation briefing for new employees;
- In-house seminars, workshops and other training programs for incumbent officers and employees;
- Seminars for the Board of Directors, Bank Officers and personnel pursuant to a training program designed by the Human Resource Department (Training Office);
- Manager's conventions and regional/ sectoral meetings; and Staff meetings conducted in each office on a regular basis; and
- All other activities to seek to announce and clarify or resolve any issues regarding a regulatory issuance.

The objectives of education and training are:

- To promote understanding of and compliance with relevant banking laws and regulations;
- Ensure that employees understand their role in the compliance process;
- Improve skills for identifying potential compliance issues; and
- Discuss the consequences of non-compliance.

2. Monitoring and Assessment

This refers to all activities being done in the Bank to measure the implementation and observance of rules and regulations. These are, but not limited to:

- Board Audit and Compliance Committee deliberations;
- Risk management Committee deliberations;
- The Annual Performance Appraisal System;
- Internal Audit regular and special audit examinations;
- BSP regular and special examinations;
- SEC self-assessment questionnaire;
- Score Card for members of the Board;
- Compliance review of products and processes;
- Compliance visitations of operating units;
- Submission of mandatory reports by the Accounting Department to the BSP, PDIC, CDA and other regulatory reports;
- Audit Rating System; and
- All other activities undertaken to measure and record the results of compliance or non-compliance with banking laws, rules and regulations.

Compliance training strategies include the entire range of traditional and emerging education programs (Lectures, videos, interactive CDs or Internet training, and

other self and group-study methods). The training sessions should be an on-going process and repeated on a regular cycle. Training sessions should be conducted both for new and existing employees with appropriate revisions to the training content as the rules change or at a regular intervals. The frequency of the training or the length of the training shall be determined by the Training Office depending on changes in banking laws, rules and regulations, changes in employee's job functions, and the level of non-compliance in the particular area to which the education applies.

3. The Compliance Self-Assessment and Testing System

The system was designed to mirror the level of awareness/knowledge on regulatory matters on specific compliance concerns. The type of questions to ask and the target audience are based on the following criteria:

- Frequency of formal and informal citations by the BSP; and
- Fines and penalties assessed for specific violations.

The results of the evaluation are submitted to the Board Audit and Compliance Committee with copies provided to Senior Management to inform them of the type of compliance risk to which the Bank is exposed.

WHISTLE BLOWING POLICY

Cooperative Bank of Cagayan is committed to the highest standards of openness, probity and accountability.

An important aspect of accountability and transparency is a mechanism to enable staff and other members of the Cooperative to voice concerns in a responsible and effective manner.

It is a fundamental term of every contract of employment that an employee will faithfully serve his or her employer and the public/sector it serve and not disclose confidential information about the employer's affairs. Nevertheless, where an individual discovers

information which they believe shows serious malpractice or wrongdoing within the organization then this information should be disclosed internally without fear of reprisal, and there should be arrangements to enable this to be done independently of line management (although in relatively minor instances the line manager would be the appropriate person to be told). It should be emphasized that this policy is intended to assist individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the Cooperative nor should it be used to reconsider any matters which have already been

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addressed under harassment, complaint, disciplinary or other procedures. Once the "whistleblowing" procedures are in place, it is reasonable to expect staff to use them rather than air their complaints outside the Cooperative.

DEFINITION OF TERMS

1. Whistleblowing is the disclosure of and/or giving of evidence to information that a whistleblower reasonably believes constitutes graft and corrupt practices;
2. Whistleblower refers to a Bank employee or group of Bank employees who make protected disclosures involving graft and corrupt practices.
3. Bank employee shall refer to Bank officers and rank-and-file employees, whether permanent, temporary, co-terminus or directly hired contractual;
4. Protected disclosure refers to a deliberate and voluntary giving of information by a Bank employee, whether written or verbal, of an actual or suspected illegal, unethical and immoral act committed by any Bank employee, group of Bank employees or Department/Unit;
5. Retaliatory Action refers to negative or obstructive responses or reactions to a disclosure of illegal, unethical and immoral act acts including, but not limited to, administrative or criminal proceedings commenced or pursued, reprisals or threats against the whistleblower and/or those Bank employees supporting him/her or any of the whistleblower's relatives, such as, but not limited to forcing or attempting to force any of them to resign, retire or transfer, giving negative performance appraisals, fault-finding, undue criticism, alienation, blacklisting and other similar acts

SCOPE OF POLICY—This policy is designed to enable employees of the Cooperative to raise concerns internally and at a high level and to disclose information which the individual believes shows malpractice or impropriety.

This policy is intended to cover concerns which are in the public interest and interest of the Cooperative and its Shareholders which may at least initially be investigated separately but might then lead to the invocation of other procedures e.g. disciplinary. These concerns could include the following:

1. Financial malpractice or impropriety or fraud;
2. Failure to comply with a legal obligation or Statutes;
3. Dangers to Health & Safety or the environment;
4. Criminal activity;
5. Improper/Immoral conduct or unethical behaviour;
6. Attempts to conceal any of these.

SAFEGUARDS/PROTECTION—This policy is designed to offer protection to those employees of the Cooperative who disclose/s such concerns provided the disclosure is made:

1. In good faith;
2. In the reasonable belief of the individual making the disclosure that it tends to show malpractice or impropriety and if they make the disclosure to an appropriate person (see below). It is important to note that no protection from internal disciplinary procedures is offered to those who choose not to use the procedure. In an extreme case malicious or wild allegations could give rise to legal action on the part of the persons complained about.

CONFIDENTIALITY—The Cooperative will treat all such disclosures in a confidential and sensitive manner. The identity of the individual making the allegation may be kept confidential so long as it does not hinder or frustrate any investigation. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required.

ANONYMOUS ALLEGATIONS—This policy encourages individuals to put their name to any disclosures they make. Concerns expressed anonymously are much less credible, but they may be considered at the discretion of the Cooperative. In exercising this discretion, the factors to be taken into account which will include:

1. The seriousness of the issues raised;
2. The credibility of the concern; 3. The likelihood of confirming the allegation from attributable sources.

UNTRUE ALLEGATIONS—If an individual makes an allegation in good faith, which is not confirmed by subsequent investigation, no action will be taken against that individual. In making a disclosure the individual should exercise due care to ensure the accuracy of the information. If, however, an individual makes malicious or vexatious allegations, and particularly if he or she persists with making them, disciplinary action may be taken against that individual.

PROCEDURES FOR MAKING A DISCLOSURE

On receipt of a complaint of malpractice, the member of staff who receives and takes note of the complaint, must pass this information as soon as is reasonably possible, to the appropriate designated investigating officer as follows:

1. Complaints of malpractice will be investigated by the appropriate Director unless the complaint is against the Director or is in any way related to the actions of the Director. In such cases, the complaint should be passed to the Chief Executive for referral;
2. In the case of a complaint, which is any way connected with but not against the Director, the Chief Executive Officer will nominate a Senior Manager to act as the alternative investigating officer;
3. Complaints against the Chief Executive should be passed to the Chairperson of the Board who will nominate an appropriate investigating officer;
4. The complainant has the right to bypass the line management structure

and take their complaint direct to the Chairperson. The Chairperson of the Board has the right to refer the complaint back to management if he/she feels that the management without any conflict of interest can more appropriately investigate the complaint.

Should none of the above routes be suitable or acceptable to the complainant, then the complainant may approach one of the following individuals who have been designated and trained as independent points of contact under this procedure. They can advise the complainant on the implications of the legislation and the possible internal and external avenues of complaint open to them:

1. Atty. Robin James A. Gunnacao
2. Karina P. Bunagan

If there is evidence of criminal activity, then, the investigating officer should inform the Police. The Cooperative will ensure that any internal investigation does not hinder a formal police investigation.

TIMESCALES—Due to the varied nature of these sorts of complaints, which may involve internal investigators and / or the police, it is not possible to lay down precise timescales for such investigations. The investigating officer should ensure that the investigations are undertaken as quickly as possible without affecting the quality and depth of those investigations. The investigating officer, should as soon as practically possible, send a written acknowledgement of the concern to the complainant and thereafter report back to them in writing the outcome of the investigation and on the action that is proposed. If the investigation is a prolonged one, the investigating officer should keep the complainant informed, in writing, as to the progress of the investigation and as to when it is likely to be concluded.

All responses to the complainant should be in writing and sent to their home address.

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INVESTIGATING PROCEDURE

1. Full details and clarifications of the complaint should be obtained;
2. The investigating officer should inform the member of staff against whom the complaint is made as soon as is practically possible;
3. The member of staff will be informed of their right to be accompanied by a counsel or other representative at any future interview or hearing held under the provision of these procedures;
4. The investigating officer should consider the involvement of the Cooperative Auditors and the Police at this stage and should consult with the Chairperson and/or President-Chief Executive Officer.
5. The allegations should be fully investigated by the investigating officer with the assistance where appropriate, of other individuals / bodies duly appointed by the Chairperson or the Board en banc.
6. A judgement concerning the complaint and validity of the complaint will be made by the investigating officer. This judgement will be detailed in a written report containing the findings of the investigations and reasons for the judgement. The report will be passed to

the CEO. If the CEO is the subject of the judgment, the decision will be passed to the Chairperson for appropriate action; The Chief Executive and or Chairman will decide what action to take. If the complaint is shown to be justified, then they will invoke the disciplinary or other appropriate Cooperative procedures.

7. The complainant should be kept informed of the progress of the investigations and, if appropriate, of the final outcome.
8. If appropriate, a copy of the outcomes will be passed to the Company Auditors to enable a review of the procedures.

If the complainant is not satisfied that their concern is being properly dealt with by the investigating officer, they have the right to raise it in confidence with the Chief Executive Officer or the Chairperson or one of the designated persons described above.

If the investigation finds the allegations unsubstantiated and all internal procedures have been exhausted, but the complainant is not satisfied with the outcome of the investigation, the Cooperative recognizes the lawful rights of employees and ex-employees to make disclosures to prescribed persons or, where justified, elsewhere.

FINANCIAL CONSUMER PROTECTION PROGRAM

With the continuous dynamics in the Philippine financial sector, banks are increasingly exposed to various kinds of risk—both financial and non-financial. Efficiency of every bank depends on how effectively manage the risks and ensuring a competitive risk adjusted return on capital. With the advent and present TARGET AUDIENCE SUBJECT MATTER FREQUENCY Newly hired employees Secrecy of Bank Deposit (R.A. 1405), BSP Anti-Money Laundering Regulations, Code of Conduct In every orientation seminar for newly hired employees Branch Cashiers/ Officers and Branch Personnel BSP Anti-Money Laundering Regulations, Rules on DAUD/DAIF, Other relevant banking laws, rules & regulations Once a year Lending/Credit Specialists/ Collection Specialists Policies on Lending Once

a year, implementation of Republic Act No. 7394 otherwise known as the Consumers’ Act of the Philippines and in relation to BSP Circular No. 857, the bank, through the continuous oversight function of the BODs and the Senior Management adopted and implemented an effective financial consumer risk management system because in dealings with the Bank’s financial customers, it assume risks in order to realize returns on their investments. Through an effective financial consumer risk management framework, the Bank will be able to optimize the risk-return trade off.

As enshrined in the core values, the bank is deeply committed to protect the interests of its clients/depositors. This customer service focus continuously guides our policies as we

render fair, honest and equitable service to our clients/depositors.

The Financial Consumer Risk Management System has legitimate interest in ensuring that the consumer protection practices of the bank can address its identified risks and adopt policies and procedures in order to minimize if not to eliminate Financial Consumer's Risks and other risks. It also enable the Management and the Board to uphold and enhance the operation of the Bank pursuant to the industry standards.

Role and Responsibilities of Board and Senior Management

1. **Board of Directors** — has overall responsibility for ensuring that management has developed and implemented an effective Financial Consumers' Risk Management System. It may delegate the oversight of Risk Management to the Risk Management committee and Audit Committee. Nevertheless, the board remain responsible for:
 - a. Setting Cooperative goals and businesses strategies (with the assistance of Management);
 - b. Maintaining appropriate corporate governance structures; and
 - c. Ensuring appropriate
2. **President**—With overall responsibility for the operations of the bank, the president plays an active role in setting the direction of the bank and determining which transactions to enter into (thus impacting on the risk threshold). The president will:
 - a. Drive the establishment of business strategies and objectives;
 - b. Ensure there are appropriate controls in place to manage all risks;
 - c. Ensure all employees are aware of the bank's Risk Management obligations and that risk management is embedded within the bank's culture; and
 - d. Use his business knowledge and acumen to determine what activities

can be absorbed as part of the Risk Threshold.

3. Audit and Risk Management Committee (ARMC)—shall be delegated the oversight of the Risk Management. The board considers this appointment important in providing focus and oversight on risk management and internal controls on risk management. It is the ARMC tasks to:

- a. Review, recommend and oversee implementation of the Financial Consumer Risk Management process;
- b. Provide assistance and guidance on Risk management;
- c. Monitor and Review the Financial Consumer Risk Management Process;
- d. Review the efficacy of internal controls generally, including the interaction between risk management and internal audit;
- e. Provide advice to the board on any non-compliance to the Financial Consumer Risk Management Framework; and
- f. Ensure that financial consumer risk management is promoted within the bank, particularly to executive managers and their direct supervisees to ensure it is embedded within the overall bank culture.

4. Internal Auditor (IA) —An internal auditor has been appointed to perform the internal audit functions as follows:

- a. Review the risk matrix annually;
- b. Ensure compliance with the policy;
- c. Provide guidance on existing controls and their adequacy to the respective risk; and
- d. Monitor in particular all risks within the Bank.

5. Operating Staff

Staff performing daily operations have a responsibility to implement the risk Management process as it relates to their business functions. Generally Speaking all employees must:

- a. Report on any instances of non-compliance with this policy or the risk management process in general;

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- b. Inform management of any new risks as the result of the business activity; and
- c. Ensure controls are place over a risk and see to it that the control is operating properly.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

***Risk Management Technology and Other Resources**

CBC appreciates the importance of risk management as a means of refining and developing its business practices. The board has given its approval for appropriate resources in the development, implementation and ongoing monitoring of the risk management framework.

1. TECHNOLOGY

In order to manage risk effectively and efficiency, the bank shall adopt web-based risk management system that allows risks to be captured, assigned, monitored and reported in one package. All risk shall be entered into the system and task in relation to risk treatment plans have been allocated to the relevant risk champion. However, in the absence of a computer-based system, a manual pro-formatted report may be used.

Using this system minimizes resources required to complete administrative tasks and create reports, allowing resources to be concentrated on more substantive requirements of the risk management framework. Reports have been customized based upon the bank’s specific business requirements and risk profile and are used for reporting to the Board and Audit, Risk and Corporate Governance Committee.

The RMO is responsible for the overall management and upkeep of the Risk Management System including this Financial Consumer Risk Management, the annual review undertaken evaluates, among other things, the effectiveness of the system.

- 2. FINANCIAL RESOURCES**—The board has mandated the allocation of financial

resources in its budget for the development, implementation and monitoring of the Financial Consumer Risk Management. As an integral part of the bank business process it is the Board’s firm belief that the branches and departments must provide a proportionate contribution to the risk management framework.

The provision of financial resources by each business unit will be commensurate to their risk profiles. Those businesses that by their very nature require greater attention within the risk framework (whether by number of risks or severity of risk rating) will be called upon to provide greater financial assistance than those businesses that represent a lower risk to the business

All earning units are expected to contribute the appropriate financial resources when called upon by the RMO and Senior Management.

- 3. HUMAN RESOURCES**—Appropriate Human Resources have been allocated for the implementation of this policy and the broader risk management framework. The RMO will work with the branch managers and division heads to nominate and appoint Risk Champions, who will be responsible for the risk management function within their respective branches / business units. Each branch/ division will ensure that their nominated Risk Champion or any other staff member required is given reasonable time to complete their risk management duties including risk assessments, treatment control plans, and attendance at internal and external training or information session.

4. OTHER SUPPORT

4.1. External Risk Consultant

bank may hire experts or consultants to provide it with an external review of its current risks and to provide commentary on how to best approach risk management from an enterprise-wide perspective.

The experts/consultants shall establish the context of the bank's business operations through discussions and meetings with both the board and senior management of the bank. This allowed risks to be identified, analyzed and to an extent evaluated and a risk matrix to be complied.

As a result of this review, the bank will now has a list of identified risks to further evaluate and respond to. It will be the responsibility of the RMO, in conjunction with the relevant branch managers and cooperative officers to develop and implement a final Financial Consumer Risk Management plan around the core risks identified

5. INTERNAL AUDITOR—the bank has created an Internal Audit Department and appointed an Internal Auditor to head a group to perform the internal audit function of the bank. A core component of this function is the review of risks identified as being of particular importance to the bank due to:

- a. Industry trends or pressures
- b. Risk rating (likelihood, consequence)
- c. The inability of the bank to otherwise control the risk
- d. Potential or actual events occurring

The Internal Audit Plan shall be develop with financial consumer risk management as one of the core tenets of its functions and Internal Audit will work with the RMO in conducting an annual review of the bank's risk operations.

CONSUMER ASSISTANCE MANAGEMENT SYSTEM

Objectives:

1. To be able to define the Bank's Structure in handling Customer complaints.
2. To be able to define the Bank's Customer Assistance Process and corresponding

timelines.

3. To be able to define the Bank's Complaint Recording/Data Management system
4. To be able to define the Bank's level of risk in Customer Relations and its corresponding Risk Assessment Strategies.
5. To have a System of evaluating Effectiveness of the bank's Customer Assistance Management System.

1

Branch Consumer Assistance Officer

- Receives and acknowledge Consumers concerns.
- Take necessary actions within his Capacity otherwise elevate the same to the Chief Consumer Assistance Officer for further action.
- Prepares Report on a monthly basis and shall submit the same to the Chief Consumer Assistance Officer

2

Chief Consumer Assistance Officer

- Consolidate reports from Branch CAO and take necessary actions within his capacity
- Reports to the Board of Directors the actions taken and to be taken on Customers Complaints
- Prepares Risk Assessment based on complaints received and shall make recommendations.

3

Committee/ Board of Directors

- Act as the ultimate resolving body of Consumer Complaints
- Reviews and approved policies.

Rationale: The Bank is a social institution with a responsibility to see to it that all transactions with its Financial Costumer/ Clients are entered into in accordance with its policy and the regulations issued by the Bangko Sentral ng Pilipinas and other Regulatory Agencies.

In furtherance thereto, the Board of Directors have provided the Financial Costumers an avenue to air and lodge their grievances for proper redress.

Corporate Governance

ORGANIZATIONAL STRUCTURE—The Board has created the Consumer Assistance Committee composed of the President, General Manager (GM) and the Branch Managers. Moreover, the Board further created the Financial Assistance Office for every Branch which function shall be performed any person in the Branch to be designated by the President and the GM to act as such provided that it will not adversely affect its primary function.

FUNCTIONS OF THE CONSUMER ASSISTANCE COMMITTEE

1. Act on complaints elevated by the Consumer Assistance Officer;
2. Monitor consumer assistance process;
3. Keep track, identify and analyze nature of complaints and recommends solutions in order to avoid recurrence;
4. Report to the Board the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence and the suggestions for process or personnel competency needing improvement;
5. Ensure immediate resolution of significant complaint in any unit of the Bank.

FUNCTIONS OF THE CONSUMER ASSISTANCE OFFICER

1. Prepare the complaint form of Financial Consumers;
2. Receive and acknowledge consumer concerns;
3. Records concern in a Register or Data Base;
4. Make an initial review and investigation of the concern;
5. Process Concerns;
6. Provide Official Reply to the Customer;
7. Request Client feedback;
8. Prepare and submit report to the Committee.

RESOURCES AND CAPABILITY BUILDING

The Board from time to time shall allocate an amount which shall be used to enhance the skill and technical know-how of all persons involve in the Consumer Assistance Program of the Bank. Appurtenant thereto, they shall undergo the following training to wit:

1. Solid Interpersonal skills/customer service;
2. Basic and advance listening skills;

3. Written and verbal communication skills;
4. Handling Financial Consumer Feedback;
5. Dealing with difficult people;
6. Problem solving and conflict resolution;
7. Bank’s corporate structure, products and services.

CONSUMER ASSISTANCE PROCESS AND TIMELINES

Note: the dates shall always be reckoned from the date of receipt of the complaint/request.

COMPLAINT REPORTING

Activity	Simple	Complex
Acknowledgment	Within the day	Within the day
Processing and Resolution (This Includes assessment, Investigation & Resolution)	Within 7 days	Within 20 days
Communication of the resolution	Within 10 days	Within 25 days

1. Internal Reporting

- a. Consumer Assistance Officer in the branches shall submit a monthly complaint report to the Committee who shall report the same to the BOD together with the recommendations in order to avoid the recurrence of the complaint and suggestions for process/ personnel competency improvement, if any.
- b. The report of the Internal Auditor and Compliance Officer concerning the independent review conducted on the complaints report, policy recommendation and consumer protection compliance shall be elevated to the Board quarterly;
- c. The Bank shall include complaints/ requests statistics in its annual report.

2. Bangko Sentral ng Pilipinas Reporting

The Bank shall submit a consolidated complaints report to the Supervisory Data Center of the SES on a quarterly basis. Such report shall be reported on a format required by the BSP not later than 1 month after each quarter.

REPORTING AND REVIEW—A report is to be compiled on the risks review as a collaborative effort of the RMO and Internal Audit and accordingly, the report must

confirm both parties acceptance of the report and the recommendations contained therein. The Report shall be made in a quarterly basis and shall include suggestions and recommendations for the discussion, refinement and adoption of the Board. The Financial Consumer Risk Management system shall be part of the risks review to be conducted and be completed by not later than December 31 each year and a report to be submitted to the RMC at the next available meeting. The RMC will be responsible for reviewing and overseeing the implementation of any actions that arise from the review. The report will then be tabled at the next Board meeting.

DIVIDEND POLICY

Pursuant to Article XIV of the bank's By-Laws, any remaining amount from the earnings in excess of operating expenses and after allocation to the capital retirement fund, reserve for bad and doubtful, replenishment of capital requirement as required by the Bangko Sentral ng Pilipinas (BSP) and mandatory allocations as required by Republic Act 9520 shall be distributed to the member cooperatives and patrons for interest on capital (dividends) and/or patronage refunds, either in cash or in stock or both, or revolving fund certificates subject to the policies and pertinent rules and regulations of the Monetary Board of the BSP and Cooperative Development Authority (CDA). No dividend was declared during the year.

MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM

BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING AND FINANCING OF TERRORISM

State policy—In line with the above policy of the Government, the Bank seeks to combat money laundering and financing of terrorism by adopting the following policies:

1. A straightforward **Customer Due Diligence (CDD)** policy to ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank by himself or otherwise;
 - When it establishes business relations with any customer
 - When it undertakes any occasional but relevant business transaction for any customer who has not otherwise established relations with the covered person
 - When there is a suspicion of money laundering or terrorism financing
 - When there is doubt about the veracity

or adequacy of previously obtained customer identification data

2. Adoption and implementation of a **sound AML and terrorist financing risk management system** that will ensure the conduct of customer due diligence which shall include:
 - Identifying the customer and verifying the true identity of the customer based on official documents, data or information. In case of corporate and juridical entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf ; Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner, such that the Bank shall be satisfied that it knows who the beneficial is, as well as the ownership and control structure of the customer, in case of juridical entities or legal arrangements;
 - Understanding and, as appropriate, obtaining information on the purpose and

Money Laundering and Terrorists Financing Prevention Program

- intended nature of the business relationships; and
- Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transaction being conducted are consistent with the covered person's knowledge of the customer, their business and risk profile.
3. **Compliance with laws**—Management shall ensure that business is conducted in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system.
 4. **Cooperation with competent authorities**
The Bank shall cooperate fully with the Anti Money Laundering Council (AMLC) for the effective implementation and enforcement of the AMLA, as amended, and its RIRR.
 5. The Bank shall **comply fully with these rules and existing laws** aimed at combating money laundering and terrorist financing by making sure that officers and employee are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance.

POLICY GUIDELINES

- A. **Customer Acceptance**—Every covered institution shall develop clear, written and graduated customer acceptance and identification policies and procedures that will ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening an account or establishing a relationship. In all instances, the Bank shall document how a specific customer was profiled (low, normal or high) and what standard of CDD (reduced average or enhanced) was applied.

B. Customer Due Diligence (CDD)

Procedures

1. **Customer Identification** - The Bank shall establish and verify the true identity of its

customers based on official document as defined in AML rules or other reliable, independent source documents, data or information.

2. **Due Diligence** – If a customer is risk-profiled as low risk, the Bank will apply reduced due diligence in the customer identification process/procedures, meaning an individual customer may open an account under the true and full name the account owner and defer acceptance of minimum information. Deferred acceptance of minimum shall mean obtaining the following information at the time of account opening:

- * Name;
- * Present address;
- * Date and place of birth;
- * Nature of work, name of employer or nature of self-employment/business;
- * Contact details;
- * Specimen signature;
- * Source of funds;

While the other following information may be obtained within a reasonable time but not exceeding (90) days from account opening:

- * Permanent address;
- * Nationality;
- * TIN, SSS no. or GSIS no., if any; and
- * Name, present address, date and place of birth, nature of work and source of funds of beneficial owner or beneficiary, whenever applicable.

- C. **Restricted Account**—To promote financial inclusion and to ensure that the micro-business owners and the low-income households are able to manage their finances through the financial system, client who may not be able to provide any of the required information for valid reasons or any valid identification document may be allowed to open a restricted account with a covered person, provided:

- (1) The aggregate credits in a year shall not exceed P100,000, and
- (2) The account shall not be allowed to receive/send foreign remittances.

- * In lieu of a valid ID, the bank shall obtain customer's complete name, birth date, source of funds, present and/or permanent address and nationality and ensure that it has in its records a clear photograph and signature or thumbprint of the customer.
- The account opening shall be subject to the condition that the customer/client shall obtain a valid ID within (12) months; otherwise the account shall be closed and the remaining balance therein shall be returned to the customer. An extension of another (12) month may be allowed; Provided that the customer is base to show to the covered person a proof of application for a valid ID.

D. Objectives of "Know Your Customer" (KYC) Policy

1. KYC policy should increase the likelihood that the Bank is in compliance with all laws and regulations and adheres to sound and recognized banking practices.
2. A KYC policy should decrease the likelihood that the Bank will become a victim of illegal activities perpetrated by its "customers".
3. A KYC policy that is effective will protect the good name and reputation of the Bank.
4. A KYC policy should not interfere with the relationship of the Bank with its good customers.

It is not necessary for the Bank to identify and verify repeatedly the identity of each customer every time that a customer conducts a transaction. The Bank is entitled to rely on the identification and verification steps it had already undertaken unless it has doubts about the veracity of the information.

1. Minimum Information/Documents Required for New Individual customers. The bank shall obtain at the time of account opening all the minimum information and confirming these information with the valid identification documents from individual customers and authorized signatory/ies of

corporate and juridical entities.

2. Minimum Information/Documents Required for New Corporate and juridical entities. Before establishing business relationships, the Bank shall endeavor to ensure that the customer is a corporate or juridical entity which has not been or is not in the process of being dissolved, wound up or voided, or that its business or operations has not been or is not in the process of being closed, shut down, phased out or terminated.
3. Valid Identification Documents. The bank formulate guidelines govern the acceptance of valid ID cards for all types of financial transaction by a customer and the authorized signatory/ies of a corporate or juridical entity, including financial transactions involving Workers (OFWs), in order to promote access of Filipino to services offered by formal financial institutions, particularly those residing in the remote areas, as well as to encourage and facilitate remittances of OFWs through the banking system.

E. Relief in case of calamity—In case of a disastrous calamity and subject to a declaration by the BSP on the applicability of this relief, any requirement for the presentation of valid ID shall be relaxed, subject to the following conditions:

1. The amount of transactions shall not exceed P50,000.00 per day;
2. The customer is either a permanent or temporary resident or who conducts business in a severely affected area which has been declared to be under a state of calamity by authority;
3. The customer shall submit a written certification, which need not be notarized, that he/she is a victim of the subject disastrous calamity and has lost his/her IDs; and
4. The customer's account activities shall be subject to strict monitoring by the Bank to identify potential abuse of the relaxed requirement and any suspicious transactions shall be reported to AMLC within the prescribed period.

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F. Face-to-Face contact—The Bank shall conduct face-to-face contact and personal interview at the commencement of the relationship, or as reasonably practicable so as not to interrupt the normal conduct of business, taking into account the nature of the product, type of business, and the risks involved: Provided, That ML/TF risks are effectively managed.

The use of Information and Communication Technology (ICT) in the conduct of face-to-face contact and interview may be allowed: Provided, That the covered person is in possession of and has verified the identification documents submitted by the prospective client prior to the interview and that the entire procedure is documented.

G. Prohibition against opening of Accounts without Face-to-face Contact—No new accounts shall be opened and created by the Bank without face-to-face contact and full compliance with the requirements.

If a money-laundering inquiry arises in respect of such clients' accounts, law enforcement agencies shall be requested to seek information directly from the intermediary as to the identity of its client and the nature of the relevant transaction.

H. Outsourcing of the gathering of minimum information and/or documents and face-to-face contact

Subject to existing rules on outsourcing of specified banking activities, the Bank may, without prior Monetary Board approval, outsource to a counterparty, which may or may not be a covered person as herein defined, the gathering of the minimum information and / or documents and face-to-face contact as required under this Part: Provided, that the ultimate responsibility for knowing the customer and for keeping the identification documents shall lie with the covered person and the following conditions are complied with:

1. For covered person counterparty:
 - a. There is a written service level agreement approved by the board of directors of both covered persons;
 - b. The counterparty has a reliable and acceptable customer identification

system and training program in place.

2. For non-covered person counterparty:
 - a. All conditions required for covered person counterparty;
 - b. The covered person outsourcing the activity shall ensure that the employees or representatives of the counterparty gathering the required information/documents of, and/or conducting face-to-face contact with, the customer undergo equivalent training program as that of the covered person's own employees undertaking a similar activity; and
 - c. The covered person shall monitor and conduct annual review of the performance of the counterparty to determine whether or not to continue with the arrangement.

*All identification information and/or documents shall be turned over within a period not exceeding (90) calendar days to the covered person, which shall carefully review the documents or information and conduct the necessary risk assessment of the customer. The covered person may, however, include in the coverage of the outsourcing agreement the safekeeping of the documents shall be made available to the covered person or to the competent authorities within (3) banking days from the date of request.

I. Third party reliance—The Bank may rely on the identification process or gathering of minimum information and face-to-face contact undertaken by a third party subject to the following rules:

1. Where the third party is a covered person specifically defined by this Manual.
2. Where the third party is a financial institution operating outside the Philippines that is other than covered persons referred to in item "1" above but conducts business operations and activities similar to them - all the contents required in the sworn certification mentioned in item "1"

above shall apply, with the additional requirement that the laws of the country where the third party is operating has equal or more stringent customer identification process requirement and that it has not been cited violation thereof.

J. Trustee, Nominee & Agent Accounts

1. Where any transaction is conducted by a trustee, nominee, agent or intermediary, either as an individual or through a fiduciary relationship, a corporate vehicle or partnership, on behalf of a trustor, principal, beneficial owner or person on whose behalf a transaction is being conducted, the bank shall establish and record the true and full identity and existence of both the trustee, nominee, agent or intermediary and the trustor, principal, beneficial owner or person on whose behalf the transaction is being conducted. The Bank shall determine the true nature of the parties' capacities and duties by obtaining a copy of the written document evidencing their relationship and apply the same standards for assessing the risk profile and determining the standard of due diligence to be applied to both.
2. In case it entertains doubts as to whether the trustee, nominee, agent, or intermediary is being used as a dummy in circumvention of existing laws, it shall apply enhanced due diligence.

K. Prohibition against Certain Accounts

The Bank shall maintain accounts only in the true and full name of the account owner or holder. The provisions of existing law to the contrary notwithstanding, anonymous accounts, accounts under fictitious names, and all other similar accounts shall be absolutely prohibited.

Private Banking/Wealth Management

Operations—This services, which by their nature involve high measure of client confidentiality, are more open to the

elements of reputational risk especially if the customer identification process is not diligently followed. Covered persons shall therefore establish and record the true and full identity and take reasonable measures to establish the source of wealth and source of funds, of the customer and beneficial owner, if any, and establish a policy on what standard of due diligence will apply to them. They shall also require approval by a senior officer other than the private banking/wealth management/similar activity relationship officer or the like for acceptance of customers of private banking, wealth management and similar activities.

Politically Exposed Persons (PEP)

Covered persons shall establish and record the true and full identity of PEPs, as well as their immediate family members and entities related to them.

Correspondent Banking—To prevent correspondent banking activities from being utilized for ML/TF activities, the bank shall adopt policies and procedures and designate an officer responsible in ensuring compliance with these regulations and the covered person's policies and procedures. A covered person may rely on the customer identification process undertaken by the respondent bank and apply the rules on third party reliance treating the respondent bank as third party.

Buyers of cashier's, manager's or certified Checks

1. The Bank may sell Cashier's, Manager's or Certified Checks only to its existing customers and shall maintain a register of said checks indicating the following information:
 - a. True and full name of the buyer or the applicant if buying on behalf of an entity;
 - b. Account number;
 - c. Name of the payee;
 - d. Date of issuance and the number of the check;
 - e. Amount; and Purpose of such transaction.

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2. Buyers of cashier's, manager's or certified checks other than its existing Customer
Where an individual or any entity other than an existing customer applies for the issuance of Cashier's, Manager's or Certified Checks, the Bank shall obtain all the identification documents and minimum information required by Anti-Money Laundering rules to establish the true and full identity and existence of the applicant. In no case shall reduced due diligence be applied to the applicant and, where circumstances warrant, enhanced due diligence should be applied.
3. Buyers of cashier's, manager's or certified checks in blank or payable to cash, bearer or numbered account – The Bank may issue cashier's, manager's or certified checks or other similar instruments in blank or payable to cash, bearer or numbered account subject to the following conditions:
 - a. The amount of each check shall not exceed P10, 000;
 - b. The buyer of the check is properly identified in accordance with its customer acceptance and identification policies.
 - c. A register of said checks indicating all the information required.
 - d. The Bank which issues as well as those which accepts as deposits, said cashier's, manager's or certified checks or other similar instruments issued in blank or payable to cash, bearer or numbered account shall take such measure(s) as may be necessary to ensure that said instruments are not being used/resorted to by the buyer or depositor in furtherance of a money laundering activity;
 - e. The deposit of said instruments shall be subject to the same requirements of scrutiny applicable to cash deposits; and
 - f. Transactions involving said instruments should be accordingly reported to the AMLC if there is reasonable ground to suspect that said transactions are being used to launder funds of illegitimate origin.
4. Second-endorsed Checks – The Bank shall enforce stricter guidelines in the acceptance of second-endorsed checks including the application of enhanced due diligence to ensure that they are not being used as instruments for money laundering or other illegal activities. For this purpose, the Bank shall limit the acceptance of second-endorsed checks from properly identified customers and only after establishing that the nature of the business of said customer justifies, or at least makes practical, the deposit of second-endorsed check. In case of isolated transactions involving deposits of second-endorsed checks by customer who are not engaged in trade or business, the true and full identity of the first endorser shall be established and the record For this purpose, the Bank shall limit the acceptance of second-endorsed checks from properly identified customers and only after establishing that the nature of the business of said customer justifies, or at least makes practical, the deposit of second-endorsed check. In case of isolated transactions involving deposits of second-endorsed checks by customer who are not engaged in trade or business, the true and full identity of the first endorser shall be established and the record.

Treatment of Dormant Account

Savings or current accounts become dormant when there is no movement (deposit or withdrawal) for a period of two years. At times, bank accounts which have been dormant for many years are activated for fraudulent or other criminal purposes.

Transactions Undertaken for Non-account Holder—

Transactions undertaken for non-account holders demand special care and vigilance. Where the transaction involves significant amount

the customer should be asked to produce positive evidence of identity, including nationality if the customer is not a Filipino.

- a. File copies of the identification documents should be retained. Identification documents should be treated as part of transaction records and should be retained and retrievable.
- b. Funds deposited by non-account holders into an existing account should be handled with particular care. The name of the representative shall be indicated in the deposit slip.

Record Keeping: Kinds of Records and Period for Retention

1. All customer identification records of the Bank shall be maintained and safely stored as long as the account exists. All transaction records, including all unusual or suspicious patterns of account activity whether or not an STR was filed with the AMLC, of the Bank shall be maintained and safely stored for (5) years from the date of transaction.
2. Said records and files shall contain the full and true identity of the owners or holders of the accounts involved in the transactions such as the ID card and photo of individual customers and the documents for entities, customer information file, signature card of authorized signatory/ies, and all other pertinent customer identification documents as well as all factual circumstances and records involved in the transaction. The Bank shall undertake the necessary adequate security measures to ensure the confidentiality of such file. The Bank shall prepare and maintain documentation, in accordance with the aforementioned client identification requirements, on their customer accounts, relationships and transactions such that any account, relationship or transaction can be reconstructed as to enable the AMLC, and / or the courts to establish an audit trail for money laundering.
3. Whenever a bank engaged in micro-finance operations has tagged a microfinance client, as defined under BSP regulations, as low risk, the customer's identification and transaction records shall be retained for (5) years except that said retention period may be reduced to three years provided that sufficient documents duly support the low risk profile of said customer and the Bank keeps a record of the names of these low risk customers after the lapse of (3) years. This provision is applied when a money laundering case is filed in court.
3. Existing and New Accounts and New Transactions
 - a. Closed Accounts
 - b. Retention of Records in Case a Money-Laundering Case has been Filed in Court
 - c. Form of Records- Records shall be retained as originals or in such forms as are admissible in court pursuant to existing laws such as the e-commerce act and its implementing rules and regulations, and the applicable rules promulgated by the Supreme Court.
 - * Covered person shall, likewise, keep the electronic copies of ll CTRs and STRs for at east five (5) years from the dates of submission to the AMLC.
 - * For low risk customers, it is sufficient that covered persons shall maintain and store, in whatever form, a record of customer information and transactions. (BSP Circular No. 950 Series of 2017)
4. Documentation on the customer relationships and transactions shall be maintained such that:
 - The requirements of law and regulations are fully met;

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- The BSP and other regulatory authorities and the internal and external auditors will be able to judge reliably the Bank's transactions and its compliance with the herein guidelines;
- Any transaction effected via the Bank can be reconstructed;
- It can satisfy within a reasonable time any enquiry or order from lawful authorities as to disclosure of information, including without limitation (a) whether a particular person is the customer or beneficial owner of funds/assets deposited with banks and (b) whether the bank has effected cash transactions requiring customer identification;

Financial transaction documents may be retained as originals or copies, on microfilm, or in electronic form, provided that such forms are admissible in court. If the records relate to ongoing investigations or transactions that have been the subject of a disclosure, they shall be retained beyond the stipulated retention period until it is confirmed that the case has been closed.

5. The records to be retained shall depend on the nature of the transaction as follows:
 - a. Cash Deposits

Cash deposits generally require:

 - Deposit slip or daily posting register showing account number and amount;
 - ledger entry
 - b. Cash Transfer

Generally require:

 - debit voucher (check or authority to debit) showing name, account no. & signature
 - payment or posting register, showing check number, amount and account number;
 - ledger entry

- c. Check Deposits

Generally require:

 - Check deposit slip
 - Daily posting register showing the account number, check number and amount
 - Ledger entry
- d. Loan Transactions

Generally require:

 - Loan application
 - Discount statement
 - Promissory Note
 - Ledger entry
- e. Collections

Generally require:

 - Paying slip (Official Receipt)
 - Daily posting register
 - Ledger entry

6. Safekeeping of records and documents

⇒ The Branch Managers and the New Account staff shall be the (2) officers who will be jointly responsible and accountable in the safekeeping of all records and documents required to be retained by the AMLA.

7. Digitization of Customer Records (DIGICUR)

Objectives:

- a. To ensure that customer records are submitted in the manner, quality, and periods that would assist the AMLC in its prompt financial investigation and institution of legal actions; and. To maintain the confidentiality of the financial investigations of the AMLC by preventing tipping off to customers under investigation

Covered Transactions subject to deferred reporting

1. Transactions between BSP Supervised Covered Institutions and the BSP;
2. Transactions between banks operating in the Philippines;
3. Roll-overs of placements of time deposit and/or other client's investment;

4. Transactions involving transfer of funds from one deposit account to another deposit account of the same person within the same bank;
5. Bank-initiated (transactions of the bank) or system generated transactions.
6. Payment of loan and/or its corresponding interest regardless of the manner of payment, provided that the grant of loan was previously reported as covered transaction;
7. Reclassification of loan to Real and other Properties Acquired (ROPA); provided that the loan availment was previously reported;
8. Installment of partial payment in the sale of ROPA, provided that the total selling price of the ROPA in excess of P500,000.00 was reported at the time of the execution of the contract to sell or sales contract receivable, or deed of sale;
9. Loan repricing, loan renewal, loan restructuring, provided that there is no change in borrower's name, otherwise, the loan shall be considered as new loan, hence, reportable;
10. Transactions of the Trust department of a bank:
11. Agrarian Reform Receivables;
12. Payment for agricultural lands under the Agrarian Reform Law.

Recognizing Suspicious Transactions

Special attention should be given to all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

Red Flags

Red flags are clues or early warning signs to which customers and transactions warrant additional or extra attention. The following circumstances, cited in the definition of what a suspicious transaction is, shall be considered as red flags.

Monitoring Suspicious Transactions

1. The Bank shall adopt, as part of their money-laundering program, a system of flagging and monitoring transactions that qualify as suspicious transactions.
2. Monitoring parameters:
 - 2.1. Transactions, regardless of the amount, that qualify in any of the circumstances defining suspicious transactions.
 - 2.2 Customer's name appears in the lists of terrorists or terrorist organizations provided by AMLC.

Ongoing Monitoring of High-Risk Accounts—

- The on-going monitoring process should include the following:
1. Clear standards on what records must be kept, on customer identification and individual transaction and its retention period.
 2. An adequate management information system to provide managers with timely information needed to identify, analyze and effectively monitor higher risk customer accounts.
 3. Senior management should know the personal circumstances of the Bank's large/important customers and be alert to sources of third party information. Significant transactions by high-risk customers should be approved by a senior manager.
 4. System to detect unusual or suspicious patterns of activity should be in place.

Non-discrimination against certain types of customers

The Bank prohibits discrimination against certain customer/client type, such as PEPs, as well as their relatives, or against a certain religion, race or ethnic origin, or such other attributes or profiles when used as the only basis to deny these persons access to the financial services of the bank. All personnel/staffs who are responsible for these are charged to support this effort and to respond promptly and appropriately to any concerns that are brought to their attention.

Money Laundering and Terrorists Financing Prevention Program**Reporting suspicious transactions**

1. If there is reasonable ground to believe that the funds are proceeds of unlawful activity as defined under R.A. No. 9160, otherwise known as the "Anti-Money Laundering Act of 2001" (AMLA) and/or its Implementing Rules and Regulations (IRR), the transaction involving such funds or attempts to transact the same, should be reported to the (AMLC).
2. Other suspicious transactions not involving deposits should be reported to competent authorities.
3. The report shall provide the minimum information.
4. Deadline of Report - The report shall be submitted within (5) working days, unless the AMLC prescribes a different period not exceeding (15) working days, from the occurrence thereof. For suspicious transactions, "occurrence" refers to the date of determination of the suspicious nature of the transaction, which determination should be made not exceeding (10) calendar days from the date of transaction. However, if the transaction is in any way related to, or the person transacting is involved in or connected to, an unlawful activity or money laundering offense, the 10)- day period for determination shall be reckoned from the date the bank knew or should have known the suspicious transaction indicator.

Updating of customer identification information—The Bank shall regularly update customer identification information at least once every three (3) years.

Internal reporting procedures

All Covered transactions (CTR) shall be reported by the staff to the Branch Manager/ immediate supervisor using the form in Appendix G as transaction occurs. Upon receipt of the report, the Branch Manager/ immediate supervisor/ shall evaluate the accuracy and completeness of the reports with the bank's system generated AMLA report

provided by the bank's management information system (MIS). A copy of the report shall be forwarded to the Compliance Department within the day of transaction or at least o(1) day from the date of transaction. If the Branch Manager/immediate supervisor is of the opinion that there is/are reasonable basis for the suspicion, he/she should forward the report form G, H and H-1 to the GM and to the Compliance Officer.

Staff education and training

The staff must be aware of their own personal legal obligations under the foregoing guidelines and applicable banking laws, rules and regulations on money laundering.

The staff must be encouraged to cooperate fully with competent authorities and promptly report suspicious transactions to the Head Office of the Bank.

The Bank should, therefore, provide its personnel training on anti-money laundering rules and regulations.

It will also be necessary to make arrangements for refresher training at regular intervals to ensure that the staffs do not forget their responsibilities vis-à-vis the bank's processes, policies and procedures.

Recruitment/Screening Process

An adequate screening and recruitment process to ensure that only qualified personnel who have no criminal records are employed to assume sensitive banking functions.

INTERNAL AUDIT SYSTEM**A. Audit Objectives**

1. To test the bank's compliance with the requirements of the Bank Secrecy Act and Anti-Money Laundering Program and that the bank policies and procedures are strictly followed.
2. To assess the bank's compliance with the minimum statutory and regulatory requirements for the Customer Identification Program (CIP).

3. To determine that procedures are in place for the identification and reporting of suspicious transactions relevant to a possible violation of law or regulation.
4. To determine that the bank observes the required records retention period
5. To evaluate the effectiveness of internal control.

B. Minimum Internal Control

1. Strict implementation by the bookkeeper of “Know Your Customer” (KYC) principle.
 - a. The Bank shall determine and document the true identity of customers.
 - b. Determine if the customer is acting on behalf of another person or legal entity.
 - c. Bank shall obtain satisfactory evidence about the identity of any intermediaries and of the persons upon whose behalf they are acting.
 - d. The bank does not maintain secret, anonymous or fictitious accounts.
 - e. Continuously update information of the Customers’ identity.
2. Dormant and closed accounts shall be segregated from active accounts, including the specimen signature cards and held under joint custody of two (2) responsible officers/employees.
3. Records of Dormant and Closed Accounts shall be maintained and activities/movements shall be strictly monitored.
4. All reactivation requests for dormant and closed accounts shall be processed by the bookkeeper and duly approved by the manager.
5. Occurrence of Covered and/or Suspicious transactions should be reported immediately by the concerned employee to the manager. The manager shall evaluate and report to the Compliance Officer for reporting to the AMLC.
6. Signature Card and Picture of customers must be scanned in the system for

immediate checking of the identity of the depositor.

7. Record retention for at least 5 years for existing, new and closed accounts; beyond 5 years in case a money-laundering case has been filed in court until the case has been terminated or resolved by the court.
8. Adequacy of AMLA training programs for employees.

C. Audit Procedures

1. Client information “KYC” principle.
 - a. Obtain Client Information Sheet and Signature Card of Depositor/Borrower and test if minimum information requirements were complete.
 - b. Determine if the Signature Card and Picture of Depositor/Borrower were duly scanned in the system.
 - c. Determine record retention of client information
2. Check accuracy and proper classification of Active, Dormant and Closed account.
3. Obtain list of AMLA report and proof sheet then test check sample of covered/suspicious transactions.
4. Test check if movements of Dormant/ Closed account were properly monitored.
5. Check if the bank provides periodic training for appropriate personnel.
 - a. Evaluate concerned employees on their knowledge to combat laundering.
 - b. Determine scope of training and if adequate
6. Determine if the bank has complied with the recordkeeping and reporting requirements.
7. Check if the bank rejects transactions by blocked entity or individual
8. List exceptions.
9. Maintenance of list or database of blocked entities and individuals.
 - a. Ensure the list or database is updated regularly.

Money Laundering and Terrorists Financing Prevention Program

- b. The list or database contains sanctions or with the types of activities prohibited.

D. Audit Testing

Audit testing is the procedure to test if the program as presented is being implemented at all levels effectively

1. Scope of audit testing Audit testing should cover all types of transactions. However, in view of manpower constraints, the auditor has the option to consider only limited number of certain types of transactions conducted within a limited period of time..
2. Methodology- The auditor shall:
 - a. Select from the printouts of unusually large transactions;
 - b. Request for the account opening forms and all documents related to or supporting the transactions in question;
 - c. Check compliance with the procedures on the opening/ establishment of an account with a client.
 - d. Determine existence of “red flags” and if these were sufficient to arouse the suspicion;
 - e. Determine what actions were taken in view of noted “red flags”;
 - f. Recommend administrative action against erring personnel or officer;
 - g. Check where records of the transactions are kept and for how long the records been retained.

E. Audit Reports

The auditor shall prepare the exception report and request the office under audit for their comments on the exceptions. The final report shall be submitted to the Board Audit and Compliance Committee for its consideration.

F. CHECKLIST FOR COMPLIANCE

- a. The following checklist will be of great help in formulating policies and procedures:

- b. Review existing policies and procedures
 - Ensure that new policies and procedures are adopted to conform with the requirements of the Anti-Money Laundering Law and its Implementing Rules and Regulations.
- c. Draft and integrate- Write proposed changes in policies and procedures and integrate necessary revisions.
- d. Board Approval for material changes in policies- Material changes in operating policies need Board approval.
- e. Revise account opening procedures - Translate changes for front-line staffs
- f. Revise forms- Revise forms to capture minimum identifying information and identity verification.
- g. Verify- Look into documents submitted for identifying customers.
- h. Train staff to understand new procedures and policies.
- i. Test to ensure that policies and procedures are up-to-date.

Designation of AML Compliance Officer

The Compliance Officer shall assume the responsibility of the AML Compliance Officer. He/she shall at least be at senior officer level as the lead implement or of the program. He/she shall be responsible for updating the Money Laundering and Terrorist Financing Prevention Program (MLTFPP) of the Bank



CBC Joint Bloodletting Activity

Again, Cooperative Bank of Cagayan family participated in the bloodletting activity of the Philippine Red Cross last March 27, 2022.

Before the pandemic, CBC is always conducting bloodletting activity especially during important events like General Assembly and Anniversary to show cooperation and compassion towards its employees, members and the community.

Thru the Human Resource Department, the bank requested the office of the Philippine Red Cross (PRC)—Tuguegarao to conduct the aforesaid activity within the premises of the bank, which the latter affirmed.

Among all employees, (19) are willing to donate blood, including the President/CEO, but only (9) were qualified after the PRC conducted blood screening.

CBC Coin Recirculation Program

CBC, thru the initiative of the Chief Compliance Officer, encourages all CBC employees and Stockholders to participate in the Coin Recirculation Program during the 43rd General Assembly.

Mr. Steven Bañez, Compliance Officer of the Bank reiterated that this activity is in accordance to the BSP Coin Recirculation Program that addressed the concern regarding the shortage of coins in some regions of the country.

He added that “we, specially those who are engage in banking business, should realized that to produce more coins would translate into significant cost because coin production entails negative seigniorage because the intrinsic value of the coin is greater than its normal value especially for lower-denominated coins”

On the day, there were (12) who participated in the said program and in return for their cooperation, token was given to them.

The coins collected were deposited to the savings account of the participants with a breakdown in pieces as follows: 1.) P10.00—448 pieces; 2.) P5.00—1646 pieces; 3.) P1.00—3,689 pieces; 4.) 25cents—263 pieces; 5.) 10cents—12 pieces; 6.) 5cents—11 pieces. This gives a total of 6,069 pieces of coins.

Transport Cooperative Financial Forum

Cooperative Bank of Cagayan (CBC) in coordination with the Cooperative Development Authority (CDA)—R02, conducted the Transport Cooperative Financial Forum on July 13 & 14, 2022 at Go Hotel Tuguegarao City, Cagayan.

The objective of this activity is to help the Transport Cooperatives in their challenge to comply with the Department Order No. 2017-011 (Re: Omnibus Guidelines on the Planning and Identification of Public Road Transportation Services and Franchise Issuance) or the Public Utility Vehicle Modernization Program (PUVMP) issued by the Department of Transportation.

Representatives and officials from the CDA Head Office and Office of the transport Cooperative, including the regional offices—CDA regional office no. 2, Land Transportation Office and Land Transportation Franchising and Regulatory Board (LTFRB), gave updates regarding the said matter.

The forum was attended by more than 40 transport cooperatives from different provinces and cities: Cagayan, Isabela, Ilocos Norte, Nueva Vizcaya, Quirino, Tarlac, Pampanga, Rizal, General Santos, Antipolo City and Pandacan Manila.



Corporate Social Responsibility

**Cooperative Bank of Cagayan
43rd Founding Anniversary**

September 1, 2022—The Cooperative Bank of Cagayan (CBC), through the initiative of the management headed by the President/CEO, Atty. Robin James A. Gunnacao conducted bloodletting activity and feeding program in commemoration of the Bank’s 43rd Founding Anniversary.

A Holy Mass was conducted to start the whole day celebration.

The CBC, in coordination with the Cagayan Valley Medical Center (CVMC), conducted a bloodletting activity to exhibit the importance of donating blood.

A total of eighteen (18) bags of blood were collected among employees of the bank who grabbed the opportunity to donate blood and save lives.

CBC FEEDING PROGRAM

Also, the Bank, conducted a Feeding Program for the children and staffs of “The Good Shepherd Shelter for Children Inc.” at Lal-lo

Cagayan.

The Chairperson, Engr. Nestor T. Bautista stated that though it is not the same as the previous years’ founding anniversary celebration due to the pandemic, he commended all the efforts of the employees who participated and those who were involved in the organization of the said activities.

TRAININGS FOR COOPERATIVE AFFILIATES

Last November 2022, the bank in coordination with the Cooperative Development Authority (CDA) conducted free trainings to its affiliates.

The main objective of this two-day seminar is to help the cooperatives to comply the mandatory trainings required by the CDA.

Said trainings was attended by 11 Cooperative affiliates with their BODs and Officials via zoom (3 coops), face-to-face (8 coops).



SUSTAINABLE FINANCE FRAMEWORK

The Cooperative Bank of Cagayan in its initiative to comply with the BSP Circular no. 1085 and other related issuances, formed a Technical Working Group (TWG) to discuss necessities to comply with the said issuances.

The Compliance Officer presented to the board the transition plan indicating the time and the department/people concern with the certain activities.

The TWG was led by the Chief Compliance Officer and is composed of the members of the Management Committee for the application of transition plan with specific timelines to implement the board-approved strategies and policies integrating sustainability principles in the bank's corporate governance manual and risk management frameworks as well as in the strategic objectives and operations.

The first thing that the Management

Committee did was to revise the Charter of each committee indicated in the Corporate Governance Manual during the second quarter of 2022, which was duly approved by the Board during their June meeting.

The duties and responsibilities of the Senior Management and Board of Directors in relation to the sustainable objectives of the bank, was also updated in line with the BSP Circular 1085 and 1128.

The Risk Management Officer, during the last quarter of 2022 started his gap analysis between BSP Circular no. 1085 and Bank's Policies, and BSP Circular no. 1128 and existing Policy of the bank and Leading/Best Practice.

To be able to fully understand the said circular, the Board and Management attended trainings and seminars on Sustainable Finance Framework Environmental and Social Risk and the likes.



STATEMENT OF MANAGEMENT RESPONSIBILITIES

Alas Oplas & Co., CPAs

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



INDEPENDENT AUDITOR'S REPORT

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
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Independent Member of
B K R International

INDEPENDENT AUDITORS' REPORT TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

To the Members and the Board of Directors
COOPERATIVE BANK OF CAGAYAN
CoopBank Building, Diversion Road, San Gabriel
Tuguegarao City, Cagayan, Philippines

We have examined the financial statements of **COOPERATIVE BANK OF CAGAYAN** for the years ended December 31, 2022 and 2021, on which we have rendered the attached report dated March 24, 2023.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal members of the Bank.

ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from October 31, 2022, to February 18, 2025
BIR A.N. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 002-013-406-000

By:



RYAN A. SABUG

Partner

CPA License No. 0111183

BIR A.N. 08-001026-004-2023, issued on February 9, 2023; effective until February 8, 2026

SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period

TIN 232-158-286-000

PTR No. 9565190, issued on January 3, 2023, Makati City

March 24, 2023

Makati City, Philippines



Alas Oplas & Co., CPAs

The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulation No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 34 and Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 33 are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **COOPERATIVE BANK OF CAGAYAN**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from October 31, 2022, to February 18, 2025

BIR A.N. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024

SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period

TIN 002-013-406-000

By:



RYAN A. SABUG

Partner

CPA License No. 0111183

BIR A.N. 08-001026-004-2023, issued on February 9, 2023; effective until February 8, 2026

SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period

TIN 232-158-286-000

PTR No. 9565190, issued on January 3, 2023, Makati City

March 24, 2023
Makati City, Philippines



AUDITOR'S OPINION

Alas Oplas & Co., CPAs

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INDEPENDENT AUDITORS' REPORT

Independent Member of
BKR International

To the Members and the Board of Directors
COOPERATIVE BANK OF CAGAYAN
CoopBank Building, Diversion Road, San Gabriel
Tuguegarao City, Cagayan, Philippines

Opinion

We have audited the financial statements of **COOPERATIVE BANK OF CAGAYAN** (the "Bank") which comprise the statements of financial condition as of December 31, 2022 and 2021, and the related statements of operation, statements of changes in members' equity and statements of cash flows for the years then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial condition of the Bank as at December 31, 2022 and 2021, and its operation and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards, taking into consideration Cooperative laws, regulations and principles.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 5.01.02 to the financial statements which describes the basis used by the Bank in setting up allowance for credit losses. As stated in BSP Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with PFRS 9 – Financial Instruments, shall, at a minimum, be subject to the regulatory guidelines in setting up allowance for credit losses prescribed under the Appendix 15 of the Manual of Regulations for Banks. Our opinion is not qualified in respect of this matter.



STATEMENTS OF FINANCIAL CONDITION

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2022 AND 2021
In Philippine Peso

	Notes	2022	2021 As restated
ASSETS			
Cash and other cash items	7	1,921,923	2,526,459
Due from Bangko Sentral ng Pilipinas	8	8,851,773	9,072,656
Due from other banks	9	161,384,555	87,172,354
Held-to-maturity investments	10	12,924,435	7,449,782
Loans and other receivables – net	11	387,042,435	413,559,120
Investment properties – net	12	4,302,961	14,736,836
Non-current assets held for sale	13	1,772,177	16,037
Bank premises, furniture, fixtures and equipment – net	14	21,887,691	24,212,211
Other assets	15	7,316,723	7,982,402
TOTAL ASSETS		607,404,673	566,727,857
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit liabilities	16	371,615,172	365,428,990
Bills payable	17	152,671,183	129,509,754
Accrued interest and other expenses payable	18	5,782,570	5,380,444
Income tax payable		–	44,050
Other liabilities	19	18,416,684	13,519,335
TOTAL LIABILITIES		548,485,609	513,882,573
MEMBERS' EQUITY			
Preferred shares	20	22,780,000	22,780,000
Ordinary shares	20	33,716,926	33,049,676
Deficit	20	(8,719,953)	(13,606,901)
Surplus reserves	20	11,142,091	10,622,509
TOTAL MEMBERS' EQUITY		58,919,064	52,845,284
TOTAL LIABILITIES AND MEMBERS' EQUITY		607,404,673	566,727,857

See Notes to Financial Statements.

STATEMENTS OF OPERATION

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF OPERATION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
In Philippine Peso

	Notes	2022	2021
INTEREST INCOME			
Due from other banks	9	95,129	138,113
Held-to-maturity investments	10	77,453	207,619
Loans and other receivables	11	71,182,045	64,359,619
		71,354,627	64,705,351
INTEREST EXPENSE			
Deposit liabilities	16	(11,557,833)	(11,638,977)
Bills payable	17	(1,138,889)	(1,530,760)
		(12,696,722)	(13,169,737)
NET INTEREST INCOME		58,657,905	51,535,614
OTHER OPERATING INCOME	23	23,735,902	17,767,381
TOTAL OPERATING INCOME		82,393,807	69,302,995
OTHER OPERATING EXPENSES	24	(65,334,444)	(57,702,372)
NET OPERATING INCOME BEFORE PROVISION		17,059,363	11,600,623
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	(11,368,278)	(10,535,808)
PROFIT BEFORE INCOME TAX		5,691,085	1,064,815
INCOME TAX EXPENSE	21	–	(40,308)
NET PROFIT		5,691,085	1,024,507
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME		5,691,085	1,024,507

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
In Philippine Peso

	Preferred Shares (Note 20)	Ordinary Shares (Note 20)	Deposit for Stock Subscription (Note 19)	Surplus Reserves (Note 20)	Deficit (Note 20)	Total
Balance at December 31, 2020	12,650,000	32,808,676	13,321,049	11,138,900	(14,551,980)	55,366,645
Comprehensive income: Profit	-	-	-	-	1,024,507	1,024,507
Total comprehensive income	-	-	-	-	1,024,507	1,024,507
Transaction with members						
Issuance of shares	3,656,500	241,000	-	-	-	3,897,500
Transfer from deposit for stock subscription	6,473,500	-	(6,473,500)	-	-	-
Expenditures from reserves	-	-	-	(544,593)	-	(544,593)
Reversal of appropriation	-	-	-	(539,353)	539,353	-
Adjustment on reserves	-	-	-	311,429	(311,429)	-
Appropriation for the year	-	-	-	256,126	(307,352)	(51,226)
Transaction with members	10,130,000	241,000	(6,473,500)	(516,391)	(79,428)	3,301,681
Balance at December 31, 2021, as previously reported	22,780,000	33,049,676	6,847,549	10,622,509	(13,606,901)	59,692,833
Prior period error (Note 29)	-	-	(6,847,549)	-	-	(6,847,549)
Balance at December 31, 2021, as restated	22,780,000	33,049,676	-	10,622,509	(13,606,901)	52,845,284
Comprehensive income: Profit	-	-	-	-	5,691,085	5,691,085
Total comprehensive income	-	-	-	-	5,691,085	5,691,085
Transaction with members						
Issuance of shares	-	667,250	-	-	-	667,250
Expenditures from reserves	-	-	-	(903,190)	903,190	-
Appropriation for the year	-	-	-	1,422,772	(1,707,327)	(284,555)
Transaction with members	-	667,250	-	519,582	(804,137)	382,695
Balance at December 31, 2022	22,780,000	33,716,926	-	11,142,091	(8,719,953)	58,919,064

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
In Philippine Peso

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,691,085	1,064,815
Adjustments for:			
Interest income	9,10	(172,582)	(345,732)
Amortization	15	62,621	111,225
Gain on sale of non-financial assets	23	(3,709,188)	(3,281,205)
Depreciation	24	5,900,851	5,678,226
Retirement expense	25	1,228,425	1,217,747
Provision for credit and impairment losses	26	11,368,278	10,535,808
Operating income before working capital changes		20,369,490	14,980,884
Changes in operating assets			
Decrease (increase) in operating asset:			
Loans and other receivables		10,656,935	(76,213,114)
Other assets		603,058	900,416
Increase (decrease) in operating liabilities:			
Deposit liabilities		6,186,182	30,507,715
Accrued interest and other expenses payable		402,126	927,033
Other liabilities		2,137,640	1,286,586
Cash used in operations		40,355,431	(27,610,480)
Interest received	9,10	172,562	345,732
Contribution to the fund	25	(1,705,771)	(1,495,273)
Income tax paid		(44,050)	(39,779)
Net cash generated from (used in) operating activities		38,778,192	(28,799,800)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of held to maturity investments	10	(12,924,435)	(7,449,782)
Proceeds from held to maturity investments	10	7,449,782	20,010,748
Proceeds from sale of investment properties	12	15,114,308	12,037,334
Proceeds from sale of non-current asset held for sale	13	371,000	–
Acquisition of bank premises, furniture, fixtures and equipment	14	(2,717,434)	(4,578,763)
Proceed from sale of bank premises, furniture, fixtures and equipment	14	534,190	–
Net cash generated from investing activities		7,827,411	20,019,537
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlements of bills payable	17	(34,378,571)	(8,078,571)
Availment of bills payable	17	57,540,000	3,988,325
Proceeds from deposit for stock subscription	19	2,952,500	–
Expenditures from reserves	20	–	(544,593)
Proceeds from issuance of ordinary shares	20	667,250	241,000
Proceeds from issuance of preferred shares	20	–	3,656,500
Net cash generated from (used in) financing activities		26,781,179	(737,339)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		73,386,782	(9,517,602)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		2,526,459	2,421,805
Due from Bangko Sentral ng Pilipinas		9,072,656	9,172,112
Due from other banks		87,172,354	96,695,154
		98,771,469	108,289,071
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	7	1,921,923	2,526,459
Due from Bangko Sentral ng Pilipinas	8	8,851,773	9,072,656
Due from other banks	9	161,384,555	87,172,354
		172,158,251	98,771,469

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

COOPERATIVE BANK OF CAGAYAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
In Philippine Peso

1. GENERAL INFORMATION

COOPERATIVE BANK OF CAGAYAN (the “Bank”) was organized on May 31, 1979 as a Cooperative Bank. The Bangko Sentral ng Pilipinas issued authority to operate on August 1979 with registration number 980. The Cooperative Bank has 244 common shareholders and 8,560 preferred shareholders as of December 31, 2022.

The Bank is engaged in extending credit to all types of cooperative and their members, to small farmers and tenants, and to deserving rural industries or enterprises. It is vested with the rights to transact all business, which may be legally done by cooperative bank organized under, and in accordance with, the Philippine Cooperative Code of 2008 (RA 9520), and to do all other things incident thereto, which are necessary and proper in connection with the said purposes with such territory, as maybe determined and authorized by the Bangko Sentral ng Pilipinas.

Pursuant to CDA Memorandum Circular No. 2010-05 Series of 2010, The Bank fully complied with the mandatory filing for the registration of amendment in accordance with in accordance with the provision of Republic Act (R.A) No. 9520-02003197 on November 27, 2009. The Cooperative Identification Number (CIN) is 0201020003.

The principal office of the Bank is located at CoopBank Building, Diversion Road, San Gabriel, Tuguegarao City, Cagayan and is domiciled in the Philippines. The Bank has six (6) branches located at the following service areas:

Branches	Address
Abulug Branch	Calog Sur, Abulug, Cagayan
Lallo Branch	Bagumbayan, Lallo, Cagayan
Tuguegarao Branch	San Gabriel, Tuguegarao City, Cagayan
San Manuel Branch Lite	District 3, San Manuel, Isabela
Cabagan Branch Lite	Ugad, Cabagan, Isabela
Burgos Branch Lite	Poblacion, Burgos, Ilocos Norte

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards taking into consideration Cooperative laws, regulations and principles.

2.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where a Financial Reporting Standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

In September 2015, the CDA issued a memorandum circular covering the Financial Reporting Framework for Cooperatives (Reporting Framework). This Framework is effective for the financial statements ending December 31, 2016.

Whenever Philippine Financial Reporting Standards (PFRS), adopted by BSP, differs from the Reporting Framework, the CDA requires that the Reporting Framework be used as basis of accounting for the related accounts or transactions. The following are the specific accounts or group of accounts, or transactions of the Bank wherein PFRS differs from the Reporting Framework, thus the Bank should use the Reporting Framework in accounting for them:

- (i) Revenues from credit operations (e.g. interest income, fines, service fees) – use the cash basis of accounting;
- (ii) Classification of share capital – treated as part of equity regardless of its features;

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- (iii) Recognition of stabilization fund – a fund to guarantee financial assistance to member-cooperatives which can be classified as part of equity or liability;
- (iv) Classification of donated capital – classified as part of equity;
- (v) Classification of financial assets – the Reporting Framework classifies financial assets into five categories, which include loans and receivables, financial assets at fair value to profit or loss, (FVTPL), held-to-maturity investments (HTM), available-for-sale (AFS) financial assets and investment in non-marketable equity securities (INMES);
- (vi) Measurement of investment in non-marketable equity securities (INMES) – these financial assets are allowed to be carried at cost under the Reporting Framework; and
- (vii) Leases – recognized under operating leases (excluding costs for services such as insurance and maintenance) as an expense on a straight-line basis.

2.03 Functional and Presentation Currency

The Bank's financial statements are stated in Philippine Peso, which is also the Bank's functional currency. All financial information presented in Philippine peso has been rounded to the nearest peso, unless otherwise specified.

2.04 Use of Judgments and Estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Bank's financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Bank's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date.

Actual results could differ from such estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.05 Going concern

As of December 31, 2022 and 2021, the Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

3.01 Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, due from BSP and other banks that are highly liquid, readily convertible to known amounts of cash with original maturities of three months or less from date of placements and which are subject to insignificant risk of changes in value.

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3.02 Financial Assets***3.02.01 Classification and Measurement***

Financial assets are recognized when the Bank becomes a party to the contractual terms of the financial instrument. Financial assets are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments, AFS financial assets and INMES. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs are expensed in the profit or loss.

As of December 31, 2022 and 2021, the Bank has not designated any financial asset as at FVTPL, INMES financial assets or AFS.

The categories of financial instruments currently relevant to the Bank are fully described below.

(a) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- those that the Bank intends to sell immediately in the near term and those that the Bank, upon initial recognition, designates as FVTPL;
- those that the Bank, upon initial recognition, designates as AFS; and
- those for which the Bank may not cover substantially all of its initial investment other than because of credit deterioration.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, if any. Interest income on loans and receivables are recognized as collected.

Unearned discount is amortized using the effective interest method of amortization and any unamortized loans discount are deducted from the outstanding balance to arrive at the amortized cost of the account. Interest income on non-discounted loans is accrued monthly as earned, except in the case of non-accruing loans.

Loans are classified as non-accruing when the principal becomes past due, or when, in the opinion of management, collection of interest and principal is already doubtful. Interest income on these loans is recognized only to the extent of actual collections. Loans are not classified as accruing until interest and principal payments are brought to current status or the loan is restructured in accordance with existing BSP regulations and future collections appear assured.

Impairment loss is provided when there is objective evidence that the Bank will not be able to collect all amounts due to it in accordance with the original terms of the receivables. Impairment loss on loans and receivables is recorded as Provision for credit losses in the statement of comprehensive income.

Loans are written off against the allowance for impairment when management believes that the collectibility of the principal is unlikely, subject to BSP regulations.

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(b) *Held-to-Maturity Investments (HTM)*

HTM includes non-derivative investment with fixed determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Bank has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity financial instruments are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the investment. Subsequently, these are measured at amortized cost using effective interest method, less any impairment in value.

3.02.02 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.02.03 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event), and the estimated future cash flows of the financial asset that can be reliably estimated have been affected by such loss event.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- **Assets carried at amortized cost**

For certain categories of financial asset, such as loans and other receivables and HTM investments that are assessed not to be impaired individually are assessed for impairment on a collective basis or are individually significant. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously recognized impairment loss are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If a future write-off is recovered, the recovery is charged in profit or loss.

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3.02.04 Derecognition

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.03 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any impairment loss. As no finite useful life for land can be determined, related carrying amount is not depreciated. All other bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation and amortization commence once the assets are available for use and is calculated on the straight-line method over the estimated useful life of the depreciable assets as follows:

Building	30 years
Furniture, fixtures and equipment	3 – 15 years
Transportation equipment	3 – 5 years
IT Equipment	3 – 6 years

Leasehold improvements are amortized over the shorter between improvement's useful life of 10 years or the lease term.

The depreciation and amortization method, residual values, and useful lives are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fully-depreciated assets still in use are retained in the financial statements. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements and any resulting gain or loss is credited or charged to profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

3.04 Investment Properties

Properties that are held either to earn rental income or for capital appreciation or both, and are not significantly occupied by the Bank, are classified as investment properties.

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Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed using straight-line method based on the estimated useful lives of the assets of 10 years. Land is not depreciated. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher between the property's fair value less cost to sell and value in use.

Investment properties are derecognized by the Bank upon disposal or when the investment property is permanently withdrawn from use and no future benefit is expected to arise from the continued use of the asset. Any gain or loss on derecognition of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income in the period in which the property is derecognized.

Transfers are made to investment properties when there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers to and from investment property do not result in gain or loss.

3.05 Non-Current Assets Held for Sale

Non-current assets held for sale include other properties acquired through repossession or foreclosure that the Bank intends to sell within one year from the date of classification as held for sale.

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

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as assets held for sale and their fair value less costs to sell. The Bank shall recognize an impairment loss for any initial and subsequent write-down of the asset to fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation or amortization.

If the Bank has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Bank shall cease to classify the asset as held for sale and will reclassify it as investment properties for land and building, or other properties for chattel and other assets. For building under investment properties or other properties, this would be subject to depreciation.

3.06 Other assets

Other assets include accounts receivable, sinking fund, stationeries and supplies, prepaid expenses, intangible assets, petty cash fund, other investments and miscellaneous assets which are initially and subsequently measured at historical cost at each reporting period.

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are expensed to profit or loss as they are consumed in the operations or expire with the passage of time.

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Other assets are derecognized when expensed or refunded by the Bank.

3.07 Impairment of Non-Financial Assets

At each reporting date, the Bank assesses whether there is any indication that any non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

3.08 Financial Liabilities and Equity Instruments**3.08.01 Classification as Financial Liability or Equity Instruments**

Components of financial liability and equity instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

3.08.02 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities of the Bank include deposit liabilities, bills payables, accrued interest and expenses payables, accounts payable and retirement benefit obligation.

Financial liabilities are recognized when the Bank becomes a party to the contractual agreements of the instrument where the substance of the arrangement result in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost less payments.

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After initial measurement, deposit liabilities and other similar financial liabilities not qualified as and not designated at FVTPL, are subsequently measured at amortized cost using the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium, if any, on the issue and fees that are an integral part of the effective interest rate.

Dividend distributions to members are recognized as financial liabilities when the dividends are evaluated by the BSP, approved by the Board of Directors and confirmed in the general assembly.

3.08.03 Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVTPL, are classified as liabilities under 'Deposit liabilities', 'Bills payable' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with that equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. Financial liabilities are initially measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated as FVTPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

3.08.04 Derecognition of Financial Liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.08.05 Members' Equity

Share capital represents the nominal value of shares that have been issued. The share capital is presented as equity regardless of its features as prescribed by the Reporting Framework and the accounting requirements under the laws, rules, regulations, and principle promulgated by the CDA. This corresponds to the members' contribution to the Bank. All withdrawals of capital contributions are subject to the approval of the BOD.

Dividends on equity are recognized when they are declared.

Surplus free (Deficit) represents all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of appropriated to surplus reserves and dividend declared, if any.

Surplus reserves/statutory reserves include all current and prior period results, net of interest on share capital and patronage refunds, as reported in the statement of comprehensive income. They are as follows:

- (a) *General Reserve Fund* – at least 10% of the Bank's net surplus is set aside for the General Reserve Fund. This is to be used for the stability of the bank and to meet losses from its operations, if any. A corresponding fund should be set up either in the form of time deposit with local banks or government securities.

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- (b) *Education and Training Fund* – An amount retained by the Bank out of the mandatory allocation as stipulated in the Bank's By-laws. It shall not exceed 10% of the net surplus.
- (c) *Community Development Fund* – This is computed at not less than 3% of Cooperative's net surplus. This is used for projects or activities that will benefit the community where the Bank operates.
- (d) *Optional Fund* – Fund set aside from the net surplus for future use such as land and building, community developments, etc. It shall not exceed 7% of the Cooperative's net surplus.

3.09 Fair Value Measurement

The Bank uses the following hierarchy to estimate the fair value of financial instruments:

- Quoted price for an identical asset in an active market, which is usually the current bid price;
- When quoted prices are unavailable, the price of a recent transaction for an identical asset as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the last transaction price is not a good estimate of fair value, that price is adjusted; or
- If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, fair value is measured using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques include using recent arm's length market transactions for an identical asset between knowledgeable, willing parties, if available, reference to the current fair value of another asset that is substantially the same as the asset being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the asset and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-determined inputs. A valuation technique would be expected to arrive at a reliable estimate of the fair value if (a) it reasonably reflects how the market could be expected to price the asset, and (b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk return factors inherent in the asset.

The fair value of investments in assets that do not have a quoted market price in an active market is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset, or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

3.10 Provisions, Contingent Liabilities and Contingent Assets**3.10.01 Provisions**

Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

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The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.10.02 Contingent Liabilities and Contingent Assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

3.11 Revenue Recognition

Income is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognized.

- a) *Interest on loans* – Interest income on loans and discount with advanced interest and service charges are recognized periodically using the effective interest method of amortization. On the other hand, the Bank recognizes interest income and service charges on current loans not discounted with lump sum payment term and other loan related income, only to the extent of cash collections received.

The Bank shall only charge interest based on the outstanding balance of a loan at the beginning of an interest period. For a loan where the principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.

- b) *Service charges* – Service charges deducted immediately from loan proceeds are immediately recognized as income. On the other hand, other fees not automatically deducted from loan proceeds are recognized as income when amortized using effective interest method.
- c) *Interest income on bank deposits and held-for-maturity investments* – Interest on bank deposits and held-to-maturity investments are recognized using the accrual method.
- d) *Miscellaneous income* – Miscellaneous income such as inspection fee, notarial fee, membership fee, attorney fee, and other income are recognized when received.

3.12 Cost and Expense Recognition

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

- On the basis of a direct association between costs incurred and the earning of specific items of income;

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- On the basis of a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and Bank with income can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

3.13 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including directors and management.

3.13.01 Short-term Employee Benefits

The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, non-monetary benefits, and other short-term benefits.

3.13.02 Post-retirement Benefits Obligations

The Bank has a funded, noncontributory, defined benefit retirement plan covering all qualified employees. Employees who have reached the minimum 10 years length of service regardless of age shall be granted a retirement pay, retirement benefits will be computed based on the rate set by the Board of Directors for every year of credited service. Retirement from service of the Bank shall be compulsory upon employees' attainment of the age of sixty (60) years. The Board may offer special retirement package from time to time and as needs arise.

The Bank recognizes its retirement benefit obligation using the accrual approach. Under this approach, the Bank accrues monthly retirement expense equivalent to certain percentage of basic compensation of employees.

3.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.14.01 The Bank as a Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.15 Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Bank, post-employment benefit plans for the benefit of Bank's employees, and close members of the family of any individuals owning directly or indirectly a significant voting power of the Bank that gives them significant influence in the financial and operating policy decisions of the Bank are also considered to be related parties.

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A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Bank when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Bank.

3.16 Income Tax

The Bank is a tax-exempt entity under Republic Act No. 9520, otherwise known as Philippine Cooperative Code of 2008. Under R.A. No. 9520 the Bank is exempt from the payment of tax in respect to its registered operations. However, during the year, the Bank has incurred transaction with non-members resulting to income subjected to tax as disclosed in Note 21. The Bank identifies specific transaction with non-members and subjects the same to income tax.

Tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is recognized in OCI or directly in equity, respectively.

3.16.01 Current Income Tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the Bank operates and generates taxable income.

3.17 Events after the Reporting Date

The Bank identifies events after the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Bank's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.01 Critical Judgments in Applying Accounting Policies

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

4.01.01 Determination of Functional Currency

The Bank has determined that its functional currency is the Philippine Peso which is the currency of the primary environment in which the Bank operates.

4.01.02 Classification of Financial Instruments

The Bank classifies a financial instrument, or its components parts, on initial recognition, as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

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4.01.03 Evaluation of Provisions and Contingencies

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

As of December 31, 2022 and 2021, the Bank has no contingent liabilities to be recognized.

4.01.04 Classification of Lease

The Bank classifies leases as finance or operating lease in accordance with the substance of the contractual agreement and the transfer of the risks and rewards incidental to the ownership of the leased asset.

The Bank entered into various lease contracts which are accounted for as operating lease. Rent expense for the years ended December 31, 2022 and 2021 amounted to ₱1,199,424 and ₱1,102,864, respectively, as disclosed in Note 22.

4.01.05 Classification of Cost and Expenses

The Bank determines the classification of costs and expenses as interest expense, impairment losses, and other operating expenses. Classification of costs and expenses are determined on the basis of servicing activities of the Bank. All other costs and expenses are classified as other operating expenses.

4.02 Key Sources of Estimation Uncertainty

4.02.01 Impairment Losses on Financial Assets (Loans and Other Receivables and Held-to-maturity Investments)

The Bank reviews its loans and other receivables and held-to-maturity investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditioned that correlate with defaults on assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Bank utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. As of December 31, 2022 and 2021, the management believes that the allowance provided by the Bank is sufficient to cover BSP requirements.

As of December 31, 2022 and 2021, held-to-maturity investments amounted to ₱12,924,435 and ₱7,449,782, respectively as disclosed in Note 10.

As of December 31, 2022 and 2021, loans and other receivables amounted to ₱387,042,435 and ₱413,559,120, respectively, net of allowance for credit losses as disclosed in Note 11.

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4.02.02 Reviewing Useful Lives and Depreciation Method of Bank Premises, Furniture, Fixtures and Equipment

The useful lives and depreciation method of the Bank premises, furniture, fixtures and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank premises, furniture, fixtures and equipment would increase the recognized operating expenses and decrease non-current assets.

The Bank uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Bank expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

4.02.03 Impairment of Assets

An assessment is made at date of the statement of financial position to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Management has made significant estimates on the recoverability of the bank premises, furniture, fixtures and equipment, and concluded that as of December 31, 2022 and 2021, no indications of impairment are present that would necessitate the recognition of impairment loss of the Bank's assets.

The carrying values of bank premises, furniture, fixtures and equipment amounted to ₱21,887,691 and ₱24,212,211, as of December 31, 2022 and 2021, respectively, as disclosed in Note 14.

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5. RISK MANAGEMENT OBJECTIVES AND POLICIES

5.01 General risk management principles

The Bank's financial instruments comprise cash and cash equivalents which includes cash and other cash items, due from BSP, due from other banks, loans and receivables, available for sale, held-to-maturity investments, other assets, and other financial liabilities such as deposit liabilities, bills payable and accrued interest, taxes and other expenses payable and other liabilities to finance the Bank's operation. The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk, interest rate risk and operation risk. The management reviews and agrees on policies for managing each of these risks and they are summarized below.

The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

	Notes	2022	2021 As restated
Financial assets at amortized cost:			
Cash and other cash items	7	₱ 1,921,923	₱ 2,526,459
Due from BSP	8	8,851,773	9,072,656
Due from other banks	9	161,384,555	87,172,354
Held-to-maturity investments	10	12,924,435	7,449,782
Loans and other receivable – net	11	387,042,435	413,559,120
Other assets*	15	3,415,870	4,078,020
		₱ 575,540,991	₱ 523,858,391
Financial liabilities at amortized cost:			
Deposit liabilities	16	₱ 371,615,172	₱ 365,428,990
Bills payables	17	152,671,183	129,509,754
Accrued interest and other expenses payable	18	5,782,570	5,380,444
Other liabilities**	19	8,195,057	6,305,000
		₱ 538,263,982	₱ 506,624,188

*excluding non-financial assets amounting to ₱3,900,853 and ₱3,904,382 in 2022 and 2021, respectively, and net of allowance for credit losses amounting to ₱3,242,545 and ₱2,960,614 in 2022 and 2021, respectively.

**excluding non-financial liabilities and government payables amounting to ₱10,221,627 and ₱7,214,335, in 2022 and 2021, respectively.

5.01.01 Credit Risk and Concentration of Assets and Liabilities and Off-balance Sheet Items

Credit risk is the risk to earnings or capital arising from a counterparty failure to perform and meet the terms of its contract with the Bank subjecting the latter to a financial loss. Credit risk may last for the entire tenor and may approximate to the full amount of a transaction and in some cases may exceed the original principal exposure.

Credit risk inherent in the lending activities and the Bank manages it in accordance with a credit risk management framework that spans for identification, measurement, control, monitoring and reporting.

To manage credit risk, the Bank conducts credit investigation and background checking and follows written manuals and procedures for loan disbursements, monitoring and collection. Policies of loan diversification like maximum loan size, types of loans, loan structures are instituted to avoid concentration in a particular sector or area to lessen portfolio risk.

The Management closely monitors the overall credit operations and acts on the identified existing and potential risks appropriately for reporting during regular meetings of the BOD.

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Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Bank without considering the effects of credit risk mitigation techniques.

	Notes	2022	2021
Cash and other cash items*	7	₱ 142,571	₱ 34,460
Due from BSP	8	8,851,773	9,072,656
Due from other banks	9	161,384,555	87,172,354
Held-to-maturity investments	10	12,924,435	7,449,782
Loans and other receivables**	11	467,436,452	492,240,040
Other assets***	15	6,658,415	7,038,634
		₱ 657,398,201	₱ 603,007,926

*excludes cash on hand and on ATM amounting to ₱1,779,352 and ₱2,491,999 in 2022 and 2021, respectively.

**gross of allowance for credit losses amounting to ₱80,394,017 and ₱78,680,920 in 2022 and 2021, respectively, and net of unamortized discount amounting to ₱6,718,751 and ₱7,776,134, respectively.

***gross of allowance for credit losses amounting to ₱3,242,545 and ₱2,960,614 in 2022 and 2021, respectively and excluding non-financial assets totalling ₱3,900,853, and ₱3,904,382, in 2022 and 2021, respectively.

Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2022 and 2021.

2022	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items	1,921,923	–	–	1,921,923
Due from BSP	8,851,773	–	–	8,851,773
Due from other banks	161,384,555	–	–	161,384,555
Investment securities at amortized cost	12,924,435	–	–	12,924,435
Loans and other receivables*	368,233,496	21,977,317	77,225,639	467,436,452
Other assets**	6,658,415	–	–	6,658,415
	559,974,597	21,977,317	77,225,639	659,177,553

*gross of allowance for credit losses amounting to ₱80,394,017, and net of unamortized discount of ₱6,718,751.

**gross of allowance for credit losses amounting to ₱3,242,545 and excluding non-financial assets totalling ₱3,900,853.

2021	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items	2,526,459	–	–	2,526,459
Due from BSP	9,072,656	–	–	9,072,656
Due from other banks	87,172,354	–	–	87,172,354
Investment securities at amortized cost	7,449,782	–	–	7,449,782
Loans and other receivables*	390,355,961	31,903,034	69,981,045	492,240,040
Other assets**	7,038,634	–	–	7,038,634
	503,615,846	31,903,034	69,981,045	605,499,925

*gross of allowance for credit losses amounting to ₱78,680,920, and net of unamortized discount of ₱7,776,134.

**gross of allowance for credit losses amounting to ₱2,960,614 and excluding non-financial assets totalling ₱3,904,382.

Neither past due nor impaired cash on hand and in banks are working capital cash fund placed, invested, or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability. Other neither past due nor impaired accounts are loans and other receivables and investment securities which have a very remote likelihood of default and have consistently exhibited good paying habits.

Past due but not impaired loans and receivables and investment securities are loans and receivables and investment securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Bank.

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Loans with negotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

Impaired loans and receivables and investment securities are loans and receivables and investment securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory notes and securities agreements. Loans and receivables that have been provided with 100% allowance for credit losses and those under litigation are considered impaired.

The Bank holds collateral against loans receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired.

Aging analysis

An aging analysis of the Bank's loans and other receivables as of December 31, 2022 and 2021 are as follows:

	2022	2021
Outstanding receivables:		
Current accounts	P 368,233,496	P 390,355,961
Past due accounts:		
1 – 30 days past due	7,100,142	25,276,895
31 – 60 days past due	5,387,826	1,452,818
61 – 90 days past due	3,876,498	1,956,024
over 90 days past due	82,838,490	73,198,342
	P 467,436,452	P 492,240,040

amounts gross of allowance for credit losses but net of unamortized discount.

5.01.02 Measurement of ACL

As a general rule, Especially Mentioned and Substandard – Underperforming [e.g., substandard accounts that are unpaid or with missed payment of less than ninety (90) days shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss accounts shall be considered as Stage 3 accounts.

Individually Assessed Loans and Other Credit Exposures

- Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments, as follows:

For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days	Substandard (underperforming)	10%	2
91 – 120 days	Substandard (non-performing)	25%	3
121 – 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3

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For secured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days*	Substandard (underperforming)	10%	2
91 – 180 days*	Substandard (non-performing)	10%	3
181 – 365 days	Substandard (non-performing)	25%	3
Over a year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

*When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%.

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

- Loans and other credit exposures that exhibit the characteristics for classified accounts described under Sec. 143 (Credit Classification and Provisioning) shall be provided with ACL, as follows:

Classification	Minimum ACL	Stage
Especially mentioned	5%	2
Substandard – secured	10%	2 or 3
Substandard – unsecured	25%	2 or 3
Doubtful	50%	3
Loss	100%	3

- Unsecured loans and other credit accommodations classified as “Substandard” in the last two (2) internal credit reviews which have been continuously renewed/extended without reduction in principal and is not in process of collection, shall be downgraded to “Doubtful” classification and provided with a fifty percent (50%) allowance for credit losses.
- Loans and other credit accommodations under litigation which have been classified as “Pass” prior to the litigation process shall be classified as “Substandard” and provided with twenty-five percent (25%) allowance for credit losses.
- Loans and other credit accommodations that were previously classified as “Pass” but were subsequently restructured shall have a minimum classification of EM and provided with a five percent (5%) allowance for credit losses, except for loans which are considered non-risk under existing laws, rules and regulations.
- Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be fully repaid.

Collectively Assessed Loans and Other Credit Exposure

- Current “Pass” loans and other credit accommodations should be provided with a reasonable level of collective allowance, using historical loss experience adjusted for current conditions.
- Loans and other credit exposures with unpaid principal and/ or interest shall be classified and provided with ACL based on the number of days of missed payments, as follows:

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For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments*	Classification	Minimum ACL	Stage
1 – 30 days	Especially Mentioned	2%	2
31 – 60 days/1 st restructuring	Substandard	25%	2 or 3
61 – 90 days	Doubtful	50%	3
91 days and over/2 nd restructuring	Loss	100%	3

*PAR for microfinance loans

For secured loans and other credit accommodations:

No. of days unpaid/with missed payments*	Classification	ACL (%)		Stage
		Other types of collateral	Security by real estate	
31 – 90 days	Substandard (underperforming)	10	10	2
91 – 120 days	Substandard (non-performing)	25	15	3
121 – 360 days	Doubtful	50	25	3
361 days – 5 years	Loss	100	50	3
Over 5 years	Loss	100	100	3

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances is determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

5.01.03 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Bank seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Bank's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

As of December 31, 2022 and 2021, minimum liquidity ratio of the Bank is 51.96% and 31.43%, respectively.

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The table below summarizes maturity profile of the Bank's financial assets and liabilities as of December 31, 2022 and 2021 based on undiscounted contractual cash flows.

	On Demand	Due within 1 year	Due beyond 1 year but not more than 5 years	Due beyond 5 years	Total
2022					
Financial Assets					
Cash on hand	P 1,921,923	P –	P –	P –	1,921,923
Due from BSP	8,851,773	–	–	–	8,851,773
Due from other banks	161,384,555	–	–	–	161,384,555
Held-to-maturity investments	–	12,924,435	–	–	12,924,435
Loans and other receivables*	2,700,334	115,620,073	192,690,710	156,425,335	467,436,452
Other assets**	6,658,415	–	–	–	6,658,415
	P 181,517,000	P 128,544,508	P 192,690,710	P 156,425,335	P 659,177,553
Financial Liabilities					
Deposit liabilities	P 113,144,104	P 71,034,829	P 187,436,239	P –	371,615,172
Bills payable	136,728,326	4,953,571	10,989,286	–	152,671,183
Accrued interest and other expenses payable	2,113,916	3,463,855	204,799	–	5,782,570
Other liabilities***	8,195,057	–	–	–	8,195,057
	P 260,181,403	P 79,452,255	P 198,630,324	P –	P 538,263,982

*gross of allowance for credit losses of P80,394,017 and net unamortized discounts of P6,718,751.
**gross of allowance for credit losses amounting to P3,242,545, and excluding non-financial assets of P3,900,853.
***excluding non-financial liabilities and government payables amounting to P10,221,627.

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	On Demand	Due within 1 year	Due beyond 1 year but not more than 5 years	Due beyond 5 years	Total
2021					
Financial Assets					
Cash on hand	P 2,526,459	P –	P –	P –	2,526,459
Due from BSP	9,072,656	–	–	–	9,072,656
Due from other banks	87,172,354	–	–	–	87,172,354
Held-to-maturity investments	–	7,449,782	–	–	7,449,782
Loans and other receivables*	100,461,928	108,803,486	226,527,977	56,446,649	492,240,040
Other assets**	7,038,634	–	–	–	7,038,634
	P 206,272,031	P 116,253,268	P 226,527,977	P 56,446,649	P 605,499,925
Financial Liabilities					
Deposit liabilities	P 143,889,524	P 66,578,896	P 154,960,570	P –	365,428,990
Bills payable	108,988,326	4,578,571	14,742,857	1,200,000	129,509,754
Accrued interest and other expenses payable	127,631	1,483,994	3,768,819	–	5,380,444
Other liabilities***	6,305,000	–	–	–	6,305,000
	P 259,310,481	P 72,641,461	P 173,472,246	P 1,200,000	P 506,624,188

*gross of allowance for credit losses of P78,680,920 and net unamortized discounts of P7,776,134.
**gross of allowance for credit losses amounting to P2,960,614, and excluding non-financial assets of P3,904,382.
***excluding non-financial liabilities and government payables amounting to P7,214,335.

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5.01.04 Interest rate risk

Interest rate risk is the risk to the earning or capital resulting from adverse movements in the interest rates. The Bank closely monitors the movements of interest rates in the market and reviews its asset and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits. The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis on interest rate risk is not readily estimable as interests are unpredictable.

Market risk

Market risk is a risk that movements of market prices will adversely affect the Bank's financial condition. In managing its market risk exposure, the Bank focuses on managing price which is the risk of loss arising from any change in the value of any asset or trading instrument. These risks apply to both the Bank's trading and accrual positions.

Interest rate risk

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Bank is exposed to interest rate risk since its financial assets and financial liabilities have fixed and variable rates.

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility of the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- a) Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- b) Requirements for the reconciliation and monitoring of transactions;
- c) Compliance with regulatory and other legal requirements;
- d) Documentation of controls and procedures;
- e) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- f) Requirements for the reporting of operational losses and proposed remedial action;
- g) Development of contingency plans;
- h) Training and professional development;
- i) Ethical and business standards; and
- j) Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

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6. FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities measured at amortized cost approximates their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

6.01 Fair Value Hierarchy

The following table presents a comparison by category of carrying amounts and estimate fair value of the Bank's financial instruments as of December 31, 2022 and 2021:

	Carrying Value	Fair Value			Total
		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
2022					
ASSETS					
Held-to-maturity investments	12,924,435	–	12,924,435	–	12,924,435
Loans and other receivables – net	387,042,435	–	387,042,435	–	387,042,435
	399,966,870	–	399,966,870	–	399,966,870
LIABILITIES					
Deposit liabilities	371,615,172	–	371,615,172	–	371,615,172
Bills payable	152,671,183	–	152,671,183	–	152,671,183
	524,286,355	–	524,286,355	–	524,286,355
	Carrying Value	Fair Value			
		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2021					
ASSETS					
Held-to-maturity investments	7,449,782	–	7,449,782	–	7,449,782
Loans and other receivables – net	413,559,120	–	413,559,120	–	413,559,120
	421,008,902	–	421,008,902	–	421,008,902
LIABILITIES					
Deposit liabilities	365,428,990	–	365,428,990	–	365,428,990
Bills payable	129,509,754	–	129,509,754	–	129,509,754
	494,938,744	–	494,938,744	–	494,938,744

The Bank uses the following hierarchy as guide for determining fair value of financial instruments:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchange;

Investment securities at amortized cost of the Bank are categorized as Level 2 in the absence of bid-offer as at reporting date and due to low volume of trading activity in the market.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

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Level 3: Inputs for the asset or liability that are not based on observable market data (observable inputs). This level includes equity investment (if any,) and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

As of December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

6.02 Fair Value Determination

Basis or assumptions in determining the fair value of financial instruments are disclosed below:

6.02.01 Due from BSP and Other Banks

The estimated fair value of fixed interest-bearing deposits is made based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

6.02.02 Held-to-Maturity Investments

The fair value for investment securities at amortized cost is based on market prices. Where this information is not available, the fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics or through valuation techniques using discounted cash flow analysis.

6.02.03 Loans and Other Receivables

Loans and other receivables are net of provisions for probable losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at original rates to determine fair value.

6.02.04 Deposit Liabilities

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of other deposits represents the estimated cash flows expected to be paid which are discounted at the current market rates.

6.02.05 Accrued and Other Liabilities

Due to their short duration, the carrying amounts of accrued interest and other expenses and other liabilities in the statement of financial position are considered to be reasonable approximations of their fair values.

Fair Value Measurement for Non-financial Assets

The fair value of the Bank's land classified under Investment Properties account, as disclosed in Note 12, is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of unimpaired investment property with carrying amount of ₱4,302,961 and ₱14,736,836 as of December 31, 2022 and 2021, respectively amounting to ₱12,166,911 and ₱37,671,230, is currently categorized within Level 2. Impaired investment property as of December 31, 2022 and 2021 with carrying amount of ₱441,519 and ₱801,219, respectively, has no fair value. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

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7. CASH AND OTHER CASH ITEMS

The account consists of the following:

	2022	2021
Cash on hand	P 1,773,352	P 2,125,699
Cash on ATM	6,000	366,300
Checks and other cash items	142,571	34,460
	P 1,921,923	P 2,526,459

8. DUE FROM BANGKO SENTRAL NG PILIPINAS

	2022	2021
Due from Bangko Sentral ng Pilipinas	P 8,851,773	P 9,072,656

Due from BSP is a non-interest bearing deposit maintained with the Bangko Sentral ng Pilipinas to meet reserve requirements. As per BSP Circular No. 1092 Series of 2021, reserves against deposit liabilities for cooperative banks shall be two percent (2%) for savings, time and demand deposits. On top of the regular reserve requirements, legal reserves against peso demand deposits, savings, and time deposit and deposit substitutes shall be zero percent (0%) for cooperative banks. The Bank has satisfactorily complied with the reserve requirements of the BSP as of December 31, 2022 and 2021.

9. DUE FROM OTHER BANKS

	2022	2021
Land Bank of the Philippines	P 88,281,097	P 34,825,205
East West Bank	31,144,435	17,683,573
Development Bank of the Philippines	21,400,454	6,506,941
Metropolitan Bank & Trust Company	9,329,505	12,590,954
Banco De Oro	7,747,455	2,598,046
Philippine National Bank	2,124,949	1,787,521
Bank of the Philippine Islands	638,425	638,425
RCBC Savings Bank	462,991	462,991
Rural Bank of Gattaran	164,180	9,987,815
Philippine Resources Savings Banking Corporation	91,064	90,883
	P 161,384,555	P 87,172,354

Interest income amounted to P95,129 and P138,113 in 2022 and 2021, respectively, and is presented as part of interest income in the statements of operation.

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10. HELD-TO-MATURITY INVESTMENTS

Movements of the account are as follows:

	2022	2021
At January 1	P 7,449,782	P 20,010,748
Acquisition	12,924,435	7,449,782
Proceeds from maturity/redemption	(7,449,782)	(20,010,748)
At December 31	P 12,924,435	P 7,449,782

The held-to-maturity investments account represents 100% risk free investment in treasury bonds and other floating rate treasury notes thru Land Bank of the Philippines and Metropolitan Bank and Trust Company.

The interest rates range from 0.98% to 3.84% per annum with maturity of less than one (1) year.

Interest income recognized in 2022 and 2021 amounted to P77,453 and P207,619, respectively, and is presented as part of interest income in the statements of operation.

The Bank does not provide any allowance for credit losses and impairment as the management believes that these investments are reasonably collectible and their fair market values shall not be materially affected by the present economic behavior.

11. LOANS AND OTHER RECEIVABLES – net

The account consists of the following:

	2022	2021
Current loans	P 370,556,854	P 397,148,356
Past due loans	46,992,810	78,221,068
Under litigation	50,778,682	22,216,990
Total loans receivables	468,328,346	497,586,414
Unamortized discounts	(6,718,751)	(7,776,134)
Total loans receivables, net of discounts	461,609,595	489,810,280
Sales contract receivables	5,826,857	2,429,760
Total loans and other receivables	467,436,452	492,240,040
Allowance for credit losses:		
Loans receivables (Note 26)	(80,084,462)	(78,421,676)
Sales contract receivables (Note 26)	(309,555)	(259,244)
Total Allowance for credit losses	(80,394,017)	(78,680,920)
Total loans and other receivables – net	P 387,042,435	P 413,559,120

Loans receivables earn interest income at interest rates ranging from 6% to 30% in 2022 and 2021. Total earned interest amounted to P71,182,045 and P64,359,619 for 2022 and 2021, respectively.

As of December 31, 2022 and 2021, bills payable amounting to P15,942,857 and P20,521,429, respectively, are secured by pledge of loans receivable with outstanding balance of P15,942,857 and P20,521,429, respectively, as disclose in Note 17.

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The movements in the allowance for credit losses for loans receivables as disclosed in Note 26 are summarized below.

	2022	2021
Balance at beginning of year	P 78,421,676	P 73,816,800
Provision for credit losses	10,267,017	9,866,800
Write-off	(2,931,830)	(3,254,210)
Reversal	(5,672,401)	(2,007,714)
	P 80,084,462	P 78,421,676

Allowance for credit losses for loans receivables consists of:

	2022	2021
Specific	P 77,392,620	P 75,579,346
General	2,691,842	2,842,330
	P 80,084,462	P 78,421,676

Sales contract receivables represent contractual commitments of buyers in the acquisition of foreclosed properties of the Bank.

The breakdown of sales contract receivable are as follows:

	2022	2021
Performing	P 4,439,760	P 1,048,425
Non-performing	1,387,097	1,381,335
Total	5,826,857	2,429,760
Allowance for credit losses	(309,555)	(259,244)
Sales contract receivable – net	P 5,517,302	P 2,170,516

The movements in the allowance for credit losses for sales contract receivables as disclosed in Note 26 are summarized below.

	2022	2021
Balance at beginning of year	P 259,244	P 411,498
Provision for credit losses	119,437	–
Reversal	(69,126)	(152,254)
	P 309,555	P 259,244

In compliance with the regulations of the BSP, the Bank strictly adheres to the setting up the valuation allowance for risk assets. The Bank reviews the quality of its loan portfolio and prepares a quantitative classification of its risks assets including loans. Accordingly, a specific valuation allowance for probable losses was provided on regular loans based on the following schedule:

Classification of risk assets	Required valuation allowance
Loans especially mentioned	5%
Substandard – secured	10%
Substandard – unsecured	25%
Doubtful	50%
Loss	100%

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Details of the Bank's unbooked allowance for credit losses subject to staggered booking as of December 31, 2022 and 2021 are disclosed below:

	2022	2021
Required allowance	P 81,184,462	P 81,321,676
Booked allowance	(80,084,462)	(78,421,676)
Balance of unbooked allowance covered by staggered booking – State of calamity (Typhoon Ompong)	(1,100,000)	(2,900,000)

11.01 Past Due Loans

Past due loans of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at maturity.

BSP Manual of Regulations for Banks, Sec. 304, as amended by BSP Circular 941, defined the classification of past due loans as follows:

As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual date, in which case, the total outstanding balance thereof shall be considered past due.

Installment refers to principal and/or interest amortizations that are due on several dates as indicated in the loan documents. The allowance for loan losses is the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the collectability of loans and prior loss experience.

Any amounts set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates to be present in the portfolio of loans and advances are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expenses and reduced by write-offs and reversals.

11.02 Non-Performing Loans

Breakdown of NPLs based on days outstanding are as follows:

	2022	2021
Past due accounts:		
Less than 30 days	P 1,200,442	P 22,862,252
31 – 90 days	2,340,861	496,470
91 – 180 days	5,039,442	1,936,723
Over 180 days	77,025,624	61,272,802
	P 85,606,369	P 86,568,247

As of December 31, 2022 and 2021, NPLs not fully covered by allowance for credit losses are as follows:

	2022	2021
Total Non-performing loans	P 85,606,369	P 86,568,247
Non-performing loans covered by allowance for credit losses	(75,116,661)	(55,552,262)
	P 10,489,708	P 31,015,985

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BSP Circular 941 defined non-performing loans (NPLs) as follows:

Loans, investments, receivables or any financial asset shall be considered non-performing, even without missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Information regarding the Bank's non-performing loans are as follows:

	2022	2021
Total NPLs at gross	P 85,606,369	P 86,568,247
Total NPLs at net	P 10,489,708	P 31,015,985
Ratio of gross NPLs to gross TLP	18.55%	17.67%
Ratio of net NPLs to gross TLP	2.27%	6.33%
Ratio of total allowance to gross NPLs	93.55%	90.59%
Ratio of specific allowance on the gross TLP to gross NPLs	90.41%	87.31%

12. INVESTMENT PROPERTIES – net

This account pertains to real properties, such as land and building, held by the bank for capital appreciation.

Details of the Bank's investment properties are as follows:

2022	Land	Building	Total
Cost:			
Balance, January 1	P 12,973,419	P 5,555,450	P 18,528,869
Additions/transfers	1,957,667	285,388	2,243,055
Reclassification	448,343	(448,343)	–
Disposals	(11,458,423)	(4,663,142)	(16,121,565)
Balance, December 31	3,921,006	729,353	4,650,359
Accumulated depreciation:			
Balance, January 1	–	(2,990,814)	(2,990,814)
Depreciation expense (Note 24)	–	(532,943)	(532,943)
Disposals	–	3,176,359	3,176,359
Balance, December 31	–	(347,398)	(347,398)
Allowance for losses:			
Balance, January 1	(801,219)	–	(801,219)
Impairment loss (Note 26)	(410,126)	–	(410,126)
Reversal	80,557	–	80,557
Reclassification	1,130,788	–	1,130,788
Balance, December 31	–	–	–
Carrying amount	P 3,921,006	P 381,955	P 4,302,961

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2021	Land	Building	Total
Cost:			
Balance, January 1	₱ 15,106,577	₱ 2,878,397	₱ 17,984,974
Additions/transfers	9,121,449	–	9,121,449
Reclassification	(6,278,527)	6,278,527	–
Disposals	(4,976,080)	(3,601,474)	(8,577,554)
Balance, December 31	12,973,419	5,555,450	18,528,869
Accumulated depreciation:			
Balance, January 1	–	(2,096,111)	(2,096,111)
Depreciation expense (Note 24)	–	(894,703)	(894,703)
Balance, December 31	–	(2,990,814)	(2,990,814)
Allowance for losses:			
Balance, January 1	(382,784)	–	(382,784)
Impairment loss (Note 26)	(418,435)	–	(418,435)
Balance, December 31	(801,219)	–	(801,219)
Carrying amount	₱ 12,172,200	₱ 2,564,636	₱ 14,736,836

In 2022, the Bank dispose certain investment properties with net book value of ₱12,945,206 for a consideration of ₱16,077,349, realizing a gain on sale of ₱3,132,143, as disclosed in Note 23.

In 2021, the Bank dispose certain investment properties with cost of ₱8,577,554 for a consideration of ₱11,858,759, realizing a gain on sale of ₱3,281,205 as disclosed in Note 23.

Collections amounted to ₱15,114,308 and ₱12,037,334 as of December 31, 2022 and 2021, respectively.

The Bank acquired its investment from foreclosure of properties. In 2022 and 2021, transaction costs amounting to ₱810,605 and nil, respectively, were incurred in relation to foreclosure of properties.

Fair value is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of unimpaired investment property with carrying amount of ₱4,302,961 and ₱14,736,836, as of December 31, 2022 and 2021, respectively amounting to ₱12,166,911 and ₱37,671,230, is currently categorized within Level 2. Impaired investment property as of December 31, 2022 and 2021 with carrying amount of ₱441,519 and ₱801,219, respectively, has no fair value. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

No amount of investment property of the Bank has been pledged to secure general banking facilities granted to the Bank.

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13. NON-CURRENT ASSETS HELD FOR SALE

Details of the Bank's non-current assets held for sale are as follows:

	2022	2021
Cost:		
Balance, January 1	₱ 16,037	₱ 16,037
Additions	2,851,757	-
Disposal	(328,143)	-
Balance, December 31	2,539,651	16,037
Accumulated depreciation:		
Balance, January 1	-	-
Depreciation expense (Note 24)	(325,956)	-
Balance, December 31	(325,956)	-
Allowance for losses:		
Balance, January 1	-	-
Impairment loss (Note 26)	(95,911)	-
Reclassification (Note 12)	(1,130,788)	-
Reversal	785,181	-
Balance, December 31	(441,518)	-
Carrying amount	₱ 1,772,177	₱ 16,037

In 2022, the Bank dispose certain non-current asset held for sale with cost of ₱328,143 for a consideration of ₱371,000, realizing a gain on sale of ₱42,857, as disclosed in Note 23.

No amount of non-current asset held for sale of the Bank has been pledged to secure general banking facilities granted to the Bank.

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14. **BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFPE) – net**

A reconciliation of the carrying amounts at the beginning and end of years 2022 and 2021, and the gross carrying amounts and accumulated depreciation of bank premises, furniture, fixtures and equipment are shown below.

	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Information technology	Leasehold improvement	Total
Cost:							
At January 1	2,080,455	20,179,524	6,749,918	14,181,834	8,310,308	1,353,170	52,855,209
Addition	–	–	232,861	1,421,400	923,458	139,715	2,717,434
Disposal	–	–	–	(1,506,453)	–	–	(1,506,453)
At December 31	2,080,455	20,179,524	6,982,779	14,096,781	9,233,766	1,492,885	54,066,190
Accumulated Depreciation:							
At January 1	–	(8,734,143)	(5,359,759)	(7,489,648)	(6,002,640)	(1,056,808)	(28,642,998)
Depreciation (Note 24)	–	(851,639)	(395,536)	(2,372,413)	(1,245,602)	(176,762)	(5,041,952)
Disposal	–	–	–	1,506,451	–	–	1,506,451
At December 31	–	(9,585,782)	(5,755,295)	(8,355,610)	(7,248,242)	(1,233,570)	(32,178,499)
Net carrying amount	2,080,455	10,593,742	1,227,484	5,741,171	1,985,524	259,315	21,887,691

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2021	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Information technology	Leasehold improvement	Total
Cost:							
At January 1	2,080,455	20,173,994	6,485,954	11,943,904	6,904,910	1,247,120	48,836,337
Addition	—	5,530	263,964	2,786,621	1,416,598	106,050	4,578,763
Adjustment	—	—	—	102,148	(11,200)	—	90,948
Write-off	—	—	—	(650,839)	—	—	(650,839)
At December 31	2,080,455	20,179,524	6,749,918	14,181,834	8,310,308	1,353,170	52,855,209
Accumulated Depreciation:							
At January 1	—	(7,882,504)	(4,964,763)	(5,854,621)	(4,969,852)	(838,573)	(24,510,313)
Depreciation (Note 24)	—	(851,639)	(394,996)	(2,285,865)	(1,032,788)	(218,235)	(4,783,523)
Write-off	—	—	—	650,838	—	—	650,838
At December 31	—	(8,734,143)	(5,359,759)	(7,489,648)	(6,002,640)	(1,056,808)	(28,642,998)
Net carrying amount	2,080,455	11,445,381	1,390,159	6,692,186	2,307,668	296,362	24,212,211

Management believes that there are no indications of impairment in the value of its bank premises, furniture, fixtures and equipment as of December 31, 2022 and 2021.

Depreciation expense are shown as separate components of operating expenses in the statement of operation in 2022 and 2021, respectively, as disclosed in Note 24.

All additions were paid in cash.

In 2022, the Bank dispose certain transportation equipment with net book value of ₱2 sold for ₱534,190, resulting to a gain on sale of ₱534,188 as disclosed in Note 23.

No bank premises, furniture, fixtures and equipment were used as collateral for liabilities as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Bank has no commitment to purchase bank premises, furniture, fixtures and equipment.

Under existing BSP regulations, total investment in premises, furniture, fixtures and equipment shall not exceed fifty percent (50%) of the Bank's unimpaired capital. As of December 31, 2022 and 2021, the Bank has satisfactorily complied with such regulation.

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15. OTHER ASSETS

This account consists of the following:

	2022	2021
Sinking fund	₱ 5,190,121	₱ 5,179,431
Accounts receivables	1,071,819	1,339,634
Prepaid expenses	608,384	534,494
Other investment	358,721	489,569
Stationeries and supplies	454,172	468,985
Intangible assets	107,745	170,366
Petty cash	37,754	30,000
Miscellaneous assets	2,730,552	2,730,537
Total	10,559,268	10,943,016
Allowance for credit losses (Note 26)	(3,242,545)	(2,960,614)
	₱ 7,316,723	₱ 7,982,402

Sinking fund pertains to fund set aside for redemption of government preferred share.

Accounts receivable pertain to cash advances from employees and other due from employees and non-employees.

Other investment pertains to investments in equity securities to other cooperatives.

Miscellaneous assets pertain to security deposits and other assets of the Bank which cannot be properly identified and merged with other common accounts.

The movements in the allowance for credit losses for other assets as disclosed in Note 26 are summarized below.

	2022	2021
Balance at beginning of year	₱ 2,960,614	₱ 2,710,041
Provision for credit losses	475,787	250,573
Reversal	(193,856)	-
	₱ 3,242,545	₱ 2,960,614

The carrying amount of the Bank's intangible assets is as follows:

	2022	2021
Cost:		
Balance, December 31	₱ 1,013,000	₱ 1,013,000
Accumulated amortization:		
Beginning	(842,634)	(743,552)
Amortization (Note 24)	(62,621)	(111,225)
Adjustment	-	12,143
Balance, December 31	(905,255)	(842,634)
Carrying amount, December 31	₱ 107,745	₱ 170,366

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16. DEPOSIT LIABILITIES

This account consists of the following:

	2022	2021
Time certificate of deposits	P 264,618,625	P 229,940,781
Savings	106,996,547	135,488,209
Total	P 371,615,172	P 365,428,990

Savings deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time.

Time deposits have different maturity dates maximum of which is five (5) year term/maturity and bear different interest rates based on the amount of deposits and term of placements.

Interest expense recognized in 2022 and 2021 amounted to P11,557,833 and P11,638,977 and is presented as part of interest expense in the statements of operation.

17. BILLS PAYABLE

Movement of the account are as follows:

	2022	2021
At January 1	P 129,509,754	P 133,600,000
Proceeds from availments	57,540,000	3,988,325
Payments	(34,378,571)	(8,078,571)
At December 31	P 152,671,183	P 129,509,754

The maturity profile of the Bank's bills payable follows:

	2022	2021
Within one year	P 141,681,897	P 108,988,326
Beyond one year but within five years	10,989,286	17,371,428
Over five years	-	3,150,000
Total	P 152,671,183	P 129,509,754

Bills payable from ACPC are free from interest charge. On the other hand, interest rate on bills payable from LBP ranges from 4.5% to 6.8% in 2022 and 2021. Interest expense incurred in 2022 and 2021 amounted to P1,138,889 and P1,530,760, respectively, and is presented as part of interest expense in the statement of comprehensive income.

As of December 31, 2022 and 2021, bills payable amounting to P15,942,857 and P20,521,429, respectively, are secured by pledge of loans receivable with outstanding balance of P15,942,857 and P20,521,429, respectively, as disclose in Note 11.

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18. ACCRUED INTEREST AND OTHER EXPENSES PAYABLE

This account consists of:

	2022	2021
Accrued interest payable	P 4,959,691	P 4,319,169
Accrued other expenses payable	822,879	1,061,275
	P 5,782,570	P 5,380,444

Accrued interest payable represents interest due on deposits and bills payable of the Bank.

Accrued other expenses payable are year-end expenses payable on the following year.

19. OTHER LIABILITIES

This account consists of:

	2022	2021 As restated
Deposit for stock subscription	P 9,800,049	P 6,847,549
Accounts payable	7,351,962	5,269,113
Retirement benefit obligation (Note 25)	445,029	922,375
Government contribution and payables	420,070	357,216
Due to Union/ CETF	398,066	113,512
Other liabilities	1,508	9,570
	P 18,416,684	P 13,519,335

The movements in deposit for stock subscription are as follows:

	2022	2021
At January 1	P 6,847,549	P 13,321,049
Additional deposit	2,952,500	-
Stock issuance (Note 20)	-	(6,473,500)
At December 31	P 9,800,049	P 6,847,549

The Bank recognized deposit for stock subscription under liabilities in the statement of financial condition since the requirements under Section 123 of the Manual of Regulations for Banks were not met for it to be recognized as an equity.

Accounts payable represents various liabilities incurred by the Bank for its own account and the third parties arising from short term indebtedness/obligations still outstanding as of the cut-off/reporting date.

Other liabilities represents various banks liabilities and/or credit accounts temporarily lodged to said account, pending management resolution and/or settlement thereof.

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20. MEMBERS' EQUITY

20.01 Preferred Shares

The preference share capital of the Bank gives priority in the distribution of the assets of the Bank in case of liquidation. As to dividend, preferred shares are entitled to received dividends on the said shares to the extent agreed upon before any others at all are paid to ordinary shareholders. Preferred shares are non-cumulative and non-participating. As to voting rights, preference shareholders are not entitled to vote in the normal course of business and decision making of the Bank.

Shown below are the details on the movements of preferred shares.

	2022		2021	
	Shares	Amount	Shares	Amount
Authorized at ₱1,000 par value				
Government preferred share	2,500	₱ 2,500,000	2,500	₱ 2,500,000
Juridical preferred share	6,250	6,250,000	6,250	6,250,000
Natural preferred share	16,250	16,250,000	16,250	16,250,000
	25,000	₱ 25,000,000	25,000	₱ 25,000,000
Issued and fully paid at ₱1,000 par value				
Balance, January 1	22,780	22,780,000	12,650	12,650,000
Transfer from deposit for stock subscription (Note 19)	–	–	6,474	6,473,500
Issuance	–	–	3,656	3,656,500
Balance, December 31	22,780	₱ 22,780,000	22,780	₱ 22,780,000

Government preferred share

- Issued only against investments of any government lending institution/organization or agencies in the share capital of the Bank, and shall have preference over common shares in the assets of the Bank in the event of liquidation.
- Non-voting but with loaning privileges subject to Bangko Sentral ng Pilipinas rules and regulations.
- Redeemable in part or in full at any time provided that sinking fund set aside will be sufficient to support the redemption of the preference share.

Juridical preferred share

- Issued only against investments of any juridical person in the share capital of the Bank, and shall have preference over common shares in the assets of the Bank in the event of liquidation.
- Non-voting but with loaning privileges subject to Bangko Sentral ng Pilipinas rules and regulations.
- Redeemable in part or in full at any time provided that sinking fund set aside will be sufficient to support the redemption of the preference share.

Natural preferred share

- Issued only against investment of any natural persons in the share capital of the Bank, and shall have preference over common shares in the assets of the Bank in the event of liquidation.
- Non-voting but with loaning privileges subject to Bangko Sentral ng Pilipinas rules and regulations.
- Non-redeemable.

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20.02 Ordinary Shares

The ordinary shareholders of the Bank are given less priority as to assets liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restriction for reserve requirements and preferred dividends, if any.

Shown below are the details on the movements of ordinary shares.

	2022		2021	
	Shares	Amount	Shares	Amount
Authorized at ₱1,000 par value	35,000	₱ 35,000,000	35,000	₱ 35,000,000
Paid-up:				
Balance, January 1	33,050	33,049,676	32,809	₱ 32,808,676
Issuances	667	667,250	241	241,000
Balance, December 31	33,717	₱ 33,716,926	33,050	₱ 33,049,676

20.03 Deficit

Movement of this account is as follows:

	2022	2021
Beginning balance	₱ (13,606,901)	₱ (14,551,980)
Net profit for the year	5,691,085	1,024,507
Reversal of appropriation	903,190	539,353
Adjustment	–	(311,429)
Appropriations during the year	(1,707,327)	(307,352)
	₱ (8,719,953)	₱ (13,606,901)

20.04 Surplus Reserves/Statutory Funds

This account consists of:

	2022	2021
Optional fund	₱ 3,610,457	₱ 3,224,654
General reserve fund	2,651,474	2,082,365
Retirement of preferred stock – BANGKOOP	1,600,000	1,600,000
Retirement of preferred stock – LBP	1,000,000	1,000,000
Retirement of preferred stock – DBP	653,000	653,000
Community & development	648,381	549,317
Retirement of preferred stock – CDA	643,000	643,000
Education & training	335,779	870,173
	₱ 11,142,091	₱ 10,622,509

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The movements in statutory reserves are as follows:

	2022	2021
Surplus reserves, beginning	₱ 10,622,509	₱ 11,138,900
Appropriations during the year	1,422,772	256,126
Adjustment	-	311,429
Expenditures from statutory reserves	-	(544,593)
Reversal of appropriation	(903,190)	(539,353)
	₱ 11,142,091	₱ 10,622,509

The movements per class of reserves are as follows:

2022	General reserve fund	Education & training	Community & development	Optional fund	Retirement of preferred stock	Total
At January 1	2,082,365	870,173	549,317	3,224,654	3,896,000	10,622,509
Allocation	569,109	284,554	398,376	170,733	-	1,422,772
Expenditures during the year	-	(818,948)	(84,242)	-	-	(903,190)
	2,651,474	335,779	863,451	3,395,387	3,896,000	11,142,091
2021	General reserve fund	Education & training	Community & development	Optional fund	Retirement of preferred stock	Total
At January 1	1,855,342	1,612,609	668,230	3,106,719	3,896,000	11,138,900
Adjustment	124,572	62,285	37,372	87,200	-	311,429
Allocation	102,451	51,225	71,715	30,735	-	256,126
Expenditures during the year	-	(316,593)	(228,000)	-	-	(544,593)
Reversal of appropriation	-	(539,353)	-	-	-	(539,353)
	2,082,365	870,173	549,317	3,224,654	3,896,000	10,622,509

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Capital Management

The primary objective of the Bank's capital management is to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure, which composed of paid-up capital and surplus reserve, and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

BSP Circular No. 688, Revised Risk – Based Capital Adequacy Framework for stand – alone thrift banks, rural banks and cooperative banks which took effect on January 1, 2012 represents BSP's commitment to align existing prudential regulations with international standards consistent with the BSP's goal of promoting the soundness and stability of individual banks and of the banking system as a whole.

Under the current banking regulations, the qualifying capital accounts of the Bank should not be less than an amount equal to ten percent (10%) of its risk-weighted assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets is total capital funds excluding:

- (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- (b) total outstanding unsecured credit accommodations to DOSRI;
- (c) deferred tax asset or liability;
- (d) goodwill, if any;
- (e) sinking fund for redemption of redeemable preferred share; and
- (f) other regulatory deductions.

Risk assets consist of designated market risk and total risk-weighted assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under the relevant BSP regulations, the regulatory capital is analysed into two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the total of Tier 1 and Tier 2 capital.

Tier 1 Capital and Tier 2 of the Bank are as follows:

- a. Tier 1 Capital includes the following:
 - i. paid up common stock,
 - ii. paid-up perpetual and non-cumulative preferred stock,
 - iii. surplus, and
 - iv. surplus reserves.
- b. Tier 2 Capital includes:
 - i. perpetual cumulative preferred stock, and
 - ii. general loan loss provision.

Subject to deductions of:

- i. sinking fund for redemption of limited life redeemable preferred shares with replacement requirement upon redemption.

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As of December 31, 2022 and 2021, the Bank's capital adequacy ratios are 10.68% and 10.01%, respectively, which are higher than the BSP minimum requirement of 10% on the ratio of capital accounts against the weighted assets.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS or Reporting Framework in some aspects.

Information regarding the Bank's "unimpaired capital" as of December 31, 2022 and 2021 is shown below.

	2022	2021 As restated
Core Tier 1 Capital – gross	P 57,934,779	P 51,845,284
Less: Regulatory adjustment to Core Tier 1	–	–
Core Tier 1 Capital – net	57,934,779	51,845,284
Add: Hybrid Tier 1	–	–
Tier 1 Capital	57,934,779	51,845,284
Tier 2 Capital	–	–
Gross qualifying capital	P 57,934,779	P 51,845,284
Total risk-weighted assets	P 542,521,997	P 517,961,131
Tier 1 capital ratio	10.68%	10.01%
Total capital ratio	10.68%	10.01%

In addition, Section 127 and Appendix 62 of the MORB discusses the guidelines implementing the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks. The said framework was amended by BSP Circular No. 1079 dated March 9, 2021 and BSP Circular No. 1084 dated April 28, 2020 to strengthen the quality of capital of the covered entities by the introduction of other capital requirements such as the Common Equity Tier (CET) 1 ratio in addition to the existing minimum CAR of 10%. The CET1 ratio is calculated by dividing CET1 capital by total risk-weighted assets.

The implementation of the enhanced capital standards, which include the CET1 ratio, to the aforementioned banks will take effect on January 1, 2023.

The Bank's leverage ratio, computed as total capital over total assets, is 9.50% and 9.10%, as of December 31, 2022 and 2021, respectively.

21. INCOME TAXES

The Cooperative transacts with members and non-members.

- a. Business transactions with members - Business activities engaged in by such cooperatives with its members where said cooperative generates revenues shall be exempt from all national internal revenue taxes for which it is liable as enumerated in Section 7 of Joint Rules and Regulations.
- b. Business transactions with non-members - Cooperatives with accumulated reserves and undivided net savings of more than Php10,000,000.00 which transact with non-members shall pay the following taxes at the full rate:

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1. Income Tax - On the amount allocated for interest on capitals: Provided, that the same tax is not consequently imposed on interest individually received by the members. The tax base for all cooperatives liable to income tax shall be the net surplus arising from the business transactions with non-members after deducting the amounts for the statutory reserve funds as provided for in the Cooperative Code and other laws.
2. Value Added Tax (VAT) - On transactions with non- members: Provided, however, that cooperatives, pursuant to Section 109 of the NIRC, as amended by RA 9337, shall be exempt from the imposition of VAT, namely the following:
 - i. Sales by agricultural cooperatives duly registered and in good standing with the CDA to their members.
 - ii. Gross receipts from lending activities by credit or multi- purpose cooperatives duly registered with the CDA.
 - iii. Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the CDA.
 - iv. Transactions of cooperatives as may be deemed VAT- exempt under the NIRC.
3. Percentage Tax - all sales of goods and/or services rendered to non-members shall be subject to the applicable percentage taxes imposed by Title V of the NIRC.

All other Internal Revenue Taxes unless otherwise provided by the law.

In 2021, to address the impact of COVID-19, the Senate and the House of Representatives enacted Republic Act (RA) No. 11494 or the Bayanihan to Recover as One Act (Bayanihan II) effective September 15, 2021 with an original expiry date of December 19, which has since been extended to mid-2022. Bayanihan II provides for COVID-19 response and recovery interventions and mechanisms to accelerate the recovery and to bolster the resiliency of the economy.

Among the response and recovery interventions provided under Bayanihan II are the carry-over of net operating losses incurred by the business or enterprise for taxable years 2020 and 2021 as deductions from gross income (for purposes of computing net taxable income subject to regular corporate income tax) over the next five consecutive taxable years immediately following the year of such loss Section 4 (bbbb) of the Bayanihan II).

Under Bayanihan II, NOLCO would remain in effect even after the expiration of the Act, provided that the deductions are claimed within the next five consecutive taxable years.

December 22, 2020, the Bureau of Internal Revenue (BIR) clarified, through Revenue Memorandum Circular (RMC) No. 138-2020, that the net operating loss carry-over (NOLCO) may be availed of under RR No. 25-2020 for taxpayers operating on fiscal-year reporting. The RMC enumerated fiscal years ending between July 31 and November 30, 2020 and January 31 to June 30, 2021 as falling within the taxable year 2020. Meanwhile, fiscal years ending between July 31 to November 30, 2021 and January 31 to June 30, 2022 fall within the taxable year 2021. Thus, net losses incurred by businesses or taxpayers during these fiscal years can be carried over as deductions from gross income for the next five consecutive taxable years.

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21.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2022	2021
Income tax expense – current	P –	P 44,050
Income tax expense – CREATE	–	(3,742)
	P –	P 40,308

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2022 and 2021 is as follows:

	2022	2021
Accounting profit	P 5,691,085	P 1,064,815
Tax expense at 25%	1,422,771	266,204
Tax effect of:		
Income exempted from tax	(4,232,482)	(2,791,281)
Provision for credit losses	2,842,070	2,633,952
Income subject to final tax	(19,363)	(51,905)
Interest income exempted from tax	(23,782)	(34,528)
Limitation on interest expense	10,786	21,608
Impact of CREATE law	–	(3,742)
	P –	P 40,308

21.01.01 Minimum Corporate Income tax

Section 27(E) of the National Internal Revenue Code provides that an MCIT of two percent (2%) of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year.

21.01.02 Net Operating Loss Carry Over (NOLCO)

Under Section 34(D) of the National Internal Revenue Code of 1997, the net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three consecutive taxable years immediately following the year of such loss.

21.02 Revenue Regulations (RR) No. 34-2021 – Related Party Transaction (RPT) Form and Transfer Pricing Documentation

The Bureau of Internal Revenue, in its Revenue Regulation No. 34-2020, requires taxpayers to submit BIR Form No. 1709 (RPT Form) to allow the BIR to verify that taxpayers are reporting their related party transactions at arm's length prices. It is also intended to improve and strengthen the Bureau's transfer pricing risk assessment and audit functions. Most importantly, the information that will be gathered from the RPT Form and its attachments will be used by the BIR during the transfer pricing risk assessment to determine whether or not to conduct a thorough review/audit of a particular entity or transaction.

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Under the said RR, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

1. Large taxpayers;
2. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
3. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
4. A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (1), (2) or (3) above. For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

In addition, the preparation and submission of Transfer Pricing Documentation (TPD) under RR No. 02-2013, otherwise known as "Transfer Pricing Guidelines" and all other relevant issuances, shall be mandatory for taxpayers enumerated above who meet the following materiality thresholds:

- a. Annual gross sales/revenue for the subject taxable period exceeds ₱150 million and the total amount of related party transactions with foreign and domestic related parties exceeds ₱90 million; or
- b. Related party transactions meeting the following materiality threshold:
 - i. If it involves sale of tangible goods in the aggregate amount exceeding ₱60 million within the taxable year.
 - ii. If it involves service transaction, payment of interest, utilization of intangible goods or other related party transaction in the aggregate amount exceeding ₱15 million within the taxable year.
 - iii. If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

As it does not belong to taxpayers who are required to file and submit the RPT Form under Section 2 of RR 34-2020, the Bank is not covered by the requirements and procedures for related party transactions under the said RR.

21.03 Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act

On February 03, 2021, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.

Under the proposed law, effective July 1, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding P100 million, excluding land, and total net taxable income of not more than P5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The bill would also lower the minimum corporate income tax (MCIT) from 2% to 1% effective July 2020 until June 30, 2023.

Other key provisions of the CREATE bill include:

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.

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- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
 - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
 - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
 - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- For investments prior to effectivity of CREATE:
 - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
 - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The said bill was signed into law on March 26, 2021, except for certain provisions that were vetoed, by the President of the Philippines.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2021-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Bank would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

22. OPERATING LEASE COMMITMENTS

The Bank leases building for its branches. The lease transactions are classified by the Bank under operating lease where total rental payments are charged to current operation spread-over the term of the lease.

At the reporting date, the future minimum lease payment under non-cancellable operating leases is as follows:

	2022	2021
Not later than one year	P 667,516	P 951,305
Later than one year and not later than five years	1,746,600	3,212,421
	P 2,414,116	P 4,163,726

Rent expense for the years ended December 31, 2022 and 2021 amounted to P1,199,424 and P1,102,864, respectively, as part of other operating expenses, as disclosed in Note 24.

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23. OTHER OPERATING INCOME

This account consists of the following:

	2022	2021
Recovery on charged-off assets	₱ 10,627,986	₱ 3,108,380
Gain on sale of non-financial assets	3,709,188	3,281,205
Income from insurance	2,624,199	4,877,678
Service charges	1,906,271	1,371,252
Filing fee	717,900	1,547,575
Inspection fee	268,300	206,814
Other income	3,882,058	3,374,477
	₱ 23,735,902	₱ 17,767,381

Recovery on charged-off assets pertains to recoveries from previously written off accounts and those accounts with allowance for losses.

Other income pertains to income arising from other service provided by the Bank and interest on other investments.

Gain on sale of non-financial assets is composed of the following:

	Notes	2022	2021
Investment properties	12	₱ 3,132,143	₱ 3,281,205
Non-current asset held for sale	13	42,857	-
Bank premises, furniture, fixtures and equipment	14	534,188	-
		₱ 3,709,188	₱ 3,281,205

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24. OTHER OPERATING EXPENSES

Other operating expense consists of:

	Notes	2022	2021
Personnel costs		₱ 36,238,663	₱ 34,597,892
Depreciation		5,900,851	5,678,226
Security, messenger and janitorial services		4,161,538	3,992,626
Travelling expense		3,027,531	1,927,492
Fuel, oil and lubricants		2,854,483	1,721,184
Power, light and water		1,747,501	1,128,757
Insurance expenses		1,369,853	1,239,355
Rent	22	1,199,424	1,102,864
Postage, telephone and telegram		1,172,161	1,434,224
Repairs and maintenance		1,099,436	789,681
Litigation/assets acquired expenses		810,605	–
Information technology expenses		788,824	628,596
Stationeries and supplies used		469,039	497,677
Representation and entertainment		427,402	480,850
Fines and penalties		215,877	–
Management and other professional fees		186,230	249,854
Advertising and publicity		178,580	–
Donations and charitable contributions		169,842	341,500
Taxes and licenses		154,321	149,001
Supervision fees		126,088	98,256
Amortization	15	62,621	111,225
Periodicals and magazines		40,589	6,472
Miscellaneous		2,932,985	1,526,640
		₱ 65,334,444	₱ 57,702,372

Litigation expenses/assets acquired expenses pertain to attorney fees, filing fees for document in court for the foreclosure of mortgage properties and other legal related expenses.

Personnel costs consist of:

	2022	2021
Salaries and wages	₱ 19,545,319	₱ 18,023,556
Fringe benefits-officers and employees	11,181,299	11,017,854
SSS, Pag-ibig, Philhealth contribution	2,512,114	2,241,433
Retirement expense (Note 25)	1,228,425	1,217,747
Directors fee	971,500	1,133,500
Fringe benefits-directors	800,006	957,502
Medical, dental and hospitalization	–	6,300
	₱ 36,238,663	₱ 34,597,892

Depreciation expense consist of:

	Notes	2022	2021
Investment properties	12	₱ 532,943	₱ 894,703
Non-current asset held for sale	13	325,956	–
Bank premises, furniture, fixtures and equipment	14	5,041,952	4,783,523
		₱ 5,900,851	₱ 5,678,226

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25. RETIREMENT BENEFIT OBLIGATION

Republic Act (RA) No. 7641 (New Retirement Law) took effect on January 17, 1993. Under the new law, the Bank is required to provide minimum retirement benefits to qualified retiring employees.

The cost of providing post-employment benefits should be determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. No actuarial report from actuary in relation with pension benefits has been made as of 2019 and 2018. The Bank has made its own estimate of retirement benefits obligation. The Bank accrues amount equivalent to one-month basic salary for every year of service to all qualified employees. Management believes that the effect on the financial statements of the difference between the retirement costs determined under the current method used by the Bank and the acceptable actuarial valuation is not material.

As of December 31, 2022 and 2021, the accumulated balance of retirement benefit obligation amounted to ₱445,029 and ₱922,375, respectively and is presented under other liabilities as disclosed in Note 19. The Bank maintains an off-books retirement fund.

Movement of retirement benefit obligation is as follows:

	Note	2022	2021
Beginning balance		₱ 922,375	₱ 1,114,164
Retirement expense	24	1,228,425	1,217,747
Adjustment		–	85,737
Contribution to fund		(1,705,771)	(1,495,273)
		₱ 445,029	₱ 922,375

Movement of retirement fund held separately from assets of the Bank is as follows:

	2022	2021
Beginning balance	₱ 2,947,329	₱ 1,438,076
Contributions	1,705,771	1,495,273
Interest	–	13,980
	₱ 4,653,100	₱ 2,947,329

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26. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

The movement of this account follows:

	Notes	2022	2021
Balance at January 1			
Loans receivable	11	₱ 78,421,676	₱ 73,816,800
Sales contract receivable	11	259,244	411,498
Investment properties	12	801,219	382,784
Non-current asset held for sale	13	–	–
Other assets	15	2,960,614	2,710,041
		82,442,753	77,321,123
Provision for credit and impairment losses			
Loans receivable	11	10,267,017	9,866,800
Sales contract receivable	11	119,437	–
Investment properties	12	410,126	418,435
Non-current asset held for sale	13	95,911	–
Other assets	15	475,787	250,573
		11,368,278	10,535,808
Write-off			
Loans receivable	11	(2,931,830)	(3,254,210)
Reversal			
Loans receivable	11	(5,672,401)	(2,007,714)
Sales contract receivable	11	(69,126)	(152,254)
Investment properties	12	(80,557)	–
Non-current asset held for sale	13	(785,181)	–
Other assets	15	(193,856)	–
		(6,801,121)	(2,159,968)
Reclassification			
Investment properties	12	(1,130,788)	–
Non-current asset held for sale	13	1,130,788	–
		–	–
Balance at December 31			
Loans receivable	11	80,084,462	78,421,676
Sales contract receivables	11	309,555	259,244
Investment properties	12	–	801,219
Non-current asset held for sale	13	441,518	–
Other assets	15	3,242,545	2,960,614
		₱ 84,078,080	₱ 82,442,753

27. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting entities, which are under common control with the reporting enterprise, or between, and/or among the reporting entities and its key management personnel, directors, or its shareholders.

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There are transactions and arrangements between the Bank and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements.

27.01 DOSRI Loans

The summary of Bank significant transactions with its related parties as of and for the years ended December 31, 2022 and 2021.

2022

Category	Amount of Transactions	Outstanding Balance	Terms	Conditions
DOSRI loans	₱ 350,371	₱ 805,000	Payable on lumpsum, interest-bearing, cash-settled	Secured

2021

Category	Amount of Transactions	Outstanding Balance	Terms	Conditions
DOSRI loans	₱ 7,540	₱ 454,629	Payable on lumpsum, interest-bearing, cash-settled	Secured

Total allowance for credit losses recognized as of December 31, 2022 and 2021 amounted to ₱8,050 and ₱4,545. In 2022 and 2021, the Bank recognized provision for credit losses to amounts owed by related parties amounting to ₱8,050 and ₱4,545, respectively.

The General Banking Act and BSP regulations limit the amount of loans to each Directors, officers, shareholders and related interest (DOSRI).

- The individual ceiling for credit accommodation of a rural bank to each of its DOSRI shall be equivalent to his outstanding deposits and book value of his paid-in capital in the lending bank. The unsecured credit accommodation to each of the Bank's DOSRI shall not exceed thirty percent (30%) of his total credit accommodations.
- The aggregate ceiling for credit accommodation whether direct or indirect, to DOSRI of a cooperative bank shall not exceed fifteen percent (15%) of the total loan portfolio of the Bank or its combined capital accounts net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of DOSRI shall not exceed thirty percent (30%) of the aggregate ceiling or outstanding direct/indirect credit accommodation thereto, whichever is lower.

2022	DOSRI Loans	Related Party Loans (Inclusive of DOSRI Loans)
Total outstanding DOSRI Loans	₱ 805,000	₱ 805,000
Percent of DOSRI accounts to total loans	0.17%	0.17%
Percent of unsecured DOSRI accounts to DOSRI accounts	0.00%	0.00%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	0.00%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	0.00%	0.00%

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2021	DOSRI Loans	Related Party Loans (Inclusive of DOSRI Loans)
Total outstanding DOSRI Loans	P 454,629	P 454,629
Percent of DOSRI accounts to total loans	0.09%	0.09%
Percent of unsecured DOSRI accounts to DOSRI accounts	0.00%	0.00%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	0.00%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	0.00%	0.00%

27.02 DOSRI Deposits

Deposits from DOSRI are shown below:

	2022	2021
Savings deposit	P 653,211	P 1,116,480

27.03 Remuneration of Key Management Personnel

The remuneration of key management consists of:

	2022	2021
Short-term employee benefits	P 9,606,665	P 8,671,800
Post-employment benefits	524,517	429,000
	P 10,131,182	P 9,100,800

The key management compensation is shown as part of personnel cost under other operating expenses account in the statements of comprehensive income.

28. NOTES TO STATEMENT OF CASH FLOWS – RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the reconciliation analysis of liabilities arising from financing activities for the years ended December 31, 2022 and 2021.

2022	December 31, 2021	Cash flows	Non-cash changes	December 31, 2022
Bills payable	129,509,754	23,161,429	–	152,671,183
Deposit for stock subscription	6,847,549	2,952,500	–	9,800,049
	136,357,303	26,113,929	–	162,471,232
2021	December 31, 2020	Cash flows	Non-cash changes	December 31, 2021
Bills payable	133,600,000	(4,090,246)	–	129,509,754
Deposit for stock subscription	13,321,049	–	(6,473,500)	6,847,549
	146,921,049	(4,090,246)	(6,473,500)	136,357,303

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In 2022, cash flows related to bills payable is net of cash inflow amounting to ₱57,540,000 and cash outflow amounting to ₱34,378,571.

In 2021, cash flows related to bills payable is net of cash inflow amounting to ₱3,988,325 and cash outflow amounting to ₱8,078,571.

29. RESTATEMENT OF PRIOR PERIOD ERROR

In 2022, the Bank restated its financial statements as of and for the year ended December 31, 2021 to reflect certain prior period adjustments pertaining to deposit for stock subscription recognized under equity that should have been recognized as liability.

The analysis of the affected line items in the statement of financial condition of the Bank as of December 31, 2021 is shown below:

		As previously reported	Adjustments	As restated
<i>Change in liability</i>				
Other liabilities	₱	6,671,786	₱ 6,847,549	₱ 13,519,335
Increase in total liabilities			₱ 6,847,549	
<i>Change in equity</i>				
Deposit for stock subscription	₱	6,847,549	₱ (6,847,549)	₱ –
Decrease in total equity			₱ (6,847,549)	
Effect in total liabilities and equity			₱ –	

30. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of past event, or when it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The following are the significant commitments and contingencies involving the Bank:

- a.) The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against its delinquent borrowers. The final decision of which cannot be determined at present. The amount of loans receivable under litigation amounted to ₱50,778,682 and ₱22,216,990 as of December 31, 2022 and 2021, respectively, as disclose in Note 11.
- b.) The Bank has no pending legal cases arising from its normal operation that will put the Bank as defendant as a result of violation of transactions against its clients/ depositors.
- c.) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the Bank into obligation in case of non-compliance by the buyer.
- d.) The Bank had no outstanding outward and inward bills for collection at the end of the year.

Aside from stated above, the Bank has no other contingent accounts as of December 31, 2022 and 2021.

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31. EVENTS AFTER THE REPORTING DATE

No events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date), and that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

32. APPROVAL OF FINANCIAL STATEMENTS

These financial statements for the year ended December 31, 2022 was approved and authorized for issue by the Board of Directors (BOD) on March 24, 2023.

33. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

Revenue Regulations (RR) No. 21–2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Financial Reporting Framework and such other standards and/or conventions. Moreover, RR No. 19-2011 that prescribes the use of new income tax forms starting with calendar year 2011 became effective on December 9, 2011. Companies are now required to include, as part of the notes to the financial statements, the schedules and information on taxable income and deductions.

Below are the additional information required by RR Nos. 15-2010 and 19-2011. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

33.01 Gross receipts tax (GRT)

The Bank is exempt from GRT as stated in its certificate of tax exemption.

33.02 All other national and local taxes

All other local and national taxes paid by the Bank and presented as part of other operating expenses for the two periods ended December 31, 2022 and 2021 consist of:

	2022		2021	
Local taxes				
Business permit	P	123,108	P	129,292
LTO registration		25,945		19,709
Others		5,268		–
	P	154,321	P	149,001

33.03 Withholding taxes

Withholding taxes paid or accrued for the years ended December 31, 2022 and 2021 consist of:

2022	Paid		Accrued		Total	
Expanded withholding tax	P	214,409	P	23,008	P	237,417
Withholding tax on compensation		145,891		40,967		186,858
Withholding tax on deposit		51,348		16,372		67,720
	P	411,648	P	80,347	P	491,995

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2021	Paid	Accrued	Total
Expanded withholding tax	₱ 228,941	₱ 24,817	₱ 253,758
Withholding tax on compensation	160,427	6,717	167,144
Withholding tax on deposit	59,776	44,054	103,830
	₱ 449,144	₱ 75,588	₱ 524,732

33.04 Tax assessments

The Bank has no outstanding tax assessments as of December 31, 2022 and 2021.

33.05 Tax cases

The Bank has no outstanding tax cases in any other court or bodies outside of the BIR as of December 31, 2022 and 2021.

34. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 19-2011

Revenue Regulation No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2011. In case of the corporations using BIR form 1702, the tax payer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return (ITR), the schedules and information on taxable income and deductions to be taken. The information is presented for the purposes of filing with the BIR and is not required part of the basic financial statements.

The following are the schedules prescribed under existing revenue issuances applicable to the Bank as of December 31, 2022:

34.01 Interest income

The breakdown of the Bank's interest income consists of:

	Per Financial Statement	Per Income Tax Return
Loans and other receivables	₱ 71,182,045	₱ –
Due from other banks	95,129	–
Held-to-maturity investments	77,453	–
	₱ 71,354,627	₱ –

34.02 Cost of Service

The breakdown of the Bank's cost of service consists of:

	Per Financial Statement	Per Income Tax Return
Personnel costs	₱ 36,238,663	₱ –
Interest expense	12,696,722	–
Insurance – PDIC	730,695	–
Supervision fees	126,088	–
	₱ 49,792,168	₱ –

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34.03 Other Taxable Income

Details of the Bank's other operating income are as follows:

		Per Financial Statement		Per Income Tax Return
Recovery on charged-off assets	P	10,627,986	P	-
Gain on sale of non-financial assets		3,709,188		-
Income from insurance		2,624,199		-
Service charges		1,906,271		-
Filing fee		717,900		-
Inspection fee		268,300		-
Other income		3,882,058		-
	P	23,735,902	P	-

34.04 Allowable Deductions

Details of the Bank's allowable deductions are as follows:

		Per Financial Statement		Per Income Tax Return
Depreciation	P	5,900,851	P	-
Security, messenger and janitorial services		4,161,538		-
Travelling expense		3,027,531		-
Fuel, oil and lubricants		2,854,483		-
Postage, telephone and telegram		1,172,161		-
Power, light and water		1,747,501		-
Rent		1,199,424		-
Repairs and maintenance		1,099,436		-
Information technology expenses		788,824		-
Insurance – others		639,158		-
Stationeries and supplies used		469,039		-
Representation and entertainment		427,402		-
Donations and charitable contributions		169,842		-
Management and other professional fees		186,230		-
Amortization		62,621		-
Taxes and licenses		154,321		-
Periodicals and magazines		40,589		-
Litigation/assets acquired expenses		810,605		-
Advertising and publicity		178,580		-
Fines and penalties		215,877		-
Miscellaneous		2,932,985		-
		28,238,998		-
Provision for credit and impairment losses		11,368,278		-
	P	39,607,276	P	-

35. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 8, 2021, the Monetary Board (MB) amended BSP Circular No. 1074, requiring Banks to include the additional information on the following:

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35.01 Basic Quantitative Indicators of Financial Performance

The following basic ratio measures the financial performance of the Bank:

	2022	2021 As restated
Return on average equity	10.18%	2.16%
Return on average assets	0.97%	0.19%
Net interest margin	10.97%	10.50%
Debt-to-equity ratio	9.31:1	9.72:1
Capital adequacy ratio	10.68%	10.01%
Leverage ratio	9.50%	9.10%
Book value per share	1,074.70	912.12

35.02 Capital Instrument Issued

Description of capital instrument issued by the Bank is disclosed in Note 20.

35.03 Significant Credit Exposures

The Bank's concentration of credit as to industry/economic sector (net of unamortized discount) are as follows:

	2022			2021		
	Peso Amount	% as to industry	% to Tier 1	Peso Amount	% as to industry	% to Tier1
Agriculture, forestry and fishing	P 211,597,317	45.84%	365.23%	P 214,149,794	43.72%	364.87%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	93,737,388	20.31%	161.80%	91,709,051	18.72%	156.25%
Wholesale and retail trade, repair of motor vehicles and motorcycles	50,910,509	11.03%	87.88%	49,416,723	10.09%	84.20%
Real estate activities	45,198,072	9.79%	78.02%	45,373,449	9.26%	77.31%
Other service activities	60,166,309	13.03%	103.85%	89,161,263	18.21%	151.91%
	P 461,609,595	100.00%		P 489,810,280	100.00%	

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital which is equivalent to P5,793,478 and P5,184,528, as of December 31, 2022 and 2021, respectively.

In both years, the Bank is exposed to credit risk concentration on agriculture, forestry and fishing amounting to more than 30% of the total loan portfolio. The Bank is also exposed to credit risk concentration on agriculture, forestry and fishing, real estate activities, wholesale and retail trade, repair of motor vehicles and motorcycles, activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use and other service activities amounting to more than 10% of Tier 1 Capital.

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35.04 Breakdown of Total Loans

35.04.01 As to Security

As to security, loans are classified into (net of unamortized discount)

	2022	%	2021	%
Secured loans:				
Real estate mortgage	₱ 112,402,106	24.35%	₱ 43,290,460	8.84%
Other collateral	53,625,045	11.62%	157,061,865	32.06%
Total secured	166,027,151	35.97%	200,352,325	40.90%
Unsecured	295,582,444	64.03%	289,457,955	59.10%
Total loans	₱ 461,609,595	100.00%	₱ 489,810,280	100.00%

35.04.02 As to Status

Breakdown of loans as to performing and non-performing status per product is as follows:

2022	Performing	Non-performing	Total
Other agricultural credit loans	₱ 90,189,605	₱ 7,989,460	₱ 98,179,065
Agricultural credit policy council	85,779,001	1,253,814	87,032,815
Micro finance loan	20,991,331	9,740,323	30,731,654
Agrarian reform loans	427,810	31,792,234	32,220,044
Consumption purposes	21,830,294	1,710,229	23,540,523
Small medium enterprise loan	8,100,133	5,755,454	13,855,587
Fringe loan	15,756,847	82,667	15,839,514
Development incentive loan	–	742,655	742,655
Others	132,928,205	26,539,533	159,467,738
	₱ 376,003,226	₱ 85,606,369	₱ 461,609,595
2021	Performing	Non-performing	Total
Other agricultural credit loans	₱ 96,873,975	₱ 8,275,916	₱ 105,149,891
Agricultural credit policy council	73,238,511	816,070	74,054,581
Consumption purposes	26,990,289	8,447,413	35,437,702
Agrarian reform loans	1,800	35,068,168	35,069,968
Micro finance loan	31,572,769	2,305,548	33,878,317
Fringe loan	7,044,049	6,512,056	13,556,105
Small medium enterprise loan	9,959,395	104,206	10,063,601
Development incentive loan	68,400	742,648	811,048
Others	157,492,845	24,296,222	181,789,067
	₱ 403,242,033	₱ 86,568,247	₱ 489,810,280

35.05 Information on Related Party Loans

Information on related party loans is disclosed in Note 27.

35.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2022 and 2021, bills payable amounting to ₱15,942,857 and ₱20,521,429, respectively, are secured by pledge of loans receivable with outstanding balance of ₱15,942,857 and ₱20,521,429, respectively.

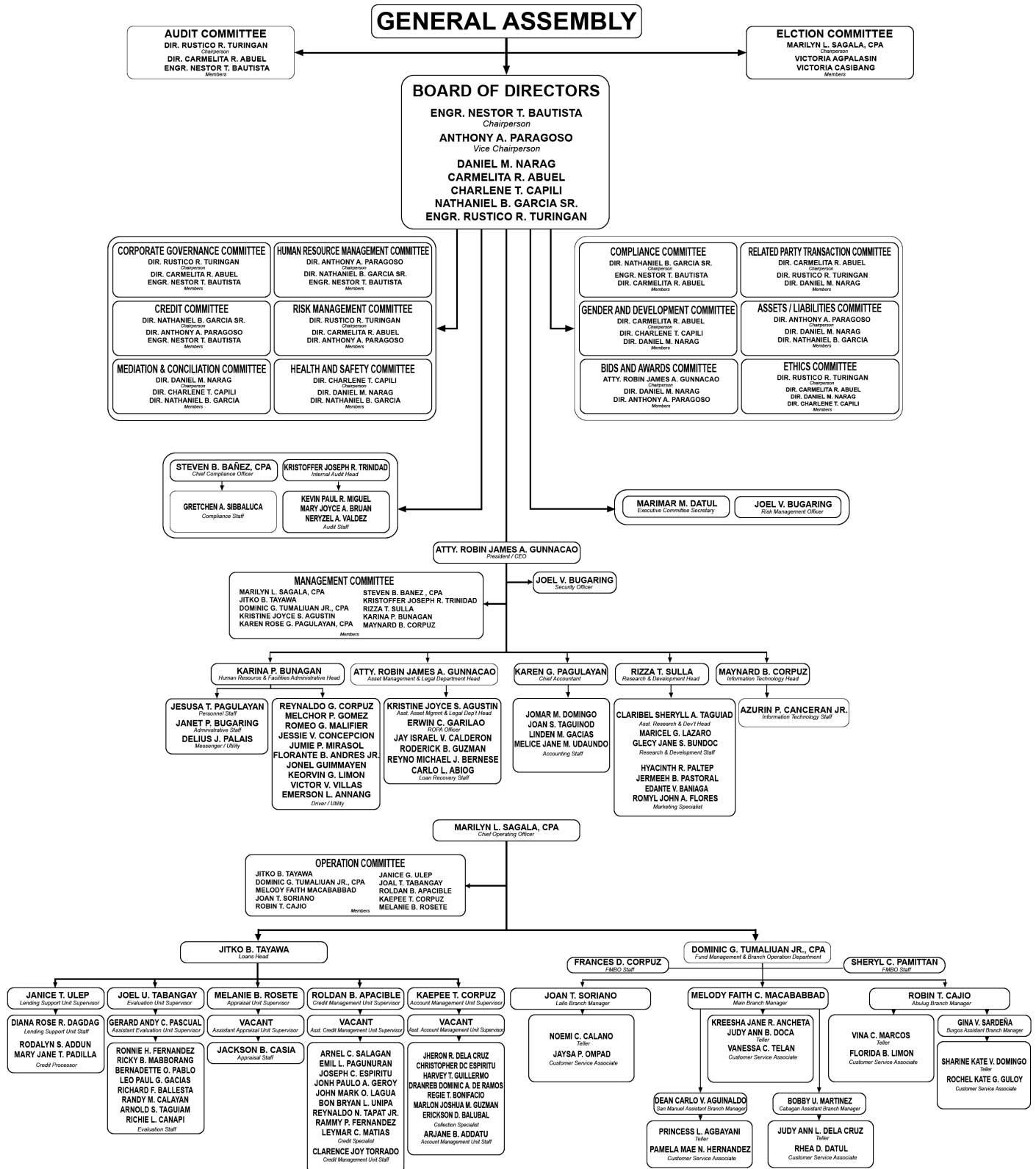
35.07 Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2022 and 2021, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular No. 1074.

CORPORATE INFORMATION

Cooperative Bank of Cagayan

ORGANIZATIONAL STRUCTURE



TOP 20 SHAREHOLDERS

The total common share of Cooperative Bank of Cagayan as of December 31, 2022 is 33.7M, and the top 20 Shareholders of the Bank is holding a total of 63.91% shares.

Rank	Shareholders	Citizenship	Voting Status	No. of Shares	Paid in capital	Amount Subscribe	Ratio of Paid-in Capital to Total Paid-in Capital
1	Cagayan Cooperative Bank Employees MPC (CACOBEM)	Filipino	Active	5,756	5,756,130.06	5,757,000	17.07%
2	Cagayan Valley Development Cooperative (CAVDECO)	Filipino	Active	5,559	5,559,617.46	5,710,000	16.49%
3	Prime Movers Marketing Cooperative	Filipino	Active	1,790	1,790,882.22	1,859,000	5.31%
4	Hacienda Intal Credit Cooperative	Filipino	Active	910	910,518.91	911,000	2.70%
5	Western Solana Women's Credit Cooperative	Filipino	Active	715	715,660.16	716,000	2.12%
6	Western Alcala Farmers Irrigators Cooperative	Filipino	Active	600	600,269.51	601,000	1.78%
7	Nanguilatan Farmers Marketing Cooperative	Filipino	Active	594	594,083.34	595,000	1.76%
8	Bagunot Marketing Cooperative	Filipino	Active	577	577,581.14	578,000	1.71%
9	Assassi Multi-Purpose Cooperative	Filipino	Active	495	495,864.41	496,000	1.47%
10	Sta. Cruz SN MPC	Filipino	Active	484	484,800.00	485,000	1.44%
11	Pamplona Women's Cooperative	Filipino	Active	472	472,375.00	543,000	1.40%
12	MSRT Culung Credit Cooperative	Filipino	Active	444	444,620.24	445,000	1.32%
13	Sis Credit Cooperative	Filipino	Active	424	424,339.41	425,000	1.26%
14	Malauog Farmers MPC	Filipino	Active	413	413,061.75	414,000	1.23%
15	Norphil Farmers MPC (NorFarCo)	Filipino	Active	405	405,114.25	406,000	1.20%
16	Ugac Farmers Marketing Cooperative	Filipino	Active	399	399,723.54	402,000	1.19%
17	Wellspring MPC	Filipino	Active	388	388,325.16	389,000	1.15%
18	Timpuyog Cooperative of Bicok	Filipino	Active	380	380,895.97	381,000	1.13%
19	Liwan Norte SN MPC	Filipino	Active	367	367,626.21	368,000	1.09%
20	Sampaguita Farmers Cooperative	Filipino	Active	366	366,164.76	367,000	1.09%
	TOTAL			21,538	1,547,653.50	21,848,000	63.91%

Products and Services

Loan

1. Agri-Agra Loan

- **Agrarian Reform Loan**—A loan offered to the beneficiaries of Comprehensive Agrarian Reform Program of the government.
- **Other Agricultural Credit Loan**—A loan offered to farmers who are not beneficiaries of the agrarian reform to finance activities relative to agricultural production, processing, marketing, storage and distribution of products which results from these activities.
- **Namnama Loan**—this is a joint project of Cagayan Valley Development Cooperative (CAVADECO), Cooperative Bank of Cagayan (CBC) and Provincial Marketing Credit Cooperative (PMCC)

2. Development Incentive Loan (DIL)—loan offered to cooperative affiliates engaged in agriculture, marketing, processing, distribution, low-cost housing and other activities.

3. Microfinance Loan—offered to micro entrepreneurs to cater their social and economic needs and granted to the basic sectors covered by Republic Act No. 8425.

4. Small Medium Enterprise (SME)—this type of loan is offered to any business activity of enterprises with a total assets of above 3M to 100M. With the following purposes:

- **Additional capital**
- **Vehicle to be used for Business.**
- **Construction or Renovation of Business Establishment**

5. Consumer or Personal Loan (CL/ PL)—this loan is offered to individuals for consumption purposes.

- **Vehicle Loan**—offered to individuals for the acquisition of a brand new or second hand motor vehicle for personal use.
- **Appliance Loan**—offered to individuals for the acquisition of personal household necessities.
- **Multi-purpose Loan (MPL)** – offered to individuals for medical, educational and other personal needs.

Deposit

1. **Regular Savings Deposit**
2. **Time Deposit**
3. **Kiddie and Teen Deposit**

Other Services

1. **CAGELCO Bills Payment**
2. **Dormitory type rooms and Training Hall with Amenities**
3. **Sale of ROPA**

Newly Approved Product

1. **SPECIAL LOAN PRODUCT FOR MODERNIZED PUBLIC UTILITY VEHICLE**—loan offered to Transport Cooperative within the bank's area of operation for the acquisition of modernized Public Utility Vehicle.
(Board Res. No. 135, Series of 2022)

6. Loans to Individual for Other Purposes

- **Salary Loan** (Institutional and Individual)—offered to regular employees of a private and/or government agencies for personal and providential needs
- **Housing Loan**—offered to individuals intended for residential construction and/or renovation
- **Lot Purchase**—offered to individuals for acquisition of real property
- **OFW Loan**—A secured loan offered to overseas Filipino workers
- **Show Money Loan**—Loan offered to individual or entity for show money
- **Back to Back Loan**—Loan offered to depositors of the Bank.

BANK'S DIRECTORY



CORPORATE OFFICE

Address :2nd Floor, CBC Bldg. Diversion Road,
San Gabriel, Tuguegarao City,
Cagayan

Email :coop.bank.cagayan.corporate@gmail.com

Contact no.: (078) 844-3432 / (078) 377-0511

MAIN BRANCH

Address :1st Floor, CBC Bldg., Diversion Road,
San Gabriel, Tuguegarao City,
Cagayan

Email :coop.bank.cagayan.mainbranch@gmail.com

Contact no.: (078) 844-0651 / 0917 307 9931

LAL-LO BRANCH

Address :Public Market, Bagumbayan Lal-lo,
Cagayan

Email :coop.bank.cagayan.lallobranch2019@gmail.com

Contact no.: (078) 377-0496

ABULUG BRANCH

Address :Calog Sur, Abulug, Cagayan

Email :coop.bank.cagayan.abulugbranch@gmail.com

Contact no.: 0917 574 5126 / 0917 530 9243

CABAGAN BRANCH LITE

Address :Masigan Bldg., Maharlika Highway,
Ugad, Cabagan, Isabela

Email :coopbankcagayan.cabagan@gmail.com

Contact no.: (078) 682-0992

SAN MANUEL BRANCH LITE

Address :Purok Saranay, District 3, San Manuel,
Isabela

Email :coopbankcagayan.sanmanuel@gmail.com

Contact no.: (078) 305-9701 / 0936 760 1820

BURGOS BRANCH LITE

Address :White Rock Restaurant Compound,
Poblacion, Burgos, Ilocos Norte

Email :coopbankcagayan.burgos@gmail.com

Contact no.: 0936 102 0791 /
0927 479 6037

Social Media Sites and Pages



<https://sites.google.com/view/cooperativebankofcagayan/home>



<https://www.facebook.com/coopbank.ph>



<https://www.youtube.com/channel/UCk0eU3qJggNYkZ09uh8ZFyA>

CBC Team

Board of Directors



From Left to Right : **Ms. Carmelita R. Abuel** (Independent Director), **Mr. Charlene Capili** (Regular Director), **Engr. Rustico R. Turingan** (Independent Director), **Engr. Nestor T. Bautista** (Chairperson), **Mr. Anthony A. Paragoso** (Regular Director), **Mr. Daniel M. Narag** (Regular Director), and **Mr. Nathaniel Garcia** (Regular Director)

Independent Department



From Left to Right : **Mr. Joel B. Bugaring** (Risk Management Officer), **Mr. Steven B. Banez** (Chief Compliance Officer), **Mr. Kristopher Joseph R. Trinidad** (Internal Audit Head), **Mr. Kevin R. Miguel** (Audit Associate), and **Ms. Joyce Bruan** (Audit Associate)

CBC Team

Human Resource and Admin. Facilities Department



From Left to Right :

Standing—**Mr. Delius Palais** (Utility/Messenger), **Mr. Melchor Gomez** (Driver/Utility), and **Mr. Reynaldo Corpuz** (Driver/Utility)
Sitting—**Ms. Janet Bugaring** (Adm. Facilities Staff), **Ms. Jesusa Pagulayan** (HR Staff), and **Ms. Karina P. Bunagan** (HR and Adm. Facilities Department Head)

**Research and Development Department and
Information Technology Department**



From Left to Right : **Mr. Maynard Corpuz** (IT Head), **Ms. Glecy Jane Bundoc** (RnD Staff), **Ms. Rizza T. Sulla** (OIC Rnd Head), **Ms. Claribel Sheryll A. Taguiad** (Asst. Rnd Head), **Ms. Maricel G. Lazaro** (RnD Staff), and **Mr. Azurin P. Canceran** (IT Staff)

CBC Team

Accounting Department



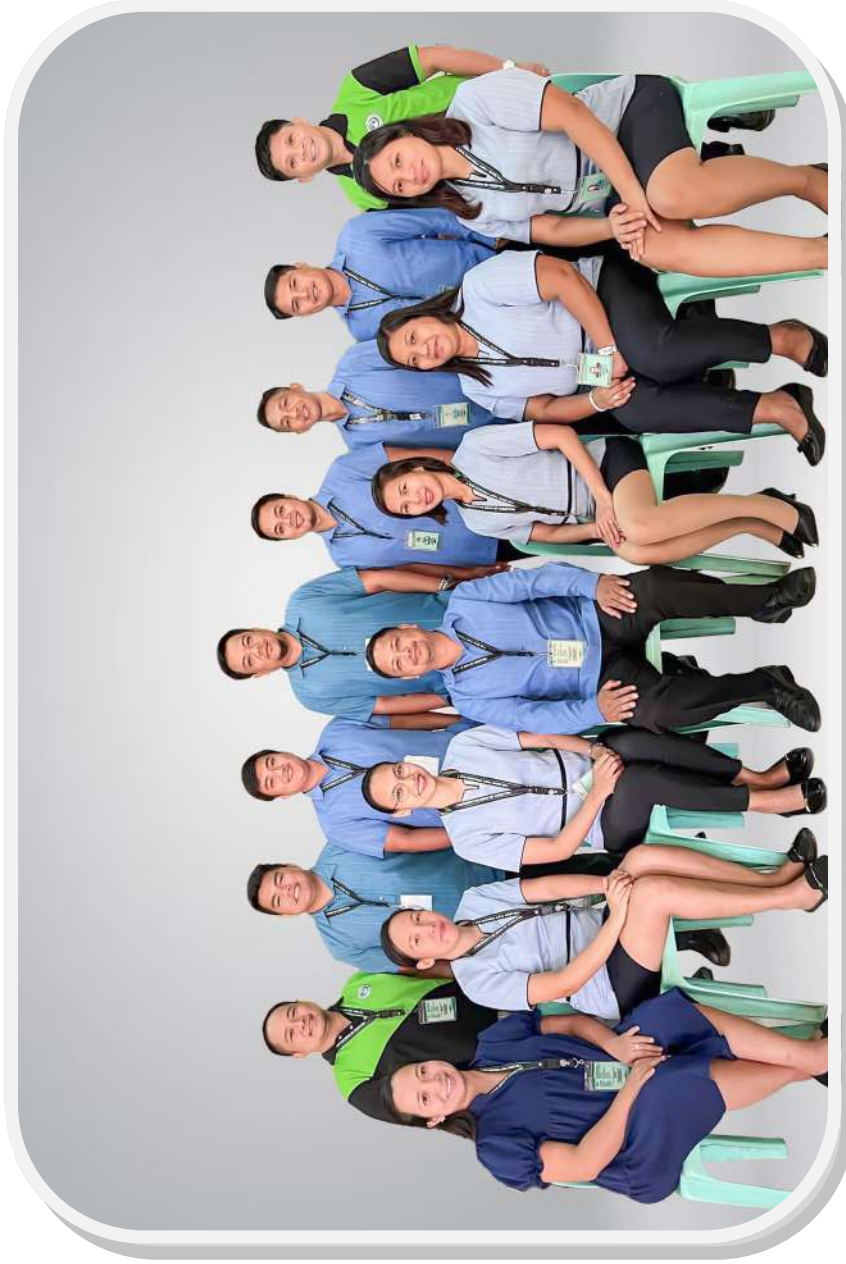
From Left to Right : **Ms. Joan S. Taguinod** (Accounting Staff), **Ms. Linden M. Gacias** (Accounting Staff), **Ms. Karen Rose Pagulayan** (Chief Accountant), and **Mr. Jomar Domingo** (Accounting Staff)

Fund Management and Branch Operation



From Left to Right : **Ms. Sheryl Pamittan** (Finance Staff), **Ms. Kreesha Jane Ancheta** (Teller), **Ms. Melody Faith Macababbad** (Main Branch Manager), **Mr. Dominic Tumaliuan Jr.** (FMBO Head), **Ms. Judy Ann Doca** (Cashier), **Ms. Vanessa Telan** (New Account Staff), and **Ms. Frances Corpuz** (Finance Staff)

Loans Department



From Left to Right :
Standing—**Mr. Leo Paul Gacias** (Evaluation Staff), **Mr. Jackson Casia** (Appraisal Staff), **Mr. Gerard Andy Pascual** (Asst. Evaluation Supervisor), **Mr. Ronnie Fernandez** (Evaluation Staff), **Mr. Richard Ballesta** (Evaluation Staff), **Mr. Ricky Maborang** (Evaluation Staff), **Mr. Joel U. Tabangay** (Evaluation Unit Supervisor), and **Mr. Romeo Malifier** (Driver/Utility)
Sitting—**Ms. Mary Jane Padilla** (Credit Processor), **Ms. Rodalyn Addun** (Credit Processor), **Ms. Diana Rose Dagdag** (LSU Staff), **Mr. Jitko B. Tayawa** (Loans Department Head), **Ms. Kristine P. Pasicolan** (Asst. Loans Head), **Ms. Melanie Rosete** (Appraisal Supervisor), and **Ms. Janice Ulep** (LSU Supervisor)

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Glecy Jane Bundoc

Graphics / Layout

Maynard B. Corpuz

Rizza T. Sulla

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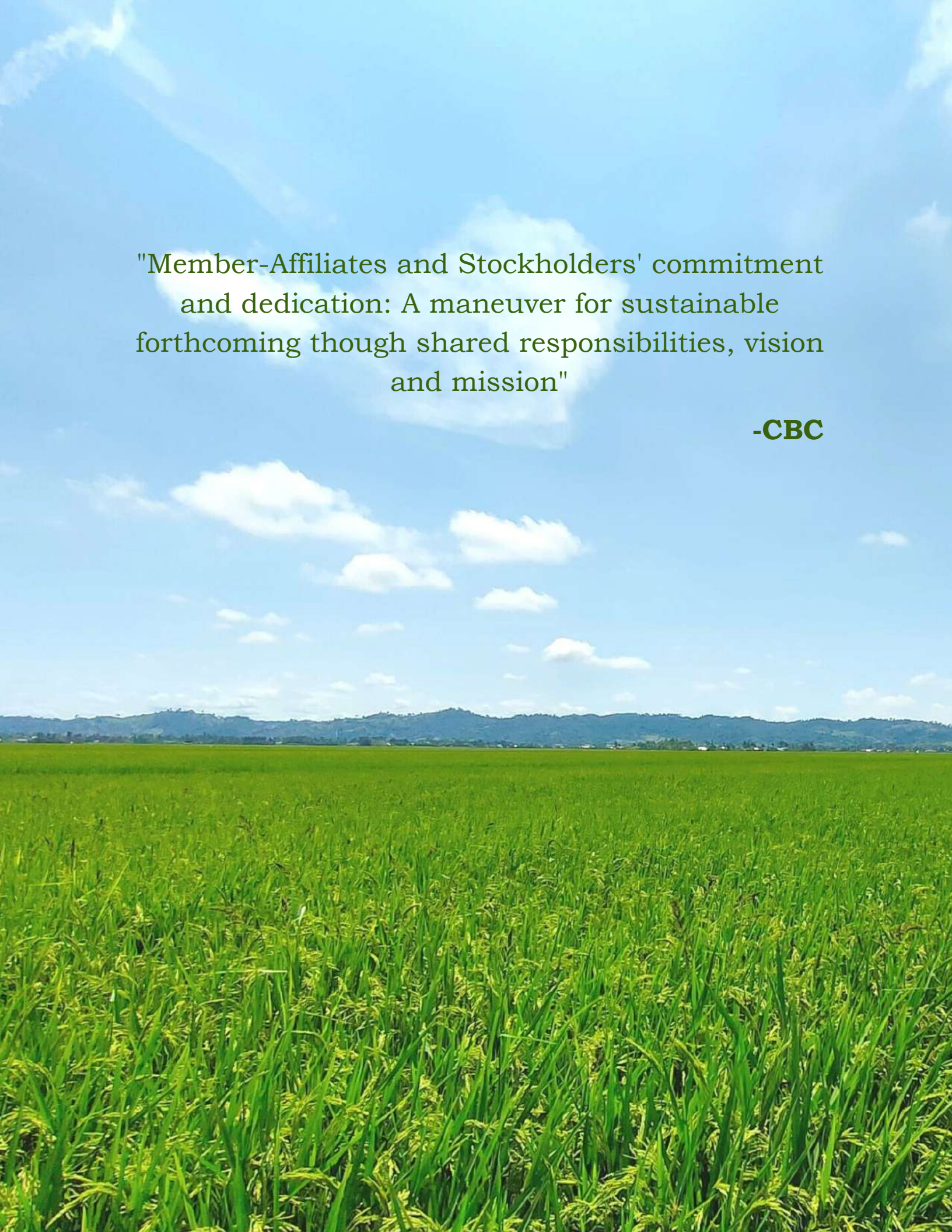
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"Member-Affiliates and Stockholders' commitment
and dedication: A maneuver for sustainable
forthcoming though shared responsibilities, vision
and mission"

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