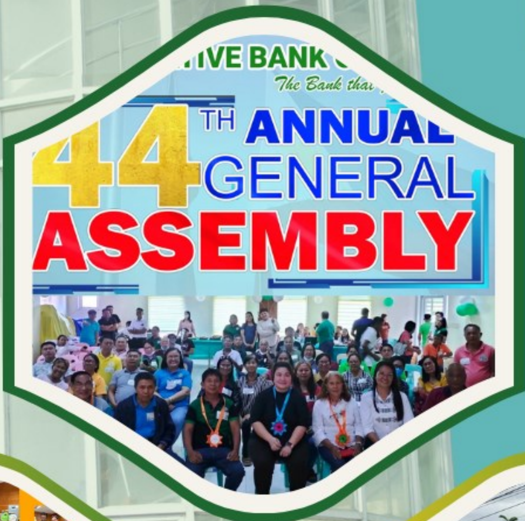
CB CAGAYAN 2023 ANNUAL REPORT



COOPERATIVE BANK OF CAGAYAN: KEEPING UP WITH SOCIAL AND ECONOMIC CHANGES AND MEMBER NEEDS

Brief Story about CBC

The Cooperative Rural Bank of Cagayan Inc. now Cooperative Bank of Cagayan (CB Cagayan) is one of the oldest & stable cooperative bank in the Philippines. It was organized on March 22, 1977 through the initiative of 105 Samahang Nayons & 1 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 CB Cagayan 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 & some areas in Isabela & 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 & some municipalities of Apayao.

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

CORE VALUES

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

PARTNERSHIP We share responsibility with our member-affiliates & 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 & Truthfulness.

INTEGRITY We are fair & just in all our undertakings as we take responsibility for our actions & 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 & stamina.

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

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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.

This represents the combined efforts of the 105 Samahang Nayons and 1 Area Marketing Cooperative that initiated the organization of the Cooperative Bank of Cagayan.

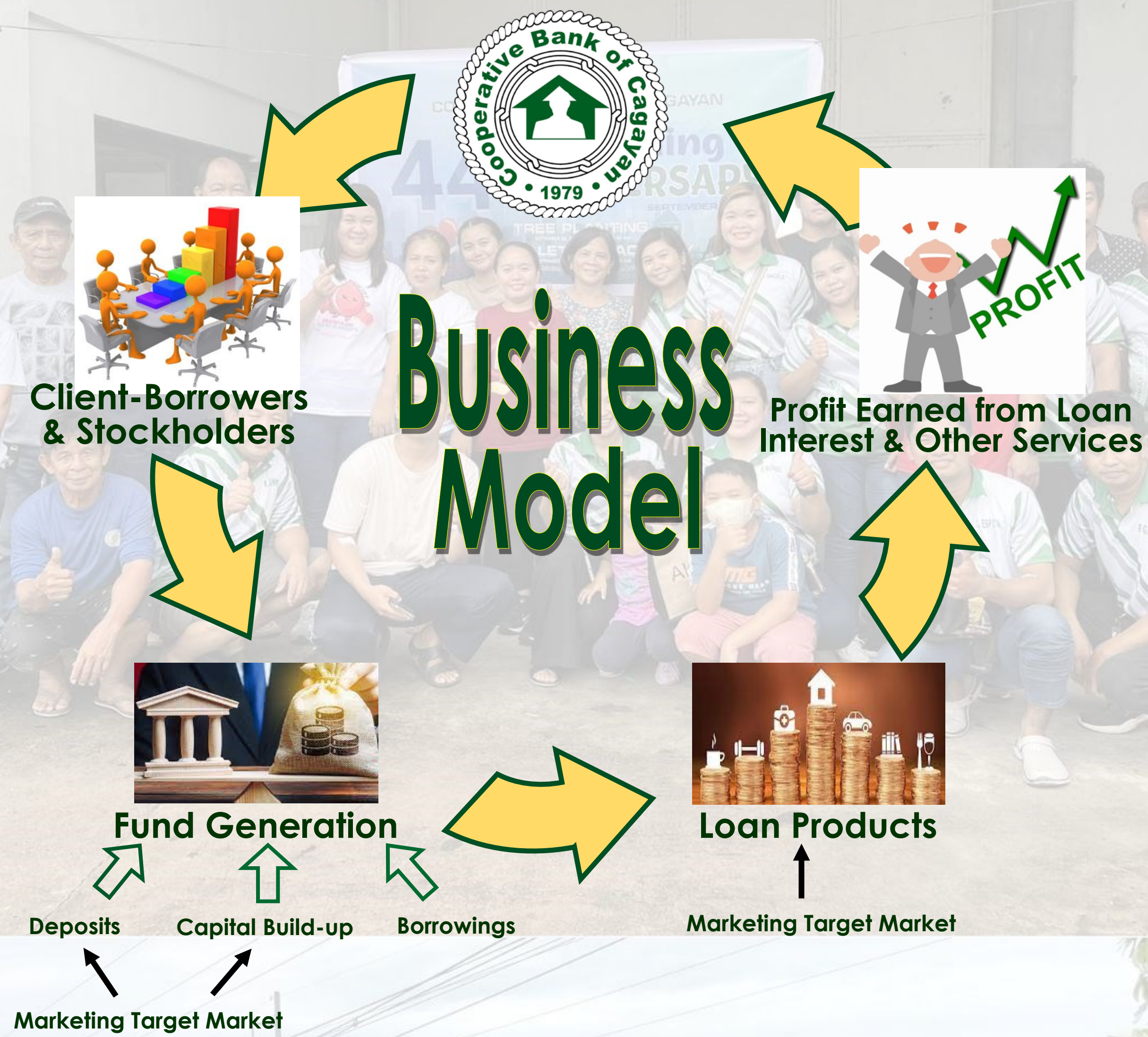
The name of the bank and the year it was founded.

This symbolizes the building structure of CBC.

This exemplifies the stockholders, member-affiliates, clients, borrowers, and depositors who continuously patronize and support the products and services of the bank.

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

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' deposits, capital build-up or infusion. The Fund Management and Branch Operation (FMBO) Department through its three (3) branches, and three (3) branch lite units will properly and efficiently manage the financial resources generated therein. The funds generated will be mainly utilized through the marketing of the 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).

The overall 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

"We haven't just grown in numbers; we've also grown in strength"

Fellow Members of the Cooperative Bank of Cagayan,

It is with immense privilege that I stand before you today at our annual General Assembly. This year's theme, "KoopPinas: Nagkakaisang Lakas para sa Makabuluhan at Sama-samang Pag-unlad," resonates deeply with the very core of our cooperative's mission.

As we all know, the cooperative movement thrives on the collective strength of its members. We stand united, not as individuals, but as a community bound by a shared purpose: to empower ourselves and uplift our fellow Filipinos.

The cooperative movement thrives on unity, and I'm happy to report that under our cooperative's leadership, we have seen a surge in member participation. This year alone, we've witnessed a positive increase in members actively engaging with our services and programs. We haven't just grown in numbers; we've also grown in strength. I'm thrilled to announce that the Cooperative Bank of Cagayan has recently achieved the "SAFr 3" standard set by the Bangko Sentral ng Pilipinas (BSP). This prestigious recognition signifies our bank's robust financial health and commitment to responsible banking practices – a direct result of our collective efforts.

The past year has presented its fair share of challenges. Yet, through it all, the Cooperative Bank of Cagayan has remained steadfast in its commitment to serving you, our valued members. We have weathered storms, adapted to changing landscapes, and continuously strived to provide you with the financial tools and resources necessary to pursue your dreams and aspirations. We've launched new programs, streamlined processes, and made accessing financial resources easier than ever.

This has only been possible because of the *nagkakaisang lakas* that each and every one of you embodies. Your trust, your patronage, and your active participation in our cooperative's affairs fuel our growth and enable us to fulfill our promise of *makabuluhang pag-unlad* for all.

Looking ahead, we must embrace the spirit of *sama-samang pag-unlad* even more profoundly. As we navigate the opportunities and uncertainties that lie ahead, let us remember the power of collaboration.

Let us work together to strengthen our cooperative, support our local communities, and contribute to the overall economic development of Cagayan Valley. Together, we can achieve remarkable things. We can empower individuals, uplift families, and build a brighter future for generations to come.

Thank you.

Engr. Nestor T. Bautista
Chairperson

President's Message

"Cooperative Bank of Cagayan towering all odds and closing the fiscal 2023 with remarkable improvement in its operations"

To our supportive owner-shareholders of the Cooperative Bank of Cagayan, the astute and active members of the Board, the Management and Staff who have been working very hard to institute improvements in the operation, the Banking Public who have not wavered despite numerous challenges brought about by the effects of the pandemic, happy 45th General Assembly to all.

Despite the declaration of the lifting of the state of National Health Emergency, the scare of the pandemic could still be observed and it is affecting not only the health condition of the business and agriculture sector but also their economic outlook. What is paradoxical, is the apparent resiliency of the Cooperative Bank of Cagayan towering all odds and closing the fiscal 2023 with remarkable improvement in its operation.

The change of the economic landscape brought about by the pandemic did not deter the Bank in pursuing the purpose of its creation which is to provide financial access to the agri-sector, micro, small and medium enterprises and other sectors needing financial intermediation. The herein under comparative data would support the robust performance of the Bank:

Apart from the foregoing, the Bank also participated in the Productivity Olympics, a program of the National Tripartite Wages and Productivity Board which gauge the productivity of the participating Institution during the year 2020 and 2021.

FINANCIAL HIGHLIGHTS	2023	2022	DIFFERENCE
Total Resources	635,935,531	607,404,673	28,526,858
Gross Loan Portfolio	494,753,743	468,328,346	26,425,397
Allowance for Probable Losses	74,400,593	80,084,462	(5,683,869)
Borrowings	188,969,833	152,671,183	36,298,650
Savings Deposit	95,008,401	106,996,547	(11,988,146)
Time Deposit	259,295,434	264,618,625	(5,323,191)
Total Income	90,058,144	95,090,529	(5,032,385)
Total Expenses	76,127,806	78,031,166	(1,903,360)
Provision (ACL & Imp Loss)	6,559,629	11,368,278	(4,808,649)
Net Income / (Loss)	7,370,709	5,691,085	(1,679,624)

The Bank was chosen as the Regional Winner by the Regional Tripartite Wages and Productivity Board in the medium enterprise category paving the way for its nomination in the National Level. While the Bank was not chosen as the National Winner, the experiences in its participation in the said event will surely boost the confidence of the Board, Management and Staff to devise and infuse more innovations in the operation in order to become more effective and efficient which will surely result to a better productivity.

The foregoing data and information are unequivocal manifestations that the Cooperative Bank of Cagayan is true to its vision of becoming the leading and most trusted cooperative bank in Northern Luzon devoted to uplift the quality of life in the countryside.

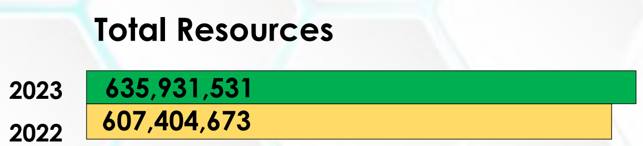
Thank you and again, happy 45th General Assembly.

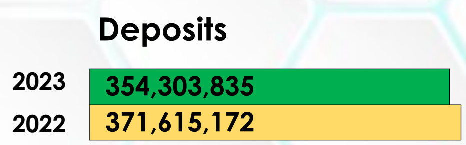
Atty. Robin James A. Gunnacao
President/CEO

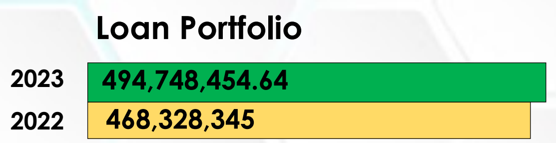
Financial Highlights

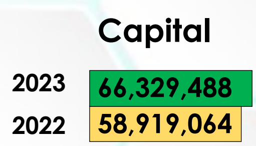
Particulars	2023	2022
	In Millions	
Total Resources	**635.93**	607.40
Loan Portfolio	**494.75**	468.33
Deposit	**354.30**	371.62
Capital	**66.33**	58.92
Net Income	**7.37**	5.69

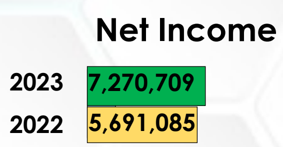
Particulars	2023	2022
Number of Deposit Account	**9,712**	8,489
Number of Borrowers	**6,705**	6,871

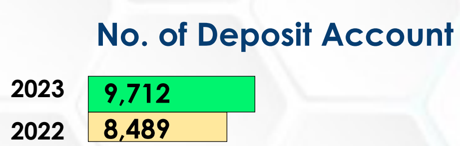


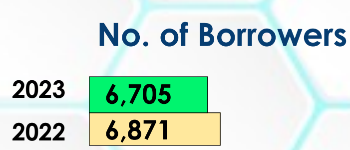












Financial Summary

PROFITABILITY		
Particulars	2023	2022
Total Net Interest Income	57,855,217	58,657,905
Total Non-Interest Income	19,873,626	23,735,902
Total Non-Interest Expenses	63,798,505	(65,334,444)
Pre-provision profit	13,930,338	17,059,363
Allowance for Credit Losses	(6,559,629)	(11,368,278)
Net Income	7,370,709	5,691,085

Balance Sheet Data		
Particulars	2023	2022
Liquid Assets	133,211,438	172,158,251
Gross Loans	494,748,450	468,328,346
Total Assets	635,931,531	607,404,673
Deposits	354,303,835	371,615,172
Total Equity	66,329,488	58,919,064

Financial Ratios		
Particulars	2023	2022
Return on Equity	11.77%	10.18%
Return on Assets	1.19%	0.97%
Past Due Ratio *(Inclusive of ACPC)*	17.55%	20.88%
Minimum Liquidity Ratio	44.78%	51.95%
Fixed Asset Ratio	3.64	3.60%
Qualifying Capital	63,429,847	58,131,168.83
Risk Weighted Assets	471,189,589	542,521,997
Capital Adequacy Ratio	13.46%	10.68%

Others		
Particulars	2023	2022
Headcount	109	111
Officers	5	5
Department Heads	6	7
Supervisors	5	5
Branch Manager	3	3
Asst. Branch Manager	3	3
Staff	81	81
No. of Offices	6	6

Capital Adequacy

A. Tier 1 capital	
Core Tier 1 Capital	**64,241,749.19**
Paid up common stock,	**34,115,175.86**
Paid-up perpetual and non-cumulative preferred stock,	**21,790,000.00**
Deposit for perpetual and non-cumulative preferred stock subscription,	**12,125,049.25**
Surplus, and RE	**8,336,573.33**
Surplus reserves (undivided Profit)	**5,484,789.44**
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**
General loan loss provision	**2,525,751.55**
Deductions from Upper Tier 2	
Perpetual cumulative preferred stock, and	
Sinking fund	**5,370,076.31**
Total Upper Tier 2 Capital	**-1,844,324.77**
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	**62,397,424.42**
E. Total Credit Risk-Weighted Assets	
F. Total Market Risk-Weighted Assets	
G. Total Operational Risk-Weighted Assets	**94,909,294.94**
H. RISK – BASED CAPITAL ADEQUACY RATIO	**13.37%**

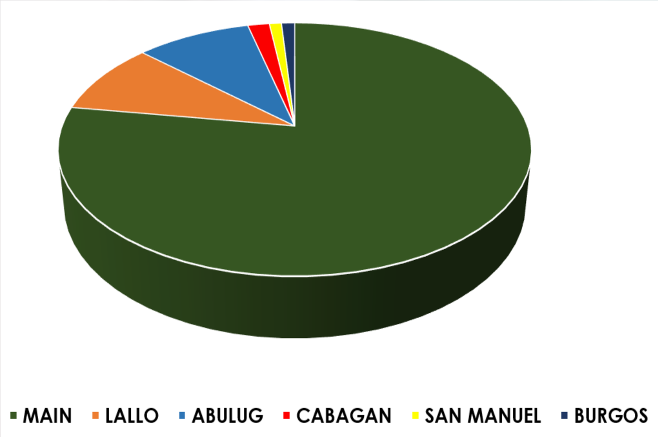
2023
OPERATION'S PERFORMANCE

"Everyone's Participation is what we collect to form a bigger and greater picture"

I. Fund Management and Branch Operation

A. Liabilities per Branch & Branch Lites

The Cooperative Bank of Cagayan (CB Cagayan) generated **354.3M** deposits in 2023. It decreased by **17.3M** or **4.69%** as compared to 2022 deposit generation amounting to **371.6M.**

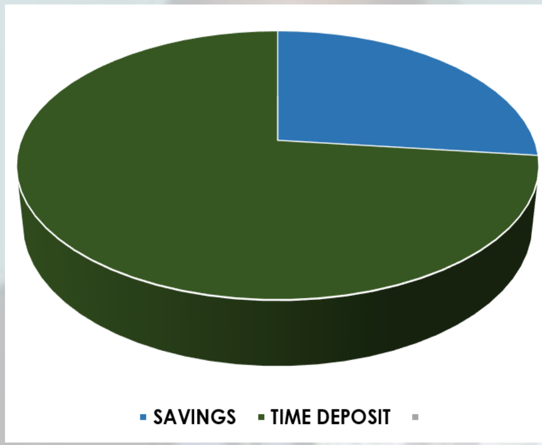


Branch	Amount	%
MAIN	274,577,143.91	77.50%
LALLO	32,976,716.20	9.31%
ABULUG	33,161,339.55	9.36%
CABAGAN	6,245,725.74	1.76%
SAN MANUEL	3,492,331.07	0.99%
BURGOS	3,850,578.78	1.09%
TOTAL	**354,303,835.25**	**100.00%**

Despite the decrease in the total amount of deposit generation, the bank managed to increase its total number of accounts, from 9,313 number of depositors recorded in 2022, a total of **399** new depositors were added, making the 2023 record climb to **9,712 depositors**.

Though the deposit generated from the three branches (Main, Lallo, Abulug) decreased from 360.2M in 2022 to 340.72 in 2023, the three branch lites were able to increase their deposits from the accumulated amount of 11.4M from 2022 to 13.59M in 2023.

This year, Time Deposits still hold the highest amount among the deposit products of the bank followed by Savings Deposit. The grounds for these figures is that the Cooperative Bank of Cagayan Time Deposit Product has a competitive interest rate.



TYPE	AMOUNT	%
SAVINGS	95,008,401.48	26.82%
TIME DEPOSIT	259,295,433.77	73.18%
TOTAL	**354,303,835.25**	**100.00%**

The increase in the number of depositors manifests that the trust of banking public with Cooperative Bank of Cagayan is made better. New members are expected to rise.

In 2023 2 cooperatives from San Manuel Branch lite trust Cooperative Bank of Cagayan through affiliation.

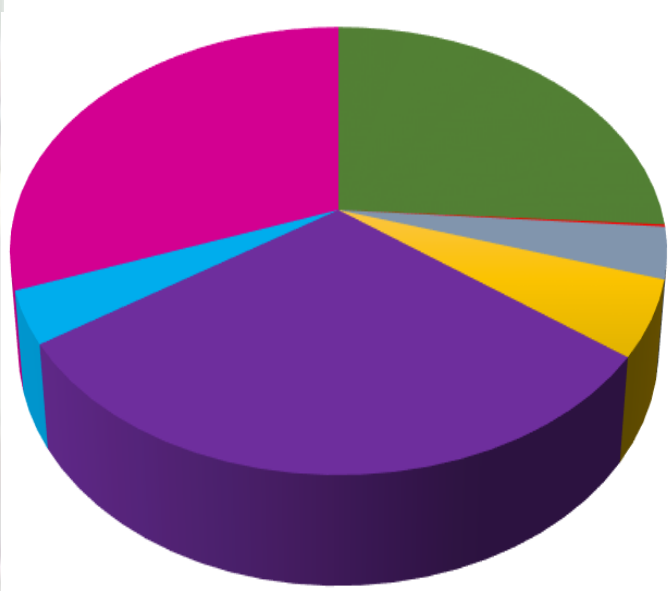
For the upcoming year, Cooperative Bank of Cagayan will continue to introduce its deposit product, and through the initiative of the management or employees, the door for the improvement of the existing products to become more appealing to the banking public remains open.

II. Lending Operation

In the most recent year, the bank was able to increase its Loan portfolio through the collective efforts of its Board of Directors, Officers/Management and Employees. As of December 2023 the bank marked a total Loan Receivables (*based from outstanding principal balance)* in the amount of **494.75 million.**

Non-Interest Income

Except from Loan Interest, the bank was able to obtain charges in connection to Loans (Service Charge, Processing Fee, etc.), penalties, and income derived from Investments and the sale of ROPA. The bank garnered a total of Php 10Miliion for the year.



26.06%	**AGRI AGRA Loan** *(OACL,ARL)*
0.15%	**Development Incentive Loan**
3.70%	**Microfinance Loan** *(RESBAC)*
5.43%	**Small Medium Enterprise Loan**
30.24%	**LIOP** *(Salary, Housing, Lot, Back-to-back, Student, Other)*
3.74%	**Consumer / Personal Loan** *(Appliance, Vehicle, MPL, FUEL))*
30.68%	**Other Loans** *(ACPC, Fringe)*

Except Other Loan *(ACPC, Fringe)*, Loans for Individual for Other Purposes *(LIOP)*, Agri Agra Loan and Small Medium Enterprise Loan (SME) are the top 3 highest loan volumes garnering a total amount of 149.63 million, 128.93 million and 26.85 million respectively.

Through some interventions made by the Loan Department, Asset Management and Legal Department and other supporting Departments, in terms of loan status, the bank recorded a total current loan in the amount of 406.50 million. For the past due and Non-Performing loans, it was being decreased from 44.9 million to 44.3 million. Items in Litigation also decreases from 50.65 million to 41.05 million.

With the stated loan availment of our member-borrowers for the recent year, the bank generated an Interest Income of 69.15 million.

Also, an income amounting to Php 5Miliion gained from recovery from Written-off accounts, and Miscellaneous income.

During the year 2023, the bank was able to introduce new loan products, the Environmental Loan and the Financial Upliftment and Economic Loan for Barangay Official (FUEL). With these products, more member-borrowers were catered and will be catered for the succeeding years.

For the year 2023, there were also concerns raised, but with the encouragement and support of the Board of Directors, cooperation and determination of its management and employees, the bank was able to surpass it and minimized it impact to the operation.

RISK MANAGEMENT FRAMEWORK

It is often presumed 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 who can mitigate these risks and create significant returns for shareholders or members on a consistent basis. Mitigation of risks begins by correctly identifying the risks, why they arise, and what damage they can cause to the operation of the bank.

Applying risk from the day-to-day operation of Bank is like encountering traffic lights; it signals the concerned individuals to slow down whenever any from the members of the organization detect and report risk incidents, stop to assess the situation properly and act upon occurrences, and go or apply mitigation processes to improve the overall operation of the bank. — 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.

Objectives

The Risk Management Committee has been created for the following objectives:

1. To oversee that the bank properly observes and implements the Risk Management System; and
2. To ensure that the bank maintains an adequate and effective risk management program.

Risk Management System and structure

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 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:

A. 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.

B. Risk management policy. Risk management policies shall cover:

1. 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;
2. clearly delineated responsibilities for managing risk based on the three lines of defense;
3. system for measuring risk;
4. checks and balances system; and
5. framework for risk data aggregation and risk reporting.

C. 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:

1. **Accuracy and Integrity**—this refers to the capability to generate accurate and reliable risk data to meet normal and stress reporting accuracy requirements.
2. **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.

3. **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

4. **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.

D. 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.

E. 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:

1. **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.
2. **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.
3. **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.

Risk Management Function

The Risk Management Function shall be responsible for overseeing the risk-taking activities across the Cooperative Bank of Cagayan, as well as in evaluating whether these remain consistent with its risk-appetite and strategic direction. It shall ensure that the risk governance framework remain appropriate relative to the complexity of risk-taking activities of the bank. The risk management function shall be responsible for identifying , measuring, monitoring and reporting risk on a bank-wide basis as part of the second line defense. It shall directly report to the Risk Management Committee (EMC) or the Board of Directors. The risk management officer should be collectively have knowledge and technical skills commensurate with bank activities and risk exposures. The bank employed a permanent Risk Management Officer (RMO) to carry out the responsibilities of the position. The appointment, dismissal and other changes to the RMO position shall have prior approval of the board of directors. In cases when the RMO will be replaced, the bank shall report the same to the appropriate supervising department of the Bangko Sentral ng Pilipinas (BSP) within five (5) days from time it has been approved by the Board of Directors.

The RMO shall have a sufficient stature, authority and seniority within the bank. He/she shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions, and shall have access to such information as he/she deems necessary to form his/her judgement. The RMO shall have direct access to the BODs and the RMC without any impediment. He/she shall serve on a full time basis and shall functionally meet and report to the BODs or board-level committee. Meeting with the Board of Directors or Board Level committee shall be duly minuted and adequately documented. In this regard, the BODs or board-level committee shall review and approved the performance and compensation of the RMO, and budget of the risk management function.

1. **Qualification of the RMO**
   He/she shall have a knowledge or skills necessary to oversee the bank's risk management activities. This will be assessed based on the ability of the RMO to influence decisions that affect the Bank's exposure to risk. The RMO should have the ability to interpret and articulate risk in a clear and understandable manner and, without compromising his/her independence, can engage in a constructive dialogue with the BODs, CEO/President, and other senior management on key issues.

2. **Duties and Responsibilities of RMO**
   Shall be responsible in overseeing the risk management function and shall support the BODs in the development of risk appetite and risk appetite statement of the bank and for translating the risk appetite into a risk limits structure. The RMO shall likewise propose enhancements to risk management policies, processes and systems to ensure the bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

Different Types of Risks

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.

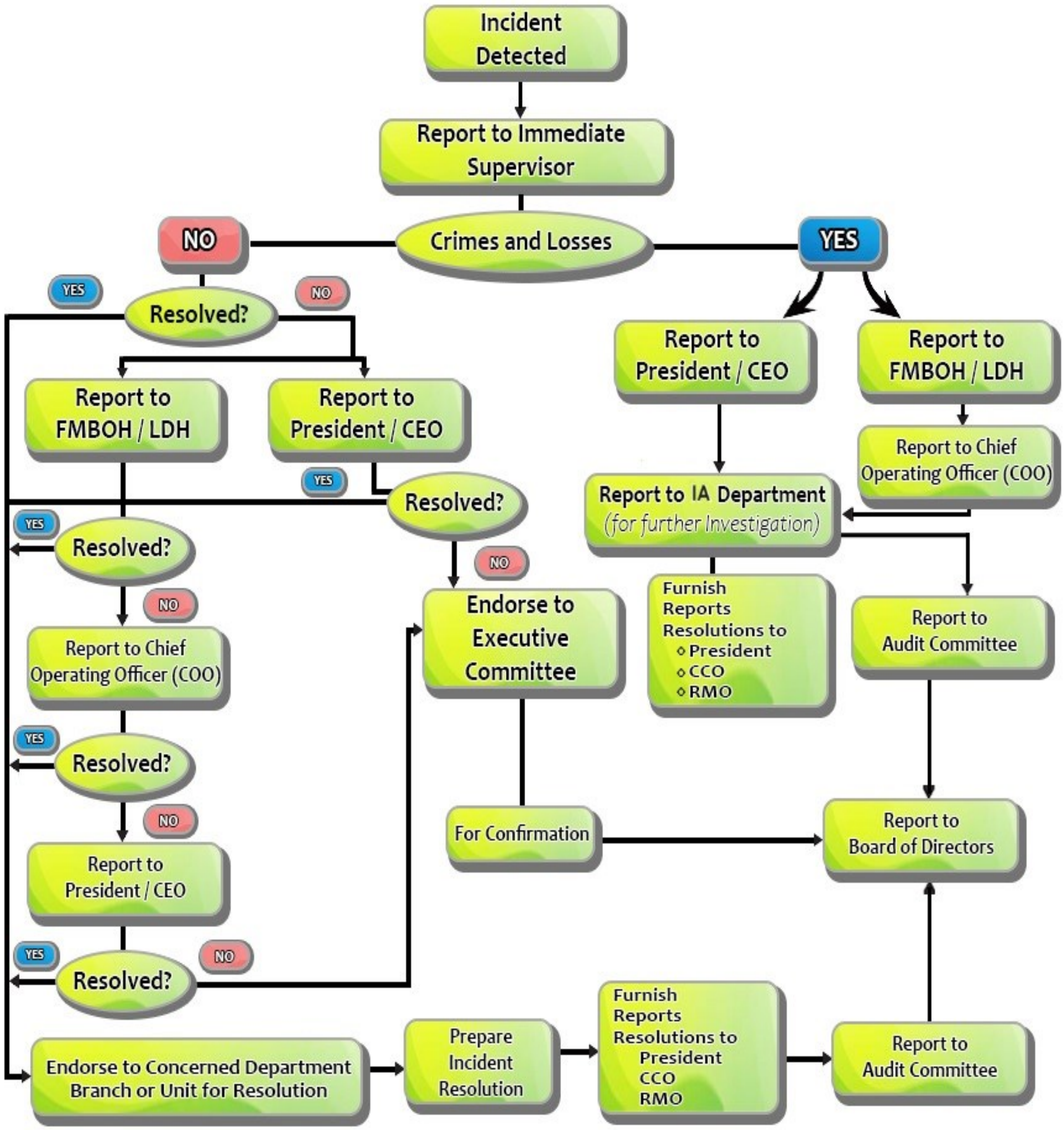
7. **Compliance Risk** – is the current and prospective risk to earnings or capital arising from violations of, or non conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Compliance risk also arises in situations where laws or regulations 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.

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.



CORPORATE GOVERNANCE

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

GOVERNANCE STRUCTURE

The Board of Directors (BOD) 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 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 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 BODs 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. In this regard the following shall apply:

(1) A non-executive director may concurrently serve as director in a maximum of (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as a director shall be separately considered in assessing compliance with this requirement

(2) An independent director of the bank may only serve for a maximum cumulative term of (8) years. After which, the independent director shall be perpetually barred from serving as independent director in the bank, but may continue to serve as a regular director. The maximum cumulative term for independent directors shall be reckoned from 2012.

1.3.a. An independent director shall refer to a person who:

(1) is not or was not a director, officer, employee of the bank, its subsidiaries, affiliates or related interests during the past (3) years counted from the date of his election/ appointment.

(2) is not or was not a director, officer, employee of the bank's substantial shareholders and their related companies during the past (3) years counted from the date of his election/appointment.

(3) is not an owner of more than (2%) of the outstanding shares or a shareholder with shares of share sufficient to elect one (91) seat in the board of directors of the bank, or any of its related companies or of its majority corporate shareholders.

(4) is not a close family member of any director, officer or shareholder holding shares of share sufficient to elect (1) seat in the board of directors of the bank or any of its related companies or of ant substantial shareholders.

(5) is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders

(6) is not or was not retained as professional adviser, consultant, agent or counsel of the bank, any of its related companies or any of its substantial shareholders either in his personal capacity or through his firm during the past (3) years counted from the date of his election

(7) Is independent of management and free from any business o other relationship, has not engaged and does not engage in any transaction with the bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment

(8) Was not appointed in the bank, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment.

(9) Is not affiliated with any non-profit organization that receives significant funding from the bank or any of its related companies or substantial shareholders, and

(10) Is not employed as an executive officer of another company where any of the bank's executives serve as director.

1.3.b. Lead independent director

a. In case the Chairman of the Board is not an independent director and if roles of the Chairman and the CEO are combined and to avoid the possible abuse of power and authority, and potential conflict of interest, the Board shall appoint among the independent directors a strong "lead director". The Lead Independent Director shall have sufficient authority to lead the Board in cases where management has clear conflict of interest.

The board shall ensure that the lead independent director functions in an environment that allows him to effectively challenge the Chief Executive Officer as circumstances may warrant.

b. Functions of the Lead Independent Director

- Lead the independent directors at BOD meetings in raising queries and pursuing matters.
- Lead meetings of independent directors, without the presence of the executive directors.

1.3.c. Term Limits for Independent Directors

a. As a rule, the Board's independent directors may serve for a maximum cumulative term of eight (8) years, making sure however that the shareholders' legal right to vote and be voted remains inviolable.

b. After which, the independent director shall be perpetually barred from re-election as such, but may continue to serve as regular director.

c. The shareholders may, however, choose to re-elect an independent director who has already served for eight (8) years. In such instances, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

d. It shall be the responsibility of the Corporate Secretary to ensure that the above-mentioned requirements for an independent director are complied with during election.

1.3.d. Termination/Cessation of Independent Director/s

a. Independent directorship shall only be terminated or ceased in case the independent director voluntary resigns as such, his office was terminated for a cause (such as disqualification), and for other reasons based on existing rules and regulations.
b. Such resignation, disqualification or cessation from independent directorship shall be reported to BSP and CDA within (20) banking days from such resignation, disqualification or cessation.
c. The vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Election Committee, otherwise said vacancy shall be filled by the shareholders in a regular or special meeting called for that purpose.

An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

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

1.6.a. The Chairperson of the board of directors shall provide leadership in the board of directors. 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.

His duties may include, among others, the following:

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

1.6.b. Qualifications of the Chairman of the Board

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

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

1.7 The President/CEO

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 twenty-five (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 fifteen (15) banking days prior to filing of candidacy;
4. The Cooperative he/she represents must satisfy at least three-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 Php 30,000.00 and infused an increment of Thirty Thousand Pesos (Php 30,000.00) 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 five-year experience in business;
8. The candidate for Directorship is not engaged in business similar to the Cooperative Bank of Cagayan;
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;
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)

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;
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.

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.

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.

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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.

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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.

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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:

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Presentation of Rules of Election

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Presentation of Candidates for Directorship

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Casting of Votes

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Proclamation of Winners

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.

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

To ensure a high standard of best practice for the Bank, its shareholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

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

   The Board shall:

   (a) Regularly monitor the actions of Senior Management and ensure that these are consistent/at par with the policies/standards that it has approved. It shall put in place formal performance standards to be able to effectively assess the performance of Senior Management.

   (b) Regularly meet with Senior Management to engage in discussions, question and critically review the reports and information provided by the latter.

   (c) Regularly review policies, internal controls and self assessment functions (e.g., internal audit, risk management and compliance) with Senior Management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

   The Board shall ensure that Senior Management's expertise and knowledge shall remain relevant given the Bank's strategic objectives, complexity of operations and risk profile.
5. Consistently conduct the affairs of the Bank with a high degree of integrity.
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.
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.
11. Promote long term financial interest of the bank and ensure that it has beneficial influence on the economy by promoting sustainability principles through:
    a. Institutionalizing the adoption of sustainability principles, including those covering E&s risk areas in the bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the bank's strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedures. Moreover, the board shall:

a.1. Set strategic E&S objectives covering short, medium, and long-term horizons;

a.2 Approve the risk appetite on specific risk areas that the bank is willing & capable to manage, results of stress testing exercises, and assessment of the timing & channels through which E&S risks may materialize;

a.3 Ensure that material E&S risks are considered in the Internal Capital Adequacy Assessment Process (|CA.AP) or internal capital planning process.

b. promoting a culture that fosters environmentally & socially responsible business decisions. The BODs shall ensure that sustainability implications are considered in the over-all decision making process.

c. approve the bank's ESRMS that is commensurate with the bank's size, nature, & complexity of operations & oversee its implementation. The BODs shall ensure that ESRMS is aligned with internationally recognized principles, standards and global practices and forms part of the enterprise-wide risk management (ERM) system.

d. ensure that sustainability objectives & policies are clearly communicated across institutions, & to its investors, clients, & other stakeholders.

e. adopt an effective organizational structure to ensure attainment & continuing relevance of the bank's sustainability objectives. The BODs or the designated board-level or management committee shall monitor the bank's progress in attaining sustainability objectives.

f. Monitor the progress of the bank in meeting its E&S strategic objectives and targets and ensure that issues in meeting the same are addressed.

g. Institutionalize a capacity building program for the Board of Directors, all levels of management, and personnel to equip the bank in identifying, measuring, monitoring, and controlling E&S risks. The board of directors shall likewise ensure that key personnel shall possess adequate knowledge, skills, and expertise necessary to perform their work.

h. Ensure that adequate resources are available to attain the bank's sustainability objectives. The board of directors shall ensure that the members of the board, senior management and personnel are regularly apprised of the developments on sustainability standards and practices.

i. Adopt an effective communication strategy to inform both internal and external stakeholders of the bank's E&S strategic objectives and targets; and

j. Ensure that sustainability agenda is integrated in the bank's performance appraisal system.

12. Set strategic E&S objectives and targets for the bank's credit operations covering short, medium, and long-term horizons to facilitate the integration of E&S principles in lending operations. These may include progressively increasing targets on the proportion of the loan portfolio allocated for sustainable financing. In this regard, the board of directors shall:

   a. Set out clear criteria involving decisions to finance high E&5 risk sectors during the said term horizons. The criteria shall consider the long-term financial interest of the bank and its role in contributing to the sustainable goals and growth of the economy; and

   b. b. Ensure comprehensive discussion of credit related E&S risks of the bank as well as deviations from strategic objectives and targets set.

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

2.5. 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.

2.6. 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

2.7. 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 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 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 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.

The absence of a director in more than (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events. The Board shall hold a meeting immediately after their election for organization and for the election of the officers of the Bank. Thereafter, unless otherwise determined by the Board, it shall hold regular meetings every third Friday of each month. Meetings shall be held at the Board room.

As far as practicable, materials for the Board meeting should be provided at least (2) banking days before the meeting. The non-executive directors should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Bank. The meetings should be chaired by the lead independent director.

B. DIRECTORS

1. Qualifications of a Director

A director shall have the following minimum qualifications:

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 BODs.

* 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.
* An elected director has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications by submitting the regulatory documentary requirements. Non-submission of complete documentary requirements within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the Board.
* The members of the Board shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

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:

<u>a.1. Permanently disqualified</u>

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 finding of the Monetary Board has become final and executor;

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

a) Delinquency in the payment of obligations means that an obligation of a person with a bank where he/she is a director or at least (2) obligations with other banks/financial institutions, under different credit lines or loan contracts are past due.

b) Obligations shall include all borrowings from a bank obtained by:

b.1. A director for his own account or as the representative or agent of others or where he/she acts as guarantor, endorser or surety for loans from such financial institutions;

b.2. The spouse or child under the parental authority of the director;

b.3. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;

b.4. A partnership of which a director or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

b.5. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing Items "i", "ii" and "iv";

This disqualification shall be in effect as long as the delinquency persists.

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/ 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 (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
BOD Chairperson

He is a Director for more than 1 year after elected by the General Assembly on March 2022. A Non—Executive Director. He is 63 y.o and a Filipino citizen. He finished BS in Agricultural Engineering at Central Luzon State University. He became a director of the bank for 6 years from 2004-2010 before he became the President/CEO for 6 years from 2011-2017. He was also 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.

QUIRINO V. MUÑOZ
BOD Member

He is a Director for more than 9 months after elected by the General Assembly on March 2023. He is a Non—Executive Director. He is 78 y.o and a Filipino citizen. He finished BS in Industrial Education at Mariano Marcos State University Institute of Technology and Masters Degree in Education at Northern Cagayan Colleges. He held a directorial seat in the bank for the following years: 1)2005 - 2007, 2 years; 2)2010-2014, 4 years; 3) 2016 - 2022, 6 years. He is the Chairperson of Sta. Cruz MPC, Former Teacher I, Head Teacher III, Elementary School Principal II.

ENGR. RUSTICO R. TURINGAN
BOD Member

An independent Director for more than 2 years after elected by the General Assembly on March 2022. He is 65 years old and a Filipino citizen. He finished BS in Civil Engineering, BS in Geodetic Engineering at University of St. Louis and Master in Public Administration at Isabela Colleges Incorporation. He also became a director of the bank for 3 years from 2016 to 2019. He is a Provincial Agrarian Reform Program Officer, DAR since 2018. He also became the Chairperson of Cagayan Valley Seed Growers Federation in 2013 and BOD Member of Rainbow Marketing Coop. since 2019.

NATHANIEL B. NARAG
BOD Member

He is a Director for more than 1 year after elected by the General Assembly on March 2022. A Non-Executive Director. 70 years old and a Filipino citizen. He attended two-year Course Bachelor of Science in Architecture at Cebu Institute of Technology and a Civil Engineering undergraduate at 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.

DANIEL M. NARAG
BOD Member

A Director for more than 1 year after elected by the General Assembly on March 2022. A Non-Executive Director, 74 years old & a Filipino citizen. A graduate of BS Administration at University of the East—Manila. He also became a director of the bank for 3 years from 2016 to 2019. Re-elected from 2017 to 2022 (5yrs.). He is the Chairperson of Northern Philippine Farmers' Coop. (NORFARCO) since 2013. Farmers Organization Representative in Provincial Agrarian Reform Committee since 2018. He was a former Board of Trustee in Mill District Development Council (MDDC. A former Pollution Control Officer in Pollution Control Office in 2013-2014.

RUFFA MAE B. DE MESA
Cooperative Secretary

She is 23 years old and a Filipino citizen. She finished Bachelor of Science in Legal Management in 2022 and currently taking up Juris Doctor at University of Cagayan Valley.

She worked as Legal Assistant for more than 1 month. She was hired in this institution last April of 2023.

MAJOR ROLES AND CONTRIBUTIONS OF THE CHAIRPERSON FOR 2023

The Chairperson of the Board, who leads and provides leadership to its members and to the organization, navigates the bank to focus on its specific goals and targets for the entire year. He made sure that whenever the bank proposed or amended a policy, it should be in line with the organizational goals and targets and also be legally compliant.

Having the oversight responsibility for all the transactions made by the bank, during the last BSP examination, the Supervisory Assessment Framework (SAFr) of the bank surged to 3.

During his speech in the last General Assembly, he stated that he wanted to extend or add services of the bank to cater more depositors and borrowers. With that, new products have been adopted through his initiative. For deposits, Buhay Savings *(Ref. Board Resolution no. 2023-074)* has been introduced for depositors who want to place their funds with the bank and have free life insurance. For lending operations, Environmental Loan *(Ref. Board Resolution no. 2023-047-A)* which aims to finance environmentally friendly equipment like solar panel systems and electric vehicles, and Financial Upliftment and Economic Loan for B Barangay Officials (FUEL) *(Ref. Board Resolution no. 2023-147)* which aims to cater the personal and other providential needs of the elected and appointed Barangay Officials have been approved.

A commitment to the Sustainable Finance Framework is also one of the contributions of the chairperson of the board for the past year. He made sure that the Board, Committees, Officers and Management duties and responsibilities is in line with the Sustainable Finance Framework that the bank is looking into.

Overall, the contributions of the chairperson of the Board played a significant impact on what the bank has achieved for 2023.

Name	Paid-in Preferred Capital	Number Of Preferred Shares Held	Percentage Of Shares Held	Principal Stockholder Represented	Paid In Common Capital	No. of Common Shares Held	Percentage Of Shares Held
Engr. Nestor T. Bautista *Chairperson*	57,000	57	0.16%	Cagayan Seed Producers Cooperative	349,670.24	349	1.02%
Nathaniel B. Garcia *Member*	459,500	459	1.32%	Hacienda Intal Credit Cooperative	910,518.91	910	2.67%
Daniel M. Narag *Member*	532,000	532	1.52%	Northern Philippine Farmers Coop (NORFARCO)	415,114.25	415	1.22%
Engr. Rustico R. Turingan *Member*	403,500	403	1.16%	Rainbow Marketing Cooperative	90,000.00	90	0.26%
Quirino V. MuÑoz *Member*	478,900	478	1.37%	Sta. Cruz SN MPCI	501,050	501	1.47%

BOARD OF DIRECTORS' ATTENDANCE

Composition	REGULAR BOD MEETING				SPECIAL BOD MEETING			
	No. of Meetings	Physical	Virtual/ Telecon	%	No. of Meetings	Physical	Virtual/ Telecon	%
Nestor T. Bautista *Chairperson*	12/12	100%		**100%**	2/2	100%		**100%**
Anthony A. Paragoso *Vice Chairperson*	3/4		75%	**75%**				
Rustico R. Turingan *Member*	12/12	83%		**83%**	2/2	100%		**100%**
Nathaniel B. Garcia *Member*	12/12	100%		**100%**	2/2	100%		**100%**
Daniel M. Narag *Member*	12/12	100%		**100%**	2/2	100%		**100%**
Carmelita R. Abuel *Member*	8/10	80%		**80%**	2/2	100%		**100%**
Quirino V. Muñoz *Member*	9/9	100%		**100%**	2/2	100%		**100%**

Director Paragoso passed away last June 17, 2023 and able to attend 3 out of 4 Regular BOD meetings in 2023.
Due to her resignation last November 8, 2023, Director Abuel was able to attend 8 out of 10 Regular BOD and 2 out of 2 Special BOD meetings in 2023

C. BOARD 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.

The Audit Committee members may not be professional accountants or auditors and their functions are not intended to duplicate or to certify the activities of management and the independent auditor, nor can the Committee certify that the independent auditor is "independent" under applicable rules. The Audit Committee serves as a board level oversight role where it oversees the relationship with the independent auditor, as set forth in this charter, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

B. Membership and Structure—It shall be composed of at least (3) members of the BODs, 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. It shall have to approve related fees and retention terms.

C. Duties and Responsibilities of the Audit Committee—It is responsible for overseeing senior management in establishing & 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 & 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 & skills necessary to accomplish the internal audit activities.

D. **Frequency of Meeting**—The Audit Committee shall meet at least every quarter and special meeting if need arises.

AUDIT COMMITTEE MEETING ATTENDANCE				
Composition	**No. of Meetings**	**Physical**	**Virtual/ telecon**	**%**
Rustico Turingan *Chairperson*	5/5	100%		**100%**
Carmelita Abuel *Former Chairperson*	2/4	50%		**50%**
Quirino V. Muñoz *Member*	5/ 5	100%		**100%**

2. 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 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— 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 of 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 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/ telecon	%
Rustico Turingan *Chairperson*	4/4	100%		**100%**
Carmelita Abuel *Member*	4/4	100%		**100%**

3. Corporate Governance Committee—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.

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—The Committee shall oversee the following:

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

CORPORATE GOVERNANCE COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physical	Virtual/ telecon	%
Rustico Turingan *Chairperson*	4/4	100%		**100%**
Nestor Bautista *Member*	4/4	100%		**100%**
Quirino Munoz *Member*				
Carmelita Abuel Former Member	4/4	100%		**100%**

Director Muñoz Became the Member of Corporate Governance Committee since November 2023 after the resignation of Director Abuel

4. Related Party Transactions (RPTs) 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 RPTs 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—Appointed and authorized by the Board to assist them in fulfilling its responsibility to strengthen corporate governance and practices particularly on:

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 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

1. The RPTC shall be composed of at least (3) members of the BODs, (2) shall be independent directors, including the chairperson.
2. The chairman and the members of the shall be appointed by the Board.
3. 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 Chairperson may call a meeting at any time and will call a meeting

if so requested by any member.

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

E. Duties and Responsibilities

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. Benefits to the BSFI of the proposed RPT;
   iv. The availability of other sources of comparable products or services;
   v. An assessment of whether the proposed Related Party Transaction is on terms & 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 & 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, & 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 & procedures.

RELATED PARTY TRANSACTION COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physical	Virtual/ telecon	%
Rustico Turingan *Chairperson*	1/1	100%		**100%**
Nestor Bautista *Member*	1/1	100%		**100%**

5. **Credit Committee**—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

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

B. Duties and Responsibilities

1. Establishing the Bank's overall credit risk capacity
2. Setting strategic targets, portfolio composition & 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 & approving all loans & credit

transactions with the scope of its authority.

6. It shall review at least quarterly the industry ratios pertaining to the asset quality.

C. Resources and Authority—The 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 (MORB) shall be applied and related provisions of the Code of Conduct shall also be enforced.

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

E. Composition and Resource Persons

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

E. Frequency of Meetings—Meet as deemed necessary, initially set monthly.

CREDIT COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physical	Virtual/ telecon	%
Nathaniel Garcia *Chairperson*	12/12	100%		**100%**
Daniel Narag *Member*	12/12	100%		**100%**
Anthony Paragoso Former Member	3/5		60%	**60%**
Carmelita Abuel Former Member	9/9	100%		**100%**

6. Asset and Liabilities Committee (ALCO)—

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—It established to provide the framework to strategically manage the bank's overall assets & 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 & review results of ALM strategy implementation & 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 & approve new investments & changes in allocations w/in approved

guidelines & risk exposure limits.

8. Reviews & maintains agreed risk exposures.
9. Review & 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 & Reports—The Committee shall review this charter at least annually and submit recommendations for any additions or changes for approval of the Board.

E. Composition and Resource Persons

1. The Committee shall consist of at least (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.

F. Frequency of the Meetings—The Committee shall meet quarterly or at such other times, it deems necessary.

ASSET & LIABILITIES COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physical	Virtual/ telecon	%
Nathaniel Garcia *Chairperson*	344	100%		**100%**
Anthony paragoso *Former Chairperson*	2/2		100%	**100%**
Daniel Narag *Member*	4/4	100%		**100%**
Carmelita Abuel Former Member	3/3	33%		**33%**

7. **Human Resources Committee—**Tasked with establishing a formal & transparent procedure in determining the remuneration of directors & officers that is consistent with the Bank's culture, strategy, business environment & industry practice.

A. Objectives

1. To give a clear & concrete information on the personnel & administrative policies & procedures to all staff members (employees) of this Bank.
2. To create & 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 & strategies that provide the Bank with the capability to achieve its short and long term business objectives.

B. Authority

1. Functions & powers are as set out in this Charter or otherwise delegated to it by the Board, in accordance with the Bank's policies d procedures.
2. Primary role is to review & 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 & Resource Persons—The Committee must consist of a minimum of 3 members of the Board. The Chairperson & members Committee will be appointed by the Board. The Board may remove or replace a member of the Committee.

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

Talent Management—oversee the annual talent review process for Executives & senior management & the development of succession plans for Executives & key senior management to foster an appropriate balance of skills, experience, & expertise to support the ongoing successful management of the Bank.

Diversity

- It is responsible for overseeing & ensuring that diversity remains a key component of the global Human Resources strategy.
- To oversee an appropriate wide diversity policy & 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 & disclosure requirements in relation to diversity are satisfied.

E. **Recruitment, Retention & Termination—**oversee the Bank's recruitment, retention & termination of Executives in order to ensure a market-competitive approach with the sourcing and retaining the level of talent required.

F. **Frequency of the Meeting—**Meet every month, however, the committee may call additional meetings as necessary for the Committee to fulfil its duties, taking into account requests from any Board or Committee member. A quorum is at least two members of the Committee. If the Chairman is absent from a meeting, the members of the Committee present may appoint another Committee member to act as Chairman for that particular meeting. However, all members are expected to participate in all Committee meetings. A standing invitation is issued to all non-executive directors who are not members of the Committee to attend meetings.

HUMAN RESOURCES COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physical	Virtual/ telecon	%
Quirino Munoz *Chairperson*	9/9	100%		**100%**
Nathaniel Garcia *Member*	9/10	90%		**90%**
Nestor Bautista *Member*	4/6	66.67%		**66.67%**
Carmelita Abuel	4/4	100%		**100%**
Anthony Paragoso	4/6		66.67%	**66.67%**

January-April members of the Committee were: 1) Anthony Paragoso; 2) Nestor Bautista; 3) Nathaniel Garcia

April-June members of the Committee were: 1) Anthony Paragoso; 2) Nestor Bautista; 3) Quirino Munoz.

After Director Paragoso Passed away, Director Munoz became the Chairperson. And on August HR Committee members were: 1) Quirino Munoz; 2) Nathaniel Garcia; 3) Carmelita Abuel.

On November 8, 2023, Director Abuel tendered her resignation as one of the members of the Board.

8. Gender and Development Committee—A Committee that is tasked to ensure the fundamental equality before the law of women and men.

A. **Purpose and Objectives—**It is created to harmonize Gender & Development guidelines seek to promote the twin goals of gender equality & women's empowerment.

Specifically, these aim to help achieve gender equality in, & empower women through, projects & programs. This involves the expansion of freedom & strengthening of capabilities. Integrate gender perspective in the entire operation of the Bank to ascertain that the system, processes are fair, empowering & sustainable. Reduce inequality & discrimination in coops.

B. Composition & Resource Person/s—It must consist of a minimum of (3) members of the Board. The Chairperson, GAD Focal Person & members of the Committee will be appointed by the BODs. The Board shall have the power to change the members of the Committee at any time, to fill vacancies therein & 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 & other stakeholders.

   Functions and Responsibilities

   a. GAD Focal person
   - Coordinates and reviews implementation of GAD programs/ activities/project based on the approve plans & budget.
   - Prepares performance reports and recommends policy improvement to the GAD Committee.
   - Gathers & analyzes gender-related information and other data & 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 & DEVELOPMENT COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physical	Virtual/ telecon	%
Quirino Munoz *Chairperson*	1/1	100%		100%
Daniel Narag *Member*	1/1	100%		100%

9. Mediation / Conciliation Committee—The Committee acts as a consultant of the HRD in planning & coordinating education & training activities & programs for officers, encourages the alternative methods of resolution & conciliation of all conflicts & 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 & set standards & procedures relative to the promotion of conciliation & mediation of labor disputes through the preventive mediation, conciliation & voluntary arbitration; facilitation of labor management cooperation through joint mechanisms for information sharing, effective communication & consultation & group-problem solving.

B. Functions

1. Formulate policies, programs, standards, procedures, manuals of operations & guidelines pertaining to effective mediation & conciliation of all labor dispute.
2. Perform preventive mediation & conciliation functions.
3. Coordinate & maintain linkages with other sectors of institutions, & other government authorities concerned with matters relative to the prevention & settlement of labor disputes.
4. Formulates policies, plans, programs, standards, procedures, manuals of operations & guidelines pertaining to the promotion of cooperative & non-adversarial schemes, grievance handling, voluntary arbitration & other voluntary modes of dispute settlement.
5. Administer the voluntary arbitration program; maintain /update a list of voluntary arbitrators, compile arbitration awards & decisions.
6. Provide counseling & preventive mediation assistance particularly in the administration of collective agreements.
7. Monitor & 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 BOD.

C. Committee Composition

1. It shall consist of at least (3) members
2. The Chairman & members of the will be appointed by the Board
3. The Board may remove or replace a member.

D. Meeting—It will initially be held quarterly. Special meetings may be called by Chairperson upon his/her initiative.
Quorum: A quorum for the conduct of business at each meeting shall be a simple majority of the committee members.

MEDIATION/CONCILIATION COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physical	Virtual/ telecon	%
Daniel Narag *Chairperson*	1/1	100%		**100%**
Nathaniel Garcia *Chairperson*	1/1	100%		**100%**
Quirino Munoz *Chairperson*	1/1	100%		**100%**

10. Health and Safety Committee—

Mission Statement: To develop & promote a healthy & safe environment for all employees & visitors to our facilities through the involvement of all individuals with regards to education, communication & safe work practices.

A. Activities

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

maintenance of a comprehensive safety, loss prevention and loss control program.
8. Develop written programs to ensure compliance with OSHA health & safety regulations.
9. Serve as an advisory body to management on health & safety issues.
10. Providing suggestions & recommendations for resolution of health & safety concerns.

B. Members—Appointed by BODs & constitute a diverse group of employees from both represented & non-represented personnel.

C. Management's Responsibilities:
1. Enforce all safety & health rules & procedures.
2. Actively promote health & safety.
3. Allow the time for committee representative participation in meetings and assigned responsibilities.
4. Allocate the funds/resources necessary to implement safety & health committee activities.
5. Lead by example in following all health & safety rules.
6. Support committee decisions.
7. Provide timely feedback to the committee.
8. Perform the initial investigation of all injuries, incidents & near misses.

D. Chairperson's Responsibilities:
1. Actively promote health and safety.
2. Act as communication liaison between management & the committee.
3. Facilitate the committee meetings.
4. Coordinate the assignment of activities to committee members.
5. Follow-up on assigned responsibilities.
6. Establish necessary deadlines based on member input.
7. Schedule & develop an agenda for meetings based on member input.
8. Prepare an annual report of the committee's accomplishments.
9. Prepare a report of the committee's objectives for next calendar year.
10. Introduce new members.
11. Ensure the effectiveness of the meeting by directing discussions to meet mission & objectives.

E. Committee Members' Responsibilities:
1. Actively promote health and safety.
2. Facilitate the meeting in the absence of the Chairperson.
3. Facilitate meeting agendas and monitor meeting times.
4. Assist with development of the agenda.
5. Bring safety/health concerns to comm. meetings and/or to the attention of the affected employee's supervisor.

F. Secretary's Responsibilities:
1. Actively promote health and safety.
2. Ensure the meeting minutes are recorded, completed, and distributed in a timely fashion.
3. Distribute the agenda with minutes to committee member's one week prior to each scheduled meeting.
4. Take and record attendance.
5. Make arrangements for the meeting room.
6. Distribute any correspondence and/or directives developed by the committee.
7. Develop and maintain files of meetings and correspondence.

G. Employee's Responsibilities:
1. Actively promote health and safety.
2. Bring health & safety concerns to supervisor/committee representative immediately.
3. Learn and follow all health and safety rules and procedures.
4. Attend all health & safety training courses relevant to job classification.

H. Meetings—It will initially be held quarterly Special meetings of the committee may be called by Chairperson upon his/her initiative. <u>Quorum:</u> A quorum for the conduct of business at each meeting shall be a simple majority of the committee members.

I. Composition—Committee members shall be appointed by BODs & constitute a diverse group of employees from both represented and non-represented personnel.

HEALTH & SAFETY COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meetings	Physical	Virtual/ telecon	%
Quirino Munoz *Chairperson*	1/1	100%		**100%**
Marilyn Sagala *Chairperson*	1/1	100%		**100%**
Karina Bunagan *Chairperson*	1/1	100%		**100%**

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

A. Purpose & Objectives—It shall promote & 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 & disclosures, & other policies & reports addressing prescribed & recommended standards of behavior of Bank's members & employees.

B. Functions and responsibilities

a. Develop Code of Governance (COG) & Ethical Standard (ES) to be observed by the cooperative-affiliates, officers & employees subject to the approval of the BOD and ratification of the GA;

b. Disseminate, promote & implement the approved (COG) & (ES);

c. Monitor compliance with the (COG) & (ES) & recommend to the BOD measures to address the gap, if any;

d. Conduct initial investigation or inquiry upon receipt of a complaint

e. Disseminate, promote & implement the approved (COG) & (ES);

f. Monitor compliance with the (COG) & (ES) & recommend to the BOD measures to address the gap, if any;

g. Conduct initial investigation/inquiry upon receipt of a complaint involving (COG) & (ES) & submit report to the board together with the appropriate sanctions;

h. Recommend ethical rules & policy to the BOD;

i. 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 BODs . Within (10) days after their appointment, they shall elect Chairperson, Vice Chairperson & 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.

D. Meetings and Quorum

a. Meetings will initially be held quarterly.

b. A majority of the members shall constitute a quorum for the transaction of business & every decision of a majority of the quorum duly assembled.

ETHICS COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meetings	Physical	Virtual/ telecon	%
Nestor Bautista *Chairperson*	1/1	100%		**100%**
Daniel Narag *Member*	1/1	100%		**100%**
Rustico Turingan *Member*	1/1	100%		**100%**

12. Bids and Award Committee (BAC)

A. Purpose and Objectives—The BAC is constituted to assist the BODs of the bank in exercising its oversight function and in upholding transparency and accountability by implementing rules and regulations that promote fair, objective, efficient and transparent procurement of goods and services.

B. Organization and Composition—Board may, by resolution or resolutions passed by a majority of its members, create the BAC which shall be comprised of at least (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 BAC.

C. Authority and Responsibilities

1. Ensure that all procurement activities that will be carried out by the Bank will: 1) provide the best possible value for money; 2) be conducted in a fair, objective, efficient, & transparent manner; 3) be compliant with all internal policies & meet all legal & internal control requirements; and 4)use best practices in the application of ethical standards.
2. Ensure that procurement options are chosen on the basis of the degree to which these fulfill the Bank's aims & objectives.
3. Enforce internal compliance with a consistent & standard approach in the procurement of goods and services by all units & employees of the Bank.
4. Caused the establishment of a pool of vendors, suppliers, & contractors that will offer the best mix of quality, reliability, customer service, after-sales support, price competitiveness, & 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. Annually review &assess its performance.
7. All actions of the BAC shall be reduced into minutes & reported to the Board at the next meeting following such action.
8. It shall periodically review &assess the adequacy of this Charter & recommend any proposed changes to the Board for approval.

D. Meeting & Quorum — 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 BAC.

a. Each member shall have (1) vote.
b. Regular meetings may be held at such time and place & upon such notice, if any, as the BAC may prescribe. Special meetings may be called for by the Chairperson or by request of a majority of the members with at least 1 day notice of the time & place of the meeting, given personally or by letter, telegram, telephone, electronic mail, short messaging system, or facsimile. Meetings may be held at any time & place without notice if all the members are present or of those not present waive notice in writing before or after the meeting.

BIDS & AWADRS COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physi-cal	Virtual/ telecon	%
Nestor Bautista *Chairperson*				
Daniel Narag *Member*				
Robin James Gunnacao *Member*				

13. Compliance Committee

A. Overall Purpose / Mission Statement—It operates with assessment, consultative & proposing functions. It provides direct supervision over the bank's operations. The Committee is dedicated to provide a valuable service on matters of regulatory compliance needs & 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 & 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 & effectiveness of the Bank's procedures & systems for ensuring compliance with legal & regulatory requirements & internal policies, including, but not limited to those relating to capital adequacy, risk management, exposure limits, AML & combating the financing of terrorism;

Internal & External Auditors.

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

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

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

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

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

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

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

m. Report at least quarterly to the BODs.

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

C. Composition

a. It shall be composed of 3 members of the Board, selected by the BODs.

b. Each member shall be professionally capable of making a valuable contribution to the Committee;

c. Chairman shall be selected by the BODs;

d. The term of service of members shall be coterminous with that of their current service to the BODs;

e. Vacancies shall be filled for the remainder of the current term of appointment of members of the Committee by the BODs;

f. The Secretary will be appointed by Committee itself, or such other person as nominated by the BODs; and

g. Members of the Committee shall avoid placing themselves in any position of real or apparent conflict of interest, & in any such case shall notify the Chairperson of the Committee (or the Committee as a whole, in the case when such member is the Chairman) & excuse themselves from participating in discussions or voting on such matter.

D. Meetings

a. It shall meet as often as deemed necessary or appropriate in its judgment (but in any case at least (4) times a year), either in person or telephonically, & at such times & places as they determines;

b. Management may be invited to the meeting, but the Committee shall meet at least semi-annually with no members of Management present.

c. Meetings shall be called by its Chairman, or at the request of 50% or more of the number of members of the Committee;

d. A quorum for any meeting will be 50% of the number of members, subject to a minimum of 2 members;

e. Special meetings may be convened as required.

f. The proceedings of all meetings of the shall be in minutes.

E. Duties and Responsibilities

1. Compliance with Laws and Regulations

    a. Review the effectiveness of the system for monitoring compliance with laws & regulations as well as the results of investigation & follow-up (including disciplinary action & legal proceedings) by the management of the Bank in connection with any non-compliance with legal & regulatory requirements & violations of internal policies & procedures;

    b. Obtain regular updates from the (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 & that arrangements are made for all employees;
   b. Evaluate whether Management is putting sufficient emphasis by communicating the importance of the Code of Conduct & 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
4. Other Responsibilities
   a. Perform other oversight functions as requested by the BODs
   b. Evaluate the Committee's own performance on a regular basis.

COMPLIANCE COMMITTEE MEETING ATTENDANCE

Composition	No. of Meetings	Physical	Virtual/ telecon	%
Nahaniel Garcia *Chairperson*	3/3	100%		**100%**
Carmelita ABuel *Member*	3/3	100%		**100%**
Nestor Bautista *Member*	2/2	100%		**100%**

MANAGEMENT LEVEL COMMITTEE

1. Management Committee (ManComm)

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

B. Organization

a. **Composition**—composed of the President/ CEO, Chief Operating Officer, FMBO Head, Loans Head, HR & Admin. Department Head, Chief Accountant, AMLD Head, R & D Head, I.T. Head, Security Officer
b. May request the attendance of the RMO, Audit Officer, Chief Compliance Officer and/or any representative from the rank & 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; 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 & monitoring of the operational performance of the Bank, including key performance indicator results & trends; and, 2) Review & monitor matters of operational significance to the Bank such as reliability, quality of service, customer care & 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								
Composition	REGULAR				SPECIAL			
	No. of Meetings	Physical	Virtual/ Telecon	%	No. of Meetings	Physical	Virtual/ Telecon	%
Robin James A. Gunnacao *Presiding Officer*	12/12	100%		**100%**	2/2	100%		**100%**
Marilyn L. Sagala *Member*	12/12	100%		**100%**	2/2	100%		**100%**
Joel V. Bugaring *Observer*	12/12	100%		**100%**	1/2	50%		**50%**
Kristine P. Pasicolan *Observer*	8/9	88.88%		**88.88%**	None			
Carina J. Catabay *Observer*	5/6	83.33%		**83.33%**	None			
Steven B. Bañez *Member*	12/12	100%		**100%**	2/2	100%		**100%**
Jitko B. Tayawa *Member*	11/12	91.67		**91.67%**	1/2	50%		**50%**
Maynard B. Corpuz *Member*	12/12	100%		**100%**	2/2	100%		**100%**
Roxanne Joy U. Barizo *Member*	9/9	100%		**100%**	none			
Karina P. Bunagan *Member*	12/12	100%		**100%**	2/2	100%		**100%**
Rizza T. Sulla *Member*	11/12	91.67		**91.67%**	1/2	50%		**50%**
Kristine Joyce S. Agustin *Member*	5/12	41.67%		**41.67%**	1/2	50%		**50%**

2. Operation Committee (OpeComm)

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.

OPERATION COMMITTEE MEETING ATTENDANCE

Composition	No. of	Physical	Virtual	Percentage
Marilyn L. Sagala—*Presiding Officer*	12/12	100%		**100%**
Jitko B. Tayawa—*Member*	11/12	91.67%		**91.67%**
Steven B. Bañez—*Member*	9/9	100%		**100%**
Melody Faith C. Macababbad—*Member*	12/12	100%		**100%**
Joan T. Soriano—*Member*	12/12	100%		**100%**
Robin T. Cajio—*Member*	10/12	83.33%		**83.33%**
Roldan B. Apacible—*Member*	12/12	100%		**100%**
Joel U. Tabangay—*Member*	11/12	91.67%		**91.67%**
Janice G. Ulep—*Member*	11/12	91.67%		**91.67%**
Melanie B. Rosete—*Member*	12/12	100%		**100%**
Kaepee T. Corpuz—*Member*	12/12	100%		**100%**
Kristine P. Pasicolan—*Member*	3/3	100%		**100%**
Sheryl C. Pamittan—*Member*	9/9	100%		**100%**

D. OFFICERS

1. Qualifications of Officers

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. Must be fit & proper for the position being proposed/appointed to.

2. Duties and Responsibilities of Officers

a. To set the tone of good governance from the top—Bank officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the Board are consistently adopted across the Bank.
b. To oversee the day-to-day management of the Bank.—Bank officers shall ensure that Bank's activities & operations are consistent with the Bank's strategic objectives, risk strategy, corporate values and policies as approved by the Board. They shall establish a bank wide management system characterized by strategically aligned & mutually reinforcing performance standards across the organization.
c. To ensure that duties are effectively delegated to the staff & to establish a management structure that promotes accountability & transparency. Bank officers shall establish measurable standards, initiatives & specific responsibilities & accountabilities for each Bank personnel. Bank officers shall oversee the performance of these delegated duties & responsibilities & shall ultimately be responsible to the Board for the performance of the Bank.
d. To promote & strengthen checks & balances systems in the Bank—Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, risk management, compliance & external audit functions. Management should formulate an effective system of internal control that will ensure the integrity of the financial reports & protection of the assets of the corporation for the benefit of all shareholders & other stakeholders.
e. Shall be responsible for the overall implementation of the board-approved strategies & policies in relation to the sustainability objectives of the bank. It shall:
    e.1. Assess on a periodic basis the effectiveness of implementation & continuing relevance of said policies considering the developments in the business environment;
    e.2. Facilitate the identification, assessment, monitoring, & mitigation of E&S risks. The senior management shall ensure that the bank takes a holistic approach in managing these risks aligned with the strategic objectives set by the board;
    e.3. Ensure that bank activities are aligned with the overall E & S strategic objectives and targets;
    e.4. Ensure adoption of methodologies and tools that will effectively identify, & quantify/measure, monitor & control E&S risks;
    e.5. Ensure that policies, procedures, and

processes are clearly and effectively communicated across the organization;

e.6. Assess consistency of operations and performance of personnel with the bank's sustainability objectives; and

e.7. Apprise the board of directors and/or relevant management committee, on a regular basis, on the bank's exposure to E&S risks, which shall include potential issues associated with both internal and external activities of the bank and the activities of its clients that may have material impact on the bank's portfolio or reputation. Moreover, the senior management shall report its progress in implementing the bank's sustainability policies and ESRMS.

f. Shall be responsible for the overall implementation of the board-approved credit strategies and policies in relation to the adoption of sustainability principles

f.1. Ensure effective implementation of policies, procedures, & processes to identify, measure, monitor & control E&S risks arising from credit operations, both at the individual & portfolio levels.

f.2. Consider E&S factors in the credit underwriting & loan pricing frameworks as well as in determining allowance for credit losses.

f.3. Report periodically to the BODs the bank's exposure to E&S risks arising from credit operations, which shall include, among others, potential issues associated with the activities of its borrowers that may have material impact & the corresponding control measures to mitigate such risks.

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 & 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 & regulations issued by 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 FUNCTION

I. Internal Audit Office

1. Oversee the financial reporting process, practices and controls. It shall ensure that the reporting framework enables the generation & preparation of accurate and comprehensive information & reports.
2. Oversee the implementation of internal control policies & activities. It shall ensure

that periodic assessment of the internal control is conducted to identify the weaknesses & evaluate its robustness considering the bank's risk profile & strategic direction.

3. Plans, directs & control activities of auditing to achieve the established objectives and targets of the office within the guidelines & limits of authority prescribed by the BODs & other regulatory bodies.
4. Investigate 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 & those which the BODs 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/CEO

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 & formulates & implements its strategic plan.
4. Oversees the operations of the bank & manages human & financial resources in accordance with the strategic plan
5. Directs, evaluates & 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.

V. Office of the Executive Secretary

1. Prepare agenda & 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 & 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 Resources 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 & 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 & 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 & 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 & administer the programs & projects for the application of computer & 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 & service providers, feedback & recommendations for improvement in the various aspects of their work & current operations documentation.

V. Office of the Chief Operating Officer

1. Directs, evaluates and guides the work of the Branch Operation & Lending activities.
2. Supervise the day to day operation of FMBO Department & 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 FMBO and Lending activities.
6. Responsible for the efficient and accurate execution of the Bangko Sentral ng Pilipinas (BSP) circulars, issuances and bank's policies.
7. Overall management, administration and control of operations in the area.

1Departments under the Supervision of the Chief Operating Officer / COO

I. Fund Management & Branch Operation (FMBO) Department

1. Plans, organize, coordinate and control, direct and supervised all the financial operation activities of the Branch;
2. Preparation of Cooperative Financial Development Plan.
3. Recommends Fiscal Policies and Guidelines or Amendments of the Liquidity Risk Management Policies of the Bank
4. Evaluate & recommend plans, policies & procedures regarding investment option in order to maximize available financial resources.

5. Ensure that the Bank's liquidity level is within the industry ratio or funds are readily available to meet the Bank's maturing obligations.
6. Performs monthly maturity matching of assets and liabilities
7. Monitor/Consolidate/Update Daily liquidity reports of branches.

II. Loan Department

1. Recommend lending policies and procedures for the improvement of the loans department of the Bank
2. Proper implementation of lending policies and attainment of target loan portfolio of the bank.
3. Supervise the proper implementation of the lending policies and procedures of the Bank
4. Responsible for the attainment of the target loan portfolio of the Bank
5. Manage all loan cycle process and determine efficient work plan to achieve all business objectives.
6. Responsible for monitoring the movement of allowances for credit losses (ACL) per loan account

OFFICERS AND SENIOR MANAGEMENT

ATTY. ROBIN JAMES A. GUNNACAO
President/CEO

The President/Chief Executive Officer since 2018. 48 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 19 years.

MARILYN L. SAGALA, CPA
Chief Operating Officer

A Certified Public Accountant. 39 years old and a Filipino citizen. She finished Bachelor of Science in Accountancy at University of Saint Louis -Tuguegarao and Bachelor of Laws and Letter at Cagayan State University. She is the Chief Operating Officer since 2018.

She became an Internal Auditor, Chief Compliance Officer concurrent Risk Management Officer and Chief Finance Officer. She's been in the service for more than 16 years.

STEVEN B. BAÑEZ, CPA
FMBO Head

A Certified Public Accountant, 27 years old and a Filipino citizen. He finished BS in Accountancy at Cagayan State University - Andrews Campus and finished Master's Degree in Business Administration at St. Paul University Philippines. On April 1, 2023, he was appointed as (FMBO) Head.
Before his current position, he was appointed as Chief Compliance Officer and Chief Accountant. He's been in the bank for more than 4 years.

JITKO B. TAYAWA
Loan Department Head

He is 42 years old and a Filipino citizen. He finished a degree Bachelor of Science in Business Administration Major in Management at Polytechnic University of the Philippines in 2002. He was appointed as Account Officer, Account Officer, Branch Loan Officer and Branch Manager before he became the Head of the Loan Department. He has been in the bank for 16 years.

JOEL V. BUGARING
Risk Management Officer

He is the Risk Management Officer and Concurrent Security Officer and Data Protection Officer. He is 45 years old and a Filipino Citizen. He finished Bachelor of Science in Accountancy and Master in Business Administration at University of Cagayan Valley. He's been in the Bank for more than 20 years. Before his current position, he was appointed as Audit Aide, OIC Loans Bookkeeper, Branch Loans Bookkeeper, Branch Accountant, OIC Chief Accountant, Branch Manager and Loans Department Head.

KRISTINE P. PASICOLAN
Chief Compliance Officer

A 32 years old and a Filipino citizen. She finished her degree BS Business Administration Major in Management Accounting and Master Degree in Business Administration at St. Paul University Philippines. Before appointed as the Chief Compliance Officer , she held the positions of Asst. Loans Head, Branch Manager, Risk Management Officer, Internal Audit Head and Audit Staff in the bank. She's been with the bank for more than 8 years.

CARINA J. CATABAY, CPA
OIC Internal Auditor

26 years old and a Filipino citizen. She finished BS in Accountancy at University of Saint Louis Tuguegarao. She is a Certified Public Accountant.

Before she got hired in the bank last June 19, 2023, she work as Senior Accounting Associate at Rockwell Land Corporation from February to May 2023 and Audit Associate at Sycip, Gorres, Velayo & Company (SGV) from July 2021 to March 2022.

ROXANNE JOY U. BARIZO, CPA
Chief Accountant

25 years old and a Filipino citizen. A Certified Public Accountant. She finished BS in Accountancy at University of Saint Louis Tuguegarao.

She was hired in this institution on April 10, 2023. Before, she work as Tax Associate at SGV from June 2021 to August 2022, Audit Analyst at PWC AC Manila from September 2022 to November 2022 and Accountant at Scrubbed from January 2023 to April 5, 2023.

MAYNARD B. CORPUZ
Information Technology Head

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

KARINA P. BUNAGAN
HR Facilities & Admin. Head

She is 36 years old and a Filipino citizen. She finished 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 & Dev't Head

A 33 years old and a Filipino citizen. She finished her degree 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 6 years.

KRISTINE JOYCE S. AGUSTIN
Asst. AMLD Head

The Officer–In-Charge of the Assistant Asset Management and Legal Department. A 24 years old and Filipino citizen. Finished Bachelor of Science in Legal Management at Cagayan State University-Andrews Campus and Juris Doctor in University of Cagayan Valley.
She was appointed as Executive Secretary before seating in her current position. She is in the bank for more than 5 years.

MELODY FAITH C. MACABABBAD
Manager, Main Branch

A 40 years old, and a Filipino citizen. She finished Bachelor of Science in Business Administration major in Management Accounting and took Master in Business Administration.
Before her current position , she was appointed as Savings Bookkeeper, Loans Bookkeeper and Branch Accountant. She's been in the bank for more than 18 years.

ROBIN T. CAJIO
Manager, Abulug Branch

He is 45 years old and a Filipino citizen. He finished Bachelor of Science in Accountancy, Masters in Business Administration and Juris Doctor.
He was also appointed as Audit Staff, Appraiser, Lending Unit Supervisor, and Credit Management Supervisor before his current position. He is in the bank for more than 12 years. He is also a licensed Real Property Appraiser.

JOAN T. SORIANO
Manager, Lallo Branch

She is 44 years old and a Filipino citizen. She finished 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.
Before her promotion as Branch Manager, she was appointed in same institution as Teller, Loans & Savings Bookkeeper and Cashier. She's been in the bank for more than 22 years.

BOBBY U. MARTINEZ
Assistant Manager—Cabagan

He is 42 years old and a Filipino citizen. He finished Bachelor of Science in Environmental Science. He's been in his position for more than 3 years.

Before promoted as ABM, he was appointed as Account Officer, Credit Specialist and Evaluation Staff. He's been in the bank for more than 8 years.

ROMYL JOHN A. FLORES
Officer-in-Charge—San Manuel

He is 40 years old and a Filipino citizen.

He was appointed as the OIC of San Manuel Branch lite following the resignation of their ABM. He finished Bachelor of Science in Business Management at Northeastern College-Santiago City, Phil.

He is currently the Marketing Specialist of San Manuel Branch Lite. He's been in the bank for more than 1 year.

REYNALDO N. TAPAT JR.
Assistant Manager—Burgos

He is 25 years old and a Filipino citizen. He graduated at Cagayan State University with the degree Bachelor in Agriculture Major in Animal Science. He is the Assistant Branch Manager of Burgos Branch Lite since April 16, 2023.

Before his promotion, he was also appointed as Credit Specialist. He's been in the bank for more than 3 years.

SHERYL C. PAMITTAN
Asst. Loans Head

A 43 years old and a Filipino citizen. She finished Bachelor of Science in Information Technology at St. Paul University—Tuguegarao. Before appointed as Asst. Loans Head last April 2023, she was appointed as General Clerk, Rediscounting Staff/ Finance Staff and Fund Management Staff. She's been in the bank for more than 13 years.

MELANIE B. ROSETE
Appraisal Supervisor

She is a licensed Real Estae Appraiser. She is 30 years old and a Filipino citizen. She finished Bachelor of Science in Business Administration Major in Management Accounting. She was a Former Freelance Appraiser before Cooperative Bank of Cagayan hired her. She's been with the bank for almost 3 years.

JANICE G. ULEP
Lending Support Supervisor

A 39 years old and a 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.

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.

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

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 & 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 & 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 & describing the applicant's qualification for that position.

POLICIES

1. **Recruitment** of new employee shall be the responsibility of the Human Resources/ Admin. Department (HR/Admin Dept.).

   The line supervisor must inform thru Personnel Requisition Form or letter (PRF, HRAD Form-001) the HR/Admin Dept. 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 Dept. 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:

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 & other means, schools & colleges to recruit young talented & highly motivated applicants.

2. SELECTION is a joint effort/responsibility of the requesting dept. & the HR/Admin Dept.

i. A shortlist of candidate is compiled by the HR/Admin Head & submitted to the requesting Department/Branch.
ii. HR/Admin Head, in consultation with the President & immediate supervisor for the position, call the attention of the Screening Committee. Screening Committee is composed of HR Comm.
iii. The Screening Committee shall read all resumes & culls out unqualified candidates. All remaining resumes can be sorted into "maybe" & "yes" groups & 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 & pass the necessary examination & 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 & character investigation by sending queries to previous employers about the personal behavior, work attitude & the reason for his/her separation from his previous employment.
ix. The President/CEO or the (COO) shall approve the salary being offered based on the approved Salary Standardization of the Bank.
x. The immediate supervisor & HR/Admin Head make the job offer to the qualified candidate & finalize effectivity date.

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

3. PROMOTION

OBJECTIVES

1. To give employee chances for advancement, greater job satisfaction, enhancement of employees' quality of life & 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 two/more contending candidates/ aspirants for any available position, pre-requisite should be taken into consideration such as education, (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 & 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 & basis for incentives to performers & applies sanctions to non-performers.
2. Operates on shared commitments & objective measurement of performance results.
3. Enhances productivity by using performance targets and standards attuned to organizational goals & mandate;
4. Recognizes the role of the supervisor's objective assessment & feed backing on individual employee performance;
5. Promotes transparency and provides mechanism for appeal & 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 & admin. sanctions.

SCOPE & COVERAGE—The CBC PES applies to all employees.

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

PROCEDURES

1. **Creation and Operations of Performance Evaluation Review Committee (PERC) -** A (PERC) is hereby created with composition and responsibilities hereunder enumerated:

1.a. Composition—The PERC is composed of the following for:

1.a.1.Unit Head and Rank and File

Chairperson- Chief Operating Officer

Member – HR Head

Member-Immediate Supervisor/ Dept. Heads is automatically member of the PERC during the review of their subordinates performance targets & standards, & performance ratings.

1.a.2. Department Heads

Chairperson- President

Chief Operating Officer

Members- HR Head

1.b. Responsibilities

1.b.1. Review of Employee's Performance Targets—The PERC initiates the review & comparative assessment of employees' performance targets to ensure rationalization of employee workload particularly of those holding similar positions and working under same work conditions & recommends necessary modifications or corrective action, if necessary.

1.b.2. Review of Performance Standards — The PERC reviews performance standards adopted 1for each duty of a position in the different organization units in the CBC. It also ensures the adoption of uniform standards of measurements in rating employees holding similar positions, performing similar functions & working under same conditions.

1.b.3. Determination of Final Rating—At the end of the rating period, the PERC reviews documents, evaluates & accomplishments & performance ratings, conduct hearing & dialogues, if necessary, provide opportunities for employee or supervisor to defend a particular rating and eventually determines the employees' final rating. The PERC completes the review and approval of employees rating not later than 15 days after the HR/Admin Head has submitted the same to the former.

1.b.4. Monitoring and Evaluation of PES every year & effects or implements improvements essential to ensure its continued suitability to the different positions and needs of the CoopBank.

1.b.5. Setting of Internal Rules and Procedures
The PERC adopts its own internal rules, procedures and strategies in carrying out the above responsibilities including the setting of schedule of meetings and deliberations, creation of Secretariat & delegation of authority to representatives in case of absence of its members.

2. Setting of Performance Targets & Standards

2.a. Organizational Targets—Not later than the last quarter immediately preceding the rating period is devoted to preparation & setting of organizational targets.

Organizational targets refer to the targets prepared by all respective Departments & Branches attuned to the vision & mission & Long Term Development Plan of the Bank.

2.b. Managers/Assistant Branch Managers, Department Heads, Supervisors/ Assistant Supervisors & Rank & File Targets—Each employee then prepares performance targets during the last month of the fiscal year using the prescribed Performance Evaluation Form (PEF) based on the organizational targets set by the unit where he/she belongs.

Employee Performance Targets refers to the duties or work assignments of the employee with the work output of each duty clearly stated and understood with a standard indicator

<u>Notations:</u>

1. CORE VALUES shall have a weight of 10% for all positions.
2. PERFORMANCE shall have a weight of 90% for all positions.

<u>Appraisal Discussion and Rating Proper</u>

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. Together, they compute the overall performance rating of the employee using the prescribed weight allocation and computation under this system. 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

2. Levels of Performance—Each employee is rated on the basis of the levels of performance set below:

2. Components of Rating

Numerical Rating Achievement of Target	Adjectival <u>Rating</u>
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)**

The overall rating of employees for a given rating period consists of two (2) parts:

Part I – Performance

<u>Part I.a</u> – Individual Target Performance is given a respective weight, depending on the position of the employees. Critical Factors reflects the Bank wide performance

<u>Part I.b</u> Compliance with the rules, regulations & policies of the Bank.

<u>Part I.c</u> Deposit Generation

<u>Part 1.d</u> Marketing of Loans

Part II – Core Values—Behavioral dimensions that affect the job performance of the employee. For this purpose, factors like human relations, innovativeness, leadership, result focus, punctuality & attendance may be given weight of 10%.

**The HR/ADMIN HEAD sees to it that all officials & employees are properly oriented on how to accomplish the following performance evaluation forms:*

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.

#	List of Training / Seminar / Workshop Attended for 2023	No. of Hours	External/ in-house	No. of Participants	
				Board of Directors	Senior Management
1	Regulators Expectation On the Regular Examination and the Directives in the Report of Examination	16hrs.	External		1
2	Institutional Risk Assessment (IRA)				
3	Significant Issuance of BSP in 2022 and Financial Supervision Sector Priorities in 2023				
4	Merger, Consolidation, and Acquisition Documentary and Application Process				
5	Session on How to Determine Issues and Concerns in the ROE Directives, What to Prioritize Among the Directives, How to Help Business Units Answers Directives Under their Department, How to Avoid Letter of Commitment (LOC) and Prompt Corrective Action (PCA) Status, and Practical Tips on How to Improve the SAF Training				
6	Institutional Risk Assessment				
7	Creation of Review Program				
8	Compliance Management Framework Seminar	16hrs.	External		
9	Environmental & Social Risks Management Training for Rural Banks	16hrs.	External		2
10	Compliance Framework	8hrs.	External		1
11	Strengthening BSP Reportorial PROCEDURES:FRP and CAR	8hrs.	External		2
12	AML Rules and Regulations and Risk Rating System	8hrs.	External		2
13	Credit Management Framework and Evaluating and Responding to Credit Related Directives in the ROE	16hrs.	External		4
14	The Compliance Management Framework and Evaluating and Responding to ROE Directors	16hrs.	External	1	1
15	Remedial Management Seminar	8 hrs	in-house	3	15
16	Strengthening BSP Reportorial PROCEDURES: API-XML Report	16hrs.	External		2
17	Leadership Training Seminar	8 hrs	in-house	2	18
18	Regional Labor-Management Cooperation and Grievance Machinery Conference	16 hrs.	External		1
19	Recovery Plan Workshop	16hrs.	External		3
20	Re-Echoing (Preparing 2024 Marketing Plan and Strategies)	8 hrs	External		6
21	BSP RESO RTGS Forum	8 hrs	External		3
22	Seminar/Workshop on Risk Based Compliance Program	16hrs.	External	2	1

Leadership Training Seminar for BODs and Bank's Senior Management.

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.

For the year 2023, ten (10) newly hired employees had undergone Employee Orientation and pre – employment Training, employee handbooks were also given to them.

This initiative of the HR Department is to make new employees accustom with the policies and procedures of the bank and get acquainted with their duties and responsibilities.

RETIREMENT PROGRAM POLICY

In able to pay back employees who is loyal and faithful with the bank, the management through the initiative of the COO 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

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 (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 & 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 & any governing agencies.

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
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 AND TERM LIMIT OF THE MEMBER OF THE BOARD OF DIRECTORS

The Board of Director- The business affairs of the bank shall be conducted under the supervision and control of the Board of Directors of 7 members who shall be elected by secret ballot by the members IN GOOD STANDING during General Assembly in accordance with the representation system prescribed by General Assembly Resolution and shall hold office of (2) years unless sooner removed for cause, die, have resigned or become PHYSICALLY OR LEGALLY incapacitated, and until their successors have been duly elected and qualified.

The term of the incorporating Directors shall expire during the first annual general assembly meeting after registration.

In the first election following the registration, the majority of the Board of Directors receiving the highest votes shall serve for the term of (2) years and the remaining members for the term of (1) year. Thereafter those elected to replace them shall serve for a term of 2 years.

Vacancy- When the vacancy is created in the board due to death, incapacity, disqualification, FAILURE OF ELECTION or resignation, A QUORUM of a remaining members shall fill the vacancy by appointment from among qualified AUTHORIZED REPRESENTATIVE OF REGULAR members WHO shall serve the UNEXPIRED portion of the term of office which shall not be less than (90) days immediately preceding the next annual general assembly. IF THE REMAINING MEMBERS DO NOT CONSTITUTE A QUORUM OF ALL MEMBERS OF THE BOARD, THE VACANCY SHALL BE FILLED BY GENERAL ASSEMBLY IN A SPECIAL MEETING CALLED FOR THE PURPOSE.

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, & vision as well as the plans & programs & to get assimilated into the organization gradually & 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:
    1. FMBO Head;
    2. Loan Department Head;
    3. Human Resource Management Head
    4. Research and Development Head; and
    5. Chief Accountant

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

3. **FUND MANAGEMENT AND BRANCH OPERATION DEPARTMENT HEAD—**Upon the occurrence of the immediately stated contingency, the Main BM shall act as the OIC of the FMBO Head. In case of incapacity of the Main BM, the Most Senior between the remaining BMs 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. 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. **DEPARTMENT HEADS of the bank:**
    1. Internal Audit Head;
    2. Chief Compliance Officer;
    3. Risk Management Officer;
    4. Information Technology Head;
    5. Human Resource Management Head;
    6. Research and Development Head;
    7. AMLD Head;
    8. Chief Accountant, and
    9. Security Officer.

    In case any of the above-mentioned Heads shall take a leave of absence, the most senior staff shall be the OIC until the he/she shall return to work. The President/CEO shall designate among the qualified staff as OIC who shall remain as such until the Department Head resumes to work.

6. **BRANCH MANAGER (BM)/ ASSISTANT BRANCH MANAGER (ABM)—**In case of leave of absence of the BM / ABM, the following employees in chronological order shall act as the OIC :
    1. Senior FMBO Staff;
    2. Customer Service Associate;
    3. Teller, and
    4. FMBO Staff

7. SUPERVISORS—The following are the Supervisory Employees of the Bank:

1. Lending Support Unit Supervisor;
2. Appraisal Unit Supervisor;
3. Evaluation Unit Supervisor;
4. Account Management Unit Supervisor; &
5. Credit Management Unit Supervisor

In case any of the above-mentioned Supervisory employees shall take a leave of absence, the Assistant Supervisor of the respective unit shall be the OIC until the Supervisory Employee shall return to work.

In the event of the incapacity of the Assistant Supervisor of the respective unit, the Loans Head shall designate among the qualified staff to act as OIC who shall remain as such until the Supervisor shall report to work.

For other employees under the Loans Department who shall take a leave of absence, the Supervisor shall appoint a reliever from qualified employees from their unit.

EXTENT OF TENURE AS OIC:

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

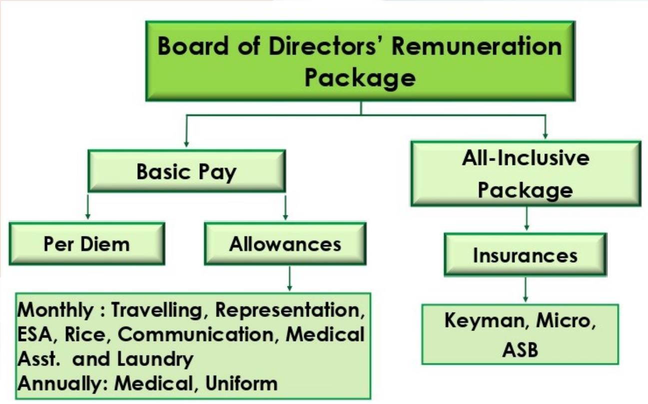
APPOINTMENT OF SUCCESSOR—Upon the occurrence of the vacancy, the Board shall immediately convene to discuss matters related to the appointment of the successor. Within 30 days from the occurrence of the contingency, the Board shall appoint the permanent successor except when upon their judicious determination,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

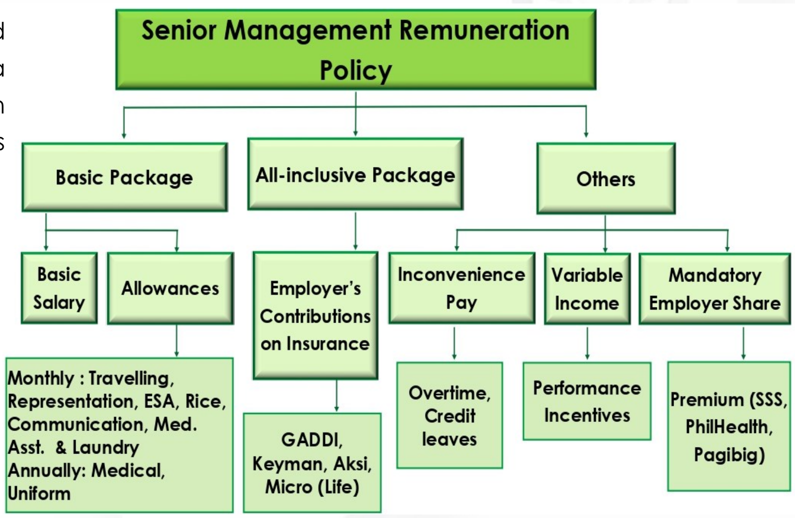
STATUS OF APPOINTMENT—The appointed successor shall undergo a probationary period of (6) months after which, the successor shall be appointed regular if able to hurdle the standard of the Bank made known to him/her upon assumption of office.

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

Responsibilities of the RPT Committee

1. Evaluate on an ongoing basis existing relations between & among businesses & counterparties to ensure that all related parties are continuously identified, RPTs are monitored, & subsequent changes in relationships with counterparties (from non-related to related & 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 & supervising authorities relating to the bank's RPT exposures, & 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 & Self-Assessment Functions—shall implement appropriate controls to effectively manage & monitor RPTs on a per transaction & 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 & internal controls governing RPTs to assess consistency with the board-approved policies & 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 & 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 as original & outstanding individual & aggregate balances, including off-balance sheet commitments, of material RPTs.

Transactions concerning deposit operations, credit card availment, 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 & 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 & procedures for managing RPTs, including managing of conflicts of interest or potential conflict of interest;
   ii. Responsibilities of Credit Comm. ; and
   iii. Nature, terms & conditions, as well as original & outstanding individual & aggregate balances including off-balance sheet commitments of material RPTs.
2. Lease & other similar contracts with recurring payment transactions should only be reported once, upon approval of said transaction by the BODs.
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 & 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.
   v. If a RPTs 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 RPTs 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 (IA) Function—This is an independent Department, objective assurance & consulting function established to examine, evaluate & improve the effectiveness of internal control, risk management & governance systems & processes of an organization, which helps management & the BODs in protecting the bank & its reputation. The IA function shall both assess & complement operational management, risk management, compliance & other control functions. In this respect, IA shall be conducted in frequencies commensurate with the assessed levels of risk in specific banking areas.

Purpose of the Internal Audit—to help the bank in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate & 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 & 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 & 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 IA 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 Comm. for proper deliberation and review during the Audit Comm. meetings and the same shall be elevated to the BOD meetings for further review and consultation. The internal audit office is composed of (1) audit head and (3) audit staffs.

Authority—The IA derives its oversight function from the bank's BOD granted to it through the Audit Comm. 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 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 IA, except to the extent such employees have been appropriately assigned to IA or to otherwise assist the internal auditors.

Scope—The scope of the IA 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 & effectiveness of internal control, risk management & governance systems in the context of current and potential future risks;
- Review of reliability, effectiveness & integrity of management & financial information systems, including the electronic information system & 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 & internal reporting.

Audit Approach—The IA 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 (IA) will request reports, schedules and pertinent/ 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 information from the auditable unit/branch relevant to the conduct of audit.
- **Execution Phase.** After all information/data has been gathered and note the deviations, observations, findings and/or exceptions during the conduct of audit. c.) Reporting Phase After information, data & 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.

  After which, the IA will check the audit report submitted & shall discuss the audit findings, exceptions and/or observations to the personnel concerned & branch/unit head/ supervisor for their justification, explication & 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 & 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 & attach the final audit report together with necessary supporting documents for reporting, discussion, deliberation during 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 IA department shall check & monitor the compliance progress of the auditable branch/unit within the committed timeframe. Delayed of 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 & report those long outstanding audit observations, exceptions and/or findings through the Audit committee for further action by the BODs.

Compliance Function. The Compliance Office is headed by a Chief Compliance Officer (CCO). The CCO is the lead senior officer for purpose of administering the Annual Report compliance program & interacting with the BSP on compliance-related issues. The CCO's principal function is to oversee the design of an appropriate compliance system, promote its effective implementation & address breaches that may arise. The CCO shall also be responsible for ensuring the integrity & accuracy of all documentary submissions to the BSP. The CCO shall be functionally reporting to the BOD/ 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 & 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 understanding 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 & legal proceedings) by the management of the Bank in connection with any non-compliance with legal & regulatory requirements & violations of internal policies and procedures;
   - ii. Obtain regular updates from the (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;
   - 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;
   - 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 & 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 CCO, 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 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 BODs shall ensure that a compliance program is defined for the bank.
- The board of directors shall ensure that compliance issues are resolved expeditiously.
- The BODs 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.
- 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 BOD 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 presented as follows:

1. **Education and Training—**These pertain to all the activities & learning processes related to informing personnel about laws, rules, regulations, internal policies & 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 & 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 CCO 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 BODs, Bank Officers and personnel pursuant to a training program designed by the HR 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;

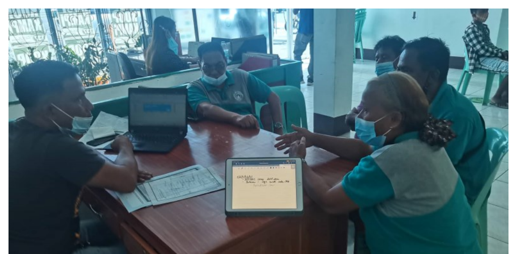
- Annual Performance Appraisal System;
- IA regular and special audit examinations;
- BSP regular and special examinations;
- SEC self-assessment questionnaire;
- Score Card for members of the Board;
- Compliance review of products and processes;
- Compliance visitations of operating units;
- Submission 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 & 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 & 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

CBC is committed to the highest standards of openness, probity & accountability. An important aspect of accountability & transparency is a mechanism to enable staff & other members of the Cooperative to voice concerns in a responsible & effective manner.

It is a fundamental term of every contract of employment that an employee will faithfully serve his/her employer & the public/sector it serve & 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, & 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 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—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 & corrupt practices.
3. Bank employee—refer to Bank officers & rank-&-file employees, whether permanent, temporary, co-terminus or directly hired contractual;
4. Protected disclosure refers to a deliberate & voluntary giving of information by a Bank employee, whether written/verbal, of an actual/suspected illegal, unethical & 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—It is designed to enable employees 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 behavior;
6. Attempts to conceal any of these.

SAFEGUARDS/PROTECTION—This 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 & if they make the disclosure to an appropriate person. 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/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, & particularly if he/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 CEO for referral;
2. In the case of a complaint, which is any way connected with but not against the Director, the CEO 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 & trained as independent points of contact under this procedure. They can advise the complainant on the implications of the legislation and the possible internal d 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 & thereafter report back to them in writing the outcome of the investigation & 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.

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 & the Police at this stage and should consult

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 w/ the CEO or the Chairperson or one of the designated person described above.

If the investigation finds the allegations unsubstantiated & 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 to manage risks and ensuring a competitive risk adjusted return on capital. The Bangko Sentral ng Pilipinas (BSP) ensures that appropriate mechanisms are in place to protect the interest of financial consumers under the conditions of transparency, fair, and sound market conduct and effective handling of financial consumer disputes, aligned with global best practices. With the advent and present implementation of Republic Act No. 7394 otherwise known as the Consumers' Act of the Philippines and Republic Act No. 11765 known as *Financial Products and Services Consumer Protection Act or FCPA* and in relation to BSP Circular No. 857 with further enhancement through Circular No. 1160, Series of 2022, Cooperative Bank of Cagayan (the Bank for brevity) and banks and financial institutions are mandated to adopt and implement an effective financial consumer risk management system.

This framework establishes the guidelines and expectations to institutionalize consumer protection as an integral component of corporate governance and culture as well as risk management. It aims to manage risks and potential harms to financial consumers, prevent unfair business practices, achieve fair and beneficial consumer outcomes and empower financial consumers to make better and informed financial decisions. These mechanisms reinforce confidence in the financial market and foster the stability of the Philippine financial system.

As enshrined in the core values of Cooperative Bank of Cagayan, the bank is deeply committed to protect the interest of its clients/depositors and stakeholders. This customer service focus continuously guides our policies as we render fair, honest and equitable service to our clients/ depositors and stakeholders.

This Policy Manual outlines the strategies and processes of Cooperative Bank of Cagayan in implementing an effective Financial Consumer Protection Risk Management (FCPRM) System for the businesses and areas that make up its banking operations.

BOARD AND SENIOR MANAGEMENT OVERSIGHT

Financial consumer protection oversight is essential for maintaining trust in the financial system and ensuring that financial consumers are treated fairly and transparently. It requires a collaborative effort among the Board of Directors (BOD) and members of the Senior Management to identify, measure, monitor, and mitigate Financial Consumer Protection (FCP) risks inherent to the bank's operations, in accordance with the Standards and all other applicable laws, rules and regulations.

Responsibilities of the Board of Directors – they shall be primarily responsible for overseeing the implementation of the FCRMS. The Board's responsibilities shall include the following:

a) Approve the FCPRM system and its corresponding mechanisms, considering the bank's business model, product lines, and associations with third parties, if any that may pose risks to financial consumers;
b) Promote a culture of ethical behavior and ensure adherence to the standards, as well as all applicable laws and regulations;
c) Allocate sufficient resources and establish policies to efficiently enforce training and competency requirements for officers, personnel or any authorized representatives of the Bank;
d) Approve remuneration and compensation policy designed to promote responsible business conduct, fair treatment, and the prevention or mitigation of conflicts of interest. Additionally, support a performance review system that incorporates incentives for positive assessments, serving as a basis for the potential renewal of contracts for third-party service providers;
e) Approve product oversight and governance mechanisms specifically crafted to guarantee that Bank's financial products and services are align with the requirements of financial consumers in target markets. In addition, support the creation of universal products that are easily accessible, avoiding exclusion of vulnerable groups;
f) Approve a policy governing the imposition of fees and charges for the bank's products and services. This policy shall encompass, among other considerations, the rationale for setting fees and charges;
g) Periodically evaluate the bank's Code of Conduct, applicable to all directors, officers, and staff, to establish ethical standards and conduct guidelines. The Board shall continuously ensure the institutionalization of reporting system of concerns or violations to the appropriate body; and
h) Review periodically the implementation and effectiveness of the bank's FCPRM system, including the reporting process of findings and whether the audit mechanisms are in place to enable adequate oversight. Also, the Board shall ensure the assessment of the FCPRM system is still relevant and effective in cases of change in business model and/or operating environment.

Roles of Risk Management Committee (RMC) and Risk Management Officer (RMO) – The RMC together with the Risk Management Officer (RMO) play crucial roles in overseeing the FCPRM within the bank. To establish robust framework for managing financial consumer risks, the RMC is responsible for the following specific roles but not limited to:

a) Review and recommend for approval to the Board the policies and procedures related to financial consumer risk management which includes establishing risk appetite, tolerance levels, and risk management frameworks;
b) Oversee the implementation of risk management practices, ensuring that they are consistent with regulatory requirements and the bank's risk appetite;

c) Regular monitoring of the effectiveness of risk management activities and the bank's exposure to financial consumer risks;
d) Review risk reports and analyzes trends to identify emerging risks and vulnerabilities;
e) Make key recommendations for board's decision related to financial consumer risk management such as approving new products or services, setting risk limits, and reviewing risk mitigation strategies; and
f) Report to the BOD on the bank's financial consumer risk profile, risk management practices, and any significant issues of developments that require attention.

Hence, the responsibilities of the RMO shall be the following but not limited to:

a) Identify and assess financial consumer risks within the bank's operations, including risks related to lending, deposit-taking, and customer-service;
b) Develop and recommend strategies to mitigate financial consumer risks, such as credit risk mitigation measures, operational controls, and compliance procedures; and
c) Monitor key risk indicators, conduct regular risk assessments, and prepare reports for Senior Management and RMC to provide insights into the bank's profile and the effectiveness of risk management activities.

Role of the Internal Audit (IA) – The IA function plays a vital role in overseeing financial consumer risk management within the bank. These specific duties and responsibilities of the IA shall contribute to the effective oversight of financial consumer risk management, helping to safeguard the interests of financial consumers and the bank, to wit:

a) Develop an audit plan that includes specific reviews of financial consumer risk management processes, controls, and practices;
b) Execute audits in accordance with the plan, assessing the effectiveness of risk management controls and adherence to policies and procedures;
c) Evaluate the adequacy and effectiveness of policies and procedures related to financial consumer risk management, including credit underwriting standards, loan approval processes, and customer complaint handling procedures;
d) Identify control deficiencies and recommend remedial actions to strengthen controls and mitigate risks;
e) Evaluate the adequacy of controls in place to mitigate financial consumer related risks and assess the likelihood and potential impact of adverse events;
f) Communicate audit results to business units to facilitate corrective actions and promote accountability;
g) Present findings and recommendations to Senior Management and Audit Committee, highlighting areas of concern and opportunities for improvement;
h) Investigate incidents, complaints, and breaches related to FCRM;
i) Follow-up on the implementation of audit recommendations to ensure that corrective actions are taken in a timely manner;
j) Validate the effectiveness of remedial actions and verify that control deficiencies have been addressed satisfactorily; and
k) Provide insights and recommendations for enhancing financial consumer risk management processes, controls, and practices based on audit findings and industry developments.

Role of the Chief Compliance Officer (CCO) – The CCO plays a critical role in ensuring that the bank maintains a robust and effective compliance framework for managing financial consumer risks, thereby protecting the interest of financial consumers and the bank. Here are some of the specific duties and responsibilities of the CCO in overseeing the financial consumer risk management, to wit:

a) Ensure bank's compliance with all relevant laws, regulations, and guidelines related to FCRM, including consumer protection laws, fair lending regulations, and anti-money laundering requirements;
b) Stay abreast about changes in regulatory requirements and assess their impact on the bank's operations and risk management practices and policies;

c) Develop and maintain policies and procedures related to FCRM, ensuring they are comprehensive, up-to-date, and aligned with regulatory expectations;
d) Provide training and guidance to bank employees on FCRM principles, regulations, and internal policies;
e) Promote a culture of compliance throughout the bank by fostering awareness and understanding of regulatory requirements and expectations;
f) Perform compliance testing and monitoring activities to assess the effectiveness of controls related to FCRM; and
g) Communicate and report with regulatory authorities as necessary, responding to inquiries, providing updates, and addressing any compliance issues or concerns;

Responsibilities of the Senior Management – Senior Management bears the responsibility of aligning the practices of the bank and third-party agents/ representatives with the approved Financial Consumer Protection policies and risk management system. This alignment shall be consistently demonstrated throughout the bank's premises, especially within all business units directly engaging with financial consumers. The Senior Management is headed by the President/CEO who shall have the overall responsibility for the operation of the Bank. The President/CEO plays an active role in setting the direction of the bank and determining transactions to enter into. Roles and responsibilities of the President/CEO are as follows:

a) Drive the establishment of business strategies and objectives;
b) Ensure that all bank's policies and procedures comply with the financial consumer protection laws, rules and regulations;
c) Provide clients, depositors and/or stakeholders with the information they need to make informed financial decisions;
d) Ensure there are appropriate controls in place to manage all risks;
e) Establish an effective financial consumer assistance management system to handle inquiries and resolve issues/concerns promptly;
f) Ensure that the bank has strong data privacy policies to protect financial consumer's information;
g) Ensure all employees are aware and trained on financial consumer protection policies and practices including risk management obligations that are embedded within the bank's culture; and
h) Inform the board and BSP on the complaints related to financial consumer protection.

FINANCIAL CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

Cooperative Bank of Cagayan 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 (financial, personnel and other logistics) in the development, implementation and ongoing monitoring of the risk management framework.

1. Technology

In order to manage risk effectively and efficiently, the Bank shall adopt web-based risk management system that allows risks to be captured, assigned, monitored and reported in one package. All risks shall be entered into the system and tasks 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 Committees.

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 Framework. 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 ratings) 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, Assistant Branch Managers, Loan Unit Supervisors and other Department Heads to nominate and appoint Risk Champions, who will be responsible for the risk management function within their respective branches/ business units. Each branch/department 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 sessions.

4. Other Support

Support services for the implementation of the Financial Consumer

Risk Management Process could be provided by the following:

4.1. External Risk Consultants

Cooperative Bank of Cagayan may hire experts or consultants to provide 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 compiled.

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 Internal Audit Plan shall be developed with financial consumer risk management as one of the core tenets of its functions and the Internal Audit in coordination 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.

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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 Repost 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.

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.

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

1. State policy

It is hereby declared the policy of the State to:

a. protect the integrity and confidentiality of bank accounts and to ensure that the Philippines, in general, and the covered persons, in particular shall not be used respectively, as a money laundering site and conduit for the proceeds of an unlawful activity as herein defined; and

b. to protect life, liberty and property from acts of terrorism and to condemn terrorism by criminalizing the financing of terrorism and related offenses.

2. 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:

2.1. 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

2.2. Adoption and implementation of **a sound Anti-Money Laundering (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 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.

2.3. 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.

2.4. 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.

- Covered persons shall report to the AMLC all covered transactions and suspicious transactions within five (5) working days from occurrence thereof. In case of suspicious transactions, the five working day period shall be reckoned from the determination of the suspicious nature of the transaction, which determination should be made not exceeding ten (10) calendar days from 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 under Section 3 (i) or 4 of of RA No. 9160, as amended, the 10-day period for determination shall be reckoned from the date the covered person knew of, or should have known, under the circumstances, the suspicious indicator. (BSP Circular Letter No. 065, Series of 2016) Lawyers and accountants acting as independent legal professionals are not required to report covered and suspicious transactions if the relevant information was obtained in circumstances where they are subject to professional secrecy or legal professional privilege.- (R.A. 10365)
- When reporting covered or suspicious transactions to the AMLC, covered persons and their officers and employees are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any other information in relation thereto. Neither may such reporting be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer and employee of the covered person and media shall be held criminally liable.- (R.A. 10365)
- Banking units should give special attention to business relations and transactions with persons, companies, and financial institutions from countries which do not apply sufficient controls against money laundering. (For countries which are members of the Financial Action Task Force, see Appendix A). Whenever these transactions have no apparent economic or visible lawful purpose or where the transaction is unusually large, their background and purpose should, as far as possible, be established, recorded in writing, and reported to the AMLC if said transaction falls under the definition of a covered transaction.

- Banking units must not warn their customers when information relating to them is being reported to the competent authorities.
- When a banking unit reports its suspicions to the competent authorities, it must comply with their instructions as provided or allowed by law.
- When a banking unit develops strong suspicions about operations of a customer, this should be reported immediately to the Compliance Officer and to the General Manager.

2.5. 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; and

- Banking units must keep records of customer identification for at least five years after the account is closed. These documents should be available to the competent authorities as allowed by law.
- To enable compliance with requests for information from competent authorities, banking units must retain records of all transactions. As a minimum, account ledger entries and the records supporting them must be kept for five years.

3. Stages of Money Laundering

3.1. Placement refers to:

⇛ the physical disposal of cash proceeds derived from illegal activity

⇛ the introduction of the criminal proceeds into the stream of commerce

Method used:

⇛ incremental bank deposits (smurfing)

⇛ purchasing goods and services to disguise the source of funds

⇛ false business losses

Strategies used:

⇛ smuggling cash

⇛ Smurfing

⇛ wire transfers

⇛ money remitters

3.2. Layering refers to:

⇛ separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity

⇛ concealing the source and nature of the funds

Methods used:

⇛ international wire transfers

⇛ transfers through bank secrecy jurisdictions

⇛ use of shell companies

⇛ sham front companies

Strategies used:

⇛ insurance companies

⇛ money remitters

⇛ cash intensive businesses

⇛ brokerage firms

⇛ Realtors

⇛ crooked Lawyers and Accountants

3.3. Integration refers to:

⇛ the provision of apparent legitimacy to criminally derived wealth. If the layering process has succeeded, integration schemes place the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be normal business funds.

⇛ making the dirty money look clean

3.3. Methods used:

⇛ repayment of offshore loans

⇛ onshore loans

⇛ bogus commodity sales

⇛ cashing out sham transfers

⇛ false invoices

⇛ stock sales in front companies

Strategies used:

⇛ use of shell corporations

⇛ use of offshore banks -use of front companies

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 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.

Enhanced Due Diligence—Whenever EDD is applied as required by the bank's customer acceptance policy, or where the risk of ML/TF are higher, the covered person shall do all of the following, in addition to profiling of customers and monitoring their transactions:

1. Gather additional customer information and/or identification documents, other than the minimum information and/or documents required for the conduct of average due diligence as enumerated under Subsec X806.2/4806Q.
2. Conduct validation procedures in accordance with herein stated in this manual on any or all of the information provided.
3. Secure senior management approval to commence or continue business relationship/transacting with the customer.
4. Conduct enhanced ongoing monitoring of the business relationship, by, among others, increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination
5. Require the first payment to be carried out through an account in the customer's name with a bank subject to similar CDD standards, where applicable, and
6. Perform such other measures as the covered person may deem reasonable or necessary.

When additional information cannot be obtained, or any information or document provided is false or falsified, or result of the validation process is unsatisfactory, the bank shall deny banking relationship with the customer/client without prejudice to the reporting of a suspicious transaction to the AMLC when circumstances warrant.

Minimum Validation Procedures for EDD

The procedures performed must enable the covered person to achieve a reasonable confidence and assurance that the information obtained are true and reliable. Validation procedures for individual customer/client shall include, but are not limited to, the following:

1. Confirming the date of birth from a duly authenticated official document.
2. Verifying the address through evaluation of utility bills, bank or credit card statement, sending thank you letters or other documents showing address or through on-site visitation
3. Contacting the customer/client by phone or email.
4. Determining the authenticity of the identification documents through validation of its issuance by requesting a certification from the issuing authority or by any other effective and reliable means.
5. Determining the veracity of the declared source of funds

For corporate or juridical entities, verification procedures shall include, but are not limited to, the following:

1. Validating source of funds or source of wealth from reliable documents such as audited financial statements, ITR, bank references, etc.
2. Inquiring from the supervising authority the status of the entity.
3. Verifying the address through on-site visitation of the company, sending thank you letters, or other documents showing address or
4. Contacting the entity by phone or email

A. Reduced Due Diligence

Where lower risks of ML/TF have been identified, through an adequate analysis of risk by the covered person, reduced due diligence procedures may be applied. The reduced due diligence procedures should be commensurate with the lower risk factor, but are not acceptable whenever there is suspicion of ML/TF, or specific higher risk scenarios apply.

B. Minimum Validation Procedures for RDD

Whenever reduced due diligence is applied as provided in the bank's policy, the following rules shall apply:

1. For individual customers, a covered person may open an account/establish relationship under the true and full name of the account owner/s or customers/clients upon presentation of an acceptable identification card (ID) or official document, independent source documents, data or information.
2. For corporate, partnership, and sole proprietorship entities, a covered person may open an account under the official name of these entities by presenting a Board Resolution duly certified by the Corporate Secretary, or equivalent document, authorizing the signatory to sign on behalf of the entity, obtained at the time of account opening.

Verification of the identity of the customer/ client, beneficial owner or authorized signatory can be made after the establishment of the business relationship.

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, customer/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 twelve (12) months; otherwise the account shall be closed and the remaining balance therein shall be returned to the customer. An extension of another twelve (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.

The covered person shall ensure that the above conditions are not breached otherwise complete information and valid ID shall immediately be required or the account shall be closed accordingly.

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 & 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.

Minimum Information/Documents Required for New Individual customers.

The bank shall obtain at the time of account opening all the following minimum information and confirming these information with the valid identification documents from individual customers and authorized signatory/ies of corporate and juridical entities:

The following are the minimum information to be confirmed with the official or valid identification documents from individual customers/clients at the time of opening/ establishing relationship with bank:

1. Name of customer/client
2. Date and place of birth
3. Name, present address, date and place of birth, nationality, nature of work and source of funds of beneficial owner, whenever applicable
4. Present address
5. Permanent address
6. Contact number or information
7. Nationality
8. Specimen signature or biometrics of the customer/client
9. Nature of work, name of employer or nature of self-employment/business
10. Source/s of funds
11. Tax Identification Number (TIN) and Social Security System (SSS) number or GSIS number, as may be applicable

Minimum Information/Documents Required for New Corporate and juridical entities

1. 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. Dealings with shell companies and corporations, being legal entities which have no business substance in their own right but through which financial transactions may be conducted, should be undertaken with extreme caution.
2. The following are the minimum information and/or documents to be obtained by the bank to its customer/client before establishing business relationships:
   2.1. Customer Information
      a. Name of entity
      b. Name, present address, date and place of birth, nationality, nature of work and source of beneficial owner or beneficiary, if applicable, and authorized signatories

c. Official address
d. Contact numbers or information.
e. Nature of business, and
f. Specimen signatures or biometrics of the authorized signatory

2.2. Identification Documents

a. Certificates of Registration issued by the Department of Trade and Industry (DTI) for single proprietor proprietors, or by Securities and Exchange Commission for Corporations and Partnership and by the BSP for money changers/foreign exchange dealers & remittances & transfer companies.
b. Secondary license or certificate of authority issued by the supervising authority or other government agencies
c. Articles of Incorporation/Partnership
d. Latest General Information Sheet which lists the names of directors/ trustees/partners, principal stockholders owning at least (20%) of the outstanding capital stock and primary officers such as the President and Treasurer.
e. Board of Partners' resolution duly certified by the Corporate/Partners' Secretary, or other equivalent document, authorizing the signatory to sign on behalf of the entity.
f. For entities registered outside the Philippines, similar documents and/or information shall be obtained duly authenticated by a senior officer or the designated officer of the covered person assigned in the country of registration; in the absence of said officer, the documents should be authenticated by the Philippine Consulate, company register or notary public, where said entities are registered.

For legal arrangement, the following must be obtained:

a. Name of legal arrangement and proof of existence
b. Address and country of establishment
c. Nature, purpose and objects of the legal arrangement
d. The names of the settler, the trustee, the trustor, the protector, if any, the beneficiary and other natural person exercising ultimate effective control over the legal arrangement
e. Description of the purpose/activities of the legal arrangement
f. Expected use of the account
g. Amount, number, type, purpose and frequency of the transaction expected.

Valid Identification Documents

1. The following 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 Overseas Filipino Workers (OFW), 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:
   a) Customers and the authorized signatory/ies of a corporate or juridical entity who engage in a financial transaction with the Bank for the first time shall be required to present the original and submit a clear copy of at least (1) valid photo-bearing ID document issued by an official authority.

   The term official authority shall refer to any of the following:
   a) Government of the Republic of the Philippines;
   b) Its political subdivisions and instrumentalities;
   c) GOCCs;
   d) Private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC.

Valid IDs include the following:

a) Passport including those issued by foreign governments
b) Driver's license
c) PRC ID
d) NBI clearance
e) Police clearance
f) Postal ID
g) Voter's ID
h) Tax Identification Number
i) Barangay certification
j) GSIS e-Card
k) SSS card
l) Senior Citizen card
m) OWWA ID
n) OFW ID
o) Seaman's book
p) Alien Certification of Registration/ Immigrant Certificate of Registration
q) Government office and GOCC ID (e.g., AFP, HDMF IDs)
r) ID issued by the National Council on Disability Affairs (NCDA);
s) DSWD certification
t) IBP ID
u) Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC; and
v) Philhealth Health Insurance Card ng Bayan.

2. Students who are beneficiaries of remittances/fund transfers and who are not yet of voting age, may be allowed to present the original and submit a clear copy of (1) valid photo-bearing school ID duly signed by the principal or head of the school.
3. Where the customer or authorized signatory is a non-Philippine resident, similar IDs duly issued by the foreign government where the customer is a resident or a citizen may be presented.
4. The Bank shall require the customers or authorized signatory to submit a clear copy of (1) valid ID on a one-time basis only at the commencement of business relationship. It shall require the clients to submit an updated photo and other relevant information on the basis of risk and materiality.
5. The Bank may classify identification documents based on its reliability and ability to validate the information indicated in the identification document with that provided by the customer.
6. Whenever it deems necessary, the Bank may accept other IDs not enumerated above provided that it shall not be the sole means of identification.
7. In case the identification documents mentioned above or other identification documents acceptable to the Bank do not bear any photo of the customer or authorized signatory, or the photo bearing ID or a copy thereof does not clearly show the face of the customer or authorized signatory, the Bank may utilize its own technology to take the photo of the customer or authorized signatory.

Relief in case of calamity—In case of a disastrous calamity and subject to a declaration by the Bangko Sentral 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 a competent 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.

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. The Bank shall clearly define the instances when the conduct of face-to-face is reasonably practicable, depending on the product, type of business and risk involved, or when the use of ICT shall apply. Also, the Bank should adopt policies and procedures to address any specific risks associated with deferred or technology-aided face-to-face verification and personal interview.

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.

- Where the initial verification fails to identify the applicant customer, or gives rise to suspicion that the information disclosed is false, additional verification measures; should be undertaken by the Bank to determine whether to proceed with the business or not. Details of the additional verifications are to be recorded.
- If during the business relationship, the Bank has reasons to doubt:
  a. the accuracy of the information relating to the identity of customer;
  b. the customer as the beneficial owner;
  c. the intermediary's declaration of beneficial owner-ship; or
  d. any signs of unreported changes,

The Bank shall take further measures to verify the identity of the customer or the beneficial owner, as may be applicable by taking any of the following methods:

<u>For individual clients</u>

i. confirming the date of birth from an official document (e.g., birth certificate, passport, identity card, social security records);
ii. confirming the permanent address (e.g., utility bill, tax assessment, bank statement, a letter from a public authority);
iii. contacting the customer by telephone, by letter or by e-mail to confirm the information supplied after an account has been opened (e.g., a disconnected phone, returned mail, or incorrect e-mail address should warrant further investigation); and
iv. confirming the validity of the official documentation provided through certification by an authorized person (e.g., embassy official, or notary public)

<u>For corporate clients</u>

i. for established corporate entities - reviewing a copy of the latest report and accounts (audited, if available);
ii. conducting an inquiry by a business information service, or an undertaking from a reputable and known firm of lawyers and accountants confirming the documents submitted;
iii. undertaking a company search and/or other commercial inquiries to see that the institution has not been, or is not in the process of being, dissolved, struck off, wound up or terminated;

iv. utilizing an independent information verification process, such as accessing public and private databases',
v. obtaining prior bank references;
vi. visiting the corporate entity, where practical; and
vii. contacting the corporate entity by telephone, mail or e-mail.

If the customer appears to be listed in the lists of terrorists or terrorist's organizations, the account should be reported to the AMLC.

- Nevertheless, the Bank may reasonably allow applying simplified or reduced CDD measures where there are circumstances where the risk of money-laundering or terrorist-financing, is lower, where information on the identity of the customer and beneficial owner of a customer is publicly available, or where adequate checks and controls exist elsewhere in national systems.

Examples of customers where simplified or reduced CDD measures could apply are:

i. financial institutions - where they are subject to requirements to combat money laundering and terrorist financing and are supervised for compliance with those controls;
ii. Public companies that are subject to regulatory disclosure requirements;
iii. Government administrations or enterprises.

Simplified CDD or reduced measures could also be acceptable for various types of products or transactions such as:

i. Insurance policies for pension schemes if there is no surrender clause and the policy cannot be used as collateral.
ii. A pension or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme

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 & 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.

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.

   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.

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.

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.

1. In case of domestic PEPs or persons who have been entrusted with a prominent function by an international organization, or their immediate family members or close associates, in addition to performing the applicable due diligence measures, covered person shall:
   a. Take reasonable measures to determine whether a customer of beneficial owner is a PEP; and
   b. In case where there is a higher risk business relationship, adopt measures under paragraphs (2)(b) to (d) below.
2. In relation to foreign PEPs or immediate family members or close associates, in addition to performing the applicable customer due diligence measures, covered person shall:
   a. Put in place risk management system to determine whether a customer or the beneficial owner is a PEP.
   b. Obtain senior management approval before establishing (or continuing, for existing customer/ client) such business relationships c. Take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEP d. Conduct enhanced ongoing monitoring on that relationship

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.

The correspondent bank shall:

1. In relation to cross border correspondent banking and other similar relationship;
2. With respect to "payable-through accounts", satisfy themselves that the respondent bank:

Covered persons are prohibited from entering into, or continuing correspondent banking relationships with shell banks and should have measures to satisfy themselves that respondent financial institutions do not permit their accounts to be used by shell banks.

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
   f. Purpose of such transaction.
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.
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;
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 2 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.

⇒ 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.

⇒ 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.
   a. Existing and New Accounts and New Transaction
   b. Closed Accounts
   c. Retention of Records in Case a Money-Laundering Case has been Filed in Court
   d. 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.
4. Documentation on the customer relationships and transactions shall be maintained such that:
   - The requirements of law and regulations are fully met;
   - 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 on-going 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.
b. 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.
13. 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—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:

- there is no underlying legal or trade obligation, purpose or economic justification;
- the client is not properly identified;
- the amount involved is not commensurate with the business or financial capacity of the client;
- taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the law;
- any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered institution;

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.

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 "AML 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 indictor. Should a transaction be determined to be both a covered and suspicious transaction, the bank shall be required to report the same as a suspicious transaction. Covered person shall ensure the accuracy and completeness of covered and suspicious transaction report, which shall be filed in the forms prescribed by the AMLC and submitted in a secured manner to the AMLC in electronic form. (BSP Circular Letter No. 950, Series of 2017)

Occurrence shall be understood to mean the date when knowledge was acquired.

5. Penalty for delayed submission - The report shall be considered a major report (Category A-2) and every delay in its submission shall be subject to a penalty of P180 for CoopBanks.
6. Should a transaction be determined to be both a covered and a suspicious transaction, the Bank shall report the same as a suspicious transaction. (Rule 9.3.a. IRR)
7. Format of the STRs- The AMLC shall prescribe the electronic format for STRs which shall be submitted to the AMLC within the prescribed period.

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

Internal Reporting Procedure

1. 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 (1) day from the date of Transactions.
2. 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 General Manager and to the Compliance Officer. Upon receipt of a report on suspicion on Money Laundering (Appendix G, H, H-1), the compliance Officer shall convene a meeting with the AMLC composed of (3) members of the Board and the Compliance Officer to evaluate the report and determine if the suspicion is based on reasonable grounds. If the Bank needs the assistance of the legal counsel and the concerned Department/Branch Manager where the transaction originated, he/she may be required to attend the meeting.
3. If the MLC decides that there is no reasonable basis for considering the transaction as suspicious, the Compliance officer shall report to the AMLC thru electronic reporting. But if the MLC decides that the transaction is suspicious, thorough investigation shall be conducted to have a reasonable basis before the Compliance Officer will report to the AMLC thru electronic reporting.
4. CTR shall be reported by the Compliance Department thru AMLC electronic reporting within 5 working days from the date of transaction. In case of suspicious transactions, the 5 working day period shall be reckoned from the determination of the suspicious nature of the transaction, which determination should be made not exceeding 10calendar days from 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 covered person knew or should have known the suspicious transaction indicator.

5. A copy of the uploaded file and the upload confirmation receipt from the AMLC portal shall be filed and maintained by 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.

New employees

A general appreciation of the background to money laundering, the consequent need to be able to identify suspicious transactions and report such transactions to the appropriate reporting levels within the Bank. The staff should be made aware of the legal requirement to report suspicious transactions relating to indictable offenses.

Cashiers/Tellers/Remittance Clerks/Processors

Personnel who are dealing directly with the public are the first point of contact with potential money launderers and their efforts are, therefore, vital to the Bank's strategy in the fight against money laundering. They should be made aware of their legal responsibilities in the reporting system for suspicious and covered transactions.

New Accounts Personnel/Customer Relations Officers

Personnel dealing with account opening or accepting applicants for business relationship with the Bank must undergo training given to cashiers, etc. Such personnel should be aware that the offer of suspicious funds or the request to undertake a suspicious transaction needs to be reported, whether or not the funds are accepted or the transactions implemented.

They must be apprised of the reporting procedures spelled out in this program.

Bank Supervisors and Managers

A higher level of instruction covering all aspects of money laundering procedures should be provided to those with the responsibility for supervising or managing staff. This will include the offenses and penalties arising from non-compliance; procedures relating to service of production and restraint orders; and the requirements for retention of records.

Directors

They must be apprised of any changes in AML laws, rules and internal procedures. Thus, new Circulars regarding Anti-Money Laundering Laws shall be disseminated to them.

On-going Training

1. 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. Regular refresher trainings shall likewise be provided in order to guarantee that officers and staff are informed of new developments and issuances related to the prevention of money laundering and terrorism financing.
2. Trainings of officers and employees shall include awareness of their respective duties and responsibilities under the MLPP particularly in relation to the customer identification process, record keeping requirements and CT and ST reporting and ample understanding of the internal processes including the chain of command for the reporting and investigation of suspicious and money laundering activities.
3. Dissemination of information on the activities on money laundering, its prevention and detection shall be the responsibility of the Compliance Officer.

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.

The following procedures shall be adopted:

1. Initially, all applicants to be employed in sensitive functions shall undergo the thorough Credit Investigation and Background Investigation to be conducted by the HR Department.
2. If an applicant passed the CI/BI conducted by the HR Department, he shall undergo the qualifying exam given by the Bank.
3. If he passed the qualifying exam, the applicant shall be oriented by the HR department and shall be trained by the Branch in need of the applicant.
4. The applicant/employee shall be evaluated by the Branch where the applicant was trained.

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

D. 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.

CHECKLIST FOR COMPLIANCE—These checklist will be of great help in formulating policies and procedures:

a. 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.
b. Draft and integrate- Write proposed changes in policies and procedures and integrate necessary revisions.
c. Board Approval for material changes in policies- Material changes in operating policies need Board approval.
d. Revise account opening procedures - Translate changes for front-line staffs
e. Revise forms- Revise forms to capture minimum identifying information and identity verification.
f. Verify- Look into documents submitted for identifying customers.

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.

Cooperative Bank of Cagayan Team Building 2023

Cooperative Bank of Cagayan held a 2 -day Team Building Activity with the theme TOGETHER AS ONE:" Creating a Culture of Excellence by Producing Outstanding & Empowered Employees" on June 24-25, 2023 at Awichon Cultural Village, Lubuagan, Kalinga.

Ninety-eight (98) employees from different branches and Branch lites including one board of director participated in the said day event where the main purpose is to recollect, reconnect and build rapport with other employees.

Atty. Robin James Gunnacao, President/CEO, who was present during the entire event welcomed all the participants and encouraged everyone to participate and to get involve in the various activities of the event.

Physical and social activities has been conducted through the assistance of the facilitator of the event, Mr. Jonas Dupo.

At night, employees had their socialization wherein participating and sharing was encourage among participants.

At the end of the evening session, the facilitator encourage all participants to be more grateful and be empowered when everyone returned to their workplace and perform their Duties and Responsibilities.

On the second day, physical activities continued in the morning and in the afternoon, winning team has been awarded.

Also, certificates to the punctual employees for the month of May and recognition to San Manuel Branch-lite as the top branch for employees who do not come late has also given during the event to motivate other employees.

In the end part of the activity, Attorney Gunnacao thanked all the participants and all who volunteered in the event. He encourage every empowered participants to perform their part to become outstanding.

CBC celebrates its 44th Founding Anniversary

Cooperative Bank of Cagayan celebrates its 44th founding anniversary on September 1, 2023 by extending service not only to the benefits of its employees, stockholders but also to the community.

During the first day of celebration, the bank organized a simple mass gathering and a blessing to the newly-structured cubicles in the Corporate Office .

Other branches and branch lites also celebrated the bank's founding anniversary by giving token to our client-members. Who come and visited the bank on September 1.

In September 2, on the second day of celebration, the bank conducted a tree-planting activity in the morning participated by the selected employees and lead by the BODs, President/CEO and Chief Operating Officer of the bank.

The Chairperson of the Board said "every trees planted played a significant role in the environmental not only for the present but as well as to the succeeding generations. It absorb carbon dioxide and when these trees stretch their branches, it will shade humans and animals"

As a yearly commitment, the bank conducted a bloodletting activity in coordination with Cagayan Valley Medical Center (CVMC) in the afternoon of September 2, 2023.

16 employees are willing to donate blood, however total of 14 donors were able to donate after screening.

The blood donors, who are also an employees of the bank received tokens of appreciation.

The President/CEO said that everyone who donated blood is very lucky because they have given the opportunity to save life.

For the continuous celebration of the bank's Founding Anniversary, more than 20 token of gratitude were given to valued depositors and borrowers of the bank during the entire celebration of its 44th founding anniversary.

CBC awards as the Regional Winner in Service Medium Category

Regional Winner (Service-Medium) Category— an award to Cooperative Bank of Cagayan during the 2023 Productivity Olympics (Regional Level) with the theme, "From Striving to Thriving: Reset and Reposition for Impact" that was administered by the Regional Tripartite Wages and Productivity Board (RTWPB)—Region II, at Villa Blanca Hotel, Tuguegarao City, Cagayan on July 11, 2023.

The bank was nominated as one of the entrants on the said Productivity Olympics, "A prestigious national competition organized by the National Wages and Productivity Commission every (2) years that recognizes the micro, small, & medium enterprises that demonstrated best – designed & successfully implemented productivity improvement programs in their business operations"-RTWPB-02.

CBC has exhibited its policies and procedures that promotes the best interests of its employees and clients and aid to their recovery during the peak of Covid-19 pandemic and promote programs/activities that leads to the improvement of its business operations.

Said Regional Winners on the Productivity Olympic will going to compete on National Level.

CBC conducted a 1-day training for bookkeepers of Cooperative Affiliates

Cooperative Bank of Cagayan conducted a "Bookkeeping Training for Cooperatives" intended for its cooperative-affiliates on November 30, 2023.

This aims to guide the bookkeepers of the cooperative maximize their capabilities in recording and bookkeeping, to coach them track all the information in their books for them to be financially organized and to assist them to regenerate the proper reporting of the books in able for them to comply with necessary reports.

Thirty-three (33) representatives from 18 different cooperatives attended the said training and most of them are bookkeepers, treasurers and accounting staffs.

Mr. Steven Bañez, the Fund Management and Branch Operation of the Bank, was the lecturer of the said training.

AMLD launches a Christmas Collection Promo

Asset Management and Legal Department launched a Christmas Collection promo on October 30 to December 29, 2023 to offer discounts on penalty and Past Due Interest (PDI) for delinquent accounts.

This promo aims to persuade member-borrowers to settle the delinquent loan status on a lighter payment terms by waiving up to 100% of their loan penalty and PDI.

The qualified for discounts are the delinquent borrowers with unsecured loans and are classified as Non-Performing Loans, and, Items on Litigations. Said discount shall only be applicable for full payment.

With the expand of two (2) months, the said department was able to collect nineteen (19) accounts amounting to more than 2.4million pesos .

SUSTAINABLE FINANCE FRAMEWORK

In pursuit of Cooperative Bank of Cagayan's commitment to sustainability and responsible banking practices, the following initiatives or practices has been integrated in the attainment of the sustainable development goals which is part of the considerations into the Bank's operations and decision-making processes, to wit:

Goal 1: No Poverty – Offering microfinance loan products to low-income individuals and marginalized communities, enabling them to access loans and savings products and services. These financial resources help lift people out of poverty by supporting entrepreneurship, income-generating activities, and basic needs.

Goal 2: Zero Hunger – Providing agricultural related financing to smallholder farmers and agricultural cooperatives, facilitating investments in sustainable farming practices, agricultural inputs, irrigation systems, and post-harvest infrastructure. These initiatives will help increase food production, improve food security, and alleviate hunger in rural areas.

Goal 3: Good Health and Well-being – Prioritizing the health and well-being of the employees and BODs by providing annual medical allowance and requiring them to undergo physical examination to promote physical and mental well-being, prevent illnesses and disease, and ensure access to quality healthcare services.

Goal 4: Quality Education – Offering professional development programs through attending seminars, workshops, and trainings to empower our employees, BODs, and stakeholders to provide an equal opportunity to enhance their skills, knowledge, and professional growth. The Bank also offers study leave to all employees to equip them with the skills and knowledge necessary to excel in their current roles and advance careers within the institution. Investing in the professional development programs of our employees aligns with the Bank's commitment to excellence, innovation, and continuous improvement, ultimately driving organizational success and sustainability. Through continuous learning and skills development, we strive to create a more knowledgeable, capable, and empowered workforce that contributes to the achievement of Bank's mission and vision.

Goal 5: Gender Equality – The bank is dedicated in promoting gender-inclusive practices in both our recruitment processes and the development of financial products. The Bank is committed in nurturing a supportive and inclusive working environment where all employees can thrive and reach their full potential. Also, the bank provides financial education programs that are accessible and inclusive to all client-members of all gender which aims to empower their knowledge and skills they need to make informed financial decisions and achieved financial goals. Through these initiatives, CBC aim to foster a more equitable and inclusive workplace culture while offering financial solutions that cater to the diverse needs of the banking public, regardless of gender.

Goal 6: Clean Water and Sanitation – Implementing water-saving measures within the workplace, such as recycling and reuse systems, and conducting awareness campaigns to encourage employees to conserve water at work.

Goal 7: Affordable and Clean Energy – Financing renewable energy projects such as the newly launched Environmental loan product, aims to accelerate the transition to clean and sustainable energy sources, contributing to climate change mitigation and environmental sustainability.

Goal 8: Decent Work and Economic Growth – CBC provides access to affordable employee loans and credit facilities through its Fringe Benefit Program, to support employees in meeting their financial needs and aspirations. The bank also prioritize work life balance through study leave, birthday leave, wedding leave, parental leave and other benefits that support employees in managing their professional responsibility and personal commitments. Further, the bank allocates retirement plans to help employees build financial security for their future and enjoy a dignified retirement after years of dedicated service.

Goal 9: Industry, Innovation and Infrastructure – The bank is taking into consideration the transition of traditional to digital banking which shall promote technological advancement and digital inclusion among the stakeholders through its innovative benefits. This aims to empower the emerging financial needs of the banking public necessary to thrive in a rapidly evolving digital economy while providing access to digital financial services that promote financial inclusion and economic growth.

Goal 10: Reduced Inequalities – Implementing policies and procedures that promote diversity, equity, and inclusion among our workforce while offering financial products that advance economic inclusion for underserved and marginalized communities. We aim to create a more equitable workplace culture and foster financial empowerment and access to opportunities for all individuals, regardless of their background and socioeconomic status. The bank offers leadership development trainings that emphasize inclusive leadership principles, such as empathy, humility, and active listening, to empower managers and executives to lead diverse team effectively and foster a culture of belonging and trust.

Goal 11: Sustainable Cities and Communities – Coopbank supports community-based projects through financing of housing projects of the banking public that promote affordable housing, and resilient infrastructure in cities and rural areas. This focuses on improving living conditions, enhancing access to basic services, and fostering inclusive and participatory urban development processes.

Goal 12: Responsible Consumption and Production – The top management provides employees with practical tips and strategies for conserving energy and reduces waste generation in the workplace, such as turning off lights and electronic devices when not in use, using energy-efficient appliances, paperless communication, and proper waste management. The bank also offers green loan though its Environmental loan with favorable terms and rates for stakeholders who wish to invest in energy-efficient home upgrades such as the acquisition of solar panels. By integrating these practices, we empower our employees and stakeholders to be agents of change in building a more sustainable and resilient future for generations to come.

Goal 13: Climate Action –The bank conducts an emergency preparedness drills and simulations to ensure that employees are equipped with the knowledge and skills to respond effectively to climate-related disasters such as floods, storms and earthquake. The board and management are dedicated in formulating financial products and other initiatives that promote climate resilience, reduce vulnerability, and enhance financial security in the face of climate-related risks.

Goal 14: Life Below Water – Looking ahead, the board and management shall integrate initiatives which aim to empower our employees and stakeholders to become advocates for ocean conservation and stewards of marine ecosystems, driving positive change towards a healthier and more resilient ocean environment for all.

Goal 15: Life on Land – Initiated tree planting activity during its 44th Founding Anniversary and joined in the same activity in Peńablanca, Cagayan with different organizations around Cagayan Valley Region. This initiative contributes to the preservation and restoration of terrestrial ecosystems. Through this, the bank aims to engage employees in hands-on conservation efforts, promote environmental stewardship, and mitigate the impacts of deforestation and habitat loss.

SUSTAINABLE FINANCE FRAMEWORK

Goal 16: Peace, Justice and Strong Institutions – The Mediation and Conciliation Committee have been instituted to resolve disputes and conflicts in a peaceful, fair, and respectful manner. In this initiative, the bank continuously adhere to its core values which fosters a culture of integrity, transparency, and accountability within the organization, as well as contribute to the advancement of peace, justice, and strong institutions in our communities and beyond.

Goal 17: Partnerships for the Goals – The bank has established employee engagement where employees can actively participate in decision-making processes related to sustainability development, and corporate social responsibility efforts. The Bank will explore strategic partnership opportunities with organizations, institutions, and networks working towards the achievement of sustainable development goals, seeking to leverage collective expertise, resources, and influence to drive positive impact at scale. The Bank is committed in upholding the highest standards of corporate governance, transparency, and accountability, ensuring the integrity and trustworthiness of the financial institution.

The Bank remains steadfast in its commitment to sustainable finance, recognizing its pivotal role in driving positive change and creating shared values for all stakeholders. We will continue to innovate, collaborate, and lead by example in advancing sustainable development and building a more resilient and inclusive future for the communities we serve

Statement of Management Responsibility

COOPERATIVE BANK OF CAGAYAN
The Bank that Farmers built . . .

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of **COOPERATIVE BANK OF CAGAYAN**, (the "Bank"), is responsible for the preparation and fair presentation of financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and 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.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

Alas, Oplas & Co., CPAs, the independent auditor appointed by the members for the years ended December 31, 2023 and 2022, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ENGR. NESTOR T. BAUTISTA
Chairman of the Board

ATTY. ROBIN JAMES A. GUNNACAO
President

STEVEN B. BAÑEZ
Treasurer

Signed this 18th day of March, 2024.

www.facebook.com/coopbank.ph (078) 844 3432 / (078) 3

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.

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 33 and Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 32 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. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
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. 10075665, issued on January 2, 2024, Makati City

March 18, 2024
Makati City, Philippines

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
7/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 7116-4366
Email: aocheadoffice@alasoplas.com
Website: www.alasoplascpas.com

Independent Member of
BKR International

INDEPENDENT AUDITORS' REPORT

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 position as of December 31, 2023 and 2022, and the related statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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.

Statement of Financial Condition

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
In Philippine Peso

	Notes	2023	2022
ASSETS			
Cash and other cash items	8	**2,013,156**	1,921,923
Due from Bangko Sentral ng Pilipinas	9	**8,681,958**	8,851,773
Due from other banks	10	**122,516,324**	161,384,555
Investment securities at amortized cost	11	**40,428,256**	–
Held-to-maturity investments	11	–	12,924,435
Loans and other receivables – net	12	**424,076,351**	387,042,435
Investment properties – net	13	**5,306,999**	4,302,961
Non-current assets held for sale	14	**1,499,177**	1,772,177
Bank premises, furniture, fixtures and equipment – net	15	**23,123,626**	21,887,691
Other assets	16	**8,285,684**	7,316,723
TOTAL ASSETS		**635,931,531**	607,404,673
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit liabilities	17	**354,303,835**	371,615,172
Bills payable	18	**188,969,833**	152,671,183
Accrued interest and other expenses payable	19	**6,092,315**	5,782,570
Income tax payable		–	–
Other liabilities	20	**20,236,060**	18,416,684
TOTAL LIABILITIES		**569,602,043**	548,485,609
MEMBERS' EQUITY			
Preferred shares	21	**22,790,000**	22,780,000
Ordinary shares	21	**34,115,176**	33,716,926
Deficit	21	–	(8,719,953)
Surplus reserves	21	**9,424,312**	11,142,091
TOTAL MEMBERS' EQUITY		**66,329,488**	58,919,064
TOTAL LIABILITIES AND MEMBERS' EQUITY		**635,931,531**	607,404,673

See Notes to Financial Statements.

Statement of Operation

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
In Philippine Peso

	Note	2023	2022
INTEREST INCOME			
Due from other banks	10	**98,341**	95,129
Investment securities at amortized cost	11	**931,332**	–
Held-to-maturity financial assets	11	**–**	77,453
Loans and other receivables	12	**69,154,845**	71,182,045
		70,184,518	71,354,627
INTEREST EXPENSE			
Deposit liabilities	17	**(11,549,144)**	(11,557,833)
Bills payable	18	**(780,157)**	(1,138,889)
		(12,329,301)	(12,696,722)
NET INTEREST INCOME		**57,855,217**	58,657,905
OTHER OPERATING INCOME	23	**19,873,626**	23,735,902
TOTAL OPERATING INCOME		**77,728,843**	82,393,807
OTHER OPERATING EXPENSES	24	**(63,798,505)**	(65,334,444)
NET OPERATING INCOME BEFORE PROVISION		**13,930,338**	17,059,363
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	**(6,559,629)**	(11,368,278)
PROFIT BEFORE INCOME TAX		**7,370,709**	5,691,085
INCOME TAX EXPENSE	22	**–**	–
NET PROFIT		**7,370,709**	5,691,085
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME		**7,370,709**	5,691,085

See Notes to Financial Statements.

Statement of Changes in Equity

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
In Philippine Peso

	Preferred Shares (Note 21)	Ordinary Shares (Note 21)	General Reserve Fund (Note 21)	Educational & training (Note 21)	Community & Development (Note 21)	Optional Fund (Note 21)	Retirement of Preferred Stock (Note 21)	Deficit (Note 21)	Total
Balance at December 31, 2021	22,780,000	33,049,676	2,082,365	870,173	561,890	3,212,081	3,896,000	(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
Utilization of reserves	–	–	–	(818,948)	(84,242)	–	–	903,190	–
Appropriation for the year	–	–	569,109	284,554	170,733	398,376	–	(1,422,772)	–
Due to CETF	–	–	–	–	–	–	–	(284,555)	(284,555)
Total transaction with members	–	667,250	569,109	(534,394)	86,491	398,376	–	(804,137)	382,695
Balance at December 31, 2022	22,780,000	33,716,926	2,651,474	335,779	648,381	3,610,457	3,896,000	(8,719,953)	58,919,064
Comprehensive income:									
Profit	–	–	7,370,709	–	–	–	–	–	7,370,709
Total comprehensive income	–	–	7,370,709	–	–	–	–	–	7,370,709
Transaction with members									
Issuance of shares	10,000	398,250	–	–	–	–	–	–	408,250
Offsetting of deficit against general reserve fund	–	–	(8,719,953)	–	–	–	–	8,719,953	–
Utilization of reserves	–	–	368,033	(335,779)	(32,254)	–	–	–	–
Appropriation for the year	–	–	(1,105,607)	368,536	221,121	515,950	–	–	–
Due to CETF	–	–	(368,535)	–	–	–	–	–	(368,535)
Total transaction with members	10,000	398,250	(9,826,062)	32,757	188,867	515,950	–	8,719,953	39,715
Balance at December 31, 2023	**22,790,000**	**34,115,176**	**196,121**	**368,536**	**837,248**	**4,126,407**	**3,896,000**	**–**	**66,329,488**

See Notes to Financial Statements.

Statement of Cash Flows

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
In Philippine Peso

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**7,370,709**	5,691,085
Adjustments for:			
Interest income	10,11	**(1,029,673)**	(172,582)
Amortization	16	**52,429**	62,621
Interest expense – lease liabilities	20	**230,694**	–
Gain on sale of non-financial assets	23	**(4,876,670)**	(3,709,188)
Depreciation	24	**6,309,982**	5,900,851
Retirement expense	25	**898,686**	1,228,425
Provision for credit and impairment losses	26	**6,559,629**	11,368,278
Operating cash flow before working capital changes		**15,515,786**	20,369,490
Changes in operating assets			
Decrease (increase) in operating asset:			
Loans and other receivables		**(43,897,253)**	10,656,935
Other assets		**(5,580,473)**	603,058
Increase (decrease) in operating liabilities:			
Deposit liabilities		**(17,311,337)**	6,186,182
Accrued interest and other expenses payable		**309,745**	402,126
Other liabilities		**743,483**	2,137,640
Cash generated from (used in) operations		**(50,220,049)**	40,355,431
Interest received	10,11	**1,029,673**	172,582
Contribution to the fund	25	**(1,343,715)**	(1,705,771)
Income tax paid		**–**	(44,050)
Net cash generated from (used in) operating activities		**(50,534,091)**	38,778,192
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities at amortized cost	11	**(40,428,256)**	(12,924,435)
Proceeds from investment securities at amortized cost	11	**12,924,435**	7,449,782
Proceeds from sale of investment properties	13	**2,203,368**	15,114,308
Proceeds from sale of non-current asset held for sale	14	**1,223,983**	371,000
Acquisition of bank premises, furniture, fixtures and equipment	15	**(2,771,681)**	(2,717,434)
Proceed from sale of bank premises, furniture, fixtures and equipment	15	**806,835**	534,190
Net cash generated from (used in) investing activities		**(26,041,316)**	7,827,411
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlements of bills payable	18	**(34,701,350)**	(34,378,571)
Availment of bills payable	18	**71,000,000**	57,540,000
Proceeds from deposit for stock subscription	20	**2,325,000**	2,952,500
Payment for lease liabilities – principal and interest	20	**(1,403,306)**	–
Proceeds from issuance of ordinary shares	21	**398,250**	667,250
Proceeds from issuance of preferred shares	21	**10,000**	–
Net cash generated from financing activities		**37,628,594**	26,781,179
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(38,946,813)**	73,386,782
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		**1,921,923**	2,526,459
Due from Bangko Sentral ng Pilipinas		**8,851,773**	9,072,656
Due from other banks		**161,384,555**	87,172,354
		172,158,251	98,771,469
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	8	**2,013,156**	1,921,923
Due from Bangko Sentral ng Pilipinas	9	**8,681,958**	8,851,773
Due from other banks	10	**122,516,324**	161,384,555
		133,211,438	172,158,251

See Notes to Financial Statements.

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
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, 2023.

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 filling 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 (PFRSs).

PFRSs include all applicable PFRSs, Philippine Accounting Standards (PASs), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC. All provisions and requirements of PFRSs are applied by the Bank in preparation of its financial statements except for the requirements of the following standards:

a. PFRS 9 Financial Instruments – For impairment, the Bank adopted Appendix 15 of Manual of Regulations for Banks (MORB) that provides guidelines for provisioning based on number of days past due, collaterals, and type of loan.

Based on Cooperative Development Authority (CDA) Memorandum Circular No. 2022-25, the authority adopts and prescribes the use of Philippine Financial Reporting Standards (PFRS) for Cooperative Banks.

Whenever 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:

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
In Philippine Peso

(i) Classification of share capital – treated as part of equity regardless of its features;
(ii) Recognition of stabilization fund – a fund to guarantee financial assistance to member-cooperatives which can be classified as part of equity or liability;
(iii) Classification of donated capital – classified as part of equity; and
(iv) Measurement of investment in non-marketable equity securities (INMES) – these financial assets are allowed to be carried at cost under the Reporting Framework.

The Bank's financial statements for the year ended December 31, 2023 are its first annual financial statements prepared under accounting policies that comply with the Philippine Financial Reporting Standards.

2.02 Transition to PFRS

The Bank applied the Philippine Financial Reporting Standards (PFRS) for the first time in preparing its financial statements, with January 1, 2023 as date of transition.

The transition to full PFRS had no impact on the financial statements as at December 31, 2022.

PFRS 9, *Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. It introduces new requirements for classification and measurement, impairment, and hedge accounting.

Classification and Measurement
PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value through profit or loss or through other comprehensive income (OCI), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at FVPL that is attributable to changes in the credit risk of that liability is recognized in OCI (rather than in profit or loss), unless this creates an accounting mismatch.

Impairment
PFRS 9 for all loans and other debt financial assets not classified as FVPL, together with loan commitments and financial guaran-tee contracts.

Incurred loss versus ECL methodology
ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk since their initial recognition. As a result, ECL allowances are measured at amounts equal to either:

(i) 12-month ECL; or
(ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach)

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The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. The lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model un-der PAS 39 recognizes lifetime credit losses only when there is objective evidence of impairment while ECL model eliminates the threshold or trigger event required under the incurred loss model, and lifetime ECL are recognized earlier.

Hedge Accounting
PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. The derecognition provisions are carried over almost unchanged from PAS 39. The Bank has no hedge accounting.

Transition to PFRS 9
As permitted by transitional provisions of PFRS 9, the Bank elected not to restate comparative figures. The Bank adopted PFRS 9 on January 1, 2023 and the comparative information for 2022 financial instruments in scope of PFRS 9 was not restated and was reported under PAS 39, thus not comparable with the information presented for 2023.

The adoption of PFRS 9 has resulted in changes mainly in the Bank's accounting policies for recognition, classification and measurement. However, for the impairment of financial assets, the Bank still uses the incurred loss model under PAS 39 which is consistent with the BSP requirements under Circular 1011, instead of expected credit loss model under PFRS 9. The Bank is still on the process of preparing the policy on ECL model. There were no changes in the classification of financial liabilities. PFRS 9 also significantly amends other standards dealing with financial instruments such as PFRS 7, Financial Instruments: Disclosures.

The adoption of PFRS 9 did not result to any adjustment in the account balances as of December 31, 2022.

Set out below are disclosures relating to the impact of the adoption of PFRS 9 on the Bank.

Classification and measurement of financial assets

The measurement category and the carrying amount of financial assets in accordance with PAS 39 and PFRS 9 at January 1, 2023 are as follows:

	December 31, 2022 (PAS 39)		January 1, 2023 (PFRS 9)	
Financial assets	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and other cash items	Amortized cost	1,921,923	Amortized cost	1,921,923
Due from Bangko Sentral ng Pilipinas	Amortized cost	8,851,773	Amortized cost	8,851,773
Due from other banks	Amortized cost	161,384,555	Amortized cost	161,384,555
Investment securities debt	Amortized cost (HTM)	12,924,435	Amortized cost	12,924,435
Loans receivable	Amortized cost	387,042,435	Amortized cost	387,042,435
Other financial assets	Amortized cost	6,620,661	Amortized cost	6,620,661

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PFRS 16, Leases

Lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries for-ward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Bank has adopted PFRS 16, 'Leases' effective January 1, 2023. PFRS 16 replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The adoption of PFRS 16 did not have a significant impact on the financial statements since the Bank has no leases qualified to be accounted for using the new standard.

PFRS 15, Revenue from Contract with Customers

The standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.). Further, the standard was subsequently amended to provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

Based on the Bank's assessment, all of the Bank's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly the delivery of goods or services to customers. Revenue is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for transferring goods or services to a customer.

Accordingly, the adoption of PFRS 15 has no significant impact in the timing of the Bank's revenue recognition.

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.

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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, 2023 and 2022, the Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as going concern.

3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

3.01 New Standard Adopted by the Bank

PFRS 16, Leases

Lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Bank has adopted PFRS 16, 'Leases' effective January 1, 2023. PFRS 16 replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The adoption of PFRS 16 resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Bank did not early adopt any provisions of PFRS 16 in previous periods.

As permitted by the transitional provisions of PFRS 16, the Bank elected not to restate comparative figures and adopt the modified retrospective approach with simplified right-of-use asset to transition to the new leases standard.

The Bank recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of PAS 17.

- The lease liabilities were measured at the present value of the remaining lease payments, discounted using the appropriate incremental borrowing rates as of January 1, 2023.

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- The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to certain leases recognized in the statement of financial position as at December 31, 2023.

In applying PFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

(a) For all contracts entered into before January 1, 2023 and that were previously identified as leases under PAS 17, Leases, and IFRIC 4, 'Determining whether an arrangement contains a lease', the Bank has not reassessed if such contracts contain leases under PFRS 16; and

(b) On a lease-by-lease basis, the Bank has:
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Set out below are disclosures relating to the impact of the adoption of PFRS 16 on the Bank.

(a) Amounts recognized in the statements of financial position

		December 31, 2023		January 1, 2023
Right-of-use assets	₱	**2,884,678**	₱	4,179,260
Lease liabilities:				
Current	₱	**1,087,202**	₱	1,172,612
Non-current		**1,919,446**		3,006,648
	₱	**3,006,648**	₱	4,179,260

(b) Amounts recognized in the statements of comprehensive income

		2023
Depreciation expense	₱	**1,294,583**
Interest expense		**230,694**
	₱	**1,525,277**

When measuring lease liabilities for leases that have been classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at January 1, 2023. The Bank has applied incremental borrowing rate of 5.6498% to 6.5241%.

The reconciliation of operating lease commitments as at December 31, 2023 discounted using the incremental borrowing rate as at January 1, 2023 and the lease liabilities recognized as at January 1, 2023 follows:

Operating lease commitments as at December 31, 2022 as disclosed under PAS 17	₱	**4,707,792**
Discounted using the incremental borrowing rate at January 1, 2023		**(528,532)**
Lease liabilities recognized as at January 1, 2023	₱	**4,179,260**

3.02 New and Amended Standards and Interpretations Effective on January 1, 2023

The Bank applied for the first-time the following standards and amendments, which are effective for annual periods beginning on or after 1 January 2023, unless otherwise stated.

3.02.01 PFRS 17 Insurance Contracts
PFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. PFRS 17 replaces PFRS 4 *Insurance Contracts*. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of PFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. PFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Bank's financial statements as the Bank does not have any contracts that meet the definition of an insurance contract under PFRS 17.

3.02.02 Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies
The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank's financial statements.

3.02.03 Amendments to PAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction
The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to PAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The amendments had no impact on the Bank's financial statements.

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3.02.04 Amendments to PAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules
The amendments to PAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

3.02.05 Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates
The amendments to PAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

The amendments had no impact on the Bank's financial statements.

3.03 New and Amended Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.03.01 Amendments to PAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current
The amendments to PAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to PAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

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3.03.02 Amendments to PAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

3.03.03 Amendments to PAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

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3.03.04 Amendment to PFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in PFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in PFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying PFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with PAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied PFRS 16.

3.04 Deferred Effectivity

3.04.01 Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

4. MATERIAL ACCOUNTING POLICIES

4.01 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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4.02 Financial Assets

A financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

Date of Recognition
The Bank recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

'Day 1' Difference
Where the transaction price in a non-active market is different with the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

4.02.01 Financial Assets

Policies applicable beginning January 1, 2023 (PFRS 9)

Initial Recognition and Measurement
Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVPL, includes transaction cost.

Classification
The Bank classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Bank's business model for managing the asset and its contractual cash flow characteristics.

Financial Assets at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As of December 31, 2023, the Bank's cash and other cash items, due from BSP, due from other banks, investment securities at amortized cost, loans and other receivables and other financial assets are classified under this category as disclosed in Notes 8, 9, 10, 11, 12 and 16.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, cash in bank, and short-term placements. These are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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Loans receivable
Loans receivable include those arising from direct loans to members including officers and employees. These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, 'Loans receivables' are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as 'Interest income' in the statement of comprehensive income. The losses arising from impairment are recognized in 'Provision for credit losses' in the statements of comprehensive income.

Investment securities at amortized cost
Investment securities at amortized cost include non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as at amortized cost 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. Investment securities at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, these financial assets are subsequently measured at amortized cost. Gains and losses are recognized in the statement of comprehensive income when the investment securities at amortized cost are derecognized and impaired, as well as through the amortization process.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities.

Debt Instruments at FVOCI
For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met: (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (2) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As of December 31, 2023, the Bank does not have debt instruments at FVOCI.

Equity Instruments at FVOCI
For equity instruments that are not held for trading, the Bank may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument by instrument basis.

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Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings. Equity securities at FVOCI are not subject to impairment assessment.

As of December 31, 2023, the Bank does not have equity securities at FVOCI.

Financial Assets at FVPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not “solely for payment of principal and interest”, and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Bank may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also includes equity instruments which the Bank had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As of December 31, 2023, the Bank does not have equity securities at FVPL.

Reclassification
The Bank reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

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In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the re-classification date.

Impairment
At the end of the reporting period, the Bank assess its expected credit losses (ECL). The Bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. The Bank being categorized as having simple and non-complex operations adopted the basic guidelines in setting up of allowance for credit losses provided for in Appendix 15 of the Manual of Regulations for Banks in recognizing expected credit losses (ECL) for its loans and other receivables. The Bank looks beyond the past due/missed amortizations in classifying exposures and in providing allowance for credit losses.

The Bank considers a financial asset in default when contractual payments, i.e. last amortization paid are more than 30 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank's ECL measurement, as determined by the Management, is disclosed in Note 6.01.02.

Derecognition
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Bank retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Bank has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Bank's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of Bank that the Bank could be required to repay.

<u>Policies applicable prior to January 1, 2023 (PAS 39)</u>

Initial Recognition of Financial Assets
Financial assets are recognized in the Banks financial statements when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Bank's financial assets, except for investments classified at fair value through profit or loss (FVPL).

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Classification of Financial Assets
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVPL), 'available-for-sale' (AFS) financial assets, 'held-to-maturity' (HTM) investment and 'loans and receivables'. The classification depends on the nature and purpose for which the financial assets were acquired and is determined at the time of initial recognition.

As of December 31, 2023, the Bank has not designated any financial asset at FVPL and AFS financial assets.

(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.

(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.

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4.02.02 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.

4.02.03 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.

4.02.04 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.

4.03 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.

4.04 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.

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.

4.05 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.

4.06 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.

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

4.07 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.

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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.

4.08 Financial Liabilities and Equity Instruments

4.08.01 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.

4.08.02 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.

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.

4.08.03 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.

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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.

4.08.04 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.

4.08.05 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.

(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.

4.09 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;

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- 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.

4.10 Provisions, Contingent Liabilities and Contingent Assets

4.10.01 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.

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.

4.10.02 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.

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4.11 Revenue Recognition

4.11.01 Revenue Recognition for Revenues within the scope of PFRS 15
Under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Bank and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable by the Bank for services provided in the normal course of business. In addition, the following specific recognition criteria must also be met before revenue is recognized.

Upon adoption of PFRS 15 beginning January 1, 2023, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Bank has assessed that it is acting as principal in all arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Fees and Commissions
The Bank earns fees and commission income from a diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and credit-related fees. Service fees are collected from borrowers to cover direct and indirect expenses in processing credit applications.

Other Income
Other income arises from gain on sale of financial and non-financial assets, bank fees and charges, bank commissions and miscellaneous income. Other income is recognized upon completion of the earning process and the collectibility is reasonably assured.

4.11.02 Revenue Recognition for Revenues outside the scope of PFRS 15
For revenues outside the scope of PFRS 15, the following specific recognition criteria must also be met before revenue is recognized:

Interest on Loans
Interest income on loans and discount with advanced interest are recognized periodically using the effective interest method of amortization. On the other hand, interest income on loans and discount with no advanced interest, where payments are made on a monthly basis, is recognized on a monthly basis on payment dates using the effective interest method.

The Bank does not accrue interest income on non-performing loans in compliance with BSP regulations.

The Bank shall only charge interest based on the outstanding balance of a loan. For a loan where the principal is payable in installments, interest per instalment shall be calculated based on the outstanding balance of the loan.

Interest Income on Bank Deposits and Investment Securities at Amortized Cost
Interest on bank deposits, available-for-sale and investment securities at amortized cost are recognized in profit or loss using the effective interest method.

4.12 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:

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- On the basis of a direct association between costs incurred and the earning of specific items of income;
- 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.

4.13 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including directors and management.

4.13.01 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.

4.13.02 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.

4.14 Leases

4.14.01 The Bank as Lessee
For any new contracts entered into on or after January 1, 2023, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Recognition and Initial Measurement
At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Subsequent Measurement
The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

Useful life considered in depreciating the right-of-use assets is the life of the asset or remaining term of the lease, whichever is shorter.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

4.15 Related Party Transactions

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

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

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

Further, Section 131 of the MORB states that related parties shall cover the BSFI's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's DOSRI, and their close family members, as well as corresponding persons in affiliated companies. These shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the BSFI, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to a BSFI identified as follows:

(1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
(2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;

(3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
(4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Related party transactions (RPTs) shall refer to transactions or dealings with related parties of the BSFI, including its trust department regardless of whether or not a price is charged. These shall include, but not limited to the following:

(1) On- and off-balance sheet credit exposures and claims and write-offs;
(2) Investments and/or subscriptions for debt/equity issuances;
(3) Consulting, professional, agency and other service arrangements/contracts;
(4) Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
(5) Construction arrangements/contracts;
(6) Lease arrangements/contracts;
(7) Trading and derivative transactions;
(8) Borrowings, commitments, fund transfers and guarantees;
(9) Sale, purchase or supply of any goods or materials; and
(10) Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

4.16 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.

4.16.01 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.

4.17 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.

5. 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.

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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.

5.01 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:

5.01.01 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.

5.01.02 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.

5.01.03 Evaluation of Provisions and Contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

As of December 31, 2023 and 2022, the Bank has no contingent liabilities to be recognized.

5.01.04 Determining whether or not a contract contains a lease
At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Identified asset
An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer.

Substantive substitution rights
Even if the asset is specified, the Bank does not have the right to use an identified asset, if, at inception of the contract, a supplier has the substantive right to a substitute the asset throughout the period of use (i.e., the total period of time that an asset is used to fulfill a contract with the Bank, including the sum of any non-consecutive periods of time). A supplier's right to substitute an asset is substantive when both of the following conditions are met:

- The supplier has the practical ability to substitute alternative assets throughout the period of use (e.g., the Bank cannot prevent the supplier from substituting an asset and alternative assets are readily available to the supplier or could be sourced by the supplier within a reasonable period of time); and
- The supplier would benefit economically from the exercise of its right to substitute the asset (i.e., the economic benefits associated with substituting the asset is expected to exceed the costs associated with substituting the asset).

The Bank's evaluation of whether a supplier's substitution right is substantive is based on facts and circumstances at inception of the contract. At inception of the contract, the Bank does not consider future events that are not likely to occur.

Right to obtain substantially all of the economic benefits from use of the identified asset
To control the use of an identified asset, the Bank is required to have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use (e.g., by having exclusive use of the asset throughout that period).

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When assessing whether the Bank has the right to obtain substantially all of the economic benefits from the use of an asset, the Bank considers the economic benefits that result from use of the asset within the defined scope of the customer's right to use the asset. A right that solely protects the supplier's interest in the underlying asset (e.g., limits on the number of miles a customer can drive a supplier's vehicle) does not, in and of itself, prevent the Bank from obtaining substantially all of the economic benefits from use of the asset and, therefore, are not considered when assessing whether the Bank has the right to obtain substantially all of the economic benefits.

If a contract requires the Bank to pay the supplier or another party a portion of the cash flows derived from the use of an asset as consideration (e.g., a percentage of sales from the use of retail space), those cash flows are considered to be economic benefits that the Bank derives from the use of the asset.

Right to direct the use of the identified asset
The Bank has the right to direct the use of an identified asset throughout the period of use when either the Bank has the right to direct how and for what purpose the asset is used throughout the period of use. The Bank has the right to direct the use of an identified asset whenever it has the right to direct how and for what purpose the asset is used throughout the period of use (i.e., it can change how and for what purpose the asset is used throughout the period of use). When evaluating whether the Bank has the right to change how and for what purpose the asset is used throughout the period of use, its focus is on whether the Bank has the decision-making rights that will most affect the economic benefits that will be derived from the use of the asset. The decision-making rights that are most relevant are likely to depend on the nature of the asset and the terms and conditions of the contract.

5.01.05 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.

5.01.06 Classifying Real and Other Properties Acquired (ROPA)
The Bank acquires properties in settlement of loans through foreclosure or dation in payment. These properties are recognized in accordance with Section 382 of the MORB, as follows:

1. Land and buildings shall be accounted for using the cost model under PAS 40 "Investment Property";
2. Other non-financial assets shall be accounted for using the cost model under PAS 16 "Property Plant and Equipment", provided that these are held for use in the production or supply of goods or services, or for administrative purposes; and
3. PFRS 5 "Non-Current Assets Held for Sale" when the properties comply with the provisions of the standard.

Notwithstanding the above provisions, it is a regulatory expectation for the Bank to dispose these properties immediately.

5.01.07 Determining Method of Computing ECL
As stated in Bangko Sentral ng Pilipinas (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, shall, at a minimum, be subject to regulatory guidelines in setting up allowance for credit losses prescribed under Appendix 15 of the Manual of Regulations for Banks.

In 2023, following the guidance of Circular 1011 and Appendix 100 of the Manual of Regulations for Banks (MORB) of the Bangko Sentral ng Pilipinas in adopting PFRS 9 impairment requirements, the Bank assessed the ECL in accordance with the said standard and based on management judgement it was determined that the amount recognized as allowance based on Appendix 15 is reasonable.

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5.02 Key Sources of Estimation Uncertainty

5.02.01 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, 2023 and 2022, the management believes that the allowance provided by the Bank is sufficient to cover BSP requirements.

As of December 31, 2023 investment securities at amortized cost amounted to ₱40,428,256 as disclosed in Note 11. As of December 31 2022, held-to-maturity investments amounted to ₱12,924,435 as disclosed in Note 11.

As of December 31, 2023 and 2022, loans and other receivables amounted to ₱424,076,351 and ₱387,042,435, respectively, net of allowance for credit losses as disclosed in Note 12.

5.02.02 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.

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5.02.03 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, 2023 and 2022, 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 ₱23,123,626 and ₱21,887,691, as of December 31, 2023 and 2022, respectively, as disclosed in Note 15.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

6.01 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, investment securities at amortized cost, 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.

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The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

	Notes		2023		2022
Financial assets at amortized cost:					
Cash and other cash items	8	₱	**2,013,156**	₱	1,921,923
Due from BSP	9		**8,681,958**		8,851,773
Due from other banks	10		**122,516,324**		161,384,555
Investment securities at amortized cost	11		**40,428,256**		–
Held-to-maturity investments	11		**–**		12,924,435
Loans and other receivable – net	12		**424,076,351**		387,042,435
Other assets*	16		**4,542,199**		3,378,116
		₱	**602,258,244**	₱	575,503,237
Financial liabilities at amortized cost:					
Deposit liabilities	17	₱	**354,303,835**	₱	371,615,172
Bills payables	18		**188,969,833**		152,671,183
Accrued interest and other expenses payable	19		**6,092,315**		5,782,570
Other liabilities**	20		**7,626,039**		8,195,057
		₱	**556,992,022**	₱	538,263,982

**excluding non-financial assets amounting to ₱3,743,485 and ₱3,938,607 in 2023 and 2022, respectively, and net of allowance for credit losses amounting to ₱2,986,022 and ₱3,242,545 in 2023 and 2022, respectively.*

***excluding non-financial liabilities and government payables amounting to ₱12,610,021 and ₱10,221,627, in 2023 and 2022, respectively.*

<u>6.01.01 Credit Risk and Concentration of Assets and Liabilities and Off-balance Sheet Items</u>

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	2023	2022
Cash and other cash items*	8	₱ **30,063**	₱ 142,571
Due from BSP	9	**8,681,958**	8,851,773
Due from other banks	10	**122,516,324**	161,384,555
Investment securities at amortized cost	11	**40,428,256**	–
Held-to-maturity investments	11	**–**	12,924,435
Loans and other receivables**	12	**498,962,503**	467,436,452
Other assets***	16	**7,528,221**	6,620,661
		₱ **678,147,325**	₱ 657,360,447

**excludes cash on hand and on ATM amounting to ₱1,983,093 and ₱1,779,352 in 2023 and 2022, respectively.*
***gross of allowance for credit losses amounting to ₱74,886,152 and ₱80,394,017 in 2023 and 2022, respectively, and net of unamortized discount amounting to ₱8,146,524 and ₱6,718,751, respectively.*
****gross of allowance for credit losses amounting to ₱2,986,022 and ₱3,242,545 in 2023 and 2022, respectively and excluding non-financial assets totalling ₱3,743,485 and ₱3,938,607, in 2023 and 2022 respectively.*

Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2023 and 2022.

2023	**Neither Past Due nor Impaired**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and other cash items	2,013,156	–	–	2,013,156
Due from BSP	8,681,958	–	–	8,681,958
Due from other banks	122,516,324	–	–	122,516,324
Investment securities at amortized cost	40,428,256	–	–	40,428,256
Loans and other receivables*	408,294,798	18,442,998	72,224,707	498,962,503
Other assets**	7,528,221	–	–	7,528,221
	589,462,713	**16,225,492**	**72,224,707**	**680,130,418**

**gross of allowance for credit losses amounting to ₱74,886,152, and net of unamortized discount of ₱8,146,524.*
***gross of allowance for credit losses amounting to ₱2,986,022 and excluding non-financial assets totalling ₱3,743,485.*

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
Held-to-maturity investments	12,924,435	–	–	12,924,435
Loans and other receivables*	368,233,496	21,977,317	77,225,639	467,436,452
Other assets**	6,620,661	–	–	6,620,661
	559,936,843	21,977,317	77,225,639	659,139,799

**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 ₱3,938,607.*

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.

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.

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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, 2023 and 2022 are as follows:

	2023	2022
Outstanding receivables:*		
Current accounts	₱ **408,294,798**	₱ 368,233,496
Past due accounts:		
1 – 30 days past due	**6,545,629**	7,100,142
31 – 60 days past due	**4,774,533**	5,387,826
91 – 180 days past due	**9,739,186**	3,876,498
over 180 days past due	**69,608,357**	82,838,490
	₱ **498,962,503**	₱ 467,436,452

**amounts gross of allowance for credit losses but net of unamortized discount.*

6.01.02 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

1. 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

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%.*

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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.

2. 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

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.

4. 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.

5. 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.

6. 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

1. 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.

2. 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:

<u>For unsecured loans and other credit exposures:</u>

No. of days unpaid/with missed payments*	Classification	Minimum ACL	Stage
1 – 30 days	Especially Mentioned	2%	2
31 – 60 days/1st restructuring	Substandard	25%	2 or 3
61 – 90 days	Doubtful	50%	3
91 days and over/2nd restructuring	Loss	100%	3

**PAR for microfinance loans*

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For secured loans and other credit accommodations:

		ACL (%)		
No. of days unpaid/with missed payments*	**Classification**	**Other types of collateral**	**Security by real estate**	**Stage**
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.

6.01.03 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, 2023 and 2022, minimum liquidity ratio of the Bank is 44.78% and 51.95%, respectively.

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The table below summarizes maturity profile of the Bank's financial assets and liabilities as of December 31, 2023 and 2022 based on undiscounted contractual cash flows.

2023

	On Demand	Due within 1 year	Due beyond 1 year but not more than 5 years	Due beyond 5 years	Total
Financial Assets					
Cash and other cash items	₱ 2,013,156	₱ –	₱ –	₱ –	₱ 2,013,156
Due from BSP	8,681,958	–	–	–	8,681,958
Due from other banks	101,516,324	21,000,000	–	–	122,516,324
Investment securities at amortized cost	–	40,428,256	–	–	40,428,256
Loans and other receivables*	67,934,488	116,341,569	237,023,040	77,663,406	498,962,503
Other assets**	7,528,221	–	–	–	7,528,221
	₱ 187,674,147	**₱ 177,769,825**	**₱ 237,023,040**	**₱ 77,663,406**	**₱ 680,130,418**
Financial Liabilities					
Deposit liabilities	₱ 96,990,508	₱ 247,150,391	₱ 10,162,936	₱ –	₱ 354,303,835
Bills payable	15,804,313	3,864,286	153,030,973	16,270,261	188,969,833
Accrued interest and other expenses payable	6,092,315	–	–	–	6,092,315
Other liabilities***	4,619,391	1,087,202	1,919,446	–	7,626,039
	₱ 123,506,527	**₱ 252,101,879**	**₱ 165,113,355**	**₱ 16,270,261**	**₱ 556,992,022**

**gross of allowance for credit losses of ₱74,886,152 and net unamortized discounts of ₱8,146,524.*
***gross of allowance for credit losses amounting to ₱2,986,022, and excluding non-financial assets of ₱3,743,485.*
****excluding non-financial liabilities and government payables amounting to ₱12,610,021.*

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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
Financial Assets					
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
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**	6,620,661	–	–	–	6,620,661
	₱ 181,479,246	₱ 128,544,508	₱ 192,690,710	₱ 156,425,335	₱ 659,139,799
Financial Liabilities					
Deposit liabilities	₱ 113,144,104	₱ 71,034,829	₱ 187,436,239	₱ –	₱ 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
	₱ 260,181,403	₱ 79,452,255	₱ 198,630,324	₱ –	₱ 538,263,982

**gross of allowance for credit losses of ₱80,394,017 and net unamortized discounts of ₱6,718,751.*
***gross of allowance for credit losses amounting to ₱3,242,545, and excluding non-financial assets of ₱3,938,607.*
****excluding non-financial liabilities and government payables amounting to ₱10,221,627.*

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6.01.04 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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7. 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.

7.01 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, 2023 and 2022:

	Carrying Value	Fair Value			
2023		**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
ASSETS					
Investment securities at amortized cost	40,428,256	–	40,428,256	–	40,428,256
Loans and other receivables – net	424,076,351	–	424,076,351	–	424,076,351
	464,504,607	–	**464,504,607**	–	**464,504,607**
LIABILITIES					
Deposit liabilities	354,303,835	–	354,303,835	–	354,303,835
Bills payable	188,969,833	–	188,969,833	–	188,969,833
	543,273,668	–	**543,273,668**	–	**543,273,668**

	Carrying Value	Fair Value			
2022		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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

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, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

7.02 Fair Value Determination

Basis or assumptions in determining the fair value of financial instruments are disclosed below:

7.02.01 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.

7.02.02 Investment Securities at Amortized Cost
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.

7.02.03 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.

7.02.04 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.

7.02.05 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 13, 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 ₱5,306,999 and ₱4,302,961 as of December 31, 2023 and 2022, respectively amounting to ₱9,576,410 and ₱12,166,911, is currently categorized within Level 2. No impaired investment property as of December 31, 2023 and 2022. 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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8. CASH AND OTHER CASH ITEMS

The account consists of the following:

		2023		2022
Cash on hand	₱	**1,977,093**	₱	1,773,352
Cash on ATM		**6,000**		6,000
Checks and other cash items		**30,063**		142,571
	₱	**2,013,156**	₱	1,921,923

9. DUE FROM BANGKO SENTRAL NG PILIPINAS

		2023		2022
Due from Bangko Sentral ng Pilipinas	₱	**8,681,958**	₱	8,851,773

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. 1175 Series of 2023, reserves against deposit liabilities for cooperative banks is reduced to one percent (1%) 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, 2023 and 2022.

10. DUE FROM OTHER BANKS

		2023		2022
Land Bank of the Philippines	₱	**65,302,896**	₱	88,281,097
East West Bank		**20,007,945**		31,144,435
Cooperative Bank of Cotabato		**10,000,000**		–
Banco De Oro		**8,393,864**		7,747,455
Metropolitan Bank & Trust Company		**6,959,710**		9,329,505
Development Bank of the Philippines		**6,703,557**		21,400,454
Philippine National Bank		**2,726,514**		2,124,949
Rural Bank of Rizal		**1,000,000**		–
Bank of the Philippine Islands		**820,638**		638,425
RCBC Savings Bank		**462,991**		462,991
Philippine Resources Savings Banking Corporation		**91,155**		91,064
Rural Bank of Gattaran		**47,054**		164,180
	₱	**122,516,324**	₱	161,384,555

Interest income amounted to ₱98,341 and ₱95,129 in 2023 and 2022, respectively, and is presented as part of interest income in the statements of operation.

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11. INVESTMENT SECURITIES AT AMORTIZED COST

The Bank has retail treasury bonds classified as investment securities at amortized cost in 2023 and previously classified as held-to-maturity financial asset.

Movements of the account are as follows:

		2023		2022
At January 1	₱	**12,924,435**	₱	7,449,782
Acquisition		**40,428,256**		12,924,435
Proceeds from maturity/redemption		**(12,924,435)**		(7,449,782)
At December 31	₱	**40,428,256**	₱	12,924,435

The investments securities at amortized cost account represents 100% risk free investment in treasury bonds and other floating rate treasury notes thru Land Bank of the Philippines.

The interest rates range from 4.90% to 6.03% per annum with maturity of less than one (1) year.

Interest income recognized in 2023 and 2022 amounted to ₱931,332 and ₱77,453, 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.

12. LOANS AND OTHER RECEIVABLES – net

The account consists of the following:

		2023		2022
Current loans	₱	**277,737,547**	₱	285,655,678
Past due loans		**44,370,826**		44,990,907
Under litigation		**41,050,498**		50,648,946
Total loans receivables		**363,158,871**		381,295,531
Unamortized discounts		**(8,146,524)**		(6,718,751)
Total loans receivables, net of discounts		**355,012,347**		374,576,780
Agricultural Credit Policy Council loans		**131,594,872**		87,032,815
Accrued interest receivables		**1,578,363**		–
Sales contract receivables		**10,776,921**		5,826,857
Total loans and other receivables		**498,962,503**		467,436,452
Allowance for credit losses:				
Loans receivables (Note 26)		**(74,400,593)**		(80,084,462)
Sales contract receivables (Note 26)		**(485,559)**		(309,555)
Total Allowance for credit losses		**(74,886,152)**		(80,394,017)
Total loans and other receivables – net	₱	**424,076,351**	₱	387,042,435

Loans receivables earn interest income at interest rates ranging from 6% to 30% in 2023 and 2022. Total earned interest amounted to ₱69,154,845 and ₱71,182,045 for 2023 and 2022, respectively.

As of December 31, 2023 and 2022, bills payable amounting to ₱11,364,286 and ₱15,942,857, respectively, are secured by pledge of loans receivable with outstanding balance of ₱11,364,286 and ₱15,942,857, respectively, as disclose in Note 18.

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The movements in the allowance for credit losses for loans receivables as disclosed in Note 26 are summarized below:

		2023		2022
Balance at beginning of year	₱	**80,084,462**	₱	78,421,676
Provision for credit losses		**6,311,367**		10,267,017
Write-off		**(8,038,149)**		(2,931,830)
Reversal		**(3,957,087)**		(5,672,401)
	₱	**74,400,593**	₱	80,084,462

Allowance for credit losses for loans receivables consists of:

		2023		2022
Specific	₱	**71,874,842**	₱	77,392,620
General		**2,525,751**		2,691,842
	₱	**74,400,593**	₱	80,084,462

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:

		2023		2022
Performing	₱	**8,369,773**	₱	4,439,760
Non-performing		**2,407,148**		1,387,097
Total		**10,776,921**		5,826,857
Allowance for credit losses		**(485,559)**		(309,555)
Sales contract receivable – net	₱	**10,291,362**	₱	5,517,302

The movements in the allowance for credit losses for sales contract receivables as disclosed in Note 26 are summarized below:

		2023		2022
Balance at beginning of year	₱	**309,555**	₱	259,244
Provision for credit losses		**232,610**		119,437
Reversal		**(56,606)**		(69,126)
	₱	**485,559**	₱	309,555

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, 2023 and 2022 are disclosed below:

		2023		2022
Required allowance	₱	**74,400,593**	₱	81,184,462
Booked allowance		**(74,400,593)**		(80,084,462)
Balance of unbooked allowance covered by staggered booking – state of calamity (Typhoon Ompong)		**–**		1,100,000

12.01 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, Section 304, 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.

12.02 Non-Performing Loans

Breakdown of NPLs based on days outstanding are as follows:

		2023		2022
Past due accounts:				
Less than 30 days	₱	**1,699,509**	₱	1,200,442
31 – 90 days		**3,265,964**		1,841,702
91 – 180 days		**3,746,981**		4,350,676
Over 180 days		**66,668,716**		76,959,734
	₱	**75,381,170**	₱	84,352,554

As of December 31, 2023 and 2022, NPLs not fully covered by allowance for credit losses are as follows:

		2023		2022
Total non-performing loans	₱	**75,381,170**	₱	84,352,554
Non-performing loans covered by allowance for credit losses		**(69,977,857)**		(75,145,218)
	₱	**5,403,313**	₱	9,207,336

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Section 304 of the MORB 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:

		2023		2022
Total NPLs at gross	₱	**75,381,170**	₱	84,352,554
Total NPLs at net	₱	**5,403,313**	₱	9,207,336
Ratio of gross NPLs to gross TLP		**21.23%**		22.52%
Ratio of net NPLs to gross TLP		**1.52%**		2.46%
Ratio of total allowance to gross NPLs		**98.70%**		94.94%
Ratio of specific allowance on the gross TLP to gross NPLs		**95.35%**		91.75%

13. **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:

2023		**Land**		**Building**		**Total**
Cost:						
Balance, January 1	₱	3,921,006	₱	729,353	₱	4,650,359
Additions/transfers		6,570,592		27,468		6,598,060
Disposals		(5,393,742)		(486,959)		(5,880,701)
Balance, December 31		**5,097,856**		**269,862**		**5,367,718**
Accumulated depreciation:						
Balance, January 1		–		(347,398)		(347,398)
Depreciation expense (Note 24)		–		(71,205)		(71,205)
Disposals		–		153,033		153,033
Reclassification (Note 14)		–		204,851		204,851
Balance, December 31		–		**(60,719)**		**(60,719)**
Carrying amount	**₱**	**5,097,856**	**₱**	**209,143**	**₱**	**5,306,999**

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Cost:	Land	Building	Total
Balance, January 1	₱ 12,973,419	₱ 5,555,450	₱ 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 (Note 14)	1,130,788	–	1,130,788
Balance, December 31	–	–	–
Carrying amount	3,921,006	381,955	4,302,961

In 2023, the Bank dispose certain investment properties with net book value of ₱5,727,668 through sales contract at selling price of ₱9,842,615, realizing a gain on sale of ₱4,114,947, as disclosed in Note 23. Collection during the year amounted to ₱2,203,368.

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. Collection during the year amounted to ₱15,114,308.

The Bank acquired its investment from foreclosure of properties. In 2023 and 2022, transaction costs amounting to ₱363,565 and ₱810,605, 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 Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is no indication that an impairment loss has occurred on its investment properties. Fair values of the Bank's investment properties amounted to ₱9,576,410 and ₱12,166,911 as of December 31, 2023 and 2022, respectively, and currently categorized within Level 2. 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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14. NON-CURRENT ASSETS HELD FOR SALE

Details of the Bank's non-current assets held for sale are as follows:

	2023	2022
Cost:		
Balance, January 1	₱ **2,539,651**	₱ 16,037
Additions	**1,976,474**	2,851,757
Disposal	**(2,103,086)**	(328,143)
Reclassification to BPFFE (Note 15)	**(506,429)**	–
Balance, December 31	**1,906,610**	2,539,651
Accumulated depreciation:		
Balance, January 1	**(325,956)**	–
Depreciation expense (Note 24)	**(302,360)**	(325,956)
Disposal	**345,015**	–
Reclassification (Note 13)	**(204,851)**	–
Reclassification (Note 15)	**126,607**	–
Balance, December 31	**(361,545)**	(325,956)
Allowance for losses:		
Balance, January 1	**(441,518)**	–
Impairment loss (Note 26)	**–**	(95,911)
Reclassification (Note 13)	**–**	(1,130,788)
Reversal	**395,630**	785,181
Balance, December 31	**(45,888)**	(441,518)
Carrying amount	₱ **1,499,177**	₱ 1,772,177

In 2023, the Bank dispose certain non-current asset held for sale with net carrying amount of ₱1,007,144 for a consideration of ₱1,120,443, realizing a gain on sale of ₱113,299, as disclosed in Note 23. Also, certain investment properties with carrying amount of ₱355,297, were sold through sales contract at selling price of ₱373,101 realizing a gain of ₱17,804, as disclosed in Note 23. Sales contract receivable amounting ₱103,540 were collected in 2023.

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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15. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFFE) – net

A reconciliation of the carrying amounts at the beginning and end of years 2023 and 2022, and the gross carrying amounts and accumulated depreciation of bank premises, furniture, fixtures and equipment are shown below:

2023

	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Information technology	Leasehold improvement	Right-of-use Asset	Total
Cost:								
At January 1	2,080,455	20,179,524	6,982,779	14,096,781	9,233,766	1,492,885	–	54,066,190
Additions	–	580,000	23,704	1,357,902	776,182	33,893	–	2,771,681
Additions (PFRS 16)	–	–	–	–	–	–	4,179,260	4,179,260
Reclassification from non-current asset held for sale	–	–	–	506,429	–	–	–	506,429
Disposal	–	–	–	(1,275,312)	(42,000)	–	–	(1,317,312)
At December 31	2,080,455	20,759,524	7,006,483	14,685,800	9,967,948	1,526,778	4,179,260	60,206,248
Accumulated Depreciation:								
At January 1	–	(9,585,782)	(5,755,295)	(8,355,610)	(7,248,242)	(1,233,570)	–	(32,178,499)
Depreciation (Note 24)	–	(848,018)	(415,308)	(2,026,059)	(1,175,379)	(177,070)	(1,294,583)	(5,936,417)
Reclassification from non-current asset held for sale	–	–	–	(126,607)	–	–	–	(126,607)
Disposal	–	–	–	1,141,401	17,500	–	–	1,158,901
At December 31	–	(10,433,800)	(6,170,603)	(9,366,875)	(8,406,121)	(1,410,640)	(1,294,583)	(37,082,622)
Net carrying amount	**2,080,455**	**10,325,724**	**835,880**	**5,318,925**	**1,561,827**	**116,138**	**2,884,677**	**23,123,626**

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2022

	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

Management believes that there are no indications of impairment in the value of its bank premises, furniture, fixtures and equipment as of December 31, 2023 and 2022.

Depreciation expense are shown as separate components of operating expenses in the statement of operation in 2023 and 2022, respectively, as disclosed in Note 24.

All additions were paid in cash.

In 2023, the Bank dispose certain transportation equipment and information technology with net book value of ₱158,411 sold for ₱806,835, resulting to a gain on sale of ₱648,424 as disclosed in Note 23.

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, 2023 and 2022.

As of December 31, 2023 and 2022, the Bank has no commitment to purchase bank premises, furniture, fixtures and equipment.

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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, 2023 and 2022, the Bank has satisfactorily complied with such regulation.

16. OTHER ASSETS

This account consists of the following:

		2023		2022
Sinking fund	₱	**5,370,076**	₱	5,190,121
Security deposit		**2,132,872**		2,132,872
Accounts receivables		**1,712,528**		1,071,819
Prepaid expenses		**583,704**		608,384
Other investment		**445,617**		358,721
Stationeries and supplies		**342,887**		454,172
Intangible assets		**55,316**		107,745
Petty cash		**31,042**		37,754
Miscellaneous assets		**597,664**		597,680
Total		**11,271,706**		10,559,268
Allowance for credit losses (Note 26)		**(2,986,022)**		(3,242,545)
	₱	**8,285,684**	₱	7,316,723

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 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:

		2023		2022
Balance at beginning of year	₱	**3,242,545**	₱	2,960,614
Provision for credit losses		**15,652**		475,787
Reversal		**(149,759)**		(193,856)
Write-off		**(122,416)**		–
	₱	**2,986,022**	₱	3,242,545

The carrying amount of the Bank's intangible assets is as follows:

		2023		2022
Cost:				
Balance, December 31	₱	**1,013,000**	₱	1,013,000
Accumulated amortization:				
Beginning		**(905,255)**		(842,634)
Amortization (Note 24)		**(52,429)**		(62,621)
Balance, December 31		**(957,684)**		(905,255)
Carrying amount, December 31	₱	**55,316**	₱	107,745

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17. DEPOSIT LIABILITIES

This account consists of the following:

		2023		2022
Time certificate of deposits	₱	**259,295,434**	₱	264,618,625
Savings		**95,008,401**		106,996,547
Total	₱	**354,303,835**	₱	371,615,172

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 2023 and 2022 amounted to ₱11,549,144 and ₱11,557,833 and is presented as part of interest expense in the statements of operation.

18. BILLS PAYABLE

Movement of the account are as follows:

		2023		2022
At January 1	₱	**152,671,183**	₱	129,509,754
Proceeds from availments		**71,000,000**		57,540,000
Payments		**(34,701,350)**		(34,378,571)
At December 31	₱	**188,969,833**	₱	152,671,183

The maturity profile of the Bank's bills payable follows:

		2023		2022
Within one year	₱	**181,469,833**	₱	141,681,897
Beyond one year but within five years		**7,500,000**		10,989,286
Total	₱	**188,969,833**	₱	152,671,183

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 2023 and 2022. Interest expense incurred in 2023 and 2022 amounted to ₱780,157 and ₱1,138,889, respectively, and is presented as part of interest expense in the statement of comprehensive income.

As of December 31, 2023 and 2022, bills payable amounting to ₱11,364,286 and ₱15,942,857, respectively, are secured by pledge of loans receivable with outstanding balance of ₱11,364,286 and ₱15,942,857, respectively, as disclose in Note 12.

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19. ACCRUED INTEREST AND OTHER EXPENSES PAYABLE

This account consists of:

		2023		2022
Accrued interest payable	₱	**5,495,121**	₱	4,959,691
Accrued other expenses payable		**597,194**		822,879
	₱	**6,092,315**	₱	5,782,570

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.

20. OTHER LIABILITIES

This account consists of:

		2023		2022
Deposit for stock subscription	₱	**12,125,049**	₱	9,800,049
Accounts payable		**4,250,856**		7,351,962
Lease liabilities		**3,006,648**		–
Government contribution and payables		**484,148**		420,070
Due to Union/ CETF		**368,535**		398,066
Retirement benefit obligation (Note 25)		**–**		445,029
Other liabilities		**824**		1,508
	₱	**20,236,060**	₱	18,416,684

The movements in deposit for stock subscription are as follows:

		2023		2022
At January 1	₱	**9,800,049**	₱	6,847,549
Additional deposit		**2,325,000**		2,952,500
At December 31	₱	**12,125,049**	₱	9,800,049

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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The details of the Bank's lease liabilities and their carrying amounts as of December 31, 2023 and 2022 are as follows:

The details of the Bank's lease liabilities and their carrying amounts are as follows:

Beginning balance, January 1, 2023	₱	**4,179,260**
Interest		**230,694**
Payments		**(1,403,306)**
Ending balance, December 31, 2023	₱	**3,006,648**

The breakdown of lease liabilities as to current and non-current is as follows:

		December 31, 2023		January 1, 2023
Current	₱	**1,087,202**	₱	1,172,612
Non-current		**1,919,446**		3,006,648
Total	₱	**3,006,648**	₱	4,179,260

The maturity analysis of lease liabilities as at December 31, 2023 is as follows:

2023		Lease Payments		Finance Charges		Net Present Values
Within one year	₱	1,245,254	₱	158,052	₱	1,087,202
1 to 2 years		1,018,389		96,207		922,182
2 to 3 years		815,842		37,582		778,260
3 to 4 years		225,000		5,996		219,004
	₱	**3,304,485**	₱	**297,837**	₱	**3,006,648**

21. MEMBERS' EQUITY

21.01 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:

	2023			2022		
	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**	22,780	₱	22,780,000
Issuance	**10**		**10,000**	–		–
Balance, December 31	**22,790**	₱	**22,790,000**	22,780	₱	22,780,000

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Government preferred share
- (a) 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.
- (b) Non-voting but with loaning privileges subject to Bangko Sental ng Pilipinas rules and regulations.
- (c) 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
- (a) 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.
- (b) Non-voting but with loaning privileges subject to Bangko Sental ng Pilipinas rules and regulations.
- (c) 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
- (a) 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.
- (b) Non-voting but with loaning privileges subject to Bangko Sental ng Pilipinas rules and regulations.
- (c) Non-redeemable.

21.02 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:

	2023			2022		
	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	**33,717**		**33,716,926**	33,050		33,049,676
Issuances	**398**		**398,250**	667		667,250
Balance, December 31	**34,115**	**₱**	**34,115,176**	33,717	₱	33,716,926

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21.03 Deficit

Movement of this account is as follows:

		2023		2022
Beginning balance	₱	**(8,719,953)**	₱	(13,606,901)
Offsetting of deficit against general reserve fund		**8,719,953**		–
Net profit for the year		–		5,691,085
Reversal of appropriation		–		903,190
Appropriations during the year		–		(1,422,772)
Due to CETF		–		(284,555)
	₱	–	₱	(8,719,953)

21.04 Surplus Reserves/Statutory Funds

This account consists of:

		2023		2022
Optional fund	₱	**4,126,407**	₱	3,623,030
Retirement of preferred stock – BANGKOOP		**1,600,000**		1,600,000
Retirement of preferred stock – LBP		**1,000,000**		1,000,000
Community & development		**837,248**		635,808
Retirement of preferred stock – DBP		**653,000**		653,000
Retirement of preferred stock – CDA		**643,000**		643,000
Education & training		**368,536**		335,779
General reserve fund		**196,121**		2,651,474
	₱	**9,424,312**	₱	11,142,091

The movements in statutory reserves are as follows:

		2023		2022
Surplus reserves, beginning	₱	**11,142,091**	₱	10,622,509
Net profit for the year		**7,370,709**		–
Offsetting of deficit against general reserve fund		**(8,719,953)**		–
Due to CETF		**(368,535)**		–
Appropriations during the year		–		1,422,772
Reversal of appropriation		–		(903,190)
	₱	**9,424,312**	₱	11,142,091

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The movements per class of reserves are as follows:

2023	**General reserve fund**	**Education & training**	**Community & development**	**Optional fund**	**Retirement of preferred stock**	**Total**
At January 1	2,651,474	335,779	648,381	3,610,457	3,896,000	11,142,091
Offsetting of deficit against general reserve fund	(8,719,953)	–	–	–	–	(8,719,953)
Net income for the year	7,370,709	–	–	–	–	7,370,709
Allocation	(1,105,607)	368,536	221,121	515,950	–	–
Due to CETF	(368,535)	–	–	–	–	(368,535)
Expenditures during the year	368,033	(335,779)	(32,254)	–	–	–
	196,121	**368,536**	**837,248**	**4,126,407**	**3,896,000**	**9,424,312**

2022	General reserve fund	Education & training	Community & development	Optional fund	Retirement of preferred stock	Total
At January 1	2,082,365	870,173	561,890	3,212,081	3,896,000	10,622,509
Allocation	569,109	284,554	170,733	398,376	–	1,422,772
Expenditures during the year	–	(818,948)	(84,242)	–	–	(903,190)
	2,651,474	335,779	648,381	3,610,457	3,896,000	11,142,091

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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.

Appendix 62 of the MORB, as amended by BSP Circular Nos. 1079 and 1084, discusses the guidelines implementing the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks.

The minimum capital ratios shall be expressed as a percentage of capital to risk-weighted assets as shown below:

Minimum Capital Ratio	Capital	% of Risk-Weighted Assets
Common Equity Tier 1 (CET1) Ratio	CET1	at least 6.0%
Tier 1 Ratio	Tier 1	at least 7.5%
Capital Adequacy Ratio (CAR)	Qualifying Capital	at least 10.0%

A capital conservation buffer (CCB) of two and a half percent (2.5%), comprised of CET1 capital, shall likewise be imposed.

The minimum capital ratios based on the new compositions and the CCB shall take effect starting January 1, 2023

Qualifying capital consists of the following elements, net of required deductions:

a) Tier 1 Capital, which is composed of:
   i. CET1 Capital
   ii. Additional Tier 1 (AT1) Capital

b) Tier 2 Capital

CET1 Capital consists of:

a) paid up common stock;
b) surplus;

Subject to deductions for:
i. Other intangible assets.

Additional Tier 1 (AT1) Capital consist of:
a) Paid up perpetual and non-cumulative preferred stock

Tier 2 Capital includes:
a) Paid up perpetual and cumulative preferred stock; and
b) general loan loss provision;

Subject to deductions for:
i. sinking fund for redemption of limited life redeemable preferred stock.

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Additionally, CCB is meant to promote the conservation of capital and build-up of adequate cushion above the minimum level that can be drawn down by banks to absorb losses during periods of financial and economic stress. The buffer is on top of the minimum capital requirements. The capital must first be used to meet the minimum CET1 ratio before the remainder can contribute to the CCB.

Where a bank does not have positive earnings, has CET1 ratio of lower than eight and a half percent (8.5%) [CET1 ratio of six percent (6%) plus conservation buffer of two and a half percent (2.5%)], and has not complied with other minimum capital ratios, the Bank would then be restricted from making distribution of earnings.

Information regarding the Bank's qualifying capital as of December 31, 2023 is shown below:

		2023
CET1 Capital	₱	43,484,172
AT1 Capital		21,790,000
Tier 1 Capital		65,274,172
Tier 2 Capital		(1,844,325)
Qualifying capital	₱	63,429,847
Total risk-weighted assets	₱	471,189,859
CET1 Ratio		9.23%
CCB		3.23%
Tier 1 capital		13.85%
Total CAR		13.46%

The Bank's leverage ratio, computed as total capital over total assets, is 10.42% and 9.54%, as of December 31, 2023 and 2022, respectively.

21.05.01 Capital Ratios as of December 31, 2022

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.

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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.

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 is shown below:

		2022
Core Tier 1 Capital – gross	₱	57,934,779
Less: Regulatory adjustment to Core Tier 1		–
Core Tier 1 Capital – net		57,934,779
Add: Hybrid Tier 1		–
Tier 1 Capital		57,934,779
Tier 2 Capital		–
Gross qualifying capital	₱	57,934,779
Total risk-weighted assets	₱	542,521,997
Tier 1 capital ratio		10.68%
Total capital ratio		10.68%

22. 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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22.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

		2023		2022
Income tax expense – current	₱	**–**	₱	–

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2023 and 2022 is as follows:

		2023		2022
Accounting profit	₱	**7,370,709**	₱	5,691,085
Tax expense at 25%		**1,842,677**		1,422,771
Tax effect of:				
Income exempted from tax		**(3,289,521)**		(4,232,482)
Provision for credit losses		**1,639,907**		2,842,070
Income subject to final tax		**(232,833)**		(19,363)
Interest income exempted from tax		**(24,585)**		(23,782)
Limitation on interest expense		**64,355**		10,786
	₱	**–**	₱	–

22.01.01 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.

22.01.02 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.

22.02 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.

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

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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.

22.03 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.
- 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;

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- 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.

23. OTHER OPERATING INCOME

This account consists of the following:

	2023	2022
Recovery on charged-off assets	₱ **5,815,602**	₱ 10,627,986
Gain on sale of non-financial assets	**4,876,670**	3,709,188
Filing fee	**3,689,365**	717,900
Income from insurance	**2,572,635**	2,624,199
Service charges	**729,478**	1,906,271
Inspection fee	**228,800**	268,300
Other income	**1,961,076**	3,882,058
	₱ **19,873,626**	₱ 23,735,902

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Recovery on charged-off assets pertains to the collections of accounts or recovery from impairment of items previously written-off/provided with allowance for credit losses. Breakdown of this account is as follows:

		2023		2022
Recovery on collections of written-off accounts	₱	**1,256,520**	₱	3,826,865
Recovery on reversal of allowance for credit losses		**4,559,082**		6,801,121
	₱	**5,815,602**	₱	10,627,986

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		2023		2022
Investment properties	13	₱	**4,114,947**	₱	3,132,143
Non-current asset held for sale	14		**113,299**		42,857
Bank premises, furniture, fixtures and equipment	15		**648,424**		534,188
		₱	**4,876,670**	₱	3,709,188

24. OTHER OPERATING EXPENSES

Other operating expense consists of:

	Note		2023		2022
Personnel costs		₱	**36,401,052**	₱	36,238,663
Depreciation			**6,309,982**		5,900,851
Security, messenger and janitorial services			**3,687,652**		4,161,538
Travelling expense			**3,260,955**		3,027,531
Fuel, oil and lubricants			**2,374,680**		2,854,483
Power, light and water			**1,460,826**		1,747,501
Insurance expenses			**1,361,516**		1,369,853
Repairs and maintenance			**1,086,286**		1,099,436
Postage, telephone and telegram			**1,060,770**		1,172,161
Litigation/assets acquired expenses			**650,194**		810,605
Information technology expenses			**781,191**		788,824
Stationeries and supplies used			**480,431**		469,039
Representation and entertainment			**403,317**		427,402
Interest expense – lease liabilities			**230,694**		–
Management and other professional fees			**212,080**		186,230
Rent			**173,323**		1,199,424
Taxes and licenses			**156,985**		154,321
Supervision fees			**110,551**		126,088
Donations and charitable contributions			**102,245**		169,842
Advertising and publicity			**85,096**		178,580
Amortization	16		**52,429**		62,621
Membership fees and dues			**48,500**		–
Fines and penalties			**44,264**		215,877
Periodicals and magazines			**16,707**		40,589
Miscellaneous			**3,246,779**		2,932,985
		₱	**63,798,505**	₱	65,334,444

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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:

		2023		2022
Salaries and wages	₱	**21,667,808**	₱	19,545,319
Fringe benefits-officers and employees		**9,032,685**		11,181,299
SSS, Pag-ibig, Philhealth contribution		**3,088,723**		2,512,114
Retirement expense (Note 25)		**898,686**		1,228,425
Fringe benefits-directors		**884,853**		800,006
Directors fee		**828,297**		971,500
	₱	**36,401,052**	₱	36,238,663

Depreciation expense consist of:

	Notes		2023		2022
Investment properties	13	₱	**71,205**	₱	532,943
Non-current asset held for sale	14		**302,360**		325,956
Bank premises, furniture, fixtures and equipment	15		**5,936,417**		5,041,952
		₱	**6,309,982**	₱	5,900,851

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, 2023 and 2022, the accumulated balance of retirement benefit obligation amounted to nil and ₱445,029, respectively and is presented under other liabilities as disclosed in Note 20. The Bank maintains an off-books retirement fund.

The amount of retirement benefit obligation as of December 31, 2023 and 2022 are determined as follows:

		2023		2022
Retirement benefit obligation	₱	**5,996,815**	₱	5,098,129
Retirement fund		**(5,996,815)**		(4,653,100)
	₱	**–**	₱	445,029

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Movement of retirement benefit obligation is as follows:

	Note		**2023**		2022
Beginning balance		₱	**5,098,129**	₱	3,869,704
Retirement expense	24		**898,686**		1,228,425
		₱	**5,996,815**	₱	5,098,129

Movement of retirement fund held separately from assets of the Bank is as follows:

		2023		2022
Beginning balance	₱	**4,653,100**	₱	2,947,329
Contributions		**1,343,715**		1,705,771
	₱	**5,996,815**	₱	4,653,100

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26. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

The movement of this account follows:

	Notes		2023		2022
Balance at January 1					
Loans receivable	12	₱	**80,084,462**	₱	78,421,676
Sales contract receivable	12		**309,555**		259,244
Investment properties	13		**–**		801,219
Non-current asset held for sale	14		**441,518**		–
Other assets	16		**3,242,545**		2,960,614
			84,078,080		82,442,753
Provision for credit and impairment losses					
Loans receivable	12		**6,311,367**		10,267,017
Sales contract receivable	12		**232,610**		119,437
Investment properties	13		**–**		410,126
Non-current asset held for sale	14		**–**		95,911
Other assets	16		**15,652**		475,787
			6,559,629		11,368,278
Write-off					
Loans receivable	12		**(8,038,149)**		(2,931,830)
Other assets	16		**(122,416)**		–
			(8,160,565)		(2,931,830)
Reversal					
Loans receivable	12		**(3,957,087)**		(5,672,401)
Sales contract receivable	12		**(56,606)**		(69,126)
Investment properties	13		**–**		(80,557)
Non-current asset held for sale	14		**(395,630)**		(785,181)
Other assets	16		**(149,759)**		(193,856)
			(4,559,082)		(6,801,121)
Reclassification					
Investment properties	13		**–**		(1,130,788)
Non-current asset held for sale	14		**–**		1,130,788
			–		–
Balance at December 31					
Loans receivable	12		**74,400,593**		80,084,462
Sales contract receivables	12		**485,559**		309,555
Investment properties	13		**–**		–
Non-current asset held for sale	14		**45,888**		441,518
Other assets	16		**2,986,022**		3,242,545
		₱	**77,918,062**	₱	84,078,080

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, 2023 and 2022.

2023

Category		Amount of Transactions		Outstanding Balance	Terms	Conditions
DOSRI loans	₱	(180,106)	₱	624,894	Payable on lumpsum, interest-bearing, cash-settled	Secured

2022

Category		Amount of Transactions		Outstanding Balance	Terms	Conditions
DOSRI loans	₱	350,371	₱	805,000	Payable on lumpsum, interest-bearing, cash-settled	Secured

Total allowance for credit losses recognized as of December 31, 2023 and 2022 amounted to ₱6,249 and ₱8,050. In 2023 and 2022, the Bank recognized provision for credit losses to amounts owed by related parties amounting to ₱6,249 and ₱8,050, respectively.

The General Banking Act and BSP regulations limit the amount of loans to each Directors, officers, shareholders and related interest (DOSRI).

a) 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.
b) 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 tis 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.

2023		DOSRI Loans		Related Party Loans (Inclusive of DOSRI Loans)
Total outstanding DOSRI Loans	₱	624,894	₱	624,894
Percent of DOSRI accounts to total loans		0.18%		0.18%
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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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		0.21%		0.21%
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:

		2023		2022
Savings deposit	₱	**1,076,998**	₱	653,211
Time deposit		**1,167,749**		–
	₱	**2,244,747**	₱	653,211

27.03 Remuneration of Key Management Personnel

The remuneration of key management consists of:

		2023		2022
Short-term employee benefits	₱	**9,819,663**	₱	9,606,665
Post-employment benefits		**408,903**		524,517
	₱	**10,228,566**	₱	10,131,182

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, 2023 and 2022:

2023	December 31, 2022	Cash flows	Non-cash changes	December 31, 2023
Bills payable	152,671,183	36,298,650	–	188,969,833
Lease liabilities	–	(1,403,306)	4,409,954	3,006,648
Deposit for stock subscription	9,800,049	2,325,000	–	12,125,049
	162,471,232	**37,220,344**	**4,409,954**	**204,101,530**

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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

In 2023, cash flows related to bills payable is net of cash inflow amounting to ₱71,000,000 and cash outflow amounting to ₱34,701,350.

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.

29. 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 ₱41,050,498 and ₱50,648,946 as of December 31, 2023 and 2022, respectively, as disclose in Note 12.
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, 2023 and 2022.

30. 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).

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 18, 2024.

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32. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

Revenue Regulation (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.

Below are the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

32.01 Gross receipts tax (GRT)

The Bank is exempt from GRT as stated in its certificate of tax exemption.

32.02 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, 2023 and 2022 consist of:

		2023		2022
Local taxes				
Business permit	₱	**122,286**	₱	123,108
LTO registration		**34,699**		25,945
Others		**–**		5,268
	₱	**156,985**	₱	154,321

32.03 Withholding taxes

Withholding taxes paid or accrued for the years ended December 31, 2023 and 2022 consist of:

2023		**Paid**		**Accrued**		**Total**
Expanded withholding tax	₱	215,186	₱	10,439	₱	225,625
Withholding tax on compensation		142,667		13,030		155,697
Withholding tax on deposit		218,021		16,203		234,224
	₱	**575,874**	₱	**39,672**	₱	**615,546**

2022		Paid		Accrued		Total
Expanded withholding tax	₱	214,409	₱	23,008	₱	237,417
Withholding tax on compensation		145,891		40,967		186,858
Withholding tax on deposit		51,348		16,372		67,720
	₱	411,648	₱	80,347	₱	491,995

32.04 Tax assessments

The Bank has no outstanding tax assessments as of December 31, 2023 and 2022.

32.05 Tax cases

The Bank has no outstanding tax cases in any other court or bodies outside of the BIR as of December 31, 2023 and 2022.

COOPERATIVE BANK OF CAGAYAN
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33. 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:

33.01 Basic Quantitative Indicators of Financial Performance

The following basic ratio measures the financial performance of the Bank:

	2023	2022
Return on average equity	**11.77%**	10.18%
Return on average assets	**1.19%**	0.97%
Net interest margin	**10.08%**	10.97%
Book value per share	**1,276.26**	1,074.70

33.02 Capital Instrument Issued

Description of capital instrument issued by the Bank is disclosed in Note 21.

33.03 Significant Credit Exposures

The Bank's concentration of credit as to industry/economic sector (net of unamortized discount) are as follows: (excluding loans granted

		2023				2022		
		Peso Amount	**% as to industry**	**% to Tier 1**		Peso Amount	% as to industry	% to Tier1
Wholesale and retail trade, repair of motor vehicles and motorcycles	₱	**96,711,145**	**27.24%**	**148.16%**	₱	50,910,509	13.59%	87.88%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use		**93,836,635**	**26.43%**	**143.76%**		93,737,388	25.02%	161.80%
Agriculture, forestry and fishing		**75,869,181**	**21.38%**	**116.23%**		124,564,502	33.26%	215.01%
Real estate activities		**49,714,679**	**14.00%**	**76.16%**		45,198,072	12.07%	78.02%
Other service activities		**38,880,707**	**10.95%**	**59.57%**		60,166,309	16.06%	103.85%
	₱	**355,012,347**	**100.00%**		₱	374,576,780	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 ₱6,527,417 and ₱5,793,478, as of December 31, 2023 and 2022, respectively.

In 2023, the Bank not exposed to credit risk concentration in any industry. The Bank is 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.

In 2022, 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.

COOPERATIVE BANK OF CAGAYAN
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33.04 Breakdown of Total Loans

33.04.01 As to Security

As to security, loans are classified into (net of unamortized discount)

		2023	%		2022	%
Secured loans:						
Real estate mortgage	₱	**127,013,507**	**26.10%**	₱	112,402,106	24.35%
Chattel mortgage		**24,454,085**	**5.03%**		42,257,639	9.15%
Back-to-back		**1,022,346**	**0.21%**		8,434,145	1.84%
Other collateral		**1,125,606**	**0.23%**		2,889,511	0.63%
Total secured		**153,615,544**	**31.57%**		165,983,401	35.97%
Unsecured		**201,396,803**	**68.43%**		208,593,379	64.03%
Total loans	₱	**355,012,347**	**100.00%**	₱	374,576,780	100.00%

33.04.02 As to Status

Breakdown of loans as to performing and non-performing status per product is as follows:

2023		**Performing**		**Non-performing**		**Total**
Other agricultural credit loans	₱	85,105,341	₱	11,823,356	₱	96,928,697
Consumption purposes		70,221,222		13,541,910		83,763,132
Small medium enterprise loan		20,879,653		5,959,246		26,838,899
Agrarian reform loans		134,132		24,689,280		24,823,412
Micro finance loan		12,406,357		10,840,307		23,246,664
Fringe loan		14,377,217		–		14,377,217
Development incentive loan		–		742,655		742,655
Others		76,507,255		7,784,416		84,291,671
	₱	**279,631,177**	₱	**75,381,170**	₱	**355,012,347**

2022		Performing		Non-performing		Total
Other agricultural credit loans	₱	90,189,605	₱	7,989,460	₱	98,179,065
Agrarian reform loans		427,810		31,792,234		32,220,044
Micro finance loan		20,991,331		9,740,323		30,731,654
Consumption purposes		21,830,294		1,710,229		23,540,523
Fringe loan		15,756,847		82,667		15,839,514
Small medium enterprise loan		8,100,133		5,755,454		13,855,587
Development incentive loan		–		742,655		742,655
Others		132,928,206		26,539,532		159,467,738
	₱	290,224,226	₱	84,352,554	₱	374,576,780

33.05 Information on Related Party Loans

Information on related party loans is disclosed in Note 27.

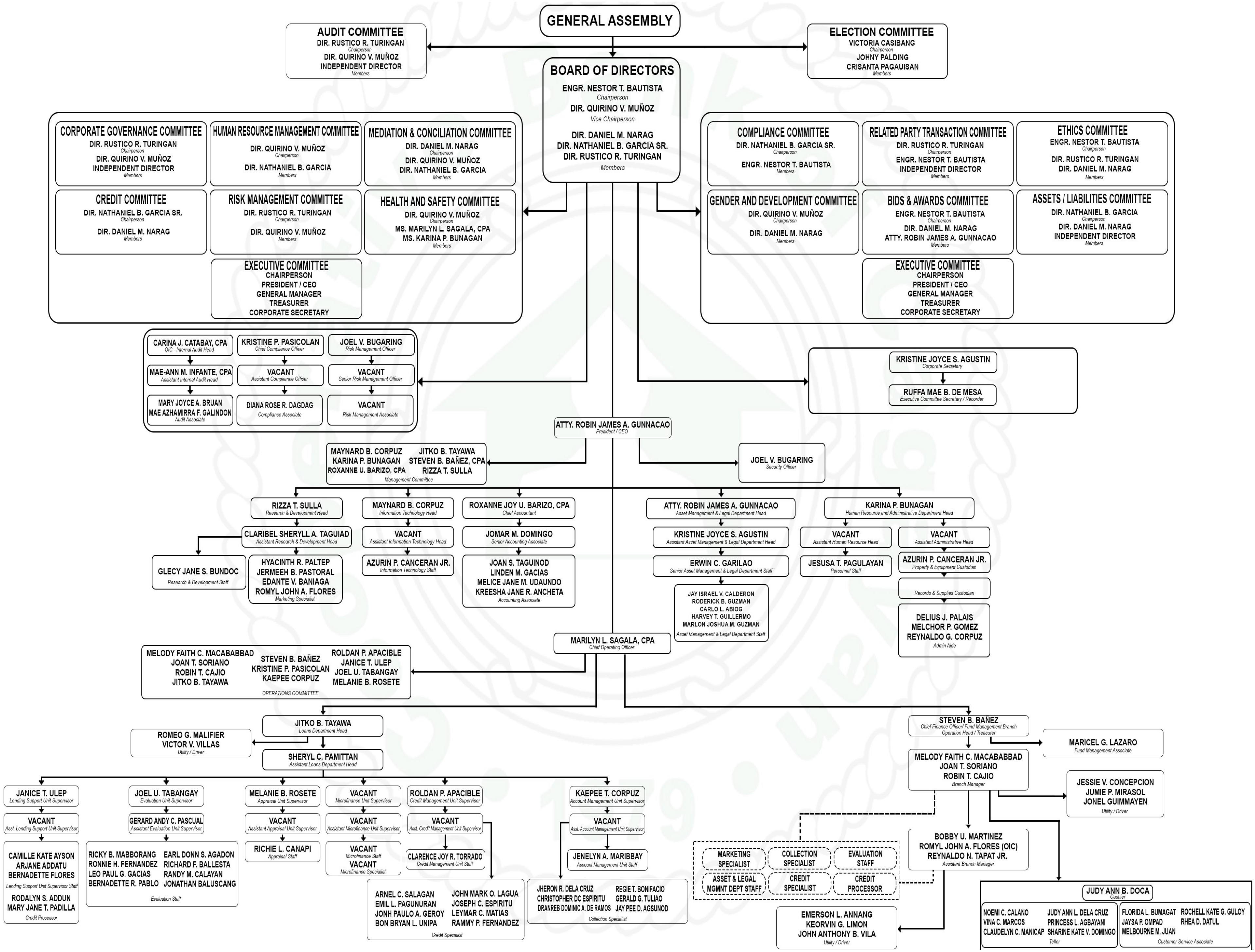
33.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2023 and 2022, bills payable amounting to ₱11,364,286 and ₱15,942,857, respectively, are secured by pledge of loans receivable with outstanding balance of ₱11,364,286 and ₱15,942,857, respectively.

33.07 Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2023 and 2022, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular No. 1074.

Organizational Structure



TOP 20 SHAREHOLDERS

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	5,961	5,961,130.06	5,961,000	17.47%
2	Cagayan Valley Development Cooperative (CAVDECO)	Filipino	Active	5,559	5,559,617.46	5,5590,000	16.30%
3	Prime Movers Marketing Cooperative	Filipino	Active	1,790	1,790,882.22	1,790,000	5.25%
4	Hacienda Intal Credit Cooperative	Filipino	Active	910	910,518.91	910,000	2.67%
5	Western Solana Women's Credit Cooperative	Filipino	Active	715	715,660.16	715,000	2.10%
6	Western Alcala Farmers Irrigators Cooperative	Filipino	Active	600	600,269.51	600,000	1.76%
7	Nanguilatan Farmers Marketing Cooperative	Filipino	Active	594	594,083.34	595,000	1.74%
8	Bagunot Marketing Cooperative	Filipino	Active	577	577,581.14	578,000	1.69%
9	Assassi Multi-Purpose Cooperative	Filipino	Active	501	501,050.00	496,000	1.47%
10	Sta. Cruz SN MPCI	Filipino	Active	495	495,864.41	485,000	1.45%
11	Pamplona Women's Cooperative	Filipino	Active	472	472,375.00	543,000	1.38%
12	MSRT Culung Credit Cooperative	Filipino	Active	444	444,620.24	445,000	1.30%
13	Sis Credit Cooperative	Filipino	Active	424	424,339.41	425,000	1.24%
14	Norphil Farmers MPC (NorFarCo)	Filipino	Active	415	415,114.25	414,000	1.22%
15	Malaueg Farmers MPC	Filipino	Active	413	413,561.75	406,000	1.21%
16	Ugac Farmers Marketing Cooperative	Filipino	Active	399	399,723.54	402,000	1.17%
17	Wellspring MPCI	Filipino	Active	388	388,325.16	389,000	1.14%
18	Timpuyog Cooperative of Bicok	Filipino	Active	381	381,895.97	381,000	1.12%
19	Liwan Norte SN MPCI	Filipino	Active	367	367,626.21	368,000	1.08%
20	Sampaguita Farmers Cooperative	Filipino	Active	366	366,164.76	367,000	1.07%
	TOTAL			**21,771**	**21,780,403.50**	**21,780,000**	**63.84%**

Loans & Deposits Services

AGRI AGRA LOAN

These comprise the Agrarian Reform Loans (ARL), Other Agricultural Credit Loans (OACL) and NAMNAMA Loans. Aims to finance Agri activities.

DEVELOPMENT INCENTIVE LOAN

Loan offered to cooperative affiliates engaged in agriculture, marketing, processing, distribution, low-cost housing and other activities

MICROFINANCE LOAN

Loan extended to the poor and low-income household for their microenterprises and small business so as to enable them raise their income levels and improve their living standards.

SMALL MEDIUM ENTERPRISE LOAN

Offered to any business engaged in any industry, agribusiness and/or services, whether single proprietorship, partnership or corporation provided that the total asset of the borrower shall be above 3million to 100million.

CONSUMER/PERSONAL LOAN

Loan offered to individuals for consumption purposes which includes Vehicle, Appliance and Multi-purpose Loan.

LOANS FOR INDIVIDUALS FOR OTHER PURPOSES

Loans to individuals that cannot be classified under the previous types of loan, this includes but not limited to Salary Loan, Housing Loan, Lot Purchase Loan, OFW Loan and others.

TIME DEPOSIT

REGULAR SAVINGS DEPOSIT

KIDDIE & TEENS SAVINGS DEPOSIT

Saving Offered to individual ages 1-19 years old

2023 Approved Products

1. **Environmental Loan**—This loan aims to finance the acquisition of solar panel system for household/business and agri-activities
2. **Financial Uplifment and Economic Loan for barangay officials (FUEL)**—Loan offered to elected and Appointed Barangay Officials and Sangguniang Kabataan for personal and providential needs.
3. **Buhay Savings Deposit**—A savings deposit with life and/or Accident Insurance

Other Services of the Bank includes, SALE OF ROPA, CAGELCO BILLS PAYMENT and DORMITORY-TYPE ROOMS AND TRAINING HALL RENTALS

Offices' 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

ABULUG BRANCH

Address : Calog Sur, Abulug, Cagayan
Email :coop.bank.cagayan.abulugbranch@gmail.com
Contact no.: 0917 574 5126 / 0917 530 9243

LAL-LO BRANCH

Address :Public Market, Bagumbayan Lal-lo, Cagayan
Email :coop.bank.cagayan.lallobranch2019@ gmail.com
Contact no.: (078) 377-0496

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 Site and Pages

https://www.cbcagayan.com

https://www.facebook.com/cbcagayan.ph

https://www.youtube.com/@cooperativebankofcagayan3482

COOPERATIVE BANK OF CAGAYAN

Board of Directors

From Left to Right

Mr. Nathaniel Garcia (Director) **Engr. Rustico R. Turingan** (Independent Director), **Engr. Nestor T. Bautista** (Chairperson), **Mr. Quirino V. Muńoz** (Director) and **Mr. Daniel M. Narag** (Director)

Risk Dept., Audit Dept. & Compliance Dept.

From Left to Right
Standing: **Mary Joyce A. Bruan** (Audit Associate), **Azahimira F. Galindon** (Audit Associate)
Sitting: **Kristine P. Pasicolan** (Compliance Officer), **Joel B. Bugaring** (Risk Management Officer), **Carina Catabay** (Internal Audit Head)

Human Resources Facilities & Administrative Dept.

From Left to Right :

Standing—**Melchor Gomez** (Driver/Utility), **Delius Palais** (Utility/Messenger), **Azurin Canceran** (Property & Equipment Custodian), **Reynaldo Corpuz** (Driver/Utility)

Sitting**—Jesusa Pagulayan** (HR Staff), **Karina P. Bunagan** (HR and Adm. Facilities Department Head)

Information Technology Dept. & Research &Development Dept.

From Left to Right

Standing: **Maynard B. Corpuz** (IT Head), **Azurin P. Canceran** (Concurrent IT Staff))

Sitting: **Claribel Sheryll A. Taguiad** (Asst. Research & Development Head), **Rizza T. Sulla** (Research & Development Head), **Glecy Jane S. Bundoc** (Research & Development Staff)

Accounting Department

From Left to Right

Standing: **Linden M. Gacias** (Accounting Staff), **Melice Jane M. Udaundo** (Accounting Staff), **Kreesha Jane R. Ancheta** (Accounting Staff)

Sitting: **Erwin C. Garilao** (ROPA Officer), **Kristine Joyce S. Agustin** (Asst. AMLD Head), **Marjorie B. Balisi**(AMLD Staff)

Not in the Picture: **Joan T. Bunagan** (Accounting Staff)

Asset Mangement & Legal Department

From Left to Right

Standing: **Romart D. Miranda** (AMLD Staff), **John Jamil S. Agustin** (AMLD Staff), **Jay Israel V. Calderon** (AMLD Staff), **Roderick B. Guzman** (AMLD Staff)

Sitting: **Erwin C. Garilao** (ROPA Officer), **Kristine Joyce S. Agustin** (Asst. AMLD Head), **Marjorie B. Balisi** (AMLD Staff)

Not in the Picture: **Harvey T. Guillermo-**(AMLD Staff)

Loan Department

From Left to Right :

Standing—**Romeo Malifier** (Driver/Utility), **Emil L. Pagunuran** (Credit Specialist), **Christopher D. Espiritu** (Credit Specialist), **Leo Paul G. Gacias** (Evaluation Staff), **Richard F. Ballesta** (Evaluation Staff), **Richie L. Canapi** (Appraisal Staff), **Clarrence Joy T. Arellano** (Credit Management Staff), **Jenelyn A. Maribbay** (Account Management Staff), **Camille Kate C. Ayson** (LSU Staff), **Ronnie Fernandez** (Evaluation Staff), **Jonh Paulo A. Geroy** (Credit Specialist), **Jheron R. Dela Cruz** (Collection Specialist), **Arnel C. Salagan** (Credit Specialist), **Gerald G. Tuliao** ((Collection Specialist), **Victor V. Villas** (Driver/Utility)

Sitting—**Ricky B. Mabborang** (Evaluation Staff), **Gerard Andy C. Pascual** (Asst. Evaluation Supervisor), **Joel U. Tabangay** (Evaluation Supervisor), **Kaepee T. Corpuz (**Account Management Supervisor), **Roldan B. Apacible** (Credit Management Supervisor), **Jitko B. Tayawa** (Loans Department Head), **Sheryl C. Pamittan** (Asst. Loans Head), **Melanie Rosete** (Appraisal Supervisor), **Janice Ulep** (LSU Supervisor), **Mary Jane T. Padilla** (Credit Processor), **Rodalyn S. Addun** (Credit Processor). **Arjane B. Addatu** (LSU Staff)

Fund Management & Branch Operation Department

1. Main Branch

From Left to Right

Standing: **Vanessa Tellan** (New Account Staff), **Judy Ann B. Doca** (Teller), **Jessie V. Concepcion** (Driver/Utility), **Hyacinth Paltep** (Marketing Specialist), **Irish A. Ajido** (FMBO Staff),

Sitting: **Claudelyn C. Manikap** (Teller), **Melody Faith Macababbad** (Branch Manager), **Steven Bańez** (FMBO Head), **Frances D. Corpuz** (FMBO), **Maricel G. Lazaro** (FMBO Staff)

2. Lallo Branch

From Left to Right

Standing: **Jumie P. Mirasol** (Driver/Utility), **Bon Bryan L. Unipa** (Credit Specialist), **Earl Donn S. Aganon** (Evaluation Staff), **Jermeeh B. Pastoral** (AMLD Marketing Specialist), **Carlo L. Abiog** (AMLD Staff(), **Marlon Joshua M. Guzman** (Collection Specialist), **Dranreb Dominic A. De Ramos** (Collection Specialist)

Sitting: **Noemi C. Calano** (Teller), **Joan T. Soriano** (Branch Manager), **Jaysa P. Ompad** (Customer Service Associate)

3. Abulug Branch

From Left to Right

Standing: **Jonathan D. Baluscang** (Evaluation Staff), (**Dominic T. Tangonan** (Collection Specialist), **Jonel Guimmayen** (Driver/Utility), **Kevin James T. Estrada** (Credit Specialist)

Sitting: **Bernaddete O. Ramento** (Evaluation Staff), **Melbourne M. Juan** (Customer Service Associate), **Robin T. Cajio** (Branch Manager), **Vina C. Marcos** (Teller), **Bernadette A. Flores** (Credit Processor)

4. Burgos Branch Lite

From Left to Right

Standing: **Leymar C. Matias** (Collection Specialist), **John Anthony B. Villa** (Driver/Utility), **Edante V. Baniaga** (Evaluation Staff)

Sitting: **Rochel Kate G. Guloy** (Customer Service Associate), **Reynaldo N. Tapat Jr.** (Assistant Branch Manager), **Sharine Kate V. Domingo** (Teller)

5. Cabagan Branch Lite

From Left to Right

Standing: **Emerson Annang** (Diver/Utility), **Jaypee Agsunod** (Collection Specialist), **Jan Lester Bacuyag** (Marketing Specialist), **Randy Calayan** (Evaluation Staff)

Sitting: **Rhea Datul** (Customer Service Associate), **Bobby Martinez** (Assistant Branch Manager), **Valerie Taguiam** (Teller)

Not in the Picture—Rammy Fernandez** (Credit Specialist)*

6. San Manuel Branch Lite

From Left to Right

Standing: **Keorvin Limon** (Driver/Utility), **Joseph Espiritu** (Credit Specilist)

Sitting: **Princess Agbayani** (Teller), **Romyl John Flores** (Officer-In-Charge), **Florida Limon** (Customer Service Associate)


GRAND BALLROOM
PILGRIMAGE ISLAND
JESUS THE SAVIOR
ALAMINOS CITY, PANGASINAN
Happy 44th ANNIVERSARY
Cooperative Bank of Cagayan
LOAN APPLICATION FLOW
BANGKO SENTRAL NG PILIPINAS
PISO CARAVAN
IYANGAY NU Y NAPISIL ANNA NADAPING IBA NGA KWARTU NU TAPENU MATALYAN TA BAGU ONU E-MONEY
COOPERATIVE BANK OF CAGAYAN
44TH ANNUAL GENERAL

Produced By:

Research and Development Department

Support Credits

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Loans Department

Fund Management and Branch Operation Department

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Photo Credits

Maynard B. Corpuz

Glecy Jane S. Bundoc

Graphics / Layout

Rizza T. Sulla

Ju-Ean C. Santos

Published by: *Cooperative Bank of Cagayan, CY 2024*

San Gabriel, Tuguegarao City, Cagayan