



"The Bank that Farmers' Built"
2021 ANNUAL REPORT

A Brief Story about CBC

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

The Bank's Branches and Branch Lites

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

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

About the Cover



Front Cover



Back Cover

The green field represents the primer loan product of the bank and its major members, the farmers.

A traditional to modernized set-up exhibits how the bank was able to help the farmers from their traditional way of farming to a modernized one.

A mind set of 'getting up' served as the energizer and stimulator to all employees, Board of Directors and stockholders to get up and withstand after what its gone through for the past years.

After all these considerations, the arrow pointing upward shows a positive future for the Cooperative Bank of Cagayan and a trek of the bank for the coming years.

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C O R P O R A T E P O L I C Y

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.

CORE VALUES

The Cooperative Bank of Cagayan shall operate and serve with **PRIDE** along with the Universal Cooperative Values at all times.

PRIDE stands for the set of values that shall guide every officers and employees' conduct, and it shall permeate throughout the system of our Bank.

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

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

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

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

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

As Cooperative Bank of Cagayan sets forth to a new horizon being in a competitive banking industry, the bank steps out and crack its shell in able to serve more clients in the country side to become the leading and most trusted Cooperative Bank in Northern Luzon.

To outstretch its area of operation, the bank is firmly and religiously committed to give responsive and quality financial services to its depositors, borrowers and stockholders.

THE BUSINESS SYMBOL

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

The name of the Bank and the year it was founded

This symbolizes the building structure of CBC

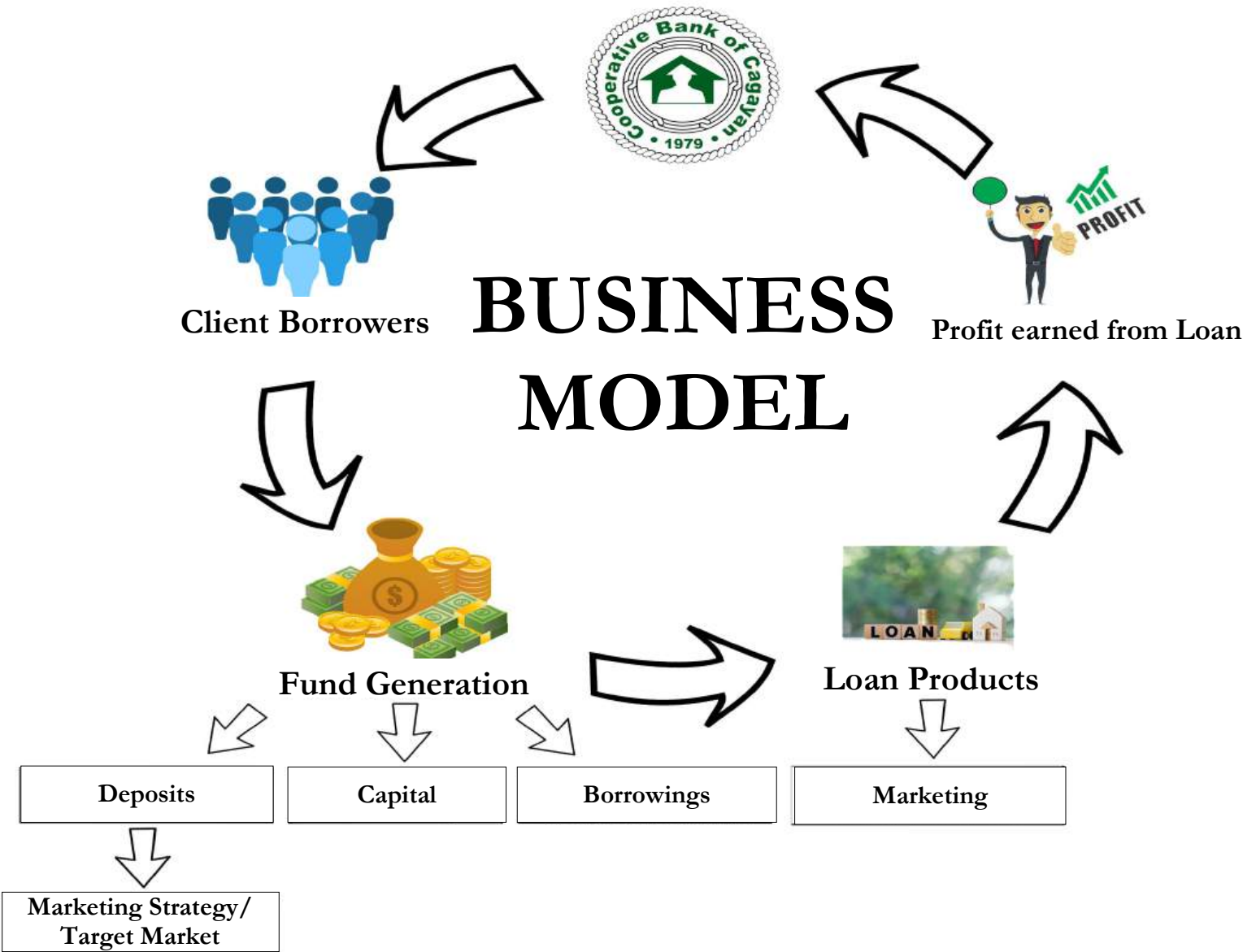
This exemplifies the stockholders, member-affiliates, clients, borrowers and depositors who continuously patronizing and supporting the products and services of the Bank.

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



What differentiates the bank from other institution is its heart and focused to make the farming industry be modernized by providing financial access to every farmers and fisher folks in its area of operation.

BRAND PROMISE — CBC will serve as a hope for different sectors by continuously providing new products and services and come up with profitable innovation to preserve its image as a “*Bangko a mapangnammamaan*”



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

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

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

Aside from loans and deposit services, the Bank also offer other services such as xxxxxx. The over-all operations of the Bank is bound by its internal policies and procedures, and regulations of the Bangko Sentral ng Pilipinas (BSP), Cooperative Development Authority (CDA), Bureau of Internal Revenue (BIR) and other regulatory bodies with the support of the Board of Directors, Management and employees.

Message from the Chairperson of the Board



My warmest greetings to everyone that builds the Cooperative Bank of Cagayan!

The year 2021 started with the serious challenges posed by the COVID-19 which started during the year 2020 and its effect continued through 2021. In spite of the pandemic, Cooperative Bank of Cagayan remained resilient which can be apparent on its performance for the year 2021.

During the year 2021, the number of COVID-19 cases in the province of Cagayan and nearby provinces has reached its peak. In fact, number of employees of the Bank has been infected with the COVID-19 virus, and various community lockdowns and travel restrictions has been imposed by the local government to control the spread of the virus. Such measures undertaken has affected the operations of the Bank, nevertheless, the Bank persevered to continue and improve its operations.

In order to help its members who has been affected by the pandemic, the Board of Directors has also came-up with measures and relaxed policies such as the offering of Special Restructuring Fee Rates and Relaxation of Collection Procedure for clients affected by COVID-19. Additionally, the Bank has continued to offer its special loan products as introduced during the year 2020 to help those are affected by the pandemic. Said loan products are the REscue and Support for Businesses Affected by COVID-19 (RESBAC) Loan Program that aims to provide rescue and support to existing Micro, Small and Medium Enterprises (MSMEs) to mitigate the economic effects of COVID-19 pandemic, and the CBC STUDENT (Student Upliftment and Development due to Economic Need in Times of Crisis) - A SAGIP EDUKASYON Loan Program. Moreover, activities to help the community has also been conducted such as the distribution of medical kits to the community, giving financial assistance to the Regional Haven for Women and Children and the Cagayan Valley Medical Center (CVMC), and giving financial assistance to the victims of Typhoon Odette.

These activities undertaken by the Cooperative Bank of Cagayan only shows that the Bank will always be devoted to uplift the quality of life in the countryside and will always find a way to help not just its members but the community as a whole.

It has been two (2) years since the COVID-19 pandemic surge and although there has been recovery in some areas, the effects of the pandemic are still being experienced and is expected to last for sometime.

As I have mentioned in my message in the 2020 Annual report of the Bank that we are positive that it will be able to bounce back, this annual report of the Bank for the year 2021 will show that the Bank was able to bounce back from its 2020 Financial performance. The year 2021 shows that the Bank has taken steps to remain strong and resilient amidst these challenging times and will continue to deliver responsive financial access and opportunities to its member affiliates.

With that, in behalf of the Cooperative Bank of Cagayan's Board of Directors, I would like to thank all clients, depositors, borrowers, members, shareholders, employees, regulators and to everyone who became part of the endeavors of the Bank. May the Bank live longer and may its succeeding years be more fruitful.

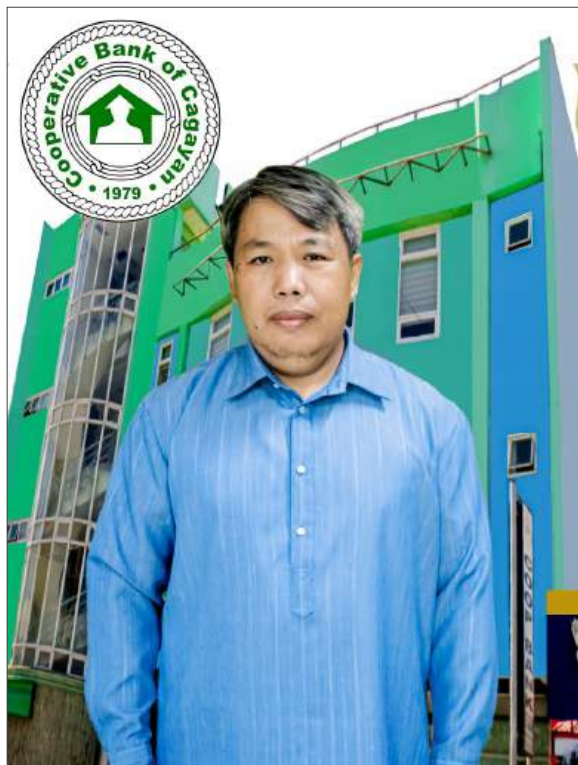
Thank you and best regards!



DIR. DANIEL M. NARAG

Chairperson

President/CEO's Report

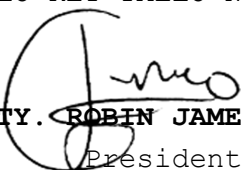


The year 2021 is another challenging year for the banking industry. For the second consecutive year, the world has endured the chilling effects of the pandemic. More so on the part of the banking industry as the industries it serve were not exempted by the pandemic so it took the best out from the banking industry to operate under exactly the same scenario as that of the year 2020. But unlike the year when the government first declared the State of National Health Emergency, banks to include our bank have prepared a more resilient budget and adopted strategies and action plan in order to withstand the challenge of the pandemic.

As part of our strategies, we have enjoined all employees especially those performing their mandates in the field to be fully vaccinated in order for them to be emancipated from the stigma of the pandemic. Such course of action proved to be effective as we have already able to regularly visit our client-members for purposes of collection and/or re-loan. The bank also addressed the choke point in the loan process and we were able to process loan swiftly. Furthermore, we strengthened our partnership with the Banking Public and with our government financial partners such as the Agricultural Credit Policy Council resulting to the increase in our deposits and accessibility to funds for the operation. Because of the consolidated efforts, we were able to achieve significant performance as compared to the year 2020 as evidence by the herein below quoted Comparative Financial Highlights to wit:

As we continuously traverse the trench brought about by the pandemic, the Cooperative Bank of Cagayan Family will ensure that we will not lose grip of the momentum we have attained during the year 2021 operation. The Board and Management with the cooperation of the shareholders will continuously evolve and adopt the best banking practices in order to guarantee the furtherance of our vision of becoming the leading and most trusted Cooperative Bank in Northern Luzon devoted to uplift the quality of life in the countryside.

Lastly, I am greeting everybody "NARAGSAK KEN NASALUN-AT NGA MAIKA UPPAT NGA PULO KET TALLO NGA ANNIBERSARYO TI BANKO TAYU".


ATTY. ROBIN JAMES A. GUNNACAO
President/CEO

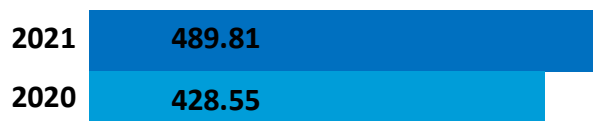
FINANCIAL HIGHLIGHTS

PARTICULARS	2021	2020 (As restated)	2019 (As restated)	Growth
<i>In Millions</i>				
TOTAL RESOURCES	566.73	534.00	440.10	6.13%
LOAN PORTFOLIO	489.81	428.55		14.29%
DEPOSIT	365.43	334.92		9.11%
CAPITAL	59.69	55.37		7.80%
NET INCOME	1.02	-11.46		108.90%
<i>In Thousands</i>				
NUMBER OF BORROWERS	6,328	5,511		14.82%
NUMBER OF DEPOSITORS	8,150	6,688		21.86%

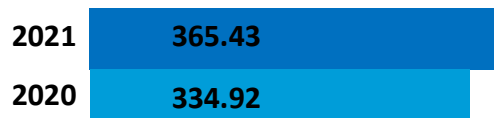
TOTAL RESOURCES



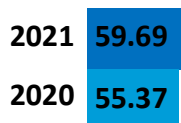
LOAN PORTFOLIO



DEPOSITS



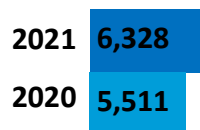
CAPITAL



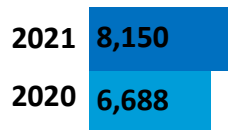
NET INCOME



NUMBER OF BORROWERS



NUMBER OF DEPOSITORS



FINANCIAL SUMMARY

PROFITABILITY	2021	2020
Total Net Interest Income	51,535,614	34,272,049
Total Non-Interest Income	17,767,381	13,933,062
Total Non-Interest Expenses	57,702,372	45,117,042
Pre-provision profit	11,600,623	3,088,069
Allowance for credit losses	10,535,808	14,500,382
Net Income	1,024,507	-11,455,834
Balance Sheet Data		
Liquid Assets	89,698,813	99,116,959
Gross Loans	489,810,280	428,545,051
Total Assets	566,727,857	533,996,352
Deposits	365,428,990	334,921,275
Total Equity	59,692,833	55,366,645
Financial Ratios		
Return on equity	17.16%	-20.69%
Return on assets	0.18%	-2.15%
Past Due Ration	20.20%	21.73%
Minimum Liquidity Ratio	31.428%	41.649%
Fixed Asset Ratio		
Qualifying Capital	58,692,833	54,366,645
Risk Weighted Assets	517,961,131	518,534,856
Capital Adequacy Ratio	11.33	10.48
Others		
Headcount	108	103
No. of Offices	6	6
Officers	7	7
Staff	86	81

RESULT OF OPERATION

1. FUND MANAGEMENT AND BRANCH OPERATION

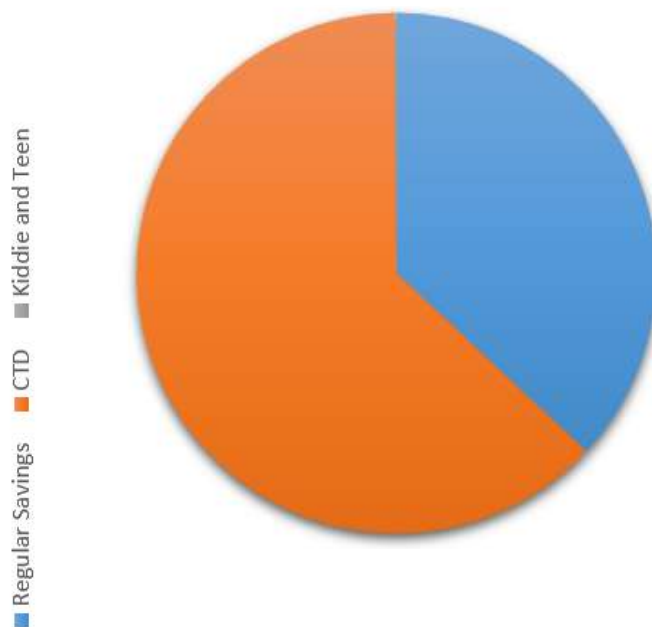
Cooperative Bank of Cagayan (CBCagayan) continued to gain the trust of the banking public in its deposit-taking operation in 2021, despite the constraints of client-members' businesses due to the COVID-19 pandemic. As of December 31, 2021, the Bank's deposit-taking operation is the major source of its fund structure at **66.35%**.

In its consolidated outstanding deposits, CBCagayan posed **365.4 Million** versus last year's record of 334.9 Million. It went up by **30.51 Million**, or **9.11%** representing a majority of its clients availing the competitive Time Deposit product of the Bank. This is a result of the continuous and increasing confidence of the banking public to entrust their hard-earned money to the bank during this time of crisis.

The increase in the Bank's deposit can be attributed to the increase in the number of account holders. From 6,668 number of depositors recorded in 2020, a total of **1,462** new depositors were added, making the 2021's record climbed to **8,150 depositors**.

With the help of the three (3) new branch-lite units of the Bank, strategically located in the Provinces of Isabela and Ilocos Norte, a higher number of deposits is expected to be generated in the next years to come. Cooperative Bank of Cagayan will continue to take full advantage of all the available opportunities in its areas of operation to introduce its presence and improve further its deposit structure.

Deposit Generated as of December 2021



2. LENDING OPERATION

In its dedication to provide financial access to the community, especially those who are affected by the pandemic, the Cooperative Bank of Cagayan was able to increase its net Loan portfolio for the year 2021 in the amount of **489.81** million or 14.29% growth from **428.55** million in December of 2020.

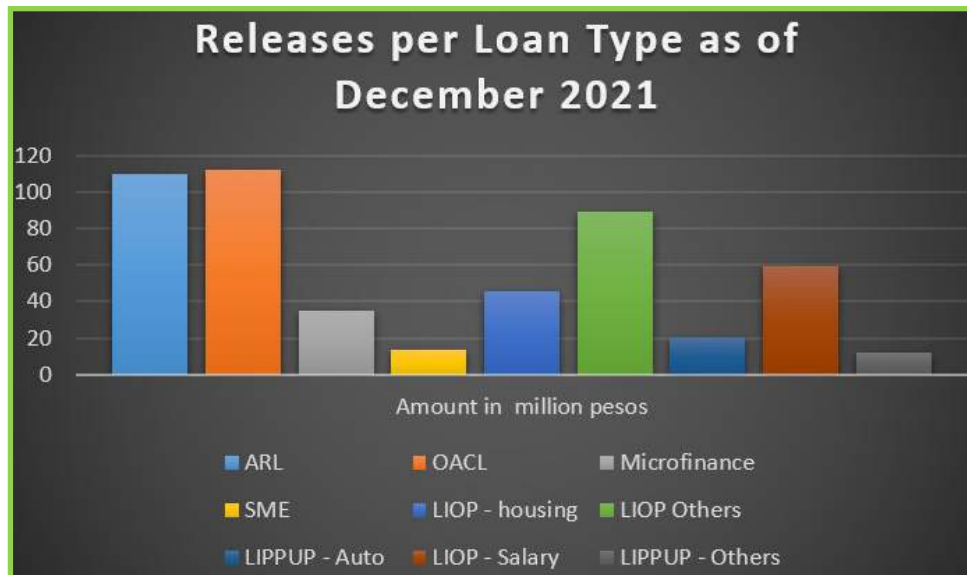
When the management set its goal to cope up / get up, a big effort from its employees, Officers and Board of Directors is manifested through the following: 1) ARL—109.6M; 2) OACL—112.2M, 3) Microfinance Loan—35.35M; 4) SME—13.7M; 5) Loan for Individuals for housing purposes—45.38M; 6) Loan for Individuals for other purpose—89.45M; 7) LIPPUP Auto Loan—20.15M;

8) LIPPUP Salary Loan—59.44M; 9) LIPPUP others—12.10M

During this year, Loans funded by the government through ACPC is still being availed of by the farmers and fisher folks borrowers from different part of the province.

Amidst the series of lockdown in our province, the bank particularly the Loan Department still aims to improve its collection rate by strengthening its collection strategy to have a higher collection rate. An increase of 36.74% for the year 2021 compare to the year 2020.

With the effort of the Loan Department including its workforce and support from the upper management, a growing Loan Portfolio will be attained.



Looking Forward

The Cooperative Bank Cagayan is continuously making its vision abstract not only for its own benefits but also for the community and constructing its way towards becoming the most trusted in cooperative banking industry.

The bank ensures to its members, depositors and borrowers that the bank will conduct innovation in making our products and services more accessible to the people

and will continue to provide the highest standard of service and welfare to our shareholders.

Lastly, with the unexpected challenges the world is facing today, the bank will continuously hone its products and services suited for the needs of every members, so that flourishing operation will be attained.

RISK MANAGEMENT FRAMEWORK

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

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

Risk Management Charter

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

Risk Management System and Structure

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

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

Together with the Audit Committee, the Internal Audit Department reviews the bank’s risk management systems, functions, and activities, recognizing that these have been undertaken in accordance with the Risk Management Department’s duties and responsibilities. It also assess the bank’s Senior Management oversight to be generally sufficient with performance and overall risk profiles regularly discussed during meeting.

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

Senior Management of Cooperative Bank of Cagayan is also actively

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

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

The **Credit Committee (CRECOM)** which has been delegated with credit authority limits, reviews, approves/recommends loan proposals and credit policies to the Board.

Compliance Office oversees that the Bank is effectively managing compliance of regulatory risk as prescribed by the Compliance Manual. It also responsible for the implementation of the Anti-Money Laundering Program.

RISK GOVERNANCE FRAMEWORK

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

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

Risk management policy. Risk management policies shall cover:

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

- ◆ clearly delineated responsibilities for managing risk based on the three lines of defense;
- ◆ system for measuring risk;
- ◆ checks and balances system; and
- ◆ framework for risk data aggregation and risk reporting.

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

The following principles of risk data aggregation capabilities should be met:

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

- ◆ **Completeness** – this refers to the capability to capture and aggregate all material risk data across the banking operation. Data should be available by business line, legal entity, asset type, industry, region and other groupings, as relevant for the risk in question, and should permit the identification and reporting of risk exposures, concentrations, and any emerging risks.
- ◆ **Timeliness** – this refers to the capability to generate aggregate and up-to-date risk data in a timely manner while also meeting the principles relating to accuracy and integrity, completeness and adaptability.
- ◆ **Adaptability** – this refers to capability to generate aggregate risk data to meet a broad range of on-demand, ad hoc risk management reporting requests, including requests during stress/ crisis situations, requests due to changing internal needs and requests to meet supervisory queries.

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

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

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

Accuracy – Reports should accurately and precisely convey aggregated risk data and reflect risk in an exact manner. In this regard, relevant reports should be reconciled and validated.

Comprehensiveness – Reports should cover all material risk areas within the organization. The depth and scope of these reports should be consistent with the size and complexity of the Bank's operation and risk profile, as well as the requirements of the users of information.

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

Different Types of Risk

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

4. **Operational Risk** – is the current and prospective risk to earnings or capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information. Risk is inherent in efforts to gain strategic advantage, and in failure to keep pace with changes in the financial services marketplace. Operational risk is evident in each product and service offered. Operational risk encompasses: (i) product development and delivery, (ii) operational processing, (iii) systems development, (iv) computing systems, (v) complexity of products and services, and (vi) the internal control environment.
5. **Physical Risks** - risks connected to the physical assets of the Bank such as properties and equipment. Also include the risks involved in keeping and transporting of cash, documents, accountable forms and acquired assets. These also include the risks involved in Information Technology such as viruses, database crashes, etc.
6. **Information Technology (IT) Risk** – any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks.
7. **Compliance Risk** – is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Compliance risk also arises in situations where laws or regulations governing a certain Bank's products or activities may be ambiguous or untested. This risk exposes the Bank to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential, and lack of contract enforceability. In line with the compliance risk includes:
 - ◆ BSP requirements
 - ◆ ANTI-MONEY LAUNDERING (AML)
 - ◆ Bank Security & Protection
 - ◆ Consumer Protection
 - ◆ PDIC risk
 - ◆ Cooperative Development Authority (CDA) requirements
 - ◆ Bureau of Internal Revenue (BIR)
 - ◆ Other regulatory bodies and governing units
8. **Interest Rate Risk** – is the current and prospective risk to earnings or capital arising from movements in interest rates. Interest rate risk arises from differences between the timing

rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting Bank's activities (basic risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in Bank's products (options risk).

9. **Strategic Risk** – is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

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 loses 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.

Money Laundering and Terrorist Prevention Program

BASIC PRINCIPLES The Bank adopts the following plagues aimed to combat money laundering and terrorist financing activities:

1. A straightforward **Customer Due Diligence (CDD)** policy to ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank by himself or otherwise;
 - ◆ When it establishes business relations with any customer
 - ◆ When it undertakes any occasional but relevant business transaction for any customer who has not otherwise established relations with the covered person
 - ◆ When there is a suspicion of money laundering or terrorism financing
 - ◆ When there is doubt about the veracity or adequacy of previously obtained customer identification data.
2. Adoption and implementation of sound AML and Terrorist financing risk management system that will ensure the conduct of customer due diligence which shall include:
 - ◆ Identifying the customer and verifying the true identity of the customer based on official documents, data or information. In case of corporate and juridical entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.
 - ◆ Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner, such that the Bank shall be satisfied that it knows who the beneficial is, as well as the ownership and control structure of the customer, in case of juridical entities or legal arrangements.
 - ◆ Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationships; and
 - ◆ Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transaction being conducted are consistent with the covered person's knowledge of the customer, their business and risk profile.
3. **Compliance with laws**—The Bank shall ensure that business is conducted in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system.
4. **Cooperation with competent authorities**—The Bank shall cooperate fully with the law enforcement and regulatory agencies for the effective implementation and enforcement of the AMLA, as amended, and its RIRR making sure that all identified instances of suspicious transactions are handled properly and reported.
5. **Policies, Procedures and Trainings**—The Bank shall fully comply with the rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and

employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance. To promote adherence to these principles, the Bank shall implement specific procedures for customer identification, retention of financial transaction documents and reporting of covered and suspicious transactions.

Know Your Customer (KYC) Policy

Know your customer (KYC) ensures that the Bank have detailed information about our clients. It aims to clearly identify whom the Bank is dealing with. The identity of the client-depositors including his/her representative/ agent who enters into a business relationship or transacts business with the Bank shall be established from official documents in accordance with the Bank's existing policy. For corporate clients, their legal existence and organizational structure including their authority and identification of all persons purporting to act on their behalf shall also be verified. The objectives of the KYC policy are:

- ◆ To increase the likelihood that the Bank is in compliance with all laws and regulations and adheres to sound and recognized banking practices.
- ◆ To decrease the likelihood that the Bank will become a victim of illegal activities perpetrated by its "customers"
- ◆ Effective KYC policy will protect the good name and reputation of the Bank
- ◆ A KYC policy will not interfere with the relationship of the Bank with its good customer.

A. Customer Acceptance—Every covered institution shall develop a 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.

The following procedures must be observed when establishing a business relationship:

- ◆ Personal appearance of the account holder
- ◆ Verification of the photograph appearing on the ID presented with the person presenting the documents
- ◆ Scrutiny of original identification documents presented
- ◆ Comparison of signatures with live signatures
- ◆ Completion of the account opening form
- ◆ Checking of the completeness, accuracy and authenticity of documents and information
- ◆ Risk profiling and due diligence

B. Customer Identification and Due Diligence—The Bank shall established and verify the true identity of its customers/ clients/ depositors based on official documents as defined in AML rules or other reliable, independent source documents,

data or information.

Customer due diligence shall be undertaken when the Bank (a) establishes business relations with any customer/ client/ depositor (b) undertakes any occasional but relevant business transactions for any customer who has not otherwise established relations with the Bank (c) there is suspicious of money laundering or terrorism financing and (d) there is doubt about the veracity or adequacy of previously obtained customer identification data.

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

D. Trustee, Nominee and Agent Accounts—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.

**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.*

E. 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 the MI/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.

Relief in case of Calamity—In case of 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:

- ◆ The amount of transactions shall not exceed (Php50,000.00) per day;
- ◆ The customer is either 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.
- ◆ The customer shall submit a written certification, which need to be notarized, that he/she is a victim of the subject disastrous calamity and has lost his/her IDs; and
- ◆ 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.

Handling of Certain Transactions

A. Buyers of cashier's, manager's or certified Checks—

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:

- ◆ True and full name of the buyer or the applicant if buying on behalf of an entity;
- ◆ Account number;
- ◆ Date of issuance and the number of the check;
- ◆ Name of the payee;
- ◆ Amount, and
- ◆ Purpose of such transaction

B. 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 of the identification shall also be kept for five (5) years.

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

- ◆ All dormant accounts shall be segregated from active accounts, including the specimen signature card
- ◆ Where a dormant account becomes active, it should be reviewed to ensure that the identification procedures have been followed and can still be relied upon.
- ◆ A new set of specimen signature card and the client information sheet must be required to update the information thereat. The procedures on new account opening shall be undertaken to ensure that no dormant account shall be used for fraudulent transactions.

D. 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.

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.

The Bank 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 .

1. In relation to cross border correspondent banking and other similar relationship;
 - ◆ Gather sufficient information about the respondent institution to understand fully the nature of the respondent's business and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to ML/TF investigation or regulatory action;
 - ◆ Assess the respondent institution's AML/CFT controls;
 - ◆ Obtain approval from senior management before estab-

lishing new correspondent relationships, and

- ◆ Clearly understand and document the respective AM- L/CFT responsibilities of each institution.
2. With respect to "payable-through accounts", satisfy themselves that the respondent bank:
 - ◆ Has performed customer due diligence obligations on its customers that have direct access to the accounts of the correspondent bank; and
 - ◆ Is able to provide relevant customer due diligence information upon request to correspondent bank.

The Bank is 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.

Monitoring and Reporting of Covered and Suspicious Transactions

It shall be the duty of the Branch Manager, and/or Branch Cashier/ Teller to monitor and report transactions or circumstances that may qualify as suspicious transactions or will raise a red flag using the monitoring parameters (a) Transactions, regardless of the amount, that qualify in any of the circumstances defining suspicious transactions (b) Customer's name appears in the list of terrorists or terrorist organizations provided by AMLC for purpose of conducting further verification of investigation.

Internal Reporting Procedures

1. The Covered Transactions shall be reported by the staff to the Department/Branch Manager using the prescribed Bank's form the Branch Manager (or superior officer) will evaluate the report. If the Branch Manager (or the staff's superior officer) is of the opinion that there is/are reasonable basis for the suspicion, he/she should forward the report form to the Chief Operating Officer and to the Compliance Officer.
2. Upon receipt of a report on suspicion on Money Laundering, the Compliance Officer shall convene a meeting with the Anti-Money Laundering Committee composed of three (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 where the transaction originated, he/she may be required to attend the meeting.
3. If the Money Laundering Committee 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 Money Laundering Committee 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.

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 financial services of the bank. All personnel/staffs who are responsible for these are charged to support this effort and respond to promptly and appropriately to any concerns that are brought to their attention.

Record Keeping and Period of Retention

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 five (5) years from the date of transaction.

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 transactions can be reconstructed as to enable the AMLC and/or the courts to establish an audit trail for money laundering.

Whenever a bank engaged in micro-finance operations has tagged a micro-finance client, as defined under BSP regulations, as low risk, the customer's identification and transaction records shall be retained for five (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 three (3) years. This provision is applied when a money laundering case is filed in court.

Staff Education and Training

Every staff must be aware of their own personal legal obligations under the foregoing guidelines and applicable banking laws, rules and regulations on money laundering. All staffs are 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 a continuing education training on anti-money laundering rules and regulations. The timing and content of training packages for staffs will have to be adopted and suited to the needs, and available resources of the Bank.

Compliance Testing and Audit Program

- A. Compliance Testing**—The Bank through the Compliance Officer, shall ensure compliance by all responsible officers and employees with the AMLA, as amended, the RIRR and this MLPP. It shall conduct periodic checking which covers, among others, evaluation of existing processes, policies and procedures, including ongoing monitoring of performance by staff and officers involved in money laundering and terrorist financing prevention, reporting channels, effectivity of the electronic money laundering transaction monitoring and record retention system through sample testing and review of audit or examination reports.
- B. Audit program**—The Internal Audit Department ensures the completeness and accuracy of the information and identification documents presented or acquired from clients, the CTRs/STRs submitted to the AMLC as well as the retained records. It undertakes to test 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. It also ensures the adequacy and effectiveness of the training program on the prevention of money laundering and terrorist financing.

C. Monitoring of Corrective Actions

Internal Audit Report/Findings—The Internal 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 Audit Committee and Compliance Committee for its consideration.

External Audit Findings—The Compliance office shall be the primary unit in charge with communicating the findings of the audit conducted by the BSP and other supervisory and regulatory bodies as well as monitoring of corrective actions undertaken by the concerned branch/unit.

ADDITIONAL AMLA PROVISION

1. Authority of AMLC to inquire into Deposits or Investment

Apart from R.A. No. 1405 as amended, R.A. No. 6426, as amended, R.A. No. 8791 and other laws, the AMLC may inquire into or examine any particular deposit or investment, including related accounts to any banking institution or non-bank financial institutions upon order by the Court of Appeals based on an ex parte application in case of violation of the AMLA, as amended, when it has been established that probable cause exists that the deposits or investments involved, including related accounts, are in any way related accounts, are in any way related to an unlawful activity or a money laundering offense, except in cases as provided in the immediately succeeding item.

2. Exemption from Bank Secrecy Laws

When reporting CTs/STs to the AMLC, covered person and their officers and employees shall not be deemed to have violated R.A. No. 1405, as amended, R.A. No. 6426, as amended, R.A. No. 8791 and other similar laws, but are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person the fact that a covered or suspicious transaction report was made, the contents thereof, or any information in relation thereto. In case of violation, the concerned officer and employee shall be criminally liable.

3. BSP Authority to check compliance with the AMLA and its RIRR

The Bangko Sentral ng Pilipinas (BSP) has the authority to inquire into or examine the bank accounts or investment during the periodic or special examination, including customer identification, account opening and its documents for purpose of checking compliance by the Bank with the requirements of

the AMLA, as amended, its RIRR, and other AMLC issuances.

4. Confidentiality Provision

When reporting covered transactions or suspicious transactions to the AMLC, covered persons, their directors, officers and employees are prohibited from communicating directly or indirectly, in any manner or by means, to any person, entity, or the media, the fact that a covered or suspicious transaction report was made, the content thereof, or any other information in relation thereto. Any information about such reporting shall not be published or aired, in any manner or form, by the mass media, or through electronic mail, or other similar devices. In case of violation thereof, the concerned director, officer and employee of the covered person shall be held criminally liable.



CORPORATE GOVERNANCE—is a system of rules, policies/processes, and practices that ensure/dictate the board of directors, who are elected by the stockholders, to meet regularly, manages and oversees the operations of the bank as well as maintaining a system of risk management.

Governance Structure

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

Board Level Committees are created to carry out specific functions of their duties and responsibilities namely. These committees are supported by independent offices functionally under the Board of Directors namely (1) Risk Management Office; (2) Compliance Office and (3) Internal Audit Office. The office of the President/CEO which includes the Office of the Executive Secretary, supervises the head of Operation of the bank and the support departments; (1) Accounting Department; (2) IT Department; (3) AMLD Department; (4) Corporate Planning 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.

Management Level Committees are created The Management Committee is 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.

I. THE BOARD OF DIRECTORS

1. Power 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. General Responsibility of the Board

- 2.1. The position of a Bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its shareholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.
- 2.2. 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.
- 2.3. 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.
- 2.4. Compliance with the principles of good corporate governance

begins with the Board of Directors.

- 2.5. 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.
- 2.6. 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 recorded.

3. Specific Duties and Responsibilities of BOD

- 3.1. 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.
- 3.2. Oversee the development, approve and monitor the implementation of strategic objectives.
- 3.3. Approve and oversee the implementation of policies governing major areas of banking operations
- 3.4. Approve and oversee the implementation of risk management policies.
- 3.5. Oversee selection and assessment of performance of Management led by the President, and control functions led by their respective heads
- 3.6. Consistently conduct the affairs of the Bank with a high degree of integrity

- 3.6. 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
- 3.7. Constitute committees to increase efficiency and allow deeper focus in specific areas.

4. Liabilities of the Board of Directors

Any director who willfully and knowingly vote or consent to patently unlawful acts, or who is/are guilty of gross negligence or bad faith in directing the affairs of the Bank or acquire any personal or pecuniary interest in conflict with his/her duty as director, shall have be liable jointly and severally for all damages suffered by the Bank, its shareholders and other persons.

6. 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.

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

Chairperson of the Board (Duties and Qualifications)

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: (*BSP Circular No. 969 Series of 2017*)

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

Qualifications of the Chairman of the Board

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

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

Qualification to run for Directorship

- A. The candidate shall be at least twenty five (25) years of age at the time of his/her election or appointment;
- B. The candidate must be duly authorized representative of a regular member at the time of his/her election or appointment as such;
- C. 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, cooperated, and of relatives up to the first degree of consanguinity or affinity. Past due accounts/obligations relative to the candidate must be updated within 15 banking days prior to filing of candidacy;
- D. 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;
- E. The cooperative he/she represents must have subscribed and paid a 30-share capital amounting to Php 30,000.00 and infused an increment of Php 30,000.00 per year. This is in consonance with the Bank's action plan approved through *viva voce* by the General Assembly on March 30, 2014 at Cooperative Bank of Cagayan, Tuguegarao City; (from 50,000 to 30,000, GA resolution no. 002 series of 2019)
- F. The cooperative he/she represents must be a member of good standing (Certificate of Good Standing issued by the Cooperative Development Authority (CDA));
- G. The candidate must be at least a college graduate or have at least five-year experience in business.
- H. The candidate for Directorship is not engaged in business similar to the Cooperative Bank;
- I. The candidate for directorship must not be an incumbent elective official of the government;
- J. Applicant should not be convicted or found guilty of any criminal or administrative case and/or dismissed from the service for cause;
- K. 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:

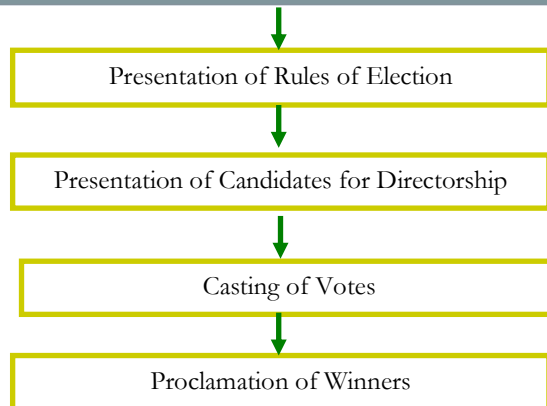
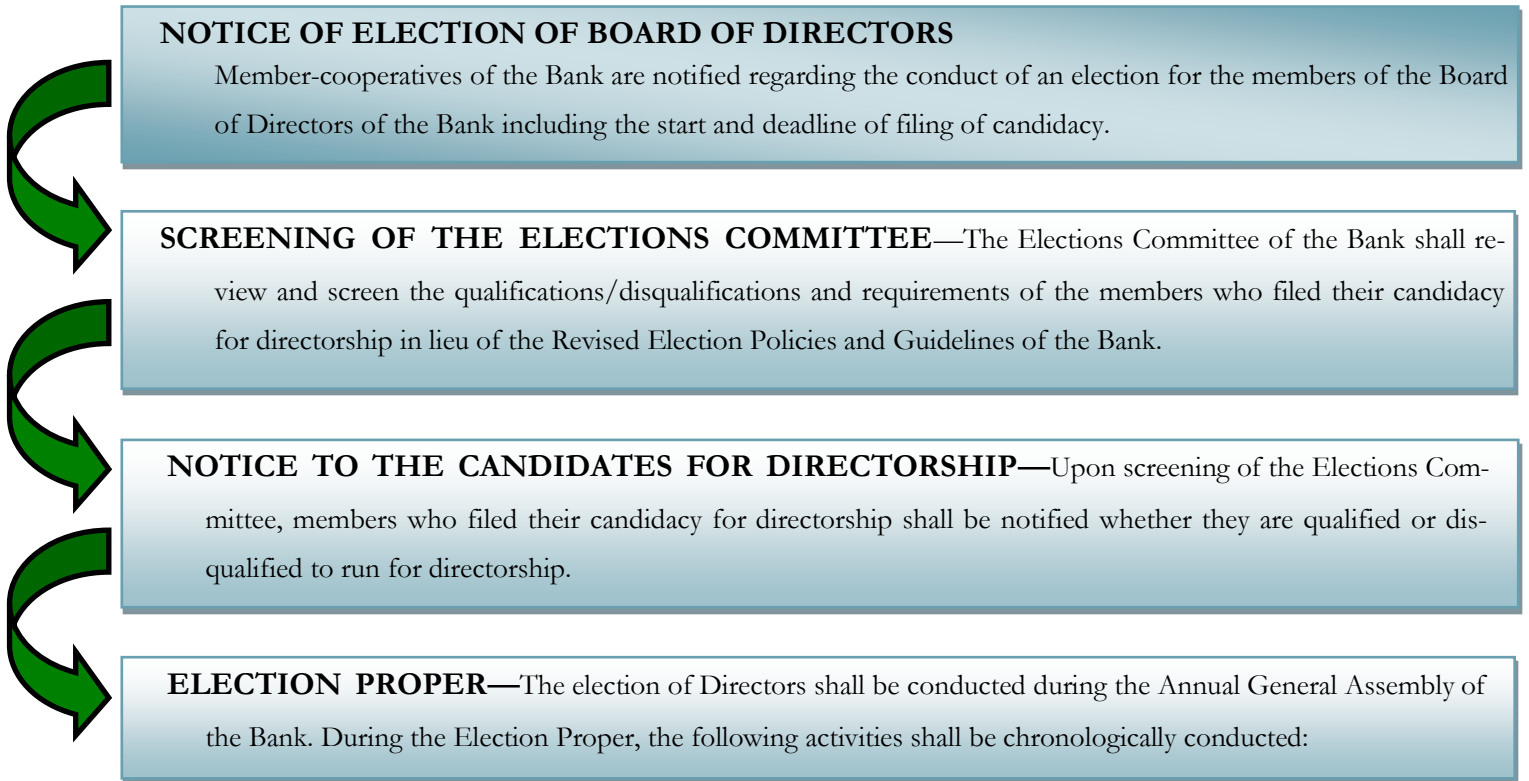
- L. Integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence, and independence of mind; sufficiency of time to fully carry out responsibilities; and concurrent position in the bank and interlocking positions in other entities that may pose conflict of interest.

8. Documentary Requirements

- A. Duly accomplished candidacy application form property endorsed by the chairman of the cooperative he/she represents;
- B. Certificate of Good Standing of the cooperative he/she represents from the CDA for 3 years;
- C. Clearance from the Municipal Trial Court and Regional Trial Court and the office he represents;
- D. Certification from branch manager of Cooperative Bank of

- Cagayan as to loans availed;
- E. Photocopy and original copy of transcript of records (TOR) from school he/she graduated;
- F. Certification from branch manager that coop represented by the candidate had an updated yearly contributions on capital share.
- G. Certification from the Cooperative Bank of Cagayan or its Branch Manager as to the capital shares;
- H. Certification from the Cooperative Bank Management as to its attendance for three (3) consecutive General Assembly meetings;
- I. Certification from the Bank management that the Cooperative he/she represents had been affiliated in the Bank for three (3) years.

SELECTION PROCESS OF CANDIDATE FOR DIRECTORSHIP POSITION



MEMBERS OF THE BOARD OF DIRECTORS

DANIEL M. NARAG (*Chairperson*)



- Non-executive Director
- Member of the board for six (6) year
- Represents Northern Philippine Farmers Cooperative (NORFARCO)
- Shares and percentage of share's held as of December 31, 2021
 - Common (NORFARCO) – 405,114.25
 - Preferred (D.Narag) – 429,000
- Qualifications
 - ⇒ 72 years old and a Filipino Citizen
 - ⇒ Graduate of Bachelor of Science in Business Administration (BSBA), U.E. Manila
 - ⇒ President, Provincial Farmers Action Council
 - ⇒ NFA Secretary, Regional Action Council Region 02
 - ⇒ Former Board of Trustee, Mill District Development Council (MDDC)
 - ⇒ Former Barangay Kagawad, Brgy. Dagupan-LGU
 - ⇒ Former Municipal Agriculture Fisheries Council, Municipal Agriculture Office
 - ⇒ Former Provincial Agriculture Fisheries Council, Provincial Agriculture Office
 - ⇒ Former Farmers Organization Representative, Provincial Agrarian Reform Committee
 - ⇒ Former Pollution Control Officer, Pollution Control Office

ANTHONY A. PARAGOSO (*Vice Chairperson*)



- Non-executive Director
- Member of the board since 2018
- Represents Cagayan Valley Development Cooperative (CAVADECO)
- Shares and percentage of share's held as of December 31, 2021
 - Common (CAVADECO) – 5,559,617.46
 - Preferred (A. Paragoso) –234,000.00
- Qualifications
 - ⇒ 73 years old and a Filipino Citizen
 - ⇒ Graduate of Bachelor of Arts in Economics at University of Sto. Tomas-1969
 - ⇒ Graduate of Master of Science in Economics at Asian Social Institute- 1972
 - ⇒ Former Managing Director- CAVADECO
 - ⇒ Former Consultant on Livelihood Program- LGU Quirino Province
 - ⇒ Former Consultant- Cooperative Bank of Cagayan
 - ⇒ Former Director, Former Consultant, Former Corp. Sec.- RB Gattaran
 - ⇒ Former Assistant Researcher- NEDA
 - ⇒ Former Teacher- Ateneo De Manila



QUIRINO V. MUÑOZ (*Member*)

- Non-executive Director
- Member of the board for six (6) years
- Represents Sta. Cruz Multi-purpose Cooperative (Sta. Cruz MPC)
- Shares and percentage of share's held as of December 31, 2021
 - Common (Sta. Cruz MPC) –460,000.00
 - Preferred (Q. Muñoz) – 438,900.00
- Qualifications
 - ⇒ Graduate of Bachelor Science in Industrial Education, Mariano Marcos State University Institute of Technology
 - ⇒ Graduate of Master of Education, Northern Cagayan Colleges
 - ⇒ 67 years old and a Filipino Citizen
 - ⇒ Chairperson, Sta. Cruz MPC
 - ⇒ Former Teacher I, Head Teacher III, Elementary
 - ⇒ School Principal I, Principal II, DepEd

ENGR. RUSTICO R. TURINGAN *(Member)*



- Independent Director
- Member of the board for six (6) years
- Represents Cagayan Seed Producers Cooperative
- Shares and percentage of share's held as of December 31, 2021
Common (Cagayan Seed Producers Cooperative) –206,170.24
Preferred (R. Turingan) – 303,500.00
- Qualifications
 - ⇒ Graduate of Bachelor of Science in Geodetic Engineering, University of Saint Louis
 - ⇒ Graduate of Bachelor of Science in Civil Engineering, University of Saint Louis
 - ⇒ Graduate of Master in Public Administration, Isabela Colleges Incorporation
 - ⇒ Chairperson, Cagayan Valley Seed Growers Federation
 - ⇒ Former Chairperson Cagayan Seed Producers MPC
 - ⇒ Chief Agrarian Reform Program Officer, Department of Agrarian Reform
 - ⇒ Former Land Inspector, Supervising Geodetic Engineer III, Engineer III in Department of Agrarian Reform



NATHANIEL B. GARCIA *(Member)*

- Non-executive Director
- Member of the board for six (6) years
- Represents Hacienda Intal Credit Cooperative
- Shares and percentage of share's held as of December 31, 2021
Common (Hacienda Intal Credit Cooperative) – 910,518.91
Preferred (N. Garcia) –359,500.00
- Qualifications
 - ⇒ 58 years old and a Filipino Citizen
 - ⇒ Bachelor of Science in Architecture, Cebu Institute of Technology
 - ⇒ Under Graduate of BS Civil Engineering, International Correspondence School
 - ⇒ Chairperson, Hacienda Intal Credit Cooperative
 - ⇒ Instructor, National Manpower and Youth Council
 - ⇒ Former Director, Regional Chamber of Furniture Producers
 - ⇒ Former Brgy. Kagawad, Baggao LGU, Former Chairperson Peoples Economic Council of Baggao

CARMELITA R. ABUEL *(Member)*



- Independent Director
- Member of the board for four (4) years
- Represents MSRT Culung Credit Cooperative
- Shares and percentage of share's held as of December 31, 2021
Common (MSRT Culung Credit Cooperative) – 444,630.24
Preferred (C. Abuel) –371,500.00
- Qualifications
 - ⇒ 62 years old and a Filipino Citizen
 - ⇒ Chairperson, MSRT Culung Credit Cooperative
 - ⇒ Former Brgy. Kagawad, Brgy. Culung Tuao East Cagayan

CHARLENE T. CAPILI *(Member)*



- Non-executive Director
- Member of the Board since 2017
- Represents Western Alcala Farmers Irrigator Cooperative (WAFIC)
- Shares and percentage of share's held as of December 31, 2021
Common (WAFIC) – 599,769.51
Preferred (C. Capili) – 243,000.00
- Qualifications
 - ⇒ Manager, Western Alcala Farmers Irrigators Cooperative (WAFIC)
 - ⇒ Former Chairperson of Credit Committee and Division Box Leader of WAFIC

BOARD OF DIRECTORS ATTENDANCE



REGULAR BOD MEETING ATTENDANCE					SPECIAL BOD MEETING ATTENDANCE				
Composition	No. of Meetings	Physical Attendance	Virtua Attendance	Percentage of Attendance	Composition	No. of Meetings	Physical Attendance	Virtua Attendance	Percentage of Attendance
Narag, Daniel M. <i>Chairperson</i>	12	42%	58%	100%	Narag, Daniel M. <i>Chairperson</i>	5	40%	60%	100%
Paragoso, Anthony A. <i>Vice Chairperson</i>	12	17%	83%	100%	Paragoso, Anthony A. <i>Vice Chairperson</i>	5	40%	60%	100%
Abuel, Carmelita R. <i>Member</i>	12	83%	17%	100%	Abuel, Carmelita R. <i>Member</i>	5	80%	20%	100%
Garcia, Nathaniel B. <i>Member</i>	12	67%	33%	100%	Garcia, Nathaniel B. <i>Member</i>	5	60%	40%	100%
Turingan, Rustico R. <i>Member</i>	12	8%	92%	100%	Turingan, Rustico R. <i>Member</i>	5	40%	60%	100%
Munoz, Quirino V. <i>Member</i>	12	17%	83%	100%	Munoz, Quirino V. <i>Member</i>	5	40%	60%	100%
Capili, Charelene T. <i>Member</i>	12	75%	25%	100%	Capili, Charelene T. <i>Member</i>	5	80%	20%	100%

Amidst the repetitive declaration of Enhance Community Quarantine for the year 2021, the Board of Directors of Cooperative Bank of Cagayan recorded a 100% attendance rate both during the Regular BOD and Special BOD Meetings.

The said attendance rating indicates the commitment and dedications of the directors in exercising their oversight function as well as to their duties and responsibilities

II. BOARD-LEVEL COMMITTEES - Purpose, Composition and Attendance

To aid the Board in the optimal performance of its roles and responsibilities, the following committees, among others, have been created, with their own respective charters:

1. Audit Committee

The purpose of the Audit Committee is to represent and assist the Board of Directors (BOD) in its general oversight of the bank's accounting and financial reporting process, audits of the financial statements, and internal control and audit functions.

- ◆ The preparation, presentation and integrity of the bank's financial statements
- ◆ Accounting and financial reporting principles
- ◆ The bank's internal control and procedures designed to promote compliance with accounting standards applicable laws and regulations. The bank's independent external auditor is responsible in performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards.

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.

AUDIT COMMITTEE MEETING ATTENDANCE				
Composition	No. of Meetings	Physical Attendance	Virtual Attendance	Percentage of Attendance
Dir. Carmelita R. Abuel <i>Chairperson</i>	9	78%	22%	100%
Dir. Rustico R. Turingan <i>Member</i>	9	0%	100%	100%
Dir. Charlene T. Capili <i>Member</i>	9	67%	33%	100%

2. Risk Oversight committee

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.

The bank has established various management committees to

assess and manage the bank's exposure to the above risks. The Risk Committee is responsible for monitoring the direction and trend of all major types of risks relative to business strategies and market conditions. It also reviews identified emerging risks to the bank and monitors activities to appropriately mitigate those risks.

The Board, with the assistance of the Risk Committee and the Audit Committee, oversees the bank's corporate risk governance process.

Purpose

The Risk Committee (the "Committee") is appointed by the Board to assist in overseeing, and receiving information regarding the bank's policies, procedures and practices relating to business, market, and operational risk.

RISK MANAGEMENT COMMITTEE MEETING				
Composition	No. of Meetings	Physical Attendance	Virtual Attendance	Percentage of Attendance
Dir. Carmelita R. Abuel <i>Chairperson</i>	11	0%	100%	100%
Dir. Rustico R. Turingan <i>Member</i>	11	0%	100%	100%
Dir. Anthony A. Paragoso <i>Member</i>	11	73%	27%	100%

3. Corporate Governance Committee

The corporate governance 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.

Duties and Responsibilities

- ◆ Oversee the nomination process for members of the BODs and for positions appointed by the BODs.
- Review and evaluate the qualifications of all persons nominated to the BODs as well as those nominated to other positions requiring appointment by the board of directors. It shall recommend to the BODs matters pertaining to the assignment to board committees, as well as succession plan for the members of the BODs and senior management.

- ◆ Oversee the continuing education program for the BODs
Ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed. Establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.
- ◆ Oversee the performance evaluation process
- Oversee the periodic evaluation of contribution and performance of the BODs, board-level committees and senior management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.
- ◆ Oversee the design and operation of the remuneration and other incentives policy
- ◆ Ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of the Bank, promotes good performance and conveys acceptable risk-taking behavior under its Code of Ethics, and complies with legal and regulatory requirements.

CORPORATE GOVERNANCE COMMITTEE MEETING				
Composition	No. of Meetings	Physical Attendance	Virtual Attendance	Percentage of Attendance
Dir. Rustico R. Turingan <i>Chairperson</i>	4	0%	100%	100%
Dir. Carmelita R. Abuel <i>Member</i>	4	50%	50%	100%
Dir. Charlene T. Capili <i>Member</i>	4	50%	50%	100%

4. Related Party Transaction Committee

The Related Party Transaction Committee shall be responsible for evaluating the existing relationship between and among businesses and counterparties, and for monitoring RPT by reviewing all material related party transactions as defined in the existing policies of the Bank, laws, rules and regulations and in ensuring that they are conducted at arm's length, fair market terms or shall be upon terms not less favorable to the Bank than those offered to others.

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

- 4.1. Review and endorse all RPTs including those involving DOSRI which shall require final Board approval;
- 4.2. Formulate, revise and approve policies on related party

transactions;

- 4.3. Conduct any investigation required to fulfill its responsibilities on RPTs;
- 4.4. Consult or retain at the Bank's expense such outside legal counsel, accounting or other advisers, consultants or experts as the Committee may consider necessary from time to time to carry out its duties.\
- 4.5. Access to all bank records in order to perform its re-

Related Party Transaction Committee Composition	
Chairperson	Dir. Rustico R. Turingan
Members	Dir. Charlene T. Capili
	Dir. Carmelita R. Abuel

sponsibilities.

5. Credit Committee

In line with the Bank's trusts of maintaining high quality, sound and profitable loan portfolio:

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

Duties and Responsibilities of Credit Committee

The Committee will carry out the following responsibilities:

- ◆ Establishing the Bank's overall credit risk capacity
- ◆ Setting strategic targets, portfolio composition and limits at the corporate level.
- ◆ Reviewing and approving credit decision that may pose material risks to the Bank's business strategy or reputation.
- ◆ Reviewing the financial results of the Bank and determining action plans.
- ◆ Reviewing and approving all loans and credit transactions with the scope of its authority.

CREDIT COMMITTEE MEETING ATTENDANCE				
Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Garcia, Nathaniel B. <i>Chairperson</i>	13	38%	62%	100%
Paragoso, Anthony A. <i>Member</i>	13	15%	85%	100%
Narag, Daniel M. <i>Member</i>	13	23%	77%	100%

6. Asset and Liabilities Committee

Purpose and Scope

- ◆ Established to provide the framework to strategically manage the bank's overall assets and liabilities for the long-term and the short term.
- ◆ Establish policies, limits and guidelines within which Asset and Liability Management strategies are to be executed (within limits set by Board)
- ◆ Liquidity management
- ◆ Monitor activities and review results of ALM strategy implementation and execution
- ◆ Provide direction, guidance, and monitor performance of bank's products rendered to its clients

Duties and Responsibilities

- ◆ Defining bank's management objectives for customer transactions dealing.
- ◆ Defining bank's liquidity management .
- ◆ Receive reports from Finance department and review, revise and adjust limits as necessary.
- ◆ Provide guidance and monitor performance of Investments of the bank
- ◆ Review markets and new investment opportunities.
- ◆ Review performance of existing investments.
- ◆ Review and approve new investments and changes in allocations within approved guidelines and risk exposure limits.
- ◆ Reviews and maintains agreed risk exposures.

ASSETS AND LIABILITIES COMMITTEE MEETING ATTENDANCE				
Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Paragoso, Anthony A. <i>Chairperson</i>	3	0%	100%	100%
Narag, Daniel M. <i>Member</i>	3	0%	100%	100%
Capili, Charlene T. <i>Member</i>	3	0%	100%	100%

7. Human Resource Management Committee

Objectives

- ◆ To give a clear and concrete information on the personnel and administrative policies and procedures to all staff members (employees)
- ◆ To create and maintain a closer relationship among employees.
- ◆ 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.

- ◆ To set on valuable time in dealing with personnel complaints, grievances and procedural issues.



- ◆ To assist the Board in discharging its duty to oversee the establishment of appropriate human resources policies and strategies that provide the Bank with the capability to achieve its short and long term business objectives.

Duties and Responsibilities

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

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

HR COMMITTEE MEETING ATTENDANCE				
Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Munoz, Quirino V. <i>Chairperson</i>	12	0%	100%	100%
Paragoso, Anthony A. <i>Member</i>	12	17%	83%	100%
Narag, Daniel M. <i>Member</i>	12	8%	92%	100%

8. Gender and Development Committee

Purpose and Objectives

- ◆ This committee is created to harmonize Gender and Development guidelines seek to promote the twin goals of gender equality and women's empowerment. Specifically, these aim to help achieve gender equality in, and empower women through, projects and programs. This involves the expansion of freedom and strengthening of capabilities. Integrate gender perspective in the entire operation of the Bank to ascertain that the system, processes are fair, empowering and sustainable. Reduce inequality and discrimination in coops.
- ◆ The Constitution under Article XII Section 14 further assures that "protection to working men by providing safe and healthy working conditions taking into account their maternal functions, and such facilities and opportunities that will enhance their welfare and enable them to realize their full potential in the service of the nation"

Role and Responsibilities of the Committee

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

GENDER AND DEVELOPMENT COMMITTEE MEETING				
	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Abuel, Carmelita R. <i>Chairperson</i>	1	100%	0%	100%
Capili, Charelene T. <i>Member</i>	1	100%	0%	100%
Munoz, Quirino V. <i>Member</i>	1	0%	0%	0%

9. Mediation and Conciliation Committee

Purpose

The Committee Charter is created as mandated by DOLE as a mandate under RA 9520 also known as "Philippine Cooperative Code of 2008" which shall formulate policies, develop plans and programs and set standards and procedures relative to the promotion of conciliation and mediation of labor disputes through the preventive mediation, conciliation and voluntary arbitration; facilitation of labor-management cooperation through joint mechanisms for information sharing, effective communication and consultation and group-problem solving. It is the center of excellence in enhancing harmonious relationship in every workplace. To sustain harmonious labor and management relations through continuous education,

mainstreaming of alternative dispute resolution (ADR) mechanisms, and implementation of innovation approaches towards worker's empowerment.

Functions

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

MEDIATION AND CONCILIATION COMMITTEE MEETING ATTENDANCE				
Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Munoz, Quirino V. <i>Chairperson</i>	1	0%	100%	100%
Garcia, Nathaniel B. <i>Member</i>	1	0%	100%	100%
Narag, Daniel M. <i>Member</i>	1	0%	100%	100%

10. Health and Safety Committee

Mission Statement

The mission of Bank's Health and Safety Committee is to develop and promote a healthy and safe environment for all employees and visitors to our facilities through the involvement of all individuals with regards to education, communication and safe work practices.

Function/Activities

- ◆ Identify unsafe work practices and conditions and suggest appropriate remedies.
- ◆ Conduct health and safety inspections of both operations and facilities, identify safety hazards and recommend corrective measures.
- ◆ Review accident/incident reports. Types of accidents, causes and trends shall be identified and appropriate corrective action suggested.
- ◆ Obtain and analyze available data on past injuries and illnesses and identify trends and suggest appropriate corrective actions.
- ◆ Assist in the development and implementation of effective health and safety awareness programs.
- ◆ Encourage feedback from all individuals with regard to health and safety related ideas, problems, and solutions.
- ◆ Provide support and serve as a resource in the development, implementation, and maintenance of a comprehensive safety, loss prevention and loss control program.
- ◆ Develop written programs to ensure compliance with OSHA health and safety regulations.
- ◆ Serve as an advisory body to management on health and safety issues.
- ◆ Providing suggestions and recommendations for resolution of health and safety concerns.

prescribed and recommended standards of behavior of Cooperative Bank members and employees.

- ◆ Address inquiries regarding the applicability, compliance or non-compliance with promulgated ethical standards.
- ◆ Review complaints alleging ethical violations that are referred to it by the Board of Directors or undertaken on its own initiative, and shall refer to the Board of Directors any recommendations for commencement of disciplinary proceedings that the Ethics Committee deems appropriate.
- ◆ Review and recommend to management and the Board of Directors objectives, policies and procedures that best serve the Bank's interests in maintaining a business environment committed to high standards of ethics and integrity, corporate responsibility and legal compliance.

Functions and Responsibilities

- ◆ Develop Code of Governance and Ethical Standard to be observed by the cooperative-affiliates, officers and employees subject to the approval of the Board of Directors and ratification of the GA;
- ◆ Disseminate, promote and implement the approved Code of Governance and Ethical Standards;
- ◆ Monitor compliance with the Code of Governance and Ethical Standards and recommend to the Board of Directors measures to address the gap, if any
- ◆ Conduct initial investigation or inquiry upon receipt of a complaint involving Code of Governance and Ethical Standards and submit report to the Board of Directors together with the appropriate sanctions;
- ◆ Recommend ethical rules and policy to the Board of Directors ;
- ◆ Perform such other functions as may be prescribed in the By-laws or authorized by the GA.

HEALTH AND SAFETY COMMITTEE MEETING ATTENDANCE				
Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Capili, Charelene T. <i>Chairperson</i>	1	100%	0%	100%
Abuel, Carmelita R. <i>Member</i>	1	100%	0%	100%
Munoz, Quirino V. <i>Member</i>	1	0%	100%	100%

ETHICS COMMITTEE MEETING ATTENDANCE				
Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Rustico, Turingan R. <i>Chairperson</i>	1	0%	100%	100%
Munoz, Quirino V. <i>Member</i>	1	0%	0%	0%
Narag, Daniel M. <i>Member</i>	1	0%	0%	0%
Abuel, Carmelita R. <i>Member</i>	1	0%	100%	100%
Capili, Charlene T. <i>Member</i>	1	0%	100%	100%

11. Ethics Committee

Purpose and Objectives

- ◆ Promote and help sustain a culture of ethical conduct throughout the operation of the Bank.
- ◆ Review all Bank's codes of conduct, conflict of interest regulations and disclosures, and other policies and reports addressing

12. Compliance Committee

Overall Purpose and Mission Statement

Operates with assessment, consultative and proposing functions. It provides direct supervision over the bank's operations

- ◆ . Dedicated to provide a valuable service to the Cooperative Bank of Cagayan on matters of regulatory compliance needs and requests.

Tasks of the Compliance Committee

- ◆ Carry out the Roles and Responsibilities as set out in Section V of this Charter;
- ◆ Assess the work plans prepared by the Risk Management and the Internal Audit Functions;
- ◆ 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 Bangko Sentral Ng Pilipinas (BSP);
- ◆ Evaluate the adequacy and effectiveness of the Bank's procedures and systems for ensuring compliance with legal and regulatory requirements and internal policies, including, but not limited to those relating to capital adequacy, risk management, exposure limits, anti-money laundering and combating the financing of terrorism;
- ◆ Maintain effective working relationships with the Board of Directors, Management, and the Internal and External Auditors.
- ◆ Advise the Board of Directors and Senior Management on relevant laws, rules and standards, including keeping them informed on developments in the area
- ◆ Apprise bank personnel on compliance issues, and act as a contact point within the bank for compliance queries from bank personnel
- ◆ Establish a written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines
- ◆ Identify, document and assess the compliance risk associated with the bank's business activities, including new products and business units
- ◆ Assess the appropriateness of the bank's compliance procedures an guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments.
- ◆ Monitor and test compliance by performing sufficient and representative compliance testing.
- ◆ Maintain a high constructive working relationship with the Bangko Sentral ng Pilipinas.
- ◆ Report at least semi-annually to the Board of Directors.
- ◆ Annual review the compliance program of the bank.

COMPLIANCE COMMITTEE MEETING				
Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Garcia, Nathaniel B. <i>Chairperson</i>	4	50%	50%	100%
Abuel, Carmelita R. <i>Member</i>	4	50%	50%	100%
Narag, Daniel M. <i>Member</i>	4	25%	50%	75%

13. Bids and Awards Committee

Purpose and Objectives—It is constituted to assist the BOD 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.

Authority and Responsibilities

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

III. MANAGEMENT LEVEL COMMITTEES

When the government mandated that meetings or gathering should be minimized, the Management Committee and Operation Committee still conducted a monthly meeting physically, virtually or via video conference.

The attendance ratings of 95% for Management Committee and 97.07% for Operation Committee exhibits the effort and eagerness of the management to make solutions and recommendation on how to support the over-all operation and day-to-day transaction of the bank.

1. Management Committee

The committee is the Bank's permanent collegiate executive body and ensures that all business objectives are align with the risk tolerance set by the Board.

The Management Committee It is obliged to provide the Board with complete and adequate information on the operations and affairs of the bank in a timely manner. The committee shall assist the Board in fulfilling its oversight responsibilities and help the Bank achieve its goals and purposes through effective governance and management.

The Committee shall be responsible for:

- ◆ Annual strategy objectives and report
- ◆ Determine initial strategy, policies for the Bank.
- ◆ Make recommendations on changes in existing strate-

gies or policies.

- ◆ Review monthly performance against the business plan and budget and make recommendations for any changes/ corrections taken
- ◆ Discuss any significant business opportunities that may be present in the market place.
- ◆ Provide advice/guidance for any changes to the organization structure, changes in branch expansion or relocations, any legal matters that may arise and Senior appointments that may imminent.
- ◆ Create task forces, technical working group, project management committees and similar bodies that shall carry out special functions which assist the MANCOM in its policy-making oversight and executive functions.

MANAGEMENT COMMITTEE MEETING ATTENDANCE				
Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage Of Attendance
Atty. Gunnacao, Robin James A.— <i>Presiding Officer</i>	10	90%	10%	100%
Sagala, Marilyn L.— <i>Member</i>	10	80%	10%	90%
Masirag, Jomar D.— <i>Member</i>	6	100%	0%	100%
Tumaliuan, Dominic G.— <i>Member</i>	10	90%	10%	100%
Tayawa, Jitko B.— <i>Member</i>	10	90%	10%	100%
Bugaring, Joel V.— <i>Member</i>	10	90%	0%	90%
Pasicolan, Kristine P.— <i>Member</i>	2	100%	0%	100%
Corpuz, Maynard— <i>Member</i>	10	90%	10%	100%
Banez, Steven B.— <i>Member</i>	10	90%	10%	100%
Bunagan, Karina P.— <i>Member</i>	10	80%	10%	90%
Trinidad, Kristoffer Joseph R.— <i>Member</i>	4	75%	0%	75%
Pagulayan, Karen Rose G.— <i>Member</i>	8	88%	0%	88%
Sulla, Rizza T.— <i>Member</i>	1	100%	0%	100%

2. Operation Committee

Overall Purpose

The **Operations Committee (OPECOM)** 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.

Authority

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

- ◆ 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;

- ◆ 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;
- ◆ Ensure the attendance of Bank officers at meetings as appropriate;

Duties and Responsibilities

- ◆ Initiate the preparation of the Annual Budget and Targets.
- ◆ Set plan of action to accomplish the Bank’s vision, mission and goals.
- ◆ Review and monitor the operational performance of the Bank,

including key performance indicator results and trends.

- ◆ Review and monitor matters of operational significance to the Bank such as reliability, quality of service, customer care and satisfaction, public perception and reputation.
- ◆ Review and monitor operational risk exposure and risk mitigation strategies, including business continuity.

Other Responsibilities

- ◆ Perform other oversight functions as requested by the President or Board of Directors;
- ◆ Evaluate the Committee’s own performance on a regular basis.



OPERATION COMMITTEE MEETING ATTENDANCE

Composition	No. Of Meetings	Physical Attendance	Virtual Attendance	Percentage of Attendance
Sagala, Marilyn L.— <i>Presiding Officer</i>	12	83%	17%	100%
Masirag, Jomar D.— <i>Member</i>	7	100%	0%	100%
Tumaliuan, Dominic G.— <i>Member</i>	5	80%	20%	100%
Tayawa, Jitko B.— <i>Member</i>	12	83%	17%	100%
Bugaring, Joel V.— <i>Member</i>	2	100%	0%	100%
Pasicolan, Kristine P.— <i>Member</i>	7	86%	14%	100%
Macababbad, Melody Faith C.— <i>Member</i>	12	67%	33%	100%
Soriano, Joan T.— <i>Member</i>	12	58%	33%	92%
Apacible, Roldan— <i>Member</i>	12	83%	17%	100%
Rapanut, Arvin— <i>Member</i>	5	80%	0%	80%
Corpuz, Kaepee— <i>Member</i>	7	100%	0%	100%
Cajio, Robin— <i>Member</i>	12	75%	17%	92%
Rosete, Melanie— <i>Member</i>	1	100%	0%	100%
Tabangay, Joel— <i>Member</i>	12	83%	8%	92%
Ulep, Janice G.— <i>Member</i>	12	83%	17%	100%

ORGANIZATIONAL FUNCTION

I. INTERNAL AUDIT OFFICE

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

II. RISK MANAGEMENT OFFICE

- ◆ 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.
- ◆ It is responsible for the implementation of the approved Risk Management Charter.

III. COMPLIANCE OFFICE

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

IV. OFFICE OF THE PRESIDENT/CHIEF EXECUTIVE OFFICER

- ◆ Ensures that all orders and resolutions of the Board

of Directors are carried into effect

- ◆ Submits regularly to the Board a complete report on the results of operations of the Bank.
- ◆ 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.
- ◆ Oversees the operations of the bank and manages human and financial resources in accordance with the strategic plan
- ◆ Directs, evaluates and guides the work of the key officers of the bank.
- ◆ Supervise the day to day operation of the corporate office or the support department.
- ◆ Responsible for the efficient and accurate execution of the BSP circulars, issuances and bank's policies.
- ◆ Ensures that all orders and resolutions of the Board of Directors are carried into effect
- ◆ Submits regularly to the Board a complete report on the results of overall operations of the Bank.
- ◆ 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.
- ◆ Supervise the Functions of Corporate Office or the Support Departments.

Office of the Executive Secretary

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

Departments under the Supervision of the President/CEO

1. Accounting Department

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

2. Human Resource Department

- ◆ Responsible for overseeing the overall welfare of the employees during their employment with the Bank.
- ◆ Provides adequate and competent workforce through training and development.
- ◆ It shall be in charge of the administration of personnel movements and processing of employee benefits.
- ◆ Monitors the implementation of succession plan.
- ◆ Administers the job evaluation program. It manages job performance and total compensation system including benefits, incentives and rewards

3. Asset Management and Legal Department

- ◆ Responsible for addressing and controlling the risks of loan delinquency and loan default.
- ◆ It shall address the growing NPL portfolio of the Bank and ensure its maximum collection/recovery. CBC Annual Report 2017 28
- ◆ Renders legal advice and reviews documents and contracts for legal sufficiency.
- ◆ Analyze and advices Management on existing and new cases and rulings affecting baking operations.

4. Research and Development Department

- ◆ Collects data by undertaking or conducting survey of:

- ⇒ Lending interest rates of banks in the area of coverage of Cooperative Bank of Cagayan; and
- ⇒ Deposit interest rates of the bank in the area of coverage of CBC.

- ◆ Collates/organizes the collected data on the above indicators and present in tabular, line graph, bar graph or pie chart.
- ◆ Market products and services of the bank.
- ◆ Conceptualize and develop marketing tools
- ◆ Market viable cooperatives in the province to affiliate with the bank.
- ◆ Responsible for the event of the bank within or outside the organization.

5. Information Technology Department

- ◆ Provide leadership, management and supervisory functions to plan, develop, implement and administer the programs and projects for the application of computer and communications technologies.
- ◆ Monitor the system used by the bank for its operation
- ◆ Prepares reports, data back-up processes, online support to IT users, coordination and contact with IT suppliers and service providers, feedback and recommendations for improvement in the various aspects of their work and current operations documentation.

V. OFFICE OF THE CHIEF OPERATING OFFICER

- ◆ Directs, evaluates and guides the work of the Branch Operation and Lending activities.
- ◆ Supervise the day to day operation of Fund Management and Branch Operation Department and Loan Department.
- ◆ Prepare Annual Bank Operational Plan.
- ◆ Accountable to the overall operations of the bank
- ◆ Plans Organize, Coordinate, Direct, Supervise and Control all the financial and Administrative activities of the Fund Management and Branch Operation and Lending activities.
- ◆ Responsible for the efficient and accurate execution of the BSP circulars, issuances and bank's policies.
- ◆ Overall management, administration and control of operations in the area.

SELECTION PROCESS OF SENIOR MANGEMENT

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

OBJECTIVES

To hire people who possess the ability and competence to successfully accomplish the duties and responsibilities not only of the job to be filled but also for the potential to grow with Cooperative Bank of Cagayan.

GENERAL GUIDELINES

1. It is vital for the efficiency of the bank that hired personnel meet the requirements of the job.
2. Efficient and professional recruitment procedures shall at all times be applied, in accordance with the Personnel Manual.

SELECTION

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

1. A shortlist of candidate is compiled by the HR Facilities Admin. Head.
2. HR Facilities Admin. Head, in consultation with the President and immediate supervisor for the position, call the attention of the Screening Committee. Screening Committee is composed of HR Committee.
3. The HR Facilities Admin. Head then schedules the testing for the qualified applicants.
4. The applicant must take and pass the necessary examination and interview given by the bank before processing for hiring will continue.
5. Upon passing the qualifying exam and preliminary interview, the applicant is now eligible for the final interview by the HR Committee.
6. HR/Admin Head shall develop a standard interview procedure for pre-qualified applicants.
7. The HR Committee shall assess the applicant's personal behavior and work attitude on applicants neighbor, on place of residence and character investigation by sending queries to previous employers about the personal behavior, work attitude and the reason for his/her separation from his previous employment.

8. The President/CEO or the Chief Operating Officer shall approve the salary being offered based on the approved Salary Standardization of the Bank.
9. The immediate supervisor and HR Facilities Admin. Head make the job offer to the qualified candidate and finalize effectivity date.

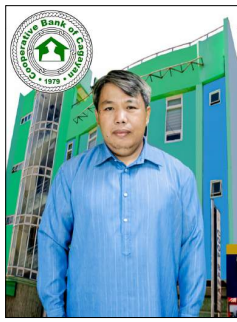
Note: employees from a rank and file position who will fit in the senior management position shall be bound by the promotion policy of the bank.

POLICIES ON PROMOTION

1. Promotion to any vacant position shall be filled from the qualified employees except those positions which should be filled by hiring and placement.
2. Recommendation for promotion shall emanate from the Branch Manager/Supervisor/Department Head where the vacancy exists.
3. In case of two (2) or more contending candidates/aspirants for any available position, pre-requisite requirements should be taken into consideration such as education, performance evaluation, innovation, research and length of service. If after considering all other factors and found to be equal, Performance Evaluation shall apply.
4. The increase will be based on the approved Plantilla by the Board of Directors.

PROCEDURES

1. The Branch/Department Head shall submit recommendation and performance evaluation to the HR and Facilities Admin. Dept. Head.
2. The Screening Committee composed of, Chairperson of the HR Committee, Head of the HR and Facilities Admin. Dept., representative from supervisory employees and Rank and file shall review the documents of the candidate/s. If the candidate/s does/do not meet the qualification of the position to be filled, the HR and Facilities Admin. Dept. Head shall advise the Bank Officer who recommended why the recommendation was disapproved.
3. Once qualified, the HR/Admin Head shall submit the assessment form duly, signed by the Screening Committee, to the COO and/or President/CEO for approval.



Atty. ROBIN JAMES A. GUNNACAO is the **President/ Chief Executive Officer**. He is 46 years old and a Filipino citizen. He finished **Bachelor of Laws and Letter, Bachelor of Arts in Political Science and earned 30 units in Master in Public Administration**. Before appointed to current position, Attorney Gunnacao is appointed as **General Manager** concurrent **Asset Management and Legal Department Head** and became a part-time Legal Counsel of Cooperative Bank of Cagayan. He also became a Part-time Municipal Legal Officer of Municipality of Solana. Atty. Robin has been in the bank for **more than 18 years**.

MARILYN M. LACAMBRA-SAGALA, a Certified Public Accountant is the **Chief Operating Officer (COO)**. She is 37 years old and a Filipino citizen. She finished **Bachelor of Laws and Letters and Bachelor of Science in Accountancy**. Ms. Sagala, with her **more than 15 years** in the bank, held different positions in the same institution, like **Head-Internal Auditor, Chief Compliance Officer** concurrent Risk Management Officer and **Chief Finance Officer**. She also became an Audit Associate 1 in Constantino Guadalquivir & Co. CPA's (CG & Co.)



DOMINIC G. TUMALIUAN, JR., a Certified Public Accountant, is the **Fund Management and Branch Operation Department Head**. He is employed in the bank for **more than 3 years** now. He is 25 years old. A Filipino citizen who finished **Bachelor of Science in Accountancy** and formerly the **Internal Audit Head** of the same company. He worked as **Audit Associate** of Sycip Gorres Velayo & Co. (SGV) at Makati City before his employment in this institution.

JITKO B. TAYAWA is currently the **Loans Department Head** of Cooperative Bank of Cagayan. He is a 40 years old Filipino citizen. Mr. Tayawa finished his **Bachelor of Science in Business Administration** and appointed as a **Branch Manager, Branch Loan Officer, Account Officer and Project Account Officer** in this bank. He is now performing well in the bank for **more than 15 years**.



Joel V. Bugaring is the current **Risk Management Officer** and Concurrent **Security Officer**. He is 43 years old and a Filipino citizen. He finished **Master in Business Administration and Bachelor of Science in Accountancy**. For more than **19 years** in the CBC, Mr. Bugaring held different positions; **Cashier, Administrative Assistant, Audit Staff, Branch Loans Bookkeeper, Branch Accountant, Chief Accountant, Branch Manager, and Loans Department Head** of this institution.

Steven B. Bañez a Certified Public Accountant, currently the **Chief Compliance Officer** of Cooperative Bank of Cagayan. He is 25 years old Filipino citizen.. Mr. Bañez finished his **Bachelor of Science in Accountancy** and his **Masters Degree in Business Administration**. In 2019 he was appointed as the **Chief Accountant** of Cooperative Bank of Cagayan. He's been with the bank for **more than 3 years** now.



KRISTOFFER JOSEPH R. TRINIDAD is the **OIC Internal Audit Head**. He is a 29 years old Filipino citizen who finished Bachelor of Science in **Business Administration major in Management Accounting** and formerly an **Audit Staff** in this institution. He is been with CBC for more than **7 years**.



Karen Rose G. Pagulayan is a Certified Public Accountant who is the **Chief Accountant** for more than **1 year** in this company Miss Pagulayan is a 24 years old Filipino citizen. She finished **Bachelor of Science in Accountancy** and formerly worked as an Instructor at Cagayan State University.

Karina P. Bunagan, the **Human Resources Admin. and Facilities Department Head** of Cooperative Bank of Cagayan is a 34 years old Filipino citizen. She finished **Bachelor of Laws and Letter** and **Bachelor of Arts in Legal Management**. In this institution, she is formerly an **Admin Asst. /Executive Secretary** and **AML Staff**. She's been with the bank for more than **10 years**.



Maynard B. Corpuz is a Filipino citizen. He is **Information and Technology Head** of this bank. Mister Corpuz finished Bachelor of Science in Computer Engineering. Formerly, he is a Senior IT Staff/Programmer, Computer Programmer, General Clerk, and a Programmer of Cooperative Bank of Cagayan.

Rizza T. Sulla is the **OIC Research and Development Head**. She is a 32 years old Filipino citizen who finished **Bachelor of Arts in English**. She formerly worked as a **Personnel Staff** and **Executive/Administrative Assistant** of the same bank. She's with the bank for more than **4 years**.



Melody Faith Macababba is the **Main Branch Manager**. She is a Filipino Citizen and been working with CBC for more than **17 years**. She Finished **Bachelor of Science in Business Administration major in Management Accounting** and **Masters in Business Administration**. In this institution, she held different positions—**Savings Bookkeeper, Loans Bookkeeper** and **Branch Accountant**.



Joan T. Soriano is the **Branch Manger** of Lal-lo Branch. She is a Filipino citizen and has been in Cooperative Bank of Cagayan for **21 years**. She finished her Bachelors and **Masters in Business Administration**. She held the following positions in the bank; 1) **Teller**, 2) **Loans and Savings Bookkeeper**, 3) **Cashier**, 4) **Branch Cashier**, 5) **Branch Cashier III**.

Robin C. Cajio—**Branch Manager** of Abulug Branch is a Filipino Citizen. He’s been with the bank for more than **11 years**. He finished **Bachelor of Science in Accountancy**, **Masters in Business Administration** and **Juris Doctor** study. During his tenure, he is also appointed as **Audit Staff**, **Appraiser**, **Lending Unit Supervisor** and **Credit Management Supervisor**.



Gina V. Sardeña, **Assistant Branch Manager** of Burgos Branch lite is a Filipino citizen. She is holding a degree in **Bachelor of Arts in Cooperatives**. Having employed with the bank for **14 years**, Ms. Sardeña was appointed to various position, e.g. **Loans Clerk**, **Cashier** and **Teller**.

Bobby U. Martinez—**Assistant Branch Manger** of San Manuel Branch lite. He is a Filipino Citizen., a graduate of **Bachelor of Science in Environmental Science**. He is with the bank for more than **7 years** and was appointed as **Account Officer**, **Credit Specialist** and **Evaluation Staff** before promoted as **ABM**.



Dhaliuca Joy M. Balagasay—**Assistant Branch Manager** of Cabagan Branch lite is a Filipino Citizen. She is holding a Bachelors degree in Business Administration major in Financial Management and finished her Masters Degree in Public Administration. She is with the bank for more than **5 years** and was appointed as **Branch Accounting Staff**, **Marketing Specialist** and **Accounting Staff** (Corporate Office)

Janice G. Ulep—**Lending Support Unit Supervisor**. She is a Filipino Citizen., a graduate of **Bachelor of Science in Business Administration** and finished her **Master in Business Administration** as well. She is with the bank for more than **12 years** and was appointed as **Bookkeeper**, **Branch Accountant**, **Teller**, **Accounting Staff**, before promoted as **Supervisor**.



Joel U. Tabangay is the **Evaluation Supervisor** of the Bank. He is a Filipino citizen who finished Bachelor os **Science in Business Administration major in Banking and Finance** and formerly an **Account Officer and Evaluation Staff** in this institution. He is been with CBC for more than **10 years**.



Roldan B. Apacible is the **Credit Management Unit Supervisor**. He is a Filipino Citizen and been in this company for **10 years**. He finished **Bachelor of Science in Business Administration major in Banking and Finance** and was appointed as **Account Officer, Credit Specialist, Appraisal/Evaluation Staff and Account Management Supervisor** before became the CMU Supervisor.

Melanie B. Rosete, the **Appraisal Unit Supervisor** of Cooperative Bank of Cagayan is a Filipino citizen. She finished **Bachelor of Science in Business Administration major in Management Accounting**. She is a **licensed Appraiser**. She is in her current position for **8 months**. Before entering the CBC, she was a **freelance Appraiser** and a **Bookkeeper / Accountant** at Bangko Motañosa



Kaepee T. Corpuz is the **Account Management Unit Supervisor**. He is a Filipino Citizen and been in the bank for **4 years**. Mr. Corpuz Finished **Bachelor of Science in Information Technology**. Before promoted, he was appointed as **4Ps Project Employee and Collection Specialist**.

PERFORMANCE EVALUATION SYSTEM

POLICIES

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

OBJECTIVES

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

SCOPE and COVERAGE

The CBC PES applies to all employees.

RATING PERIOD

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

PERFORMANCE STANDARD

1. **Managers**—The evaluation process is conducted by superior in the presence of the subordinate basing appraisal on measurable results. Performance is reviewed quarterly.
2. **Branch Staff**—The employee or the supervisor shall immediately notify the PERC of such modifications to serve as guide in the review of ratings of affected employees.
3. **Appraisal Discussion and Rating Proper**—At the end of the evaluation period, the supervisor and the employee meet to discuss the latter's accomplishments against established targets and standards. They discuss the ratings and the supervisor gathers, tabulates, summarizes and presents to the Employee the ratings.

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

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

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

Performance (85%-90%)

Part I – Major Tasks

Part II – Minor Tasks or compliance of rules, regulations and policies of the Bank

Behavioral Factors (10%-15%)

Behavioral dimensions that affect the job performance of the employee. For this purpose, factors like human relations, innovative, leadership, result focus, Punctuality and attendance.

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

ORIENTATION AND EDUCATION PROGRAM

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 six (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

- 2.a. 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.

Trainings/ Seminars/ Workshop attended by the BOD and Senior Management

List of Trainings/ Seminars/ Workshop	Number of Participants	
	Senior Management	Board of Directors
1. Credit Analysis and Loan Packaging in the New Normal (Webinar)	2	
2. Compliance Management Framework	1	
3. Focus Group Discussion for the Standard Business Loan Application Form	1	
4. Understanding the Supervisory Assessment Framework (SAFR)	1	
5. Managerial Skills for Bank Officers	3	
6. Latest Update on Sympo Program	1	
7. Virtual Training on AML/CFT Laws, Rules and Regulations Risk Assessment System	1	
8. Sustainable Finance Framework	1	

RETIREMENT PROGRAM POLICY

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 at the time of separation from the Bank

No. of Years in Service	Separation Pay Computation
5 years	50% of basic salary times number of years in service
6 years	55% of basic salary times number of years in service
7 years	60% of basic salary times number of years in service
8 years	65% of basic salary times number of years in service
9 years	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 two (2) step increment or 10% of the basic salary whichever is higher.

- ◆ Compulsory Retirement- 60 years old
- ◆ The Board may offer special retirement package from time to time and as needs arise.
- ◆ All Board Resolution contrary to this resolution are deemed repealed or rescinded.

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

No. of Years in	Retirement Pay Computation
10 years	75% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
11 years	80% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
12 years	85% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
13 years	90% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
14 years	95% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
15 years	100% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
16 years	105% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
17 years	110% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
18 years	115% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
19 years	120% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary
20 years and above	125% of basic salary at the time of retirement plus additional two(2) step increment or 10% of the basic salary

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—The Succession Plan of CBC is geared towards the attainment of the following to wit:

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 of Directors a wider field from which to select and choose the most qualified successor to the vacated position;
4. To provide a successful probationary period for the selection, training and improvement of the work attitude of appointed employees;
5. To enable the appointee to imbibe the culture, mission, and vision as well as the plans and programs and to get assimilated into the organization gradually and with a greater degree of certainty.

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

1. **PRESIDENT**—Upon the occurrence of the immediately stated contingency, the Chief Operating Officer shall act as the O.I.C. of the Bank. In case of incapacity of the Chief Operating Officer, the following officers in chronological order shall act as OIC of the Bank:
 - a. Fund Management and Branch Operation Head;
 - b. Loan Department Head;
 - c. Available Branch Manager according to geographical proximity
 - d. HR and Facilities Admin. Head
 - e. Chief Accountant, and
 - f. Research and Development Head;
2. **CHIEF OPERATING OFFICER**—Upon the occurrence of the immediately stated contingency, the Most Senior between the Loan Department Head and Fund Management Head shall act as

the OIC CHIEF OPERATING OFFICER. In case of incapacity of the Most Senior between the Loan Department Head and Fund Management Head; the Junior Officer between the two shall temporarily take-over.

The Seniority shall be determined by the number of years of employment with the Bank.

3. **FUND MANAGEMENT AND BRANCH OPERATION DEPARTMENT HEAD**— Upon the occurrence of the immediately stated contingency, the Most Senior Branch Manager shall act as the OIC of the Fund Management Department. In case of incapacity of the Most Senior Branch Manager, the next in rank to the Most Senior between the Branch Managers shall temporarily take-over. The Seniority shall be determined by the number of years of employment with the Bank.
4. **LOANS DEPARTMENT HEAD**—Upon the occurrence of the immediately stated contingency, the Most Senior Supervisor of the Loans Department shall act as the Officer-in-Charge of the Loan Department. In case of incapacity of the Most Senior Supervisor, the next in rank to the Most Senior Supervisor between the Supervisors shall temporarily take-over. The Seniority shall be determined by the number of years of employment with the Bank.
5. **BRANCH MANAGER**—Upon the occurrence of the immediately stated contingency, the following employees in chronological order shall act as the Branch OIC as follows:
 - a. Marketing Specialist;
 - b. Teller

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 Board of Directors 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 of Directors 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 six (6) months after which, the successor shall be appointed regular if able to hurdle the standard of the Bank made known to him/her upon assumption of office.

SUCCESSION IN CASE OF LEAVE OF ABSENCE OF DEPARTMENT HEADS:

The following are the department heads of the Bank:

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

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

For other Employees in the Corporate Department who shall take a leave of absence, the President shall designate a reliever from qualified employees of the Corporate Department.

SUCCESSION IN CASE OF LEAVE OF ABSENCE OF SUPERVISORY EMPLOYEES:

The following are the Supervisory Employees of the Bank:

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

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

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

REMUNERATION

1. POLICY

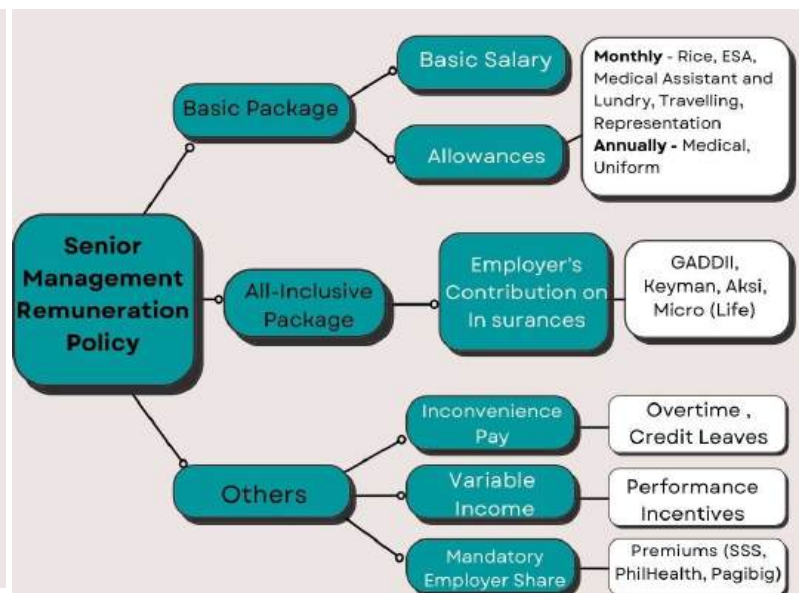
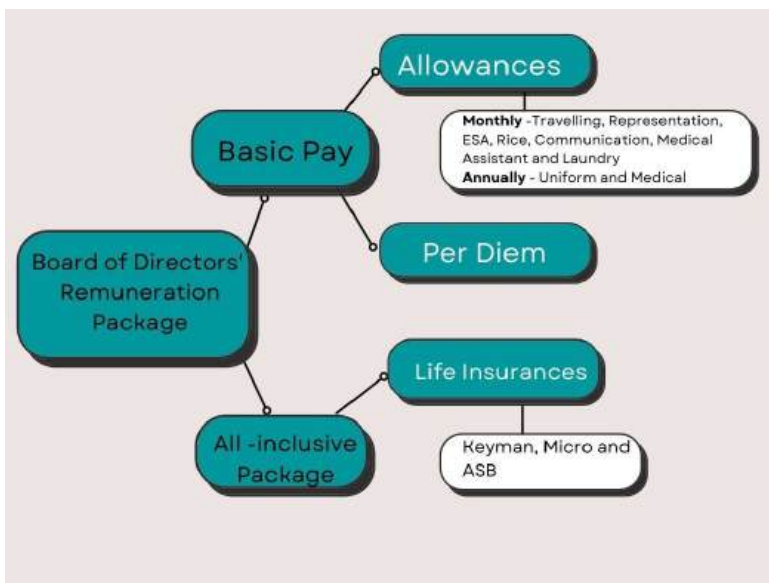
The members of the Board of Directors received a remuneration and compensation based on the approved per diem by the General Assembly.

Also, the Bank offers a competitive remuneration packages to its Senior Management and reward them with incentives based on the Board-approved Position Classification and Pay

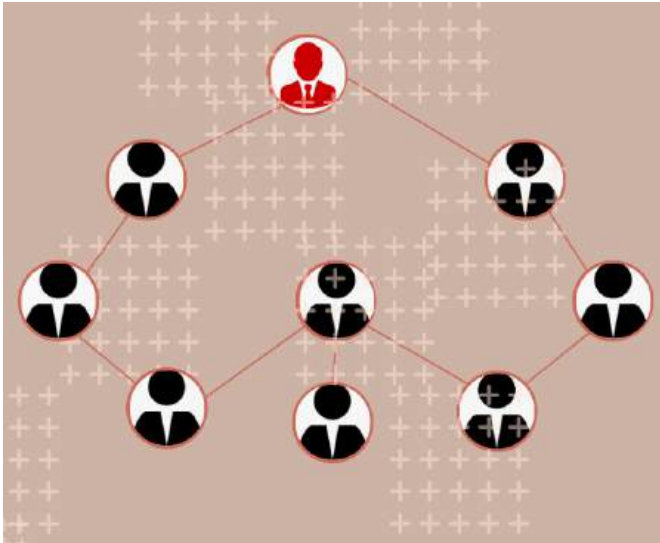
Plan (PCPP).

2. STRUCTURE

It shows the breakdown and of what a member of the Board of Directors and a Senior Management received in exchange of their dedicated services and loyalty with the bank



POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS



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.

The Board of Directors shall have the overall responsibility in ensuring that transactions with Related Party Transactions (RPTs) are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and stockholders. The RPT committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Compliance officer or Internal Auditor may sit as resource persons in said Committee. The Bank, however always ensures that its RPTs are aligned with the principles of sound corporate governance and are done on an arms length basis. The Bank's policies and guidelines on RPTs are strictly imposed and implemented across the entire organization to prevent or mitigate conflict of interest and other forms of abuses on RPTs. The Bank strictly employs its Rules on Arm's Length Terms, where any transaction/s between two (2) related parties are conducted as if they are unrelated. In addition, RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms with any related parties than the similar transactions with non-related parties under similar circumstances.

SELF-ASSESSMENT FUNCTIONS

Internal Audit Function

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

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

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

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

- ◆ Have unrestricted access to all functions, records, property, and personnel relevant to the performance of engagements. The documents and information entrusted to Internal Audit will be handled with the required level of confidentiality and integrity.
- ◆ Have full and free access to the Audit Committee.
- ◆ Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- ◆ Obtain the necessary assistance of personnel in units of the bank where they perform audits, as well as other specialized services from within or outside the bank

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

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

Scope—The scope of the internal audit encompasses all processes, systems, units and activities, including outsourced services shall fall within the overall scope of the internal audit function. The scope of the internal audit shall cover, among others but not limited to the following:

- ◆ Evaluation of the adequacy, efficiency and effectiveness of internal control, risk management and governance systems in the context of current and potential future risks;
- ◆ Review of the reliability, effectiveness and integrity of management and financial information systems, including the electronic information system and electronic banking services;

- ◆ Review of the systems and procedures of safeguarding the bank's physical and information assets;
- ◆ Review of compliance of banking activities with relevant laws, rules and regulations;
- ◆ Review of the compliance system and the implementation of established policies and procedures; and
- ◆ Review of areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

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

- ◆ **Mobilization Phase.** On this phase, the Internal Auditor (IA) will request reports, schedules and pertinent or relevant documents and information needed for the review from the auditable unit/branch which is basically based from the programmed audit work/activity. The department will ensure that all pertinent working papers relevant to the audit activity were prepared prior to audit review and shall further request additional data or CBC Annual Report 2017 54 information from the auditable unit/branch relevant to the conduct of audit.
- ◆ **Execution Phase.** After all information or data has been gathered, provided and presented by the auditable unit/branch, the audit activity will then be performed and conducted. The assigned audit personnel will plot all pertinent information and data on the prepared working paper/s and shall review, examine and analyze all data gathered and note the deviations, observations, findings and/or exceptions during the conduct of audit. c.) **Reporting Phase** After information, data and documents have been comprehensively examined, reviewed and gathered from the unit/branch, the assigned audit

personnel will now prepare and present a draft audit report to the Internal Audit (IA) head the result of conducted audit review. After which, the IA will check the audit report submitted and shall discuss the audit findings, exceptions and/or observations to the personnel concerned and branch/unit head or supervisor for their justification, explication and committed to comply. Subsequently, a preliminary audit report will be prepared for the IA's recommendation/s and branch/ unit's action plan to comply on the discussed audit finding, exceptions and/or observations.

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

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

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

tor the compliance and action taken by the auditable branch/unit. The IA shall highlight, discuss and report those long outstanding audit observations, exceptions and/or findings through the Audit committee for further action by the Board of Directors.

The Compliance Function

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

The CCO should have a sound 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 and legal proceedings) by the management of the Bank in connection with any non-compliance with legal and regulatory requirements and violations of internal policies and procedures;
 - ii. Obtain regular updates from the Anti-Money Laundering (AML) Officer, Bank's legal counsel, management and other officers;
 - iii. be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
 - iv. Review the findings of any examinations by regulatory agencies.

2. Compliance with the Bank's Code of Conduct/ Business Ethics
 - i. Ensure that the Code of Conduct is in writing and that arrangements are made for all employees to be aware of it;
 - ii. Evaluate whether Management is putting sufficient emphasis by communicating the importance of the Code of Conduct and the guidelines for acceptable behavior;
 - iii. Review the process for monitoring compliance with the Code of Conduct; and
 - iv. Obtain regular updates from Management regarding compliance.
3. Reporting Responsibilities
 - i. Regularly update and report (at least semi-annually) to Board of Directors about the Committee activities and make appropriate recommendations.
 - ii. Ensure the Board of Director is aware of matters, which may significantly impact the financial condition or affairs of the business.
4. Other Responsibilities
 - i. Perform other oversight functions as requested by the Board of Directors;
 - ii. Evaluate the Committee's own performance on a regular basis.

Authority

The Board of Directors authorizes the Compliance Officer, within the scope of its responsibilities, to:

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

Responsibilities of the Board of Directors and Senior Management

Authority

- ◆ The board of directors shall ensure that a compliance program is defined for the bank.
- ◆ The board of directors shall ensure that compliance issues are resolved expeditiously.
- ◆ The board of directors shall ensure that bank personnel and affiliated parties adhere to the pre-defined compliance standards of the bank's rests collectively with senior

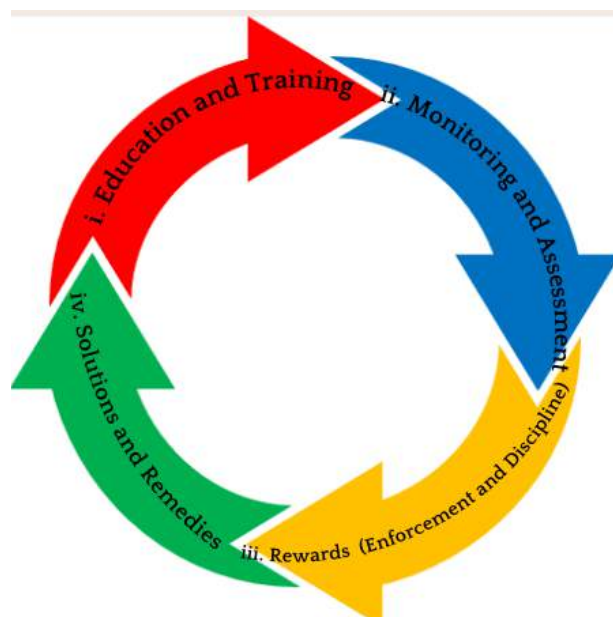
management, of which the CCO is the lead operating officer on compliance.

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

The Structural Component

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

The structural framework is graphically presented as follows:



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

- ◆ Circularization of new laws;
- ◆ Circularization of BSP, PDIC, CDA, BIR and other regulatory agencies' rules and regulations;
- ◆ Consultations on new products and processes and the procedures consolidated in a manual that go with them;
- ◆ Issuance of legal opinion by the Legal Counsel on legal and contentious issues;
- ◆ Issuance of opinion by the Chief Compliance Officer on compliance issues;
- ◆ Screening and orientation briefing for new employees;
- ◆ In-house seminars, workshops and other training programs for incumbent officers and employees;

- ◆ Seminars for the Board of Directors, Bank Officers and personnel pursuant to a training program designed by the Human Resource Department (Training Office);
- ◆ Manager’s conventions and regional/ sectoral meetings; and
- ◆ Staff meetings conducted in each office on a regular basis; and
- ◆ All other activities to seek to announce and clarify or resolve any issues regarding a regulatory issuance.

The objectives of education and training are:

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

Compliance training strategies include the entire range of traditional and emerging education programs (Lectures, videos, I. Education & Training III. Rewards (Enforcement & Discipline IV. Solutions & Remedies II. Monitoring & Assessment CBC Annual Report 2017 57 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.

In general, a seminar covering the following topics are recommended:

The above table is not limiting. The Training Officer retains the prerogative to propose and conduct training programs for qualified bank personnel on the different fields of banking.

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

- ◆ Board Audit and Compliance Committee deliberations;
- ◆ Risk management Committee deliberations;
- ◆ The Annual Performance Appraisal System;
- ◆ Internal Audit regular and special audit examinations;
- ◆ BSP regular and special examinations;
- ◆ SEC self-assessment questionnaire;

- ◆ Score Card for members of the Board;
- ◆ Compliance review of products and processes;
- ◆ Compliance visitations of operating units;
- ◆ Submission of mandatory reports by the Accounting Department to the BSP, PDIC, CDA and other regulatory reports;
- ◆ Audit Rating System; and
- ◆ All other activities undertaken to measure and record the results of compliance or non-compliance with banking laws, rules and regulations.

Target Audience	Subject Matter	Frequency
Newly hired employees	Secrecy of Bank Deposit (R.A. 1405), BSP Anti-Money Laundering Regulations, Code of Conduct	In every orientation seminar for newly hired employees
Branch Cashiers/ Officers and Branch Personnel	BSP Anti-Money Laundering Regulations, Rules on DAUD/DAIF, Other relevant banking laws, rules & regulations	Once a year
Lending/Credit Specialists/ Collection Specialists	Policies on Lending	Once a year

The Compliance Self-Assessment and Testing System

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

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

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

FINANCIAL CONSUMER PROTECTION PROGRAM

With the continuous dynamics in the Philippine financial sector, banks are increasingly exposed to various kinds of risk—both financial and non-financial. Efficiency of every bank depends on how effectively manage the risks and ensuring a competitive risk-adjusted return on capital. With the advent and present TARGET AUDI-



ENCE SUBJECT MATTER FREQUENCY Newly hired employees Secrecy of Bank Deposit (R.A. 1405), BSP Anti-Money Laundering Regulations, Code of Conduct In every orientation seminar for newly hired employees Branch Cashiers/ Officers and Branch Personnel BSP Anti-Money Laundering Regulations, Rules on DAUD/DAIF, Other relevant banking laws, rules & regulations

Once a year Lending/Credit Specialists/ Collection Specialists Policies on Lending Once a year CBC Annual Report 2017 58 implementation of Republic Act No. 7394 otherwise known as the Consumers' Act of the Philippines and in relation to Bangko Sentral ng Pilipinas Circular No. 857, Cooperative Bank of Cagayan through the continuous oversight function of the Board of Directors and the Senior Management adopted and implemented an effective financial consumer risk management system because in dealings with the Bank's financial customers, it assume risks in order to realize returns on their investments. Through an effective financial consumer risk management framework, the Bank will be able to optimize the risk-return trade off.

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

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

WHISTLE BLOWING POLICY

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

An important aspect of accountability and transparency is a mechanism to enable staff and other members of the Cooperative to voice concerns in a responsible and effective manner. It is a fundamental term of every contract of employment that an employee will faithfully serve his or her employer and the public/sector it serve and not disclose confidential information about the employer's affairs.

Nevertheless, where an individual discovers information which they believe shows serious malpractice or wrongdoing within the organization then this information should be disclosed internally without fear of reprisal, and there should be arrangements to enable this to be done independently of line management (although in relatively minor instances the line manager would be the appropriate person to be told).

The whistle blowing policy of the bank is intended to assist individuals who believe they have discovered malpractice or impropri-

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

Scope of Policy

This policy is designed to enable employees of the Cooperative to raise concerns internally and at a high level and to disclose information which the individual believes shows malpractice or impropriety. This policy is intended to cover concerns which are in the public interest and interest of the Cooperative and its Stockholders 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:

- ◆ Financial malpractice or impropriety or fraud;
- ◆ Failure to comply with a legal obligation or Statutes;
- ◆ Dangers to Health & Safety or the environment;
- ◆ Criminal activity;
- ◆ Improper/Immoral conduct or unethical behavior;
- ◆ Attempts to conceal any of these.

Safeguards / Protection

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

1. In good faith;
2. In the reasonable belief of the individual making the disclosure that it tends to show malpractice or impropriety

and if they make the disclosure to an appropriate person. It is important to note that no protection from internal disciplinary procedures is offered to those who choose not to use the procedure. In an extreme case malicious or wild allegations could give rise to legal action on the part of the persons complained about.

Confidentiality

The Cooperative of Cagayan 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 CBC Annual Report 2017 60 allegations, and particularly if he or she persists with making them, disciplinary action may be taken against that individual.

Procedures for Making a Disclosure

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

- ◆ Complaints of malpractice will be investigated by the appropriate Director unless the complaint is against the Director or is in any way related to the actions of the Director. In such cases, the complaint should be passed to the Chief Executive for referral;
- ◆ In the case of a complaint, which is any way connected with but not against the Director, the Chief Executive Officer will nominate a Senior Manager to act as the alternative investigating officer;
- ◆ Complaints against the Chief Executive should be passed to the Chairperson of the Board who will nominate an appropriate investigating officer;

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

Should none of the above routes be suitable or acceptable to the complainant, then the complainant may approach one of the following individuals who have been designated and trained as independent points of contact under this procedure. They can advise

the complainant on the implications of the legislation and the possible internal and external avenues of complaint open to them:

1. President/CEO
2. Human Resource Department Officer

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.

CORPORATE SOCIAL RESPONSIBILITY

In times when the operation is still getting up from the effect of the pandemic, still, the bank, was able to give medical kit to some cooperatives. More than 800 packs containing Vitamin C, face mask, face shield, soap and alcohol was given to the members of the chosen cooperatives.

Amidst the series of lockdown in our province, the bank has its own way to celebrate special days and occasions

During its 42nd Founding anniversary the bank gave financial help to the parentless children and women in Regional Haven for Children and Women

Also in able to show that the Cooperative Bank of Cagayan Supports and respects the front liners who give their time and life to control the spread of Covid-19 virus in our community, a financial help was also given to Cagayan Valley Medical Center.

The Bank also gave financial assistant to the victim of typhoon Odette.

STATEMENT OF RESPONSIBILITIES

Alas Oplas & Co., CPAs

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations Nos. 15-2010 and 19-2011

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 35 and Revenue Regulations Nos. 15-2010 and 19-2011 on taxes, duties and license fees paid or accrued during the taxable year, taxable income, and deductions in Notes 33 and 34 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 September 4, 2019 to October 30, 2022

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

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

TIN 002-013-406-000

By:



RYAN A. SABUG

Partner

CPA License No. 0111183

BIR A.N. 08-006531-001-2020, issued on February 24, 2020; effective until February 23, 2023

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. 8852806, issued on January 4, 2022, Makati City

April 26, 2022

Makati City

STATEMENT OF FINANCIAL CONDITION

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2021 AND 2020
In Philippine Peso

	Notes	2021	2020 As restated	2019 As restated
ASSETS				
Cash and other cash items	7	2,526,459	2,421,805	3,831,275
Due from Bangko Sentral ng Pilipinas	8	9,072,656	9,172,112	9,258,156
Due from other banks	9	87,172,354	96,695,154	62,158,308
Held-to-maturity investments	10	7,449,782	20,010,748	39,817,683
Loans and other receivables – net	11	413,559,120	356,763,403	281,498,637
Investment properties – net	12	14,736,836	15,506,079	13,497,892
Non-current assets held for sale	13	16,037	16,037	16,037
Bank premises, furniture, fixtures and equipment – net	14	24,212,211	24,326,024	21,536,661
Other assets	15	7,982,402	9,084,990	8,485,297
TOTAL ASSETS		566,727,857	533,996,352	440,099,946
LIABILITIES AND MEMBERS' EQUITY				
LIABILITIES				
Deposit liabilities	16	365,428,990	334,921,275	293,171,955
Bills payable	17	129,509,754	133,600,000	77,178,571
Accrued interest and other expenses payable	18	5,380,444	4,453,411	4,340,620
Income tax payable		44,050	43,521	1,392
Other liabilities	19	6,671,786	5,611,500	2,629,028
TOTAL LIABILITIES		507,035,024	478,629,707	377,321,566
MEMBERS' EQUITY				
Preferred shares	20	22,780,000	12,650,000	12,650,000
Ordinary shares	20	33,049,676	32,808,676	32,289,676
Deposit for stock subscription	20	6,847,549	13,321,049	10,330,049
Deficit	20	(13,606,901)	(14,551,980)	(3,744,419)
Surplus reserves	20	10,622,509	11,138,900	11,253,074
TOTAL MEMBERS' EQUITY		59,692,833	55,366,645	62,778,380
TOTAL LIABILITIES AND MEMBERS' EQUITY		566,727,857	533,996,352	440,099,946

See Notes to Financial Statements.

STATEMENT OF OPERATION

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF OPERATION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
In Philippine Peso

	Notes	2021	2020 As restated
INTEREST INCOME			
Due from other banks	9	138,113	140,369
Held-to-maturity investments	10	207,619	607,637
Loans and other receivables	11	64,359,619	46,396,766
		64,705,351	47,144,772
INTEREST EXPENSE			
Deposit liabilities	16	(11,638,977)	(11,153,035)
Bills payable	17	(1,530,760)	(1,719,688)
		(13,169,737)	(12,872,723)
NET INTEREST INCOME		51,535,614	34,272,049
OTHER OPERATING INCOME	23	17,767,381	13,933,062
TOTAL OPERATING INCOME		69,302,995	48,205,111
OTHER OPERATING EXPENSES	24	(57,702,372)	(45,117,042)
NET OPERATING INCOME BEFORE PROVISION		11,600,623	3,088,069
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	(10,535,808)	(14,500,382)
PROFIT (LOSS) BEFORE INCOME TAX		1,064,815	(11,412,313)
INCOME TAX EXPENSE	21	(40,308)	(43,521)
NET PROFIT (LOSS)		1,024,507	(11,455,834)
OTHER COMPREHENSIVE INCOME		—	—
TOTAL COMPREHENSIVE INCOME (LOSS)		1,024,507	(11,455,834)

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, 2021 AND 2020
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	Preferred Shares (Note 20)	Ordinary Shares (Note 20)	Deposit for Stock Subscription (Note 20)	Surplus Reserves (Note 20)	Deficit (Note 20)	Total
Balance at December 31, 2019, as previously reported	12,650,000	32,289,676	10,330,049	11,253,074	(670,551) (3,073,868)	65,852,248 (3,073,868)
Prior period error (Note 29)	-	-	-	-	-	-
Balance at December 31, 2019, as restated	12,650,000	32,289,676	10,330,049	11,253,074	(3,744,419)	62,778,380
Comprehensive income:						
Loss, as previously reported	-	-	-	-	(6,176,107)	(6,176,107)
Prior period error (Note 29)	-	-	-	-	(5,279,727)	(5,279,727)
Loss, as restated	-	-	-	-	(11,455,834)	(11,455,834)
Transaction with members						
Issuance of shares	-	519,000	-	-	-	519,000
Stock subscription	-	-	2,991,000	-	-	2,991,000
Expenditures from reserves	-	-	-	(114,174)	-	(114,174)
Adjustment	-	-	-	648,273	-	648,273
Transaction with members	-	519,000	2,991,000	(114,174)	648,273	4,044,099
Balance at December 31, 2020, as restated	12,650,000	32,808,676	13,321,049	11,138,900	(14,551,980)	55,366,645
Comprehensive income:						
Profit	-	-	-	-	1,024,507	1,024,507
Total comprehensive income	-	-	-	-	1,024,507	1,024,507
Transaction with members						
Issuance of shares	3,656,500	241,000	-	-	-	3,897,500
Transfer from deposit for stock subscription	6,473,500	-	(6,473,500)	-	-	-
Expenditures from reserves	-	-	-	(544,593)	-	(544,593)
Reversal of appropriation	-	-	-	(539,353)	539,353	-
Adjustment on reserves	-	-	-	311,429	(311,429)	-
Appropriation for the year	-	-	-	256,126	(307,352)	(51,226)
Transaction with members	10,130,000	241,000	(6,473,500)	(516,391)	(79,428)	3,301,681
Balance at December 31, 2021	22,780,000	33,049,676	6,847,549	10,622,509	(13,606,901)	59,692,833

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
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	Notes	2021	2020 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		1,064,815	(11,412,313)
Adjustments for:			
Interest income	9,10	(345,732)	(748,006)
Prior period adjustment	20	–	648,273
Gain on sale of non-financial assets	23	(3,281,205)	(1,973,825)
Depreciation	24	5,678,226	4,486,809
Amortization	24	111,225	189,858
Retirement expense	25	1,217,747	890,039
Provision for credit and impairment losses	26	10,535,808	14,500,382
Operating income before working capital changes		14,980,884	6,581,217
Changes in operating assets			
Decrease (increase) in operating asset:			
Loans and other receivables		(76,213,114)	(94,201,283)
Other assets		900,416	(1,259,762)
Increase (decrease) in operating liabilities:			
Deposit liabilities		30,507,715	41,749,320
Accrued interest and other expenses payable		927,033	112,791
Other liabilities		(208,687)	2,572,368
Cash used in operations		(29,105,753)	(44,445,349)
Interest received	9,10	345,732	748,006
Income tax paid		(39,779)	(1,392)
Net cash used in operating activities		(28,799,800)	(43,698,735)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of held to maturity investments	10	(7,449,782)	(146,656,428)
Proceeds from held to maturity investments	10	20,010,748	166,463,363
Proceeds from sale of investment properties	12	12,037,334	3,912,115
Acquisition of bank premises, furniture, fixtures and equipment	14	(4,578,763)	(6,796,238)
Net cash generated from investing activities		20,019,537	16,922,812
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlements of bills payable	17	(8,078,571)	(8,578,571)
Availment of bills payable	17	3,988,325	65,000,000
Proceeds from deposit for stock subscription	20	–	2,991,000
Expenditures from reserves	20	(544,593)	(114,174)
Proceeds from issuance of ordinary shares	20	241,000	519,000
Proceeds from issuance of preferred shares	20	3,656,500	–
Net cash generated from (used in) financing activities		(737,339)	59,817,255
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(9,517,602)	33,041,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		2,421,805	3,831,275
Due from Bangko Sentral ng Pilipinas		9,172,112	9,258,156
Due from other banks		96,695,154	62,158,308
		108,289,071	75,247,739
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	7	2,526,459	2,421,805
Due from Bangko Sentral ng Pilipinas	8	9,072,656	9,172,112
Due from other banks	9	87,172,354	96,695,154
		98,771,469	108,289,071

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

COOPERATIVE BANK OF CAGAYAN
NOTES TO FINANCIAL STATEMENTS
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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 232 common shareholders and 7,279 preferred shareholders as of December 31, 2021.

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

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

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

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

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Statement of Compliance

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

2.02 Basis of Preparation

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

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

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

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

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- (iii) Recognition of stabilization fund – a fund to guarantee financial assistance to member-cooperatives which can be classified as part of equity or liability;
- (iv) Prior period adjustments/correction of errors – are adjusted directly on surplus without restating the financial statements;
- (v) Classification of donated capital – classified as part of equity;
- (vi) Classification of financial assets – the Reporting Framework classifies financial assets into five categories, which include loans and receivables, financial assets at fair value to profit or loss, (FVTPL), held-to-maturity investments (HTM), available-for-sale (AFS) financial assets and investment in non-marketable equity securities (INMES);
- (vii) Measurement of investment in non-marketable equity securities (INMES) – these financial assets are allowed to be carried at cost under the Reporting Framework; and
- (viii) Leases – recognized under operating leases (excluding costs for services such as insurance and maintenance) as an expense on a straight-line basis.

2.03 Functional and Presentation Currency

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

2.04 Use of Judgments and Estimates

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

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

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

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

2.05 Going concern

As of December 31, 2021 and 2020, the Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

3.01 Cash and Cash Equivalents

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

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3.02 Financial Assets

3.02.01 Classification and Measurement

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

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

As of December 31, 2021 and 2020, the Bank has not designated any financial asset as at FVTPL, INMES financial assets or AFS.

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

(a) *Loans and Receivables*

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

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

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

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

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

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

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

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

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

3.02.02 Offsetting of Financial Instruments

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

3.02.03 Impairment of Financial Assets

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

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

- Assets carried at amortized cost

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

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

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

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3.02.04 Derecognition

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

3.03 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

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

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

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

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

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

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

3.04 Investment Properties

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

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

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

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

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

3.05 Non-Current Assets Held for Sale

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

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

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

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

3.06 Other assets

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

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

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

3.07 Impairment of Non-Financial Assets

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

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

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

3.08 Financial Liabilities and Equity Instruments

3.08.01 Classification as Financial Liability or Equity Instruments

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

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

3.08.02 Financial Liabilities

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

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

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

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

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

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

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

3.08.03 Other Financial Liabilities

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

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

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

3.08.04 Derecognition of Financial Liabilities

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

3.08.05 Members' Equity

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

Dividends on equity are recognized when they are declared.

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

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

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

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

3.09 Fair Value Measurement

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

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

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

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

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

3.10 Provisions, Contingent Liabilities and Contingent Assets

3.10.01 Provisions

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

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.10.02 Contingent Liabilities and Contingent Assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

3.11 Revenue Recognition

Income is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognized.

- a) *Interest on loans* – Interest income on loans and discount with advanced interest and service charges are recognized periodically using the effective interest method of amortization. On the other hand, the Bank recognizes interest income and service charges on current loans not discounted with lump sum payment term and other loan related income, only to the extent of cash collections received.

The Bank shall only charge interest based on the outstanding balance of a loan at the beginning of an interest period. For a loan where the principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.

- b) *Service charges* – Service charges deducted immediately from loan proceeds are immediately recognized as income. On the other hand, other fees not automatically deducted from loan proceeds are recognized as income when amortized using effective interest method.
- c) *Interest income on bank deposits and held-for-maturity investments* – Interest on bank deposits and held-to-maturity investments are recognized using the accrual method.
- d) *Miscellaneous income* – Miscellaneous income such as inspection fee, notarial fee, membership fee, attorney fee, and other income are recognized when received.

3.12 Cost and Expense Recognition

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

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

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- On the basis of a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and Bank with income can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

3.13 Employee Benefits

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

3.13.01 Short-term Employee Benefits

The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, non-monetary benefits, and other short-term benefits.

3.13.02 Post-retirement Benefits Obligations

The Bank has a funded, noncontributory, defined benefit retirement plan covering all qualified employees. Employees who have reached the minimum 10 years length of service regardless of age shall be granted a retirement pay, retirement benefits will be computed based on the rate set by the Board of Directors for every year of credited service. Retirement from service of the Bank shall be compulsory upon employees' attainment of the age of sixty (60) years. The Board may offer special retirement package from time to time and as needs arise.

The Bank recognizes its retirement benefit obligation using the accrual approach. Under this approach, the Bank accrues monthly retirement expense equivalent to certain percentage of basic compensation of employees.

3.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.14.01 The Bank as a Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.15 Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Bank, post-employment benefit plans for the benefit of Bank's employees, and close members of the family of any individuals owning directly or indirectly a significant voting power of the Bank that gives them significant influence in the financial and operating policy decisions of the Bank are also considered to be related parties.

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A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Bank when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Bank.

3.16 Income Tax

The Bank is a tax-exempt entity under Republic Act No. 9520, otherwise known as Philippine Cooperative Code of 2008. Under R.A. No. 9520 the Bank is exempt from the payment of tax in respect to its registered operations. However, during the year, the Bank has incurred transaction with non-members resulting to income subjected to tax as disclosed in Note 21. The Bank identifies specific transaction with non-members and subjects the same to income tax.

Tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is recognized in OCI or directly in equity, respectively.

3.16.01 Current Income Tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the Bank operates and generates taxable income.

3.17 Events after the Reporting Date

The Bank identifies events after the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Bank's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.01 Critical Judgments in Applying Accounting Policies

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

4.01.01 Determination of Functional Currency

The Bank has determined that its functional currency is the Philippine Peso which is the currency of the primary environment in which the Bank operates.

4.01.02 Classification of Financial Instruments

The Bank classifies a financial instrument, or its components parts, on initial recognition, as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

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4.01.03 Evaluation of Provisions and Contingencies

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

As of December 31, 2021 and 2020, the Bank has no contingent liabilities to be recognized.

4.01.04 Classification of Lease

The Bank classifies leases as finance or operating lease in accordance with the substance of the contractual agreement and the transfer of the risks and rewards incidental to the ownership of the leased asset.

The Bank entered into various lease contracts which are accounted for as operating lease. Rent expense for the years ended December 31, 2021 and 2020 amounted to ₱1,102,864 and ₱493,515, respectively, as disclosed in Note 22.

4.01.05 Classification of Cost and Expenses

The Bank determines the classification of costs and expenses as interest expense, impairment losses, and other operating expenses. Classification of costs and expenses are determined on the basis of servicing activities of the Bank. All other costs and expenses are classified as other operating expenses.

4.02 Key Sources of Estimation Uncertainty

4.02.01 Impairment Losses on Financial Assets (Loans and Other Receivables and Held-to-maturity Investments)

The Bank reviews its loans and other receivables and held-to-maturity investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditioned that correlate with defaults on assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Bank utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. As of December 31, 2021 and 2020, the management believes that the allowance provided by the Bank is sufficient to cover BSP requirements.

As of December 31, 2021 and 2020, held-to-maturity investments amounted to ₱7,449,782 and ₱20,010,748, respectively as disclosed in Note 10.

As of December 31, 2021 and 2020, loans and other receivables amounted to ₱413,559,120 and ₱356,763,403, respectively, net of allowance for credit losses as disclosed in Note 11.

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4.02.02 Reviewing Useful Lives and Depreciation Method of Bank Premises, Furniture, Fixtures and Equipment

The useful lives and depreciation method of the Bank premises, furniture, fixtures and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank premises, furniture, fixtures and equipment would increase the recognized operating expenses and decrease non-current assets.

The Bank uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Bank expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

4.02.03 Impairment of Assets

An assessment is made at date of the statement of financial position to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Management has made significant estimates on the recoverability of the bank premises, furniture, fixtures and equipment, and concluded that as of December 31, 2021 and 2020, 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 ₱24,212,211 and ₱24,326,024, as of December 31, 2021 and 2020, respectively, as disclosed in Note 14.

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5. RISK MANAGEMENT OBJECTIVES AND POLICIES

5.01 General risk management principles

The Bank's financial instruments comprise cash and cash equivalents which includes cash and other cash items, due from BSP, due from other banks, loans and receivables, available for sale, held-to-maturity investments, other assets, and other financial liabilities such as deposit liabilities, bills payable and accrued interest, taxes and other expenses payable and other liabilities to finance the Bank's operation. The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk, interest rate risk and operation risk. The management reviews and agrees on policies for managing each of these risks and they are summarized below.

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

	Notes	2021	2020 As restated
Financial assets at amortized cost:			
Cash and other cash items	7	₱ 2,526,459	₱ 2,421,805
Due from BSP	8	9,072,656	9,172,112
Due from other banks	9	87,172,354	96,695,154
Held-to-maturity investments	10	7,449,782	20,010,748
Loans and other receivable – net	11	413,559,120	356,763,403
Other assets*	15	4,078,020	4,859,345
		₱ 523,858,391	₱ 489,922,567
Financial liabilities at amortized cost:			
Deposit liabilities	16	₱ 365,428,990	₱ 334,921,275
Bills payables	17	129,509,754	133,600,000
Accrued interest and other expenses payable	18	5,380,444	4,453,411
Other liabilities**	19	6,253,774	5,281,029
		₱ 506,572,962	₱ 478,255,715

*excluding non-financial assets amounting to ₱3,904,382 and ₱4,225,645 in 2021 and 2020, respectively, and net of allowance for credit losses amounting to ₱2,960,614 and ₱2,710,041 in 2021 and 2020, respectively.

**excluding non-financial liabilities and government payables amounting to ₱418,012 and ₱330,471, in 2021 and 2020, respectively.

5.01.01 Credit Risk and Concentration of Assets and Liabilities and Off-balance Sheet Items

Credit risk is the risk to earnings or capital arising from a counterparty failure to perform and meet the terms of its contract with the Bank subjecting the latter to a financial loss. Credit risk may last for the entire tenor and may approximate to the full amount of a transaction and in some cases may exceed the original principal exposure.

Credit risk inherent in the lending activities and the Bank manages it in accordance with a credit risk management framework that spans for identification, measurement, control, monitoring and reporting.

To manage credit risk, the Bank conducts credit investigation and background checking and follows written manuals and procedures for loan disbursements, monitoring and collection. Policies of loan diversification like maximum loan size, types of loans, loan structures are instituted to avoid concentration in a particular sector or area to lessen portfolio risk.

The Management closely monitors the overall credit operations and acts on the identified existing and potential risks appropriately for reporting during regular meetings of the BOD.

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Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Bank without considering the effects of credit risk mitigation techniques.

	Notes	2021	2020
Cash and other cash items*	7	₱ 34,460	₱ 91,330
Due from BSP	8	9,072,656	9,172,112
Due from other banks	9	87,172,354	96,695,154
Held-to-maturity investments	10	7,449,782	20,010,748
Loans and other receivables**	11	492,240,040	430,991,701
Other assets***	15	7,038,634	7,569,386
		₱ 603,007,926	₱ 564,530,431

*excludes cash on hand and on ATM amounting to ₱ 2,491,999 and ₱2,330,475 in 2021 and 2020, respectively.

**gross of allowance for credit losses amounting to ₱78,680,920 and ₱74,228,298 in 2021 and 2020, respectively, and net of unamortized discount amounting to ₱7,776,134 and ₱6,279,643, respectively.

***gross of allowance for credit losses amounting to ₱2,960,614 and ₱2,710,041 in 2021 and 2020, respectively and excluding non-financial assets totalling ₱3,904,382, and ₱4,225,645, in 2021 and 2020, respectively.

Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2021 and 2020.

2021	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items	2,526,459	–	–	2,526,459
Due from BSP	9,072,656	–	–	9,072,656
Due from other banks	87,172,354	–	–	87,172,354
Investment securities at amortized cost	7,449,782	–	–	7,449,782
Loans and other receivables*	390,355,961	31,903,034	69,981,045	492,240,040
Other assets**	7,038,634	–	–	7,038,634
	503,615,846	31,903,034	69,981,045	605,499,925

*gross of allowance for credit losses amounting to ₱78,680,920, and net of unamortized discount of ₱7,776,134.

**gross of allowance for credit losses amounting to ₱2,960,614 and excluding non-financial assets totalling ₱3,904,382.

2020	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items	2,421,805	–	–	2,421,805
Due from BSP	9,172,112	–	–	9,172,112
Due from other banks	96,695,154	–	–	96,695,154
Investment securities at amortized cost	20,010,748	–	–	20,010,748
Loans and other receivables*	334,576,152	29,652,458	66,763,091	430,991,701
Other assets**	7,569,386	–	–	7,569,386
	470,445,357	29,652,458	66,763,091	566,860,906

*gross of allowance for credit losses amounting to ₱74,228,298, and net of unamortized discount of ₱6,279,643.

**gross of allowance for credit losses amounting to ₱2,710,041 and excluding non-financial assets totalling ₱4,225,645.

Neither past due nor impaired cash on hand and in banks are working capital cash fund placed, invested, or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability. Other neither past due nor impaired accounts are loans and other receivables and investment securities which have a very remote likelihood of default and have consistently exhibited good paying habits.

Past due but not impaired loans and receivables and investment securities are loans and receivables and investment securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Bank.

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Loans with negotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

Impaired loans and receivables and investment securities are loans and receivables and investment securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory notes and securities agreements. Loans and receivables that have been provided with 100% allowance for credit losses and those under litigation are considered impaired.

The Bank holds collateral against loans receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired.

Aging analysis

An aging analysis of the Bank's loans and other receivables as of December 31, 2021 and 2020 are as follows:

	2021	2020
Outstanding receivables:		
Current accounts	₱ 390,355,961	₱ 334,576,152
Past due accounts:		
1 – 30 days past due	25,276,895	31,703,126
31 – 60 days past due	1,452,818	1,219,010
61 – 90 days past due	1,956,024	1,178,155
over 90 days past due	73,198,342	62,315,258
	₱ 492,240,040	₱ 430,991,701

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

5.01.02 Measurement of ACL

As a general rule, Especially Mentioned and Substandard – Underperforming [e.g., substandard accounts that are unpaid or with missed payment of less than ninety (90) days shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss accounts shall be considered as Stage 3 accounts.

Individually Assessed Loans and Other Credit Exposures

- Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments, as follows:

For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days	Substandard (underperforming)	10%	2
91 – 120 days	Substandard (non-performing)	25%	3
121 – 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3

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For secured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days*	Substandard (underperforming)	10%	2
91 – 180 days*	Substandard (non-performing)	10%	3
181 – 365 days	Substandard (non-performing)	25%	3
Over a year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

*When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%.

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

- Loans and other credit exposures that exhibit the characteristics for classified accounts described under Sec. 143 (Credit Classification and Provisioning) shall be provided with ACL, as follows:

Classification	Minimum ACL	Stage
Especially mentioned	5%	2
Substandard – secured	10%	2 or 3
Substandard – unsecured	25%	2 or 3
Doubtful	50%	3
Loss	100%	3

- Unsecured loans and other credit accommodations classified as “Substandard” in the last two (2) internal credit reviews which have been continuously renewed/extended without reduction in principal and is not in process of collection, shall be downgraded to “Doubtful” classification and provided with a fifty percent (50%) allowance for credit losses.
- Loans and other credit accommodations under litigation which have been classified as “Pass” prior to the litigation process shall be classified as “Substandard” and provided with twenty-five percent (25%) allowance for credit losses.
- Loans and other credit accommodations that were previously classified as “Pass” but were subsequently restructured shall have a minimum classification of EM and provided with a five percent (5%) allowance for credit losses, except for loans which are considered non-risk under existing laws, rules and regulations.
- Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be fully repaid.

Collectively Assessed Loans and Other Credit Exposure

- Current “Pass” loans and other credit accommodations should be provided with a reasonable level of collective allowance, using historical loss experience adjusted for current conditions.
- Loans and other credit exposures with unpaid principal and/ or interest shall be classified and provided with ACL based on the number of days of missed payments, as follows:

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For unsecured loans and other credit exposures:

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

*PAR for microfinance loans

For secured loans and other credit accommodations:

No. of days unpaid/with missed payments*	Classification	ACL (%)		Stage
		Other types of collateral	Security by real estate	
31 – 90 days	Substandard (underperforming)	10	10	2
91 – 120 days	Substandard (non-performing)	25	15	3
121 – 360 days	Doubtful	50	25	3
361 days – 5 years	Loss	100	50	3
Over 5 years	Loss	100	100	3

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances is determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

5.01.03 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Bank seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Bank's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

As of December 31, 2021 and 2020, minimum liquidity ratio of the Bank is 31.43% and 41.65%, respectively.

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The table below summarizes maturity profile of the Bank's financial assets and liabilities as of December 31, 2021 and 2020 based on undiscounted contractual cash flows.

	On Demand	Due within 1 year	Due beyond 1 year but not more than 5 years	Due beyond 5 years	Total
2021					
Financial Assets					
Cash on hand	₱ 2,526,459	₱ -	₱ -	₱ -	2,526,459
Due from BSP	9,072,656	-	-	-	9,072,656
Due from other banks	87,172,354	-	-	-	87,172,354
Held-to-maturity investments	-	7,449,782	-	-	7,449,782
Loans and other receivables*	100,461,928	108,803,486	226,527,977	56,446,649	492,240,040
Other assets**	7,038,634	-	-	-	7,038,634
	₱ 206,272,031	₱ 116,253,268	₱ 226,527,977	₱ 56,446,649	₱ 605,499,925
Financial Liabilities					
Deposit liabilities	₱ 143,889,524	₱ 66,578,896	₱ 154,960,570	₱ -	365,428,990
Bills payable	108,988,326	4,578,571	14,742,857	1,200,000	129,509,754
Accrued interest and other expenses payable	127,631	1,483,994	3,768,819	-	5,380,444
Other liabilities***	6,253,774	-	-	-	6,253,774
	₱ 259,259,255	₱ 72,641,461	₱ 173,472,246	₱ 1,200,000	₱ 506,572,962

*gross of allowance for credit losses of ₱78,680,920 and net unamortized discounts of ₱7,776,134.

**gross of allowance for credit losses amounting to ₱2,960,614, and excluding non-financial assets of ₱3,904,382.

***excluding non-financial liabilities and government payables amounting to ₱418,012.

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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 on hand	₱ 2,421,805	—	—	—	2,421,805
Due from BSP	9,172,112	—	—	—	9,172,112
Due from other banks	96,695,154	—	—	—	96,695,154
Held-to-maturity investments	—	20,010,748	—	—	20,010,748
Loans and other receivables*	1,527,317	149,096,372	158,762,487	121,605,525	430,991,701
Other assets**	7,569,386	—	—	—	7,569,386
	₱ 117,385,774	₱ 169,107,120	₱ 158,762,487	₱ 121,605,525	₱ 566,860,906
Financial Liabilities					
Deposit liabilities	₱ 122,562,060	₱ 77,301,560	₱ 135,057,655	—	₱ 334,921,275
Bills payable	—	113,078,571	16,171,429	4,350,000	133,600,000
Accrued interest and other expenses payable	896,874	517,333	3,039,204	—	4,453,411
Other liabilities***	5,281,029	—	—	—	5,281,029
	₱ 128,739,963	₱ 190,897,464	₱ 154,268,288	₱ 4,350,000	₱ 478,255,715

*gross of allowance for credit losses of ₱74,228,298 and net unamortized discounts of ₱6,297,643.

**gross of allowance for credit losses amounting to ₱2,710,041 and excluding non-financial assets of ₱4,225,645.

***excluding non-financial liabilities and government payables amounting to ₱330,471.

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5.01.04 Interest rate risk

Interest rate risk is the risk to the earning or capital resulting from adverse movements in the interest rates. The Bank closely monitors the movements of interest rates in the market and reviews its asset and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits. The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis on interest rate risk is not readily estimable as interests are unpredictable.

Market risk

Market risk is a risk that movements of market prices will adversely affect the Bank's financial condition. In managing its market risk exposure, the Bank focuses on managing price which is the risk of loss arising from any change in the value of any asset or trading instrument. These risks apply to both the Bank's trading and accrual positions.

Interest rate risk

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Bank is exposed to interest rate risk since its financial assets and financial liabilities have fixed and variable rates.

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility of the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- a) Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- b) Requirements for the reconciliation and monitoring of transactions;
- c) Compliance with regulatory and other legal requirements;
- d) Documentation of controls and procedures;
- e) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- f) Requirements for the reporting of operational losses and proposed remedial action;
- g) Development of contingency plans;
- h) Training and professional development;
- i) Ethical and business standards; and
- j) Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

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6. FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities measured at amortized cost approximates their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

6.01 Fair Value Hierarchy

The following table presents a comparison by category of carrying amounts and estimate fair value of the Bank's financial instruments as of December 31, 2021 and 2020:

	Carrying Value	Fair Value			Total
		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
2021					
ASSETS					
Held-to-maturity investments	7,449,782	–	7,449,782	–	7,449,782
Loans and other receivables – net	413,559,120	–	413,559,120	–	413,559,120
	421,008,902	–	421,008,902	–	421,008,902
LIABILITIES					
Deposit liabilities	365,428,990	–	365,428,990	–	365,428,990
Bills payable	129,509,754	–	129,509,754	–	129,509,754
	494,938,744	–	494,938,744	–	494,938,744
	Carrying Value	Fair Value			
		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2020					
ASSETS					
Held-to-maturity investments	20,010,748	–	20,010,748	–	20,010,748
Loans and other receivables – net	356,763,403	–	356,763,403	–	356,763,403
	376,774,151	–	376,774,151	–	376,774,151
LIABILITIES					
Deposit liabilities	334,921,275	–	334,921,275	–	334,921,275
Bills payable	133,600,000	–	133,600,000	–	133,600,000
	468,521,275	–	468,521,275	–	468,521,275

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, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

6.02 Fair Value Determination

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

6.02.01 Due from BSP and Other Banks

The estimated fair value of fixed interest-bearing deposits is made based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

6.02.02 Held-to-Maturity Investments

The fair value for investment securities at amortized cost is based on market prices. Where this information is not available, the fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics or through valuation techniques using discounted cash flow analysis.

6.02.03 Loans and Other Receivables

Loans and other receivables are net of provisions for probable losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at original rates to determine fair value.

6.02.04 Deposit Liabilities

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of other deposits represents the estimated cash flows expected to be paid which are discounted at the current market rates.

6.02.05 Accrued and Other Liabilities

Due to their short duration, the carrying amounts of accrued interest and other expenses and other liabilities in the statement of financial position are considered to be reasonable approximations of their fair values.

Fair Value Measurement for Non-financial Assets

The fair value of the Bank's land classified under Investment Properties account, as disclosed in Note 12, is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of unimpaired investment property with carrying amount of ₱14,736,836 and ₱15,506,079 as of December 31, 2021 and 2020, respectively amounting to ₱37,671,230 and ₱31,272,302, is currently categorized within Level 2. Impaired investment property as of December 31, 2021 and 2020 with carrying amount of ₱801,219 and ₱382,784, respectively, has no fair value. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

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7. CASH AND OTHER CASH ITEMS

The account consists of the following:

	2021	2020
Cash on hand	₱ 2,125,699	₱ 2,330,475
Cash on ATM	366,300	–
Cash and other cash items	34,460	91,330
	₱ 2,526,459	₱ 2,421,805

8. DUE FROM BANGKO SENTRAL NG PILIPINAS

	2021	2020
Due from Bangko Sentral ng Pilipinas	₱ 9,072,656	₱ 9,172,112

Due from BSP is a non-interest bearing deposit maintained with the Bangko Sentral ng Pilipinas to meet reserve requirements. As per BSP Circular No. 1092 Series of 2020, reserves against deposit liabilities for cooperative banks shall be two percent (2%) for savings, time and demand deposits. On top of the regular reserve requirements, legal reserves against peso demand deposits, savings, and time deposit and deposit substitutes shall be zero percent (0%) for cooperative banks. The Bank has satisfactorily complied with the reserve requirements of the BSP as of December 31, 2021 and 2020.

9. DUE FROM OTHER BANKS

	2021	2020
Land Bank of the Philippines	₱ 34,825,205	₱ 60,847,253
East West Bank	17,683,573	–
Metropolitan Bank & Trust Company	12,590,954	19,369,998
Rural Bank of Gattaran	9,987,815	1,003,567
Development Bank of the Philippines	6,506,941	7,825,893
Banco De Oro	2,598,046	5,022,304
Philippine National Bank	1,787,521	1,439,852
Bank of the Philippine Islands	638,425	633,675
RCBC Savings Bank	462,991	461,956
Philippine Resources Savings Banking Corporation	90,883	90,656
	₱ 87,172,354	₱ 96,695,154

Interest income amounted to ₱138,113 and ₱140,369 in 2021 and 2020, respectively, and is presented as part of interest income in the statement of operation.

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10. HELD-TO-MATURITY INVESTMENTS

Movements of the account are as follows:

	2021	2020
At January 1	P 20,010,748	P 39,817,683
Acquisition	7,449,782	146,656,428
Proceeds from maturity/redemption	(20,010,748)	(166,463,363)
At December 31	P 7,449,782	P 20,010,748

The held-to-maturity investments account represents 100% risk free investment in treasury bonds and other floating rate treasury notes thru Land Bank of the Philippines and Metropolitan Bank and Trust Company.

The interest rates range from 0.98% to 3.84% per annum with maturity of less than one (1) year.

Interest income recognized in 2021 and 2020 amounted to P207,619 and P607,637, respectively, and is presented as part of interest income in the statements of operation.

The Bank does not provide any allowance for credit losses and impairment as the management believes that these investments are reasonably collectible and their fair market values shall not be materially affected by the present economic behavior.

11. LOANS AND OTHER RECEIVABLES – net

The account consists of the following:

	2021	2020 As restated
Current loans	P 397,148,356	P 340,338,254
Past due loans	78,221,068	71,889,659
Under litigation	22,216,990	22,596,781
Total loans receivables	497,586,414	434,824,694
Unamortized discounts	(7,776,134)	(6,279,643)
Total loans receivables, net of discounts	489,810,280	428,545,051
Sales contract receivables	2,429,760	2,446,650
Total loans and other receivables	492,240,040	430,991,701
Allowance for credit losses:		
Loans receivables (Note 26)	(78,421,676)	(73,816,800)
Sales contract receivables (Note 26)	(259,244)	(411,498)
Total Allowance for credit losses	(78,680,920)	(74,228,298)
Total loans and other receivables – net	P 413,559,120	P 356,763,403

Loans receivables earn interest income at interest rates ranging from 6% to 30% in 2021 and 2020. Total earned interest amounted to P64,359,619 and P46,396,766 for 2021 and 2020, respectively.

As of December 31, 2021 and 2020, bills payable amounting to P20,521,429 and P28,600,000, respectively, are secured by pledge of loans receivable with outstanding balance of P20,521,429 and P28,600,000, respectively, as disclose in Note 17.

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

	2021	2020 As restated
Balance at beginning of year	P 73,816,800	P 59,685,932
Provision for credit losses	9,866,800	14,181,868
Write-off	(3,254,210)	–
Reversal	(2,007,714)	(51,000)
	P 78,421,676	P 73,816,800

Allowance for credit losses for loans receivables consists of:

	2021	2020 As restated
Specific	P 75,579,346	P 70,921,368
General	2,842,330	2,895,432
	P 78,421,676	P 73,816,800

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:

	2021	2020
Performing	P 1,048,425	P 509,543
Non-performing	1,381,335	1,937,107
Total	2,429,760	2,446,650
Allowance for credit losses	(259,244)	(411,498)
Sales contract receivable – net	P 2,170,516	P 2,035,152

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

	2021	2020
Balance at beginning of year	P 411,498	P 984,178
Provision for credit losses	–	–
Reversal	(152,254)	(572,680)
	P 259,244	P 411,498

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 as of December 31, 2021 and 2020 are disclosed below:

	2021	2020
Required allowance	₱ 81,321,676	₱ 78,516,800
Booked allowance	(78,421,676)	(73,816,800)
Unbooked allowance	2,900,000	4,700,000
Balance of unbooked allowance covered by staggered booking – State of calamity (Typhoon Ompong)	(2,900,000)	(4,700,000)
	₱ –	₱ –

11.01 Past Due Loans

Past due loans of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at maturity.

BSP Manual of Regulations for Banks, Sec. 304, as amended by BSP Circular 941, defined the classification of past due loans as follows:

As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual date, in which case, the total outstanding balance thereof shall be considered past due.

Installment refers to principal and/or interest amortizations that are due on several dates as indicated in the loan documents. The allowance for loan losses is the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the collectability of loans and prior loss experience.

Any amounts set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates to be present in the portfolio of loans and advances are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expenses and reduced by write-offs and reversals.

11.02 Non-Performing Loans

Breakdown of NPLs based on days outstanding are as follows:

	2021	2020
Past due accounts:		
Less than 30 days	₱ 22,862,252	₱ 28,852,911
31 – 90 days	496,470	1,184,416
91 – 180 days	1,936,723	1,151,992
Over 180 days	61,272,802	60,426,279
	₱ 86,568,247	₱ 91,615,598

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As of December 31, 2021 and 2020, NPLs not fully covered by allowance for credit losses are as follows:

	2021	2020
Total Non-performing loans	₱ 86,568,247	₱ 91,615,598
Non-performing loans covered by allowance for credit losses	(55,552,262)	(53,186,373)
	₱ 31,015,985	₱ 38,429,225

BSP Circular 941 defined non-performing loans (NPLs) as follows:

Loans, investments, receivables or any financial asset shall be considered non-performing, even without missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Information regarding the Bank's non-performing loans are as follows:

	2021	2020
Total NPLs at gross	₱ 86,568,247	₱ 91,615,598
Total NPLs at net	₱ 31,015,985	₱ 38,429,225
Ratio of gross NPLs to gross TLP	17.67%	21.38%
Ratio of net NPLs to gross TLP	6.33%	8.97%
Ratio of total allowance to gross NPLs	90.59%	80.57%
Ratio of specific allowance on the gross TLP to gross NPLs	87.31%	77.41%

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12. INVESTMENT PROPERTIES – net

This account pertains to real properties, such as land and building, held by the bank for sale.

Details of the Bank's investment properties are as follows:

2021	Land	Building	Total
Cost:			
Balance, January 1	₱ 15,106,577	₱ 2,878,397	₱ 17,984,974
Additions/transfers	9,121,449	–	9,121,449
Reclass	(6,278,527)	6,278,527	–
Disposals	(4,976,080)	(3,601,474)	(8,577,554)
Balance, December 31	12,973,419	5,555,450	18,528,869
Accumulated depreciation:			
Balance, January 1	–	(2,096,111)	(2,096,111)
Depreciation expense (Note 24)	–	(894,703)	(894,703)
Balance, December 31	–	(2,990,814)	(2,990,814)
Allowance for losses:			
Balance, January 1	(382,784)	–	(382,784)
Impairment loss (Note 26)	(418,435)	–	(418,435)
Balance, December 31	(801,219)	–	(801,219)
Carrying amount	₱ 12,172,200	₱ 2,564,636	₱ 14,736,836
2020			
As restated	Land	Building	Total
Cost:			
Balance, January 1	₱ 12,329,264	₱ 2,878,397	₱ 15,207,661
Additions/transfers	5,818,452	–	5,818,452
Disposals	(3,041,139)	–	(3,041,139)
Balance, December 31	15,106,577	2,878,397	17,984,974
Accumulated depreciation:			
Balance, January 1	–	(1,616,177)	(1,616,177)
Depreciation expense (Note 24)	–	(479,934)	(479,934)
Balance, December 31	–	(2,096,111)	(2,096,111)
Allowance for losses:			
Balance, January 1	(93,592)	–	(93,592)
Impairment loss (Note 26)	(289,192)	–	(289,192)
Balance, December 31	(382,784)	–	(382,784)
Carrying amount	₱ 14,723,793	₱ 782,286	₱ 15,506,079

In 2021, the Bank dispose certain investment properties with cost of ₱8,577,554 for a consideration of ₱11,858,759, realizing a gain on sale of ₱3,281,205 as disclosed in Note 23.

In 2020, the Bank dispose certain investment properties with cost of ₱3,041,139 for a consideration of ₱5,005,239, realizing a gain on sale of ₱1,964,100 as disclosed in Note 23.

Collections amounted to ₱12,037,334 and ₱3,912,115 as of December 31, 2021 and 2020, respectively.

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The Bank acquired its investment from foreclosure of properties. In 2021 and 2020, transaction costs amounting to nil and ₱769,583, respectively, were incurred in relation to foreclosure of properties.

Fair value is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of unimpaired investment property with carrying amount of ₱14,736,836 and ₱15,506,079, as of December 31, 2021 and 2020, respectively amounting to ₱37,671,230 and ₱31,272,302, is currently categorized within Level 2. Impaired investment property as of December 31, 2021 and 2020 with carrying amount of ₱801,219 and ₱382,784, respectively, has fair value no fair value. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

No amount of investment property of the Bank has been pledged to secure general banking facilities granted to the Bank.

13. NON-CURRENT ASSETS HELD FOR SALE

The carrying amount of the Bank's non-current asset held for sale amounted to ₱16,037 as of December 31, 2021 and 2020.

No amount of non-current asset held for sale of the Bank has been pledged to secure general banking facilities granted to the Bank.

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14. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFPE) – net

A reconciliation of the carrying amounts at the beginning and end of years 2021 and 2020, and the gross carrying amounts and accumulated depreciation of bank premises, furniture, fixtures and equipment are shown below.

	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Information technology	Leasehold improvement	Total
Cost:							
At January 1	2,080,455	20,173,994	6,485,954	11,943,904	6,904,910	1,247,120	48,836,337
Addition	–	5,530	263,964	2,786,621	1,416,598	106,050	4,578,763
Adjustment	–	–	–	102,148	(11,200)	–	90,948
Write-off	–	–	–	(650,839)	–	–	(650,839)
At December 31	2,080,455	20,179,524	6,749,918	14,181,834	8,310,308	1,353,170	52,855,209
Accumulated Depreciation:							
At January 1	–	(7,882,504)	(4,964,763)	(5,854,621)	(4,969,852)	(838,573)	(24,510,313)
Depreciation (Note 24)	–	(851,639)	(394,996)	(2,285,865)	(1,032,788)	(218,235)	(4,783,523)
Write-off	–	–	–	650,838	–	–	650,838
At December 31	–	(8,734,143)	(5,359,759)	(7,489,648)	(6,002,640)	(1,056,808)	(28,642,998)
Net carrying amount	2,080,455	11,445,381	1,390,159	6,692,186	2,307,668	296,362	24,212,211

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2020	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Information technology	Leasehold improvement	Total
Cost:							
At January 1	2,080,455	20,173,994	5,270,614	8,255,186	5,402,960	856,890	42,040,099
Addition	–	–	1,215,340	3,688,718	1,501,950	390,230	6,796,238
At December 31	2,080,455	20,173,994	6,485,954	11,943,904	6,904,910	1,247,120	48,836,337
Accumulated Depreciation:							
At January 1	–	(6,902,838)	(4,623,024)	(3,841,112)	(4,409,512)	(726,952)	(20,503,438)
Depreciation (Note 24)	–	(979,666)	(341,739)	(2,013,509)	(560,340)	(111,621)	(4,006,875)
At December 31	–	(7,882,504)	(4,964,763)	(5,854,621)	(4,969,852)	(838,573)	(24,510,313)
Net carrying amount	2,080,455	12,291,490	1,521,191	6,089,283	1,935,058	408,547	24,326,024

Management believes that there are no indications of impairment in the value of its bank premises, furniture, fixtures and equipment as of December 31, 2021 and 2020.

Depreciation expense are shown as separate components of operating expenses in the statement of operation in 2021 and 2020, respectively, as disclosed in Note 24.

All additions were paid in cash.

In 2020, bank premises, furniture, fixtures and equipment previously written-off were sold for ₱9,725, resulting to a gain on sale of ₱9,725 as disclosed in Note 23.

No bank premises, furniture, fixtures and equipment were used as collateral for liabilities as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Bank has no commitment to purchase bank premises, furniture, fixtures and equipment.

Under existing BSP regulations, total investment in premises, furniture, fixtures and equipment shall not exceed fifty percent (50%) of the Bank's unimpaired capital. As of December 31, 2021 and 2020, the Bank has satisfactorily complied with such regulation.

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15. OTHER ASSETS

This account consists of the following:

	2021	2020
Sinking fund	₱ 5,179,431	₱ 5,138,750
Accounts receivables	1,339,634	1,911,067
Prepaid expenses	534,494	676,791
Other investment	489,569	489,569
Stationeries and supplies	468,985	540,163
Intangible assets	170,366	269,448
Petty cash	30,000	30,000
Miscellaneous assets	2,730,537	2,739,243
Total	10,943,016	11,795,031
Allowance for credit losses (Note 26)	(2,960,614)	(2,710,041)
	₱ 7,982,402	₱ 9,084,990

Sinking fund pertains to fund set aside for redemption of government preferred share.

Accounts receivable pertain to cash advances from employees and other due from employees and non-employees.

Other investment pertains to investments in equity securities to other cooperatives.

Miscellaneous assets pertain to security deposits and other assets of the Bank which cannot be properly identified and merged with other common accounts.

The movements in the allowance for credit losses for other assets as disclosed in Note 26 are summarized below.

	2021	2020
Balance at beginning of year	₱ 2,710,041	₱ 2,705,517
Provision for credit losses	250,573	29,322
Reversal	-	(24,798)
	₱ 2,960,614	₱ 2,710,041

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

	2021	2020
Cost:		
Balance, December 31	₱ 1,013,000	₱ 1,013,000
Accumulated amortization:		
Beginning	(743,552)	(553,694)
Amortization (Note 24)	(111,225)	(189,858)
Adjustment	12,143	-
Balance, December 31	(842,634)	(743,552)
Carrying amount, December 31	₱ 170,366	₱ 269,448

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16. DEPOSIT LIABILITIES

This account consists of the following:

	2021	2020
Time certificate of deposits	₱ 229,940,781	₱ 212,359,214
Savings	135,488,209	122,562,061
Total	₱ 365,428,990	₱ 334,921,275

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 2021 and 2020 amounted to ₱11,638,977 and ₱11,153,035 and is presented as part of interest expense in the statements of operation.

17. BILLS PAYABLE

Movement of the account are as follows:

	2021	2020
At January 1	₱ 133,600,000	₱ 77,178,571
Proceeds from availments	3,988,325	65,000,000
Payments	(8,078,571)	(8,578,571)
At December 31	₱ 129,509,754	₱ 133,600,000

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

	2021	2020
Within one year	₱ 108,988,326	₱ 113,078,571
Beyond one year but within five years	17,371,428	16,171,429
Over five years	3,150,000	4,350,000
Total	₱ 129,509,754	₱ 133,600,000

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 2021 and 2020. Interest expense incurred in 2021 and 2020 amounted to ₱1,530,760 and ₱1,719,688, respectively, and is presented as part of interest expense in the statement of comprehensive income.

As of December 31, 2021 and 2020, bills payable amounting to ₱20,521,429 and ₱28,600,000, respectively, are secured by pledge of loans receivable with outstanding balance of ₱20,521,429 and ₱28,600,000, respectively, as disclose in Note 11.

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18. ACCRUED INTEREST AND OTHER EXPENSES PAYABLE

This account consists of:

	2021	2020
Accrued interest payable	P 4,319,169	P 3,556,537
Accrued other expenses payable	1,061,275	896,874
	P 5,380,444	P 4,453,411

Accrued interest payable represents interest due on deposits and bills payable of the Bank.

Accrued other expenses payable are year-end expenses payable on the following year.

19. OTHER LIABILITIES

This account consists of:

	Note	2021	2020 As restated
Accounts payable		P 5,331,399	P 4,166,865
Retirement benefit obligation	25	922,375	1,114,164
Government contribution and payables		357,216	327,375
Due to Union/ CETF		51,226	—
Other liabilities		9,570	3,096
		P 6,671,786	P 5,611,500

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.

20. MEMBERS' EQUITY

20.01 Preferred Shares

The preference share capital of the Bank gives priority in the distribution of the assets of the Bank in case of liquidation. As to dividend, preferred shares are entitled to received dividends on the said shares to the extent agreed upon before any others at all are paid to ordinary shareholders. Preferred shares are non-cumulative and non-participating. As to voting rights, preference shareholders are not entitled to vote in the normal course of business and decision making of the Bank.

Under Circular 854 dated October 29, 2014, Cooperative Banks with Head Office in all other areas outside NCR and with not more than 10 branches are required to comply with the minimum capital of P30 Million within five (5) years. A capital build up program is also required to be submitted to the BSP within one (1) year from date of the circular's effectivity.

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Shown below are the details on the movements of preferred shares.

	2021		2020	
	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	12,650	12,650,000	12,650	12,650,000
Transfer from deposit for stock subscription	6,474	6,473,500	—	—
Issuance	3,656	3,656,500	—	—
Balance, December 31	22,780	₱ 22,780,000	12,650	₱ 12,650,000

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 Sentral 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 Sentral 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 Sentral ng Pilipinas rules and regulations.
- (c) Non-redeemable.

20.02 Ordinary Shares

The ordinary shareholders of the Bank are given less priority as to assets liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restriction for reserve requirements and preferred dividends, if any.

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Shown below are the details on the movements of common shares.

	2021		2020	
	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	32,809	32,808,676	32,290	₱ 32,289,676
Issuances	241	241,000	519	519,000
Balance, December 31	33,050	₱ 33,049,676	32,809	₱ 32,808,676

20.03 Deposit for Stock Subscription

During the year, the Bank has complied with all the requirements in classifying the deposit for stock subscription – preferred shares as an equity as follows:

- The deposit for stock subscription shall not be interest-bearing nor withdrawable by the subscriber;
- The Bank's existing authorized capital is already fully subscribed;
- The Bank's members and board of directors have approved the proposed increase in authorized capital;
- The Bank has filed an application for the amendment of its Articles of Cooperation for the increase in authorized capital with the appropriate department of the Bangko Sentral, duly supported by complete documents as prescribed by the Bangko Sentral. Applications for the amendment of Articles of Cooperation for the increase in authorized capital, which have been returned due to insufficiency of supporting documents, shall not qualify for recognition as an equity instrument; and
- The Bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Sec. 122 of MORB (Transactions involving voting shares of stocks, Item "b"), if applicable.

The movements in deposit for stock subscription are as follows:

	2021	2020
At January 1	₱ 13,321,049	₱ 10,330,049
Additional deposit	–	2,991,000
Stock issuance	(6,473,500)	–
At December 31	₱ 6,847,549	₱ 13,321,049

20.04 Deficit

Movement of this account is as follows:

	2021	2020
		As restated
Beginning balance	₱ (14,551,980)	₱ (3,744,419)
Net profit (loss) for the year	1,024,507	(11,455,834)
Reversal of appropriation	539,353	–
Adjustment	(311,429)	–
Appropriations during the year	(307,352)	–
Prior period adjustments	–	648,273
	₱ (13,606,901)	₱ (14,551,980)

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Prior period adjustments pertain to adjustments and payments to prior period expenses, overstated income recognized from loan discount, and other adjustments on prior period income.

20.05 Surplus Reserves/Statutory Funds

This account consists of:

	2021	2020
Optional fund	₱ 3,224,654	₱ 3,106,719
General reserve fund	2,082,365	1,855,341
Retirement of preferred stock – BANGKOOP	1,600,000	1,600,000
Retirement of preferred stock – LBP	1,000,000	1,000,000
Education & training	870,173	1,612,610
Retirement of preferred stock – DBP	653,000	653,000
Retirement of preferred stock – CDA	643,000	643,000
Community & development	549,317	668,230
	₱ 10,622,509	₱ 11,138,900

The movements in statutory reserves are as follows:

	2021	2020
Surplus reserves, beginning	₱ 11,138,900	₱ 11,253,074
Adjustment	311,429	–
Appropriations during the year	256,126	–
Expenditures from statutory reserves	(544,593)	(114,174)
Reversal of appropriation	(539,353)	–
	₱ 10,622,509	₱ 11,138,900

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The movements per class of reserves are as follows:

2021	General reserve fund	Education & training	Community & development	Optional fund	Retirement of preferred stock	Total
At January 1	1,855,342	1,612,609	668,230	3,106,719	3,896,000	11,138,900
Adjustment	124,572	62,285	37,372	87,200	—	311,429
Allocation	102,451	51,225	71,715	30,735	—	256,126
Expenditures during the year	—	(316,593)	(228,000)	—	—	(544,593)
Reversal of appropriation	—	(539,353)	—	—	—	(539,353)
	2,082,365	870,173	549,317	3,224,654	3,896,000	10,622,509
2020	General reserve fund	Education & training	Community & development	Optional fund	Retirement of preferred stock	Total
At January 1, as restated	1,855,342	1,700,883	694,130	3,106,719	3,896,000	11,253,074
Expenditures during the year	—	(88,274)	(25,900)	—	—	(114,174)
	1,855,342	1,612,609	668,230	3,106,719	3,896,000	11,138,900

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Capital Management

The primary objective of the Bank's capital management is to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure, which composed of paid-up capital and surplus reserve, and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

BSP Circular No. 688, Revised Risk – Based Capital Adequacy Framework for stand – alone thrift banks, rural banks and cooperative banks which took effect on January 1, 2012 represents BSP's commitment to align existing prudential regulations with international standards consistent with the BSP's goal of promoting the soundness and stability of individual banks and of the banking system as a whole.

Under the current banking regulations, the qualifying capital accounts of the Bank should not be less than an amount equal to ten percent (10%) of its risk-weighted assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets is total capital funds excluding:

- (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- (b) total outstanding unsecured credit accommodations to DOSRI;
- (c) deferred tax asset or liability;
- (d) goodwill, if any;
- (e) sinking fund for redemption of redeemable preferred share; and
- (f) other regulatory deductions.

Risk assets consist of designated market risk and total risk-weighted assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under the relevant BSP regulations, the regulatory capital is analysed into two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the total of Tier 1 and Tier 2 capital.

Tier 1 Capital and Tier 2 of the Bank are as follows:

- a. Tier 1 Capital includes the following:
 - i. paid up common stock,
 - ii. paid-up perpetual and non-cumulative preferred stock,
 - iii. deposit for perpetual and non-cumulative preferred stock subscription,
 - iv. surplus, and
 - v. surplus reserves.
- b. Tier 2 Capital includes:
 - i. perpetual cumulative preferred stock, and
 - ii. general loan loss provision.

Subject to deductions of:

- i. sinking fund for redemption of limited life redeemable preferred shares with replacement requirement upon redemption.

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As of December 31, 2021 and 2020, the Bank's capital adequacy ratios are 11.33% and 10.48%, respectively, which are higher than the BSP minimum requirement of 10% on the ratio of capital accounts against the weighted assets.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS or Reporting Framework in some aspects.

Information regarding the Bank's "unimpaired capital" as of December 31, 2021 and 2020 is shown below.

	2021	2020 As restated
Core Tier 1 Capital – gross	P 58,692,833 P	54,366,645
Less: Regulatory adjustment to Core Tier 1	–	–
Core Tier 1 Capital – net	58,692,833	54,366,645
Add: Hybrid Tier 1	–	–
Tier 1 Capital	58,692,833	54,366,645
Tier 2 Capital	–	–
Gross qualifying capital	P 58,692,833 P	54,366,645
Total risk-weighted assets	P 517,961,131 P	518,534,856
Tier 1 capital ratio	11.33%	10.48%
Total capital ratio	11.33%	10.48%

In addition, Section 127 and Appendix 62 of the MORB discusses the guidelines implementing the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks. The said framework was amended by BSP Circular No. 1079 dated March 9, 2020 and BSP Circular No. 1084 dated April 28, 2020 to strengthen the quality of capital of the covered entities by the introduction of other capital requirements such as the Common Equity Tier (CET) 1 ratio in addition to the existing minimum CAR of 10%. The CET1 ratio is calculated by dividing CET1 capital by total risk-weighted assets.

The implementation of the enhanced capital standards, which include the CET1 ratio, to the aforementioned banks will take effect on January 1, 2023.

The Bank's leverage ratio, computed as total capital over total assets, is 10.36% and 10.18%, as of December 31, 2021 and 2020, respectively.

21. INCOME TAXES

The Cooperative transacts with members and non-members.

- a. Business transactions with members - Business activities engaged in by such cooperatives with its members where said cooperative generates revenues shall be exempt from all national internal revenue taxes for which it is liable as enumerated in Section 7 of Joint Rules and Regulations.
- b. Business transactions with non-members - Cooperatives with accumulated reserves and undivided net savings of more than Php10,000,000.00 which transact with non-members shall pay the following taxes at the full rate:

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1. Income Tax - On the amount allocated for interest on capitals: Provided, that the same tax is not consequently imposed on interest individually received by the members. The tax base for all cooperatives liable to income tax shall be the net surplus arising from the business transactions with non-members after deducting the amounts for the statutory reserve funds as provided for in the Cooperative Code and other laws.
2. Value Added Tax (VAT) - On transactions with non- members: Provided, however, that cooperatives, pursuant to Section 109 of the NIRC, as amended by RA 9337, shall be exempt from the imposition of VAT, namely the following:
 - i. Sales by agricultural cooperatives duly registered and in good standing with the CDA to their members.
 - ii. Gross receipts from lending activities by credit or multi- purpose cooperatives duly registered with the CDA.
 - iii. Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the CDA.
 - iv. Transactions of cooperatives as may be deemed VAT- exempt under the NIRC.
3. Percentage Tax - all sales of goods and/or services rendered to non-members shall be subject to the applicable percentage taxes imposed by Title V of the NIRC.

All other Internal Revenue Taxes unless otherwise provided by the law.

In 2020, 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, 2020 with an original expiry date of December 19, which has since been extended to mid-2021. Bayanihan II provides for COVID-19 response and recovery interventions and mechanisms to accelerate the recovery and to bolster the resiliency of the economy.

Among the response and recovery interventions provided under Bayanihan II are the carry-over of net operating losses incurred by the business or enterprise for taxable years 2020 and 2021 as deductions from gross income (for purposes of computing net taxable income subject to regular corporate income tax) over the next five consecutive taxable years immediately following the year of such loss Section 4 (bbbb) of the Bayanihan II).

Under Bayanihan II, NOLCO would remain in effect even after the expiration of the Act, provided that the deductions are claimed within the next five consecutive taxable years.

December 22, 2020, the Bureau of Internal Revenue (BIR) clarified, through Revenue Memorandum Circular (RMC) No. 138-2020, that the net operating loss carry-over (NOLCO) may be availed of under RR No. 25-2020 for taxpayers operating on fiscal-year reporting. The RMC enumerated fiscal years ending between July 31 and November 30, 2020 and January 31 to June 30, 2021 as falling within the taxable year 2020. Meanwhile, fiscal years ending between July 31 to November 30, 2021 and January 31 to June 30, 2022 fall within the taxable year 2021. Thus, net losses incurred by businesses or taxpayers during these fiscal years can be carried over as deductions from gross income for the next five consecutive taxable years.

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21.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2021	2020
Income tax expense – current	P 44,050	P 44,913
Income tax expense – CREATE	(3,742)	–
Prior year's MCIT	–	(1,392)
	P 40,308	P 43,521

A numerical reconciliation between tax expense and the product of accounting profit(loss) multiplied by the tax rate in 2021 and 2020 is as follows:

	2021	2020 As restated
Accounting profit (loss)	P 1,064,815	P (11,412,313)
Tax expense at 25% and 30%	266,204	(3,423,694)
Tax effect of:		
Income exempted from tax	(2,791,281)	(749,524)
Provision for credit losses	2,633,952	4,350,115
Income subject to final tax	(51,905)	(182,291)
Interest income exempted from tax	(34,528)	(42,111)
Limitation on interest expense	21,608	92,566
Impact of CREATE law	(3,742)	–
Net operating loss carry over	–	(148)
Excess of MCIT over RCIT	–	(1,392)
	P 40,308	P 43,521

21.01.01 Minimum Corporate Income tax

Section 27(E) of the National Internal Revenue Code provides that an MCIT of two percent (2%) of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year.

Details of the Bank's MCIT are as follows:

Year incurred	Amount	Applied in Prior Year	Applied in Current Year	Balance	Date of expiry
2019	P 1,392	1,392	–	P –	2022

21.01.02 Net Operating Loss Carry Over (NOLCO)

Under Section 34(D) of the National Internal Revenue Code of 1997, the net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three consecutive taxable years immediately following the year of such loss.

Details of the Bank's NOLCO are as follows:

Year incurred	Amount	Applied in Prior Year	Applied in Current Year	Balance	Date of expiry
2019	P 494	494	–	P –	2022

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21.02 Revenue Regulations (RR) No. 34-2020 – 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
4. A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (1), (2) or (3) above. For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

In addition, the preparation and submission of Transfer Pricing Documentation (TPD) under RR No. 02-2013, otherwise known as "Transfer Pricing Guidelines" and all other relevant issuances, shall be mandatory for taxpayers enumerated above who meet the following materiality thresholds:

- a. Annual gross sales/revenue for the subject taxable period exceeds ₱150 million and the total amount of related party transactions with foreign and domestic related parties exceeds ₱90 million; or
- b. Related party transactions meeting the following materiality threshold:
 - i. If it involves sale of tangible goods in the aggregate amount exceeding ₱60 million within the taxable year.
 - ii. If it involves service transaction, payment of interest, utilization of intangible goods or other related party transaction in the aggregate amount exceeding ₱15 million within the taxable year.
 - iii. If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

As it does not belong to taxpayers who are required to file and submit the RPT Form under Section 2 of RR 34-2020, the Bank is not covered by the requirements and procedures for related party transactions under the said RR.

21.03 Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act

On February 03, 2021, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.

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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;
 - 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. 2020-07, 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.

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The following is the expected impact of CREATE Act in the Bank's financial statements:

	Old tax rate	New tax rate	Change
Total liabilities	₱ 478,443,043	₱ 478,439,301	₱ (3,742)
Income tax payable	43,521	39,779	(3,742)
Total equity	63,720,240	63,723,982	3,742
Deficit	(6,198,385)	(6,194,643)	3,742
Net loss	(6,176,107)	(6,172,365)	3,742
Income tax expense – current	(43,521)	(39,779)	3,742

22. OPERATING LEASE COMMITMENTS

The Bank leases building for its branches. The lease transactions are classified by the Bank under operating lease where total rental payments are charged to current operation spread-over the term of the lease.

At the reporting date, the future minimum lease payment under non-cancellable operating leases is as follows:

	2021	2020
Not later than one year	₱ 951,305	₱ 1,073,968
Later than one year and not later than five years	2,414,116	3,212,421
	₱ 3,365,421	₱ 4,286,389

Rent expense for the years ended December 31, 2021 and 2020 amounted to ₱1,102,864 and ₱493,515, respectively, as part of other operating expenses, as disclosed in Note 24.

23. OTHER OPERATING INCOME

This account consists of the following:

	2021	2020
Income from insurance	₱ 4,877,678	₱ 2,887,663
Gain on sale of non-financial assets	3,281,205	1,973,825
Recovery on charged-off assets	3,108,380	1,275,518
Charges and penalty	1,592,488	3,501,679
Service charges	1,371,252	111,332
Inspection fee	206,814	194,461
Gain on recession of contract	–	51,807
Other income	3,329,564	3,936,777
	₱ 17,767,381	₱ 13,933,062

Recovery on charged-off assets pertains to recoveries from previously written off accounts and those accounts with allowance for losses.

Other income pertains to income arising from other service provided by the Bank and interest on other investments.

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Gain on sale of non-financial assets is composed of the following:

	Notes	2021	2020
Investment properties	12	₱ 3,281,205	₱ 1,964,100
Bank premises, furniture, fixtures and equipment	14	–	9,725
		₱ 3,281,205	₱ 1,973,825

24. OTHER OPERATING EXPENSES

Other operating expense consists of:

	Notes	2021	2020 As restated
Personnel costs		₱ 34,597,892	₱ 25,919,784
Depreciation		5,678,226	4,486,809
Security, messenger and janitorial services		3,992,626	3,092,174
Travelling expense		1,927,492	1,913,962
Fuel, oil and lubricants		1,721,184	1,257,230
Postage, telephone and telegram		1,434,224	1,119,199
Insurance expenses		1,239,355	1,290,124
Power, light and water		1,128,757	648,737
Rent	22	1,102,864	493,515
Repairs and maintenance		789,681	668,889
Information technology expenses		628,596	467,009
Stationeries and supplies used		497,677	429,849
Representation and entertainment		480,850	381,136
Donations and charitable contributions		341,500	78,400
Management and other professional fees		249,854	409,317
Taxes and licenses		149,001	116,455
Amortization	15	111,225	189,858
Supervision fees		98,256	86,044
Periodicals and magazines		6,472	5,294
Litigation/assets acquired expenses		–	132,166
Advertising and publicity		–	67,467
Membership fees and dues		–	20,560
Miscellaneous		1,526,640	1,843,064
		₱ 57,702,372	₱ 45,117,042

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:

	2021	2020 As restated
Salaries and wages	₱ 18,023,556	₱ 15,076,375
Fringe benefits-officers and employees	11,017,854	6,249,069
SSS, Pag-ibig, Philhealth contribution	2,241,433	1,743,500
Retirement expense (Note 25)	1,217,747	890,039
Directors fee	1,133,500	1,006,434
Fringe benefits-directors	957,502	954,367
Medical, dental and hospitalization	6,300	–
	₱ 34,597,892	₱ 25,919,784

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Depreciation expense consist of:

	Notes	2021	2020
Investment properties	12	₱ 894,703	₱ 479,934
Bank premises, furniture, fixtures and equipment	14	4,783,523	4,006,875
		₱ 5,678,226	₱ 4,486,809

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, 2021 and 2020, the accumulated balance of retirement benefit obligation amounted to ₱922,375 and ₱1,114,164, respectively and is presented under other liabilities as disclosed in Note 19. The Bank maintains an off-books retirement fund.

Movement of retirement benefit obligation is as follows:

	Note	2021	2020
Beginning balance		₱ 1,114,164	₱ 224,125
Retirement expense	24	1,217,747	890,039
Adjustment		85,737	–
Contribution to fund		(1,495,273)	–
		₱ 922,375	₱ 1,114,164

Movement of retirement fund held separately from assets of the Bank is as follows:

	2021	2020
Beginning balance	₱ 1,438,076	₱ 1,437,796
Contributions	1,495,273	–
Interest	13,980	280
	₱ 2,947,329	₱ 1,438,076

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26. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

The movement of this account follows:

	Loans (Note 11)	Sales Contact (Note 11)	Investment Properties (Note 12)	Other Assets (Note 15)	Total
Balance, December 31, 2019, as restated	59,685,932	984,178	93,592	2,705,517	63,469,219
Provision	14,181,868	–	289,192	29,322	14,500,382
Reversal	(51,000)	(572,680)	–	(24,798)	(648,478)
Balance, December 31, 2020, as restated	73,816,800	411,498	382,784	2,710,041	77,321,123
Provision	9,866,800	–	418,435	250,573	10,535,808
Reversal	(2,007,714)	(152,254)	–	–	(2,159,968)
Write-off	(3,254,210)	–	–	–	(3,254,210)
Balance, December 31, 2021	78,421,676	259,244	801,219	2,960,614	82,442,753

27. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting entities, which are under common control with the reporting enterprise, or between, and/or among the reporting entities and its key management personnel, directors, or its shareholders.

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, 2021 and 2020.

2021

Category	Amount of Transactions	Outstanding Balance	Terms	Conditions
DOSRI loans	₱ 7,540	₱ 454,629	Payable on lumpsum, interest-bearing, cash-settled	Secured

2020

Category	Amount of Transactions	Outstanding Balance	Terms	Conditions
DOSRI loans	₱ (6,497)	₱ 447,089	Payable on lumpsum, interest-bearing, cash-settled	Secured

Total allowance for credit losses recognized as of December 31, 2021 and 2020 amounted to ₱4,545 and ₱4,471. In 2021 and 2020, the Bank recognized provision for credit losses to amounts owed by related parties amounting to ₱4,545 and ₱4,471, respectively.

The General Banking Act and BSP regulations limit the amount of loans to each Directors, officers, shareholders and related interest (DOSRI).

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- 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 its combined capital accounts net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of DOSRI shall not exceed thirty percent (30%) of the aggregate ceiling or outstanding direct/indirect credit accommodation thereto, whichever is lower.

2021	DOSRI Loans		Related Party Loans (Inclusive of DOSRI Loans)	
Total outstanding DOSRI Loans	P	454,629	P	454,629
Percent of DOSRI accounts to total loans		0.09%		0.09%
Percent of unsecured DOSRI accounts to DOSRI accounts		0.00%		0.00%
Percent of past due DOSRI accounts to total DOSRI accounts		0.00%		0.00%
Percent of nonperforming DOSRI accounts to total DOSRI accounts		0.00%		0.00%

2020	DOSRI Loans		Related Party Loans (Inclusive of DOSRI Loans)	
Total outstanding DOSRI Loans	P	447,089	P	447,089
Percent of DOSRI accounts to total loans		0.10%		0.10%
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:

	2021		2020	
Savings deposit	P	1,116,480	P	1,151,302

27.03 Remuneration of Key Management Personnel

The remuneration of key management consists of:

	2021		2020	
Short-term employee benefits	P	8,671,800	P	7,171,240
Post-employment benefits		429,000		420,046
	P	9,100,800	P	7,591,286

The key management compensation is shown as part of personnel cost under other operating expenses account in the statements of comprehensive income.

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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, 2021 and 2020.

2021	December 31, 2020	Cash flows	Non-cash changes	December 31, 2021
Bills payable	133,600,000	(4,090,246)	–	129,509,754
Deposit for stock subscription	13,321,049	(6,473,500)	–	6,847,549
	146,921,049	(10,563,746)	–	136,357,303
2020	December 31, 2019	Cash flows	Non-cash changes	December 31, 2020
Bills payable	77,178,571	56,421,429	–	133,600,000
Deposit for stock subscription	10,330,049	2,991,000	–	13,321,049
	87,508,620	59,412,429	–	146,921,049

In 2021, cash flows related to bills payable is net of cash inflow amounting to ₱3,988,325 and cash outflow amounting to ₱8,078,571.

In 2020, cash flows related to bills payable is net of cash inflow amounting to ₱65,000,000 and cash outflow amounting to ₱8,578,571.

29. RESTATEMENT OF PRIOR PERIOD ERROR

In 2021, the Bank restated its financial statements as at the beginning, as of and for the year ended December 31, 2020 to reflect certain prior period adjustments. Adjustment as at the beginning, as of and for the year ended December 31, 2020 pertain to allowance for credit and impairment losses and other operating expenses that should have been recognized.

The analysis of the affected line items in the statement of financial position of the Bank as of December 31, 2019 is shown below:

	As previously reported	Adjustments	As restated
<i>Change in asset</i>			
Loans and other receivables ^a	₱ 284,572,505	₱ (3,073,868)	₱ 281,498,637
Decrease in total assets		₱ (3,073,868)	
<i>Change in equity</i>			
Deficit ^b	₱ (670,551)	₱ (3,073,868)	₱ (3,744,419)
Decrease in total equity		₱ (3,073,868)	

- (a) Restatement of loans and other receivables pertains to recognition of previously unbooked allowance.
 (b) Restatement of deficit pertains to recognition of previously unbooked allowance.

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The analysis of the affected line items in the statement of financial position of the Bank as of December 31, 2020 is shown below:

	As previously reported	Adjustments	As restated
<i>Change in asset</i>			
Loans and other receivables ^a	₱ 361,088,692	₱ (4,325,289)	₱ 356,763,403
Investment properties ^b	16,273,853	(767,774)	15,506,079
Decrease in total assets		₱ (5,093,063)	
<i>Change in liability</i>			
Other liabilities ^c	₱ 5,424,836	₱ 186,664	₱ 5,611,500
Decrease in total liabilities		₱ 186,664	
<i>Change in equity</i>			
Deficit ^d	₱ (9,272,253)	₱ (5,279,727)	₱ (14,551,980)
Decrease in total equity		₱ (5,279,727)	
Decrease in total liabilities and equity		₱ (5,093,063)	

The analysis of the affected line items in the statement of comprehensive income of the Bank for the year ended December 31, 2020 is shown below:

	As previously reported	Adjustments	As restated
Provision for credit and impairment losses ^e	₱ (9,887,253)	₱ (4,613,129)	₱ (14,500,382)
Other operating expenses ^f	(44,450,444)	(666,598)	(45,117,042)
Decrease in total comprehensive income		₱ (5,279,727)	

- (a) Restatement of loans and other receivables pertains to recognition of previously unbooked allowance.
- (b) Restatement of investment properties pertains to recognition of unrecognized additional depreciation and impairment losses.
- (c) Restatement of other liabilities pertains to recognition of expenses previously unrecognized.
- (d) Restatement of deficit pertains to the effect of recognition of previously unbooked allowance for credit and impairment losses and unrecognized depreciation expenses and other operating expenses.
- (e) Restatement of provision for credit and impairment losses pertains to the effect of recognition of previously unbooked allowance for credit and impairment losses
- (f) Restatement of other operating pertains to the effect of recognition of previously unrecognized depreciation expenses and other operating expenses.

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30. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

The following are the significant commitments and contingencies involving the Bank:

- a.) The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against its delinquent borrowers. The final decision of which cannot be determined at present. The amount of loans receivable under litigation amounted to ₱22,216,990 and ₱22,596,781 as of December 31, 2021 and 2020, respectively, as disclose in Note 11.
- b.) The Bank has no pending legal cases arising from its normal operation that will put the Bank as defendant as a result of violation of transactions against its clients/ depositors.
- c.) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the Bank into obligation in case of non-compliance by the buyer.
- d.) The Bank had no outstanding outward and inward bills for collection at the end of the year.

Aside from stated above, the Bank has no other contingent accounts as of December 31, 2021 and 2020.

31. EVENTS AFTER THE REPORTING DATE

No events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date), and that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

32. APPROVAL OF FINANCIAL STATEMENTS

These financial statements for the year ended December 31, 2021 was approved and authorized for issue by the Board of Directors (BOD) on April 26, 2022.

33. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

Revenue Regulations (RR) No. 21–2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Financial Reporting Framework and such other standards and/or conventions. Moreover, RR No. 19-2011 that prescribes the use of new income tax forms starting with calendar year 2011 became effective on December 9, 2011. Companies are now required to include, as part of the notes to the financial statements, the schedules and information on taxable income and deductions.

Below are the additional information required by RR Nos. 15-2010 and 19-2011. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

33.01 Gross Receipts Tax (GRT)

The Bank is exempt from GRT as stated in its certificate of tax exemption.

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33.02 All other national and local taxes

All other local and national taxes paid by the Bank and presented as part of other operating expenses for the two periods ended December 31, 2021 and 2020 consist of:

	2021		2020	
Local taxes				
Business permit	₱	129,292	₱	92,365
LTO registration		19,709		24,090
	₱	149,001	₱	116,455

33.03 Withholding taxes

Withholding taxes paid or accrued for the years ended December 31, 2021 and 2020 consist of:

2021	Paid		Accrued		Total
Expanded withholding tax	₱	228,941	₱	24,817	₱ 253,758
Withholding tax on compensation		160,427		6,717	167,144
Withholding tax on deposit		59,776		44,054	103,830
	₱	449,144	₱	75,588	₱ 524,732

2020	Paid		Accrued		Total
Expanded withholding tax	₱	195,787	₱	20,376	₱ 216,163
Withholding tax on compensation		119,813		26,681	146,494
Withholding tax on deposit		32,304		46,309	78,613
	₱	347,904	₱	93,366	₱ 441,270

33.04 Tax assessments

The Bank has no outstanding tax assessments as of December 31, 2021 and 2020.

33.05 Tax cases

The Bank has no outstanding tax cases in any other court or bodies outside of the BIR as of December 31, 2021 and 2020.

34. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 19-2011

Revenue Regulation No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2011. In case of the corporations using BIR form 1702, the tax payer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return (ITR), the schedules and information on taxable income and deductions to be taken. The information is presented for the purposes of filing with the BIR and is not required part of the basic financial statements.

The following are the schedules prescribed under existing revenue issuances applicable to the Bank as of December 31, 2021:

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34.01 Interest income

The breakdown of the Bank's interest income consists of:

	Per Financial Statement	Per Income Tax Return	
		Exempt	Taxable
Loans and other receivables	₱ 64,359,619	₱ 63,983,769	₱ 375,850
Due from other banks	138,113	–	–
Held-to-maturity investments	207,619	–	–
	₱ 64,705,351	₱ 63,983,769	₱ 375,850

34.02 Cost of Service

The breakdown of the Bank's cost of service consists of:

	Per Financial Statement	Per Income Tax Return	
		Exempt	Taxable
Personnel costs	₱ 34,597,892	₱ 34,428,892	₱ 169,000
Interest expense	13,169,737	13,083,305	–
Insurance – PDIC	684,303	684,303	–
Supervision fees	98,256	98,256	–
	₱ 48,550,188	₱ 48,294,756	₱ 169,000

34.03 Other Taxable Income

Details of the Bank's other operating income are as follows:

	Per Financial Statement	Per Income Tax Return	
		Exempt	Taxable
Income from insurance	₱ 4,877,678	₱ 4,877,678	₱ –
Gain on sale of non-financial assets	3,281,205	3,281,205	–
Recovery on charged-off assets	3,108,380	3,108,380	–
Charges and penalty	1,592,488	1,592,488	–
Service charges	1,371,252	1,371,252	–
Inspection fee	206,814	206,814	–
Other income	3,329,564	3,329,564	–
	₱ 17,767,381	₱ 17,767,381	₱ –

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34.04 Allowable Deductions

Details of the Bank's allowable deductions are as follows:

	Per Financial Statement	Per Income Tax Return	
		Exempt	Taxable
Depreciation	₱ 5,678,226	₱ 5,678,226	₱ –
Security, messenger and janitorial services	3,992,626	3,992,626	–
Travelling expense	1,927,492	1,913,042	14,450
Fuel, oil and lubricants	1,721,184	1,712,184	9,000
Postage, telephone and telegram	1,434,224	1,434,224	–
Power, light and water	1,128,757	1,128,757	–
Rent	1,102,864	1,102,864	–
Repairs and maintenance	789,681	789,681	–
Information technology expenses	628,596	628,596	–
Insurance – others	555,052	555,052	–
Stationeries and supplies used	497,677	497,677	–
Representation and entertainment	480,850	480,850	–
Donations and charitable contributions	341,500	341,500	–
Management and other professional fees	249,854	249,854	–
Amortization	111,225	111,225	–
Taxes and licenses	149,001	149,001	–
Periodicals and magazines	6,472	6,472	–
Miscellaneous	1,526,640	1,519,440	7,200
	22,321,921	22,291,271	30,650
Provision for credit and impairment losses	10,535,808	–	–
	₱ 32,857,729	₱ 22,291,271	₱ 30,650

35. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 8, 2020, the Monetary Board (MB) amended BSP Circular No. 1074, requiring Banks to include the additional information on the following:

35.01 Basic Quantitative Indicators of Financial Performance

The following basic ratio measures the financial performance of the Bank:

	2021	2020 As restated
Return on average equity	1.78%	-19.39%
Return on average assets	0.19%	-2.35%
Net interest margin	10.50%	8.00%
Debt-to-equity ratio	8.49:1	8.64:1
Capital adequacy ratio	11.33%	10.48%
Leverage ratio	10.36%	10.18%

35.02 Capital Instrument Issued

Description of capital instrument issued by the Bank is disclosed in Note 20.

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35.03 Significant Credit Exposures

The Bank's concentration of credit as to industry/economic sector (net of unamortized discount) are as follows:

	2021			2020		
	Peso Amount	% as to industry	% to Tier 1	Peso Amount	% as to industry	% to Tier1
Agriculture, forestry and fishing	P 214,149,794	43.72%	364.87%	P 181,425,703	42.34%	333.71%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	91,709,051	18.72%	156.25%	27,283,230	6.37%	50.18%
Wholesale and retail trade, repair of motor vehicles and motorcycles	49,416,723	10.09%	84.20%	49,264,187	11.50%	90.61%
Real estate activities	45,373,449	9.26%	77.31%	43,550,202	10.16%	80.10%
Other service activities	89,161,263	18.21%	151.91%	127,021,729	29.63%	233.64%
	P 489,810,280	100.00%		P 428,545,051	100.00%	

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital which is equivalent to P5,869,283 and P5,436,665, as of December 31, 2021 and 2020, respectively.

In both years, the Bank is exposed to credit risk concentration on agriculture, forestry and fishing amounting to more than 30% of the total loan portfolio. The Bank is also exposed to credit risk concentration on agriculture, forestry and fishing, real estate activities, wholesale and retail trade, repair of motor vehicles and motorcycles, activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use and other service activities amounting to more than 10% of Tier 1 Capital.

35.04 Breakdown of Total Loans

35.04.01 As to Security

As to security, loans are classified into (net of unamortized discount)

	2021		2020	
		%		%
Secured loans:				
Real estate mortgage	P 43,290,460	8.84%	P 58,250,125	13.59%
Other collateral	157,061,865	32.06%	150,536,700	35.13%
Total secured	200,352,325	40.90%	208,786,825	48.72%
Unsecured	289,457,955	59.10%	219,758,226	51.28%
Total loans	P 489,810,280	100.00%	P 428,545,051	100.00%

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35.04.02 As to Status

Breakdown of loans as to performing and non-performing status per product is as follows:

2021	Performing	Non-performing	Total
Other agricultural credit loans	₱ 96,873,975	₱ 8,275,916	₱ 105,149,891
Agricultural credit policy council	73,238,511	816,070	74,054,581
Micro finance loan	26,990,289	8,447,413	35,437,702
Agrarian reform loans	1,800	35,068,168	35,069,968
Consumption purposes	31,572,769	2,305,548	33,878,317
Small medium enterprise loan	7,044,049	6,512,056	13,556,105
Fringe loan	9,959,395	104,206	10,063,601
Development incentive loan	68,400	742,648	811,048
Others	157,492,845	24,296,222	181,789,067
	₱ 403,242,033	₱ 86,568,247	₱ 489,810,280
2020	Performing	Non-performing	Total
Other agricultural credit loans	₱ 79,019,651	₱ 8,391,484	₱ 87,411,135
Agricultural credit policy council	50,178,396	18,028	50,196,424
Consumption purposes	45,972,548	1,537,764	47,510,312
Agrarian reform loans	4,560,479	39,066,146	43,626,625
Micro finance loan	28,653,298	4,878,915	33,532,213
Fringe loan	13,500,764	–	13,500,764
Small medium enterprise loan	5,502,785	7,072,244	12,575,029
Development incentive loan	136,800	742,648	879,448
Others	109,404,732	29,908,369	139,313,101
	₱ 336,929,453	₱ 91,615,598	₱ 428,545,051

35.05 Information on Related Party Loans

Information on related party loans is disclosed in Note 27.

35.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2021 and 2020, bills payable amounting to ₱20,521,429 and ₱28,600,000, respectively, are secured by pledge of loans receivable with outstanding balance of ₱20,521,429 and ₱28,600,000, respectively.

35.07 Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2021 and 2020, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular No. 1074.

TOP 20 SHAREHOLDERS

Rank	Names Of Shareholder	Citizenship	No. of Shares Subscribed	Voting Status	Paid-In Capital	Subscription Receivable	Amount Subscribed	Ratio of Paid-in Capital to Total Paid-in Capital
1	Cagayan Valley Development Cooperative (CAVADECO)	Filipino	5,710	Active	5,559,617.46	5,710,000.00	150,382.54	16.82%
2	Cagayan Coopbank Employees MPC (CACOBEM)	Filipino	5,497	Active	5,496,130.06	5,497,000.00	869.94	16.63%
3	Primemovers Marketing Cooperative	Filipino	1,859	Active	1,790,882.22	1,859,000.00	68,117.78	5.42%
4	Hacienda Intal Credit Cooperative	Filipino	911	Active	910,518.91	911,000.00	481.09	2.76%
5	Western Solana Womens Credit Cooperative	Filipino	716	Active	715,660.16	716,000.00	339.84	2.17%
6	Western Alcala Farmers Irrigators Cooperative (WAFIC)	Filipino	600	Active	599,769.51	600,000.00	230.49	1.81%
7	Nanguilatan Farmers Marketing Cooperative	Filipino	595	Active	594,083.34	595,000.00	916.66	1.80%
8	Bagunot Marketing Cooperative	Filipino	578	Active	577,581.14	578,000.00	418.86	1.75%
9	Assassi Multi-Purpose Coop	Filipino	496	Active	495,864.41	496,000.00	135.59	1.50%
10	Pamplona Women's Coop	Filipino	543	Active	472,375.00	543,000.00	70,625.00	1.43%
11	Sta. Cruz Sn MPC	Filipino	461	Active	460,050.00	461,000.00	950	1.39%
12	MSRT Culung Credit Cooperative	Filipino	445	Active	444,620.24	445,000.00	379.76	1.35%
13	Sis Credit Cooperative	Filipino	425	Active	424,339.41	425,000.00	660.59	1.28%
14	Malaueg Farmers MMPC	Filipino	414	Active	413,061.75	414,000.00	938.25	1.25%
15	Norphil Farmers MPC (NORFARCO)	Filipino	406	Active	405,114.25	406,000.00	885.75	1.23%
16	Ugac Farmers Marketing Cooperative	Filipino	402	Active	399,723.54	402,000.00	2,276.46	1.21%
17	Wellspring MPC	Filipino	389	Active	388,325.16	389,000.00	674.84	1.17%
18	Timpuyog Cooperative Of Bicok	Filipino	381	Active	380,395.97	381,000.00	604.03	1.15%
19	Liwan Norte Sn MPC	Filipino	368	Active	367,626.21	368,000.00	373.79	1.11%
20	Sampaguita Farmers Cooperative	Filipino	367	Active	366,164.76	367,000.00	835.24	1.11%

PRODUCTS AND SERVICES

I. Loan Products

1. Agri-Agra Loan—A loan offer to farmers

- ◆ **Agrarian Reform Loan**—A loan offered to the beneficiaries of Comprehensive Agrarian Reform Program of the government in compliance to RA 6657 and emendatory Laws.
- ◆ **Other Agricultural Credit Loan**—A loan offered to farmers who are not beneficiaries of the agrarian reform to finance activities relative to agricultural production, processing, marketing, storage and distribution of products which results from these activities.
- ◆ **Namnama Loan**—this is a joint project of Cagayan Valley Development Cooperative (CAVADECO), Cooperative Bank of Cagayan (CBC) and Provincial Marketing Credit Cooperative (PMCC)

2. Development Incentive Loan (DIL)—loan offered to cooperative affiliates engaged in agriculture, marketing, processing, distribution, low-cost housing and other activities.

3. Microfinance Loan—offered to micro entrepreneurs to cater their social and economic needs and granted to the basic sectors covered by Republic Act No. 8425. It is also a kind of loan extended to the poor and low-income household for their microenterprises and small business.

4. Small Medium Enterprise (SME)—this type of loan is offered to any business activity of enterprises with a total assets of above 3M to 100M

- ◆ **Vehicle Loan for Business**—offered to franchise owners and operators for the acquisition utility vehicles intended for public transportation.
- ◆ **Construction or Renovation of Business Establishment**—offers to business owners intended for the construction or renovation of whether owned, leased or rented business space.

5. Consumer or Personal Loan (CL/ PL)—this loan is offered to individuals for consumption purposes.

- ◆ **Vehicle Loan**—offered to individuals for the acquisition of a brand new or second hand motor vehicle for personal use.
- ◆ **Appliance Loan**—offered to individuals for the acquisition of personal household necessities.

sition of personal household necessities.

- ◆ **Multi-purpose Loan (MPL)** – offered to individuals for medical, educational and other personal needs.

6. Loans to Individual for Other Purposes

- ◆ **Salary Loan** (Institutional and Individual)—offered to regular employees of a private and/or government agencies for personal and providential needs
- ◆ **Housing Loan**—offered to individuals intended for residential construction and/or renovation
- ◆ **Lot Purchase**—offered to individuals for acquisition of real property
- ◆ **OFW Loan**—A secured loan offered to overseas Filipino workers under OWWA as placement fee and business purposes.
- ◆ **Show Money Loan**—Loan offered to individual or entity for show money
- ◆ **Back to Back Loan**—Loan offered to depositors of the Bank wherein they can use their deposit as security of their loan.

II. Deposit Products

1. Regular Savings Deposit
2. Time Deposit
3. Kiddie and Teen Deposit

III. Other Services

1. CAGELCO Bills Payment
2. Dormitory type rooms and Training Hall with Amenities

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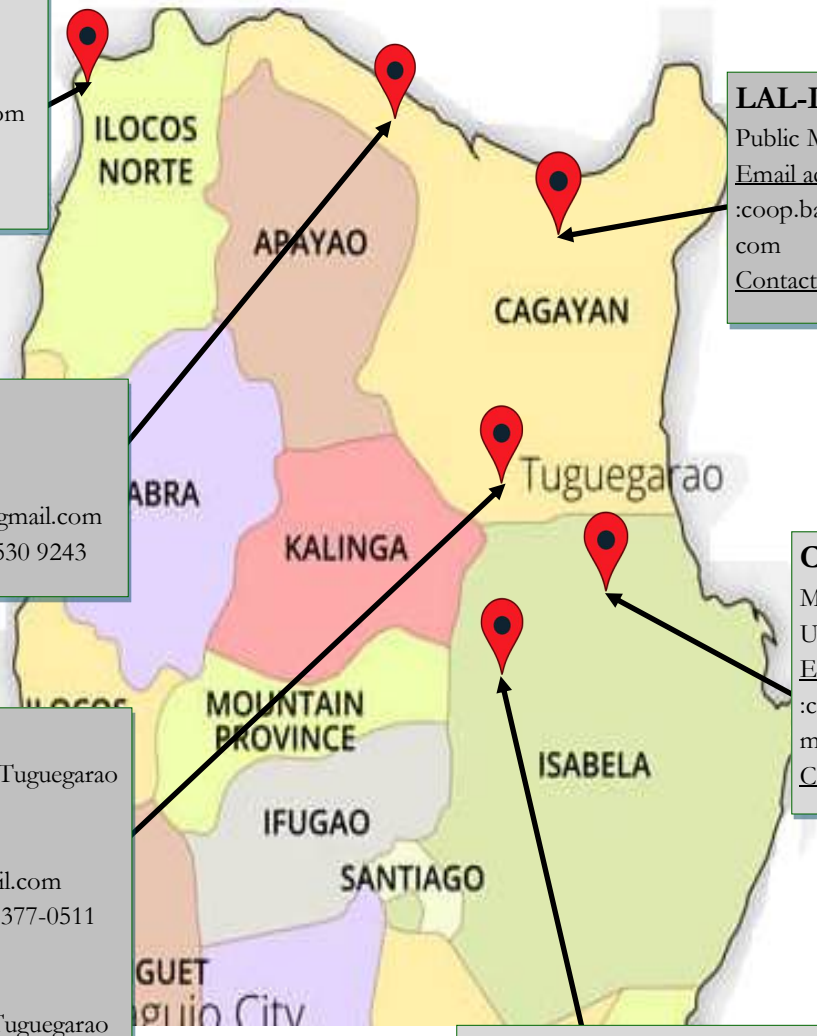
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Accounting Department



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(Insert: Alfie P. Adviento—Accounting Staff; Joan S. Taguinod—Accounting Staff)

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: *Sitting* (Janet P. Bugaring—Administrative Staff, Jesusa T. Pagulayan—Personnel Staff, Karina P. Bunagan—Human Resources Facilities and Administrative Head)

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LOANS DEPARTMENT



L-R : *Standing* (Emil L. Pagunuran—Credit Specialist; Arnel C. Salagan—Credit Specialist; Harvey T. Guillermo—Collection Specialist; Ricky B. Mabborang—Evaluation Staff; Erick Son C. Baluba—Collection Specialist; Gerard Andy C. Pascual—Assistant Evaluation Supervisor; Ronnie H. Fernandez—Evaluation Staff; Rhee C. Ligutan—Assistant Lending Support Unit Supervisor; Jonh Paulo A. Geroy—Credit Specialist; Richard F. Ballestra—Evaluation Staff; Leo Paul G. Gacias—Evaluation Staff; Kaapee T. Corpuz—Account Management Unit Supervisor; Christopher D. Espiritu—Credit Specialist; Jheron R. Dela Cruz—Collection Specialist; Romeo G. Maliflier—Driver/Utility
Sitting (Rolda B. Apacible—Credit Management Unit Supervisor; Arjane B. Addatu—Account Management Staff; Mary Jane T. Padilla—Credit Processor; Clarence Joy R. Torrado—Credit Management Staff; Janice G. Ulep—Lending Support Unit Supervisor; Jitko B. Tayawa—Loan Department Head; Melanie B. Rosete—Appraisal Unit Supervisor; Rodalyn S. Addun—Credit Processor; Diana Rose R. Dagdag—Lending Support Staff; Azamira F. Galindon—Lending Support Staff; Joel U. Tabangay—Evaluation Unit Supervisor



L-R : *Standing* (Melice Jane M. Udaundo—New Account Staff; Jessie V. Concepcion—Driver/Utility)
: *Sitting* (Kreesha Jane R. Ancheta—Teller, Melody Faith C. Macababbad—Branch Manager; Dominic G. Tumaliuan Jr., CPA—Fund Management and Branch Operation Head; Claribel Sheryl A. Taguiad—Marketing Specialist)

Lal-lo Branch



L-R : *Standing* (Dranreb Dominic A. De Ramos—Credit Specialist; Bon Bryan L. Unipa—Credit Specialist; Earl Donn S. Aganon—Evaluation Staff; Jermeeh B. Pastoral—Marketing Specialist; Jumie P. Mirasol—Driver/Utility)
: *Sitting* (Jaysa P. Ompad—New Account Staff; Joan T. Soriano—Branch Manager; Noemi C. Calano—Teller)

Abulug Branch



L-R : *Standing* (Reynaldo Tapat Jr.—Credit Specialist; John Mark O. Laguna—Credit Specialist; Arnold S. Taguam—Marketing Specialist; Regie M. Bonifacio—Collection Specialist)
: *Sitting* (Bernadette O. Ramento—Evaluation Staff; Aira-Joy A. Basilio—Credit Processor; Florida B. Limon—New Account Staff)
Insert (Robin T. Cajio—Branch Manager)

Burgos Branch lite



L-R : *Standing* (Edante V. Baniaga—Marketing Specialist; Florante B. Andres Jr.—Driver/Utility)
: *Sitting* (Sharine Kate V. Domingo—New Account Staff; Gina V. Sardeña—Assistant Branch Manager; Joanne Marie T. Molina—Teller)

Cabagan Branch lite



From L-R : *Standing* (Randy M. Calayan—Evaluation Staff; Jaypee D. Agsunod—Collection Specialist; Emerson L. Annang—Diver/Utility; Rammy P Fernandez—Credit Specialist)
: *Sitting* (Dhalieca Joy M. Balagasay—Assistant Branch Manager; Princess L. Agbayani—New Account Staff)

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L-R : *Standing* (Joseph C. Espiritu—Credit Specialist; Keorvin G. Limon—Diver/Utility; King Jim G. Madriaga—Evaluation Staff)
: *Sitting* (Dhalieca Joy M. Balagasay—Assistant Branch Manager; Princess L. Agbayani—New Account Staff)

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“A positive mindset brings positive things”
- Phillip Reiter