Cooperative Bank of Cagayan

2025 ANNUAL REPORT

"STAY IN STRIDE, LET THE MOMENTUM GUIDE

The Brief History of CB Cagayan

The Cooperative Rural Bank of Cagayan, Inc., now known as Cooperative Bank of Cagayan (CB Cagayan), is one of the oldest and most stable cooperative banks in the Philippines. It was established on March 22, 1977, through the initiative of 105 Samahang Nayons and 1 Area Marketing Cooperative, the *Kilusang Bayan sa Pangangalakal ng Cagayan at Kalinga-Apayao, Inc.*

CB Cagayan received its Certificate of Authority from the Central Bank of the Philippines (now the Bangko Sentral ng Pilipinas) in 1979 and officially opened its doors to the public in September 1979.

The Bank's Branches and Branch Lite Units

The Main (Tuguegarao City) Branch was first established to cater the entirety of Cagayan Province and some areas in Isabela and Kalinga. In 2004, the BSP granted the bank the permission to build its second branch (Lal-lo Branch) in the Municipality of Lal-lo, Cagayan to serve the first district of Cagayan. Following that, was the establishment of Pamplona Branch (now Abulug Branch) in 2007, to cater the second district of Cagayan and some municipalities of Apayao. The bank further expands its operation in the province of Ilocos and Isabela through its branch lite units in Burgos, Ilocos Norte (Burgos Branch lite), Cabagan, Isabela (Cabagan Branch lite), and San Manuel, Isabela (San Manuel Branch lite) which was simultaneously established in 2020.

CORE VALUES

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

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

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

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

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

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

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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, environmentally friendly and technologically superior products and services anchored on:

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

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

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

This symbolizes the building structure of CBC.

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

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

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

The Bank's primary business processes are driven by client and stockholder deposits, capital build-up, and capital infusions. Through its three (3) branches and three (3) branch lite units, the Fund Management and Branch Operations (FMBO) Department ensures the efficient administration, safeguarding, and utilization of these financial resources.

Funds generated from these operations are utilized by the Loans Department exclusively for lending activities, including loan evaluation, approval, release, monitoring, and servicing of the Bank's loan portfolio. Income derived from lending operations is accounted for separately and credited to retained earnings. Subject to the approval of the Bangko Sentral ng Pilipinas (BSP), a portion of the accumulated retained earnings may subsequently be declared and distributed to stockholders in the form of dividends.

The Bank's overall operations are guided by duly approved internal policies and procedures, as well as by the rules and regulations of the Bangko Sentral ng Pilipinas (BSP), Cooperative Development Authority (CDA), Bureau of Internal Revenue (BIR), Philippine Deposit Insurance Corporation (PDIC), and other applicable regulatory agencies. Adherence to these regulatory standards is ensured through the collective oversight, commitment, and cooperation of the Board of Directors, Management, and all employees, thereby promoting sound governance, operational integrity, and sustainable growth.

CHAIRPERSON'S MESSAGE

Good morning to all distinguished members of the Board, the esteemed management team, supervisory levels, dedicated employees, valued shareholders, and cherished members of the Cooperative Bank of Cagayan family.

It is with immense gratitude and profound humility that I address you today at the 46th Annual General Assembly of our beloved institution. This gathering marks not only a celebration of our shared achievements but also a reaffirmation of our collective commitment to the principles and values that have sustained the Cooperative Bank of Cagayan for nearly half a century.

As your Chairperson, I am deeply honored by the trust and confidence that you have bestowed upon me. Trust in a manner that it is the cornerstone of any cooperative, and I fully recognize the weight of this responsibility. Your faith in my leadership is a privilege that I hold in the highest regard. And I assure you, that this trust is not taken lightly; it is a sacred bond that compels me to serve with unwavering dedication, transparency, and highest form of integrity.

This year's theme, "Cooperative Convergence: Inspiring Optimism for a Sustainable Future," resonates powerfully with our journey as a financial cooperative. It speaks to our unity, our shared vision, and our resilient hope amidst an ever-changing economic landscape. The convergence of our efforts across all levels of management, governance, and community engagement is essential to fostering a future that is not only sustainable but also inclusive and prosperous for all stakeholders.

I would also like to take this opportunity to extend my heartfelt gratitude to the members of the management and supervisory teams. Your leadership and vigilant oversight have been instrumental in navigating the complexities of our industry. Your expertise and steadfast commitment continue to enhance the bank's operational excellence and strategic direction. Together, we have maintained a strong foundation, enabling us to innovate and evolve in response to the emerging challenges and opportunities.

To all employees of the Cooperative Bank of Cagayan, your tireless work behind the scenes does not go unnoticed. You are the lifeblood of this institution, embodying the spirit of cooperation and service. Your dedication to providing exceptional member service, your adherence to ethical standards, and your proactive stance in embracing change drive the bank forward. I pledge to foster an environment where your contributions are recognized, your professional growth is supported, and your well-being is prioritized.

Our shareholders, whose investment and belief in this cooperative model sustain our financial vitality, deserve special mention. Your support is both a vote of confidence and a mandate for us to deliver sustainable returns, prudent governance, and long-term value creation. I remain committed to stewarding your investments with the utmost care and responsibility.

Looking ahead, the road to sustainability demands that we continually align our strategies with the evolving needs of our members and the broader community. Our cooperative must serve as a catalyst for economic empowerment, social equity, and environmental stewardship. This means embracing innovation in financial services, enhancing digital accessibility, and fostering partnerships that amplify our impact.

The convergence of our cooperative ideals and modern practices will create new opportunities for growth and resilience. It will inspire optimism not only within our institution but also across the communities we serve. Together, we can build a future where financial inclusion is the norm, where every member enjoys the fruits of collective success, and where our cooperative stands as a beacon of progress in the national landscape.

In closing, let me reiterate my sincere appreciation for your trust and support. I am steadfast in my resolve to repay this confidence through transparent leadership, responsible governance, and a heartfelt commitment to the cooperative principles that bind us. Let us move forward together, inspired by our shared purpose and united in our mission to place the

“Together, we have maintained a strong foundation, enabling us to innovate and evolve in response to the emerging challenges and opportunities”

Cooperative Bank of Cagayan at the path of progress.

Thank you, and may we continue to prosper and uplift each other as one cooperative family. Long-live Cooperative Bank of Cagayan! Long-live my fellow CoopBank members!

PRESIDENT'S REPORT

A pleasant day to everyone and welcome to the 47th General Assembly of the Cooperative Bank of Cagayan.

Today, we do not only celebrate another year of service, but we also reflect the challenges which fortified the strength and resilience of our cooperative. I extend my sincere congratulations to the leadership and the entire membership for sustaining solid and unwavering operations amid evolving economic conditions. Fiscal year 2025 was a treacherous year, however, we toppled it as vividly manifested by the following comparative data.

In 2025, the Bank achieved significant growth across key indicators. Total resources expanded to ₱583.87 million, reflecting a ₱33.54 million increase from the previous year. Deposit liabilities rose by ₱31.47 million, underscoring the continued confidence of our depositors and partners. Our loan portfolio posted a substantial increase of ₱72.07 million, driven by strong lending activities that support our member-cooperatives and local enterprises.

Equally noteworthy is the improvement in asset quality on current loans which grew significantly by ₱77.38 million. This resulted in a marked improvement in our past due ratio, from 22.29% in 2024 to 17.89% in 2025—a clear indication of strengthened credit management and collection efforts.

These accomplishments reflect the Bank's sound financial stewardship, prudent risk management, and unwavering commitment to cooperative development. As we mark 46 years of service, we remain steadfast in our mission to empower communities, foster inclusive growth, and build a stronger cooperative banking sector.

Overall, these figures tell a story of a cooperative that is growing, adapting, and staying committed to its mandate—serving its members. However, the continued success of our bank does not rest on numbers alone. It depends on all of us.

I then encourage every member to actively and continuously patronize the bank's products and services—whether through savings, loans, investments, or other financial offerings. Every deposit you make, every loan you responsibly manage, and every service you utilize strengthens our cooperative. When you choose your bank, you are not just a client—you are an owner contributing to shared progress.

Moreover, let us continue to build a culture of trust, responsibility, and participation. Together, we can expand our reach, improve our services, and ensure that the Cooperative Bank of Cagayan remains a reliable partner for generations to come.

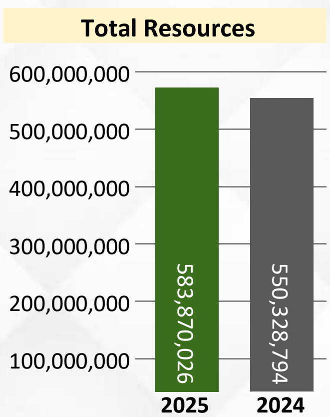
Once again, congratulations to everyone for a job well done. May this Assembly inspire us to move forward with unity, confidence, and renewed commitment.

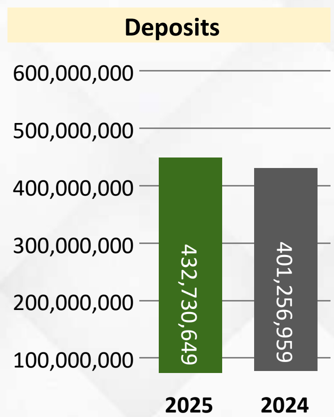
Thank you very much, at mabuhay tayong lahat!

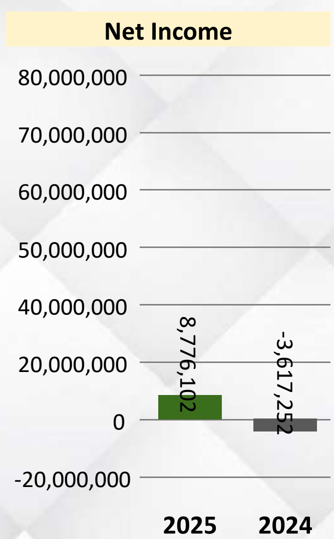
"These accomplishments reflect the Bank's sound financial stewardship, prudent risk management, and unwavering commitment to cooperative development. As we mark 46 years of service, we remain steadfast in our mission to empower communities, foster inclusive growth, and build a stronger cooperative banking sector"

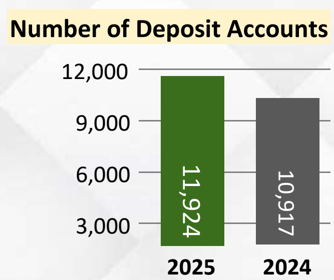
FINANCIAL HIGHLIGHTS

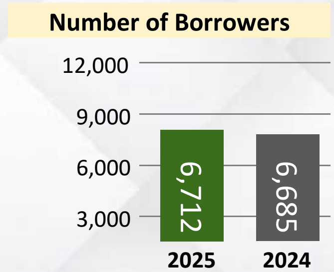
		As restated
Particulars	**2025**	**2024**
Total Resources	583.87	550.33
Loan Portfolio	485.84	413.77
Deposit	432.73	401.26
Capital	72.12	62.85
Net Income	8.78	(3.62)
Number of Deposit Accounts	11,924	10,917
Number of Borrowers	6,712	6,685











FINANCIAL SUMMARY

Profitability	2025	2024 *(As Restated)*
Total Net Interest Income	59,413,732	60,289,976
Total Non Interest Income	21,282,734	15,600,143
Total Non Interest Expense	69,209,910	69,128,090
Pre-Provision Profit	11,486,556	6,762,029
Allowance for Credit Losses	2,690,350	10,379,281
Tax Expense	20,104	-
Net Income	8,776,102	(3,617,252)

Balance Sheet Data	2025	2024
Liquid Assets	123,028,040	142,645,103
Gross Loans	485,836,827	413,770,619
Total Assets	583,870,026	550,328,794
Deposits	432,730,649	401,256,959
Total Equity	72,115,220	62,849,828

Financial Ratios	2025	2024
Return on Equity	13%	-5.60%
Return on Assets	1.55%	-0.69%
Minimum Liquidity Ratio	31.94%	45.76%
Fixed Asset Ratio	3.88%	4.63%
Qualifying Capital	70,598,660	60,379,562
Risk Weighted Assets	593,175,746	530,478,271
Capital Adequacy Ratio	11.90%	11.38%

Others	2025	2024
Headcount	115	111
Officers	5	5
Department Heads	6	6
Branch Managers	3	3
Supervisors	6	6
Assistant Branch Managers	3	3
Staff	92	88
Office	6	6

CAPITAL ADEQUACY RATIO

A. Tier 1 Capital	
Core Tier 1 Capital	
Paid Up Common Stock	35,000,000
Paid Up Perpetual and non cumulative preferred stock	21,790,000
Deposit for perpetual and non cumulative preferred stock subscription	14,792,149
Surplus and RE	6,266,118
Surplus Reserves (undivided profit)	8,776,102
Deduction from core tier 1 Capital	

B. Tier 2 capital and a breakdown of its components	
Upper Tier 2 Capital	
Perpetual cumulative preferred stock and	1,000,000
General loan loss provision	3,622,020
Deductions from Upper Tier 2	
Perpetual cumulative preferred stock and	
Sinking Fund	5,855,580
Total Upper Tier 2 Capital	-1,233,560
Lower Tier 2 Capital	
Deductions from Lower Tier 2 Capital	

C. Deductions from Tier 1 fifty percent (50%) and Tier 2 fifty percent (50%) capital	
D. Total qualifying capital	70,598,660
E. Total Credit Risk-Weighted Assets	481,509,152
F. Total Market Risk-Weighted Assets	
G. Total Operational Risk-Weighted Assets	111,666,594
H. Risk-Based Capital Adequacy Ratio	11.90%
Tier 1. Capital Adequacy Ratio	12.11%

Operational Performance 2025

- Lending
- Deposit
- Other

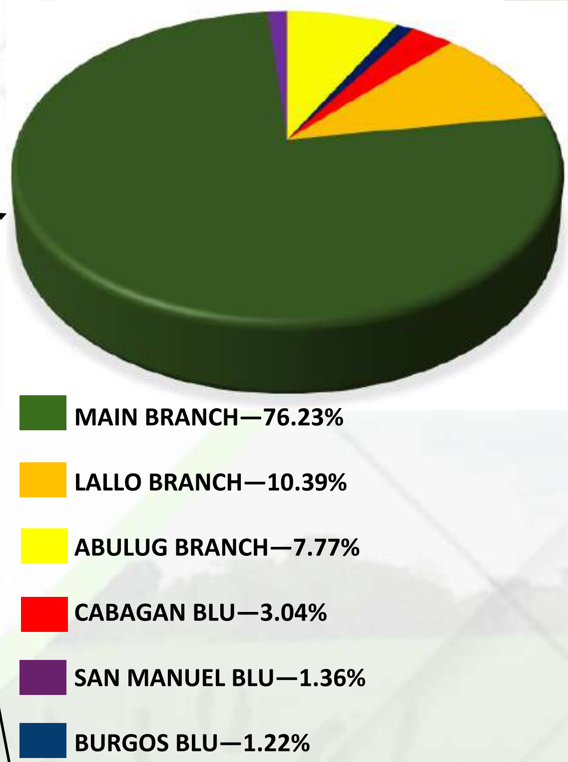
I. FUND MANAGEMENT AND BRANCH OPERATION (FMBO)

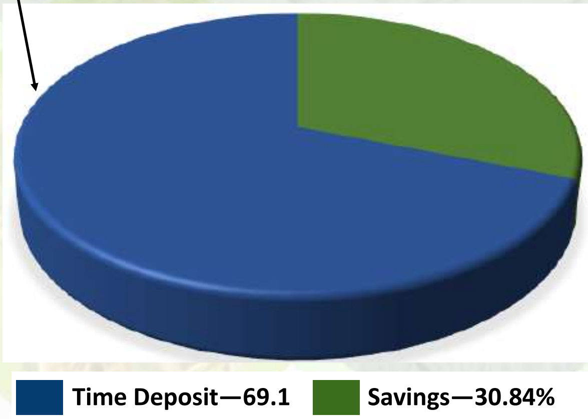
A. Deposit Liabilities per branch and Branch Lite Units (BLUs)

BRANCH/BLU	AMOUNT	%
1. Abulug Branch	33.61 Million	7.77%
2. Burgos BLU	5.27 Million	1.22%
3. Cabagan BLU	13.14 Million	3.04%
4. Lallo Branch	44.97 Million	10.39%
5. Main Branch	329.85 Million	76.23%
6. San Manuel BLU	5.9 Million	1.36%
TOTAL	**432.73 Million**	**100.00%**

TYPE OF DEPOSIT	AMOUNT	%
Savings	133.45 Million	30.84%
Time	299.28 Million	69.16%
TOTAL	**432.73 Million**	**100.00%**

TYPE OF SAVINGS DEPOST	AMOUNT	%
Regular	130.33 Million	97.66%
Kiddie & Teens	467 Thousand	0.35%
Buhay	1.8 Million	1.33%
BINHI	879 Thousand	0.66%
TOTAL	**133.45 Million**	**100.00%**





Building on a foundation of 401.257 million, the Bank continued to solidify its position as a trusted financial partner. In 2025, total deposits grew by 31.474 million, bringing the year-end portfolio to 432.731 million. This steady growth allowed us to surpass our annual target of 430.637 million—a 100.49% achievement rate—reflecting the sustained confidence of the banking public.

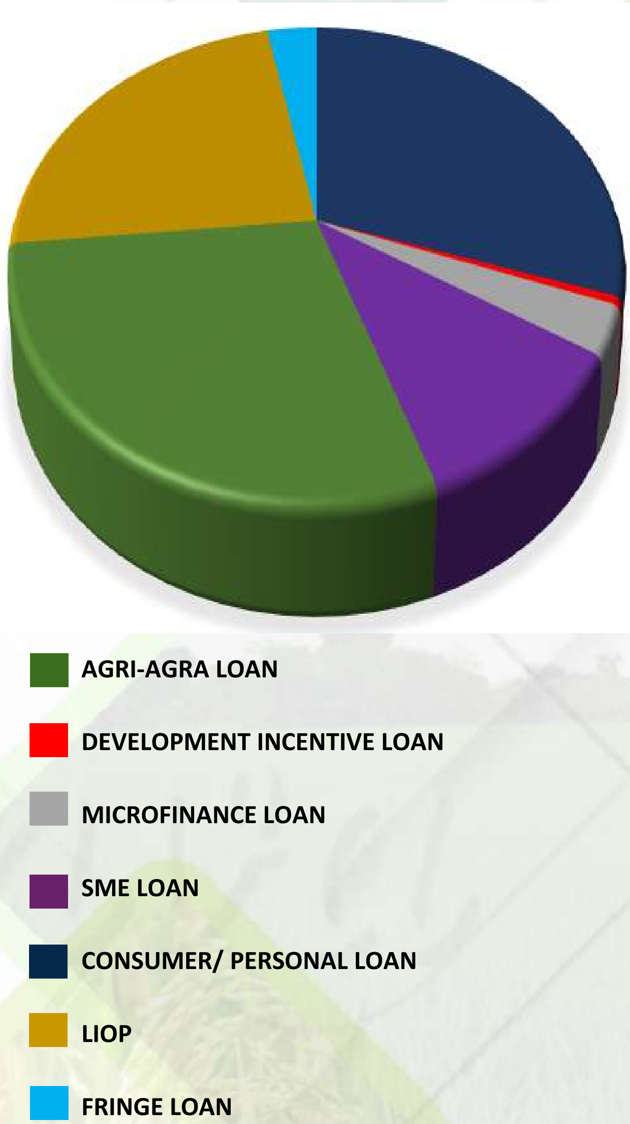
The Bank continuously reviews its deposit offerings to ensure alignment with market conditions and depositor expectations. In 2025, Savings Deposits grew by 17.278 million, a growth than can be attributed to the Buhay and BINHI products. Concurrently, the Time Deposit portfolio saw an increase of 14.195 million, confirming the competitiveness of our interest rate framework and the sustained trust of the investing public.

The Bank is taking its first steps toward digitalization, though we acknowledge that full implementation remains a long-term objective. While we are still primarily focused on traditional banking operations, we are beginning to lay the conceptual groundwork for a digital transition. We are committed to moving forward at a pace that ensures the continued security and stability of our depositors' interest.

I. LENDING OPERATION

A. Loan Outstanding Balance

	LOAN TYPE	AMOUNT	%
1	**AGRI AGRA LOAN** *(ARL, OACL, Namnaman Loan)*	146.14 Million	30.08%
2	**DEVELOPMENT INCENTIVE LOAN** *(Production, Others)*	2.6 Million	0.54%
3	**MICROFINANCE LOAN** *(MFL, RESBAC, Pag-ahon, Asenso, MEGA)*	15.93 Million	3.28%
4	**SMALL MEDIUM ENTERPRISE (SME) LOAN** *or Renovation of Business Establishment, Others)*	52.41 Million	10.79%
5	**CONSUMER OR PERSONAL LOAN** (Vejicle, Appliance, MPL, Salary, FUEL, Wander)	139.76 Million	28.77%
6	**LOANS TO INDIVIDUAL FOR OTHER PURPOSES (LIOP)** *(Lot Purchase, Housing, OFW, Others, STUDENT,*	113.8 Million	23.42%
7	**FRINGE LOAN** *(Lot/Housing, Appliance, Vehicle, MPL, Calamity)*	15.16 Million	3.12%
	Total	**485.83 Million**	**100%**



For the year 2025, the Bank continued to strengthen its lending operations, demonstrating sustained growth and proactive management despite challenges in the financial landscape. The total loan portfolio increased to an outstanding balance of PHP 485,836,827 as of December 2025, reflecting the Bank's commitment to expanding credit access while maintaining prudent risk management.

In addition to renewing loans for existing borrowers, the Bank facilitated new loan availments totaling PHP 130.53 million, extended to 1,246 individual borrowers. The majority of these disbursements were driven by the Bank's core loan products, with Agri Agra Loans for the largest share, followed by the CL/PL then LIOP, among others, showcasing the Bank's diversified lending approach.

Throughout 2025, the Bank effectively addressed challenges in its lending operations through the timely implementation of various initiatives, which enhanced operational capacity, improved client engagement, and advanced the Bank's broader mission of promoting financial inclusion.

Strategies in strengthening the Loans and Deposit products of the bank are as follows:

1. **Loans**
   - The Bank streamlined processes, optimized requirements, revised loan forms, and enhanced Loan Documentation Tools to facilitate timely accommodation of borrowers in line with their specific needs.
   - The Credit Specialist also played a key role in expediting loan releases. Before collecting any dues from the borrower, the assigned Credit Specialist confirms whether the borrower intends to avail of a re-loan, so that all necessary bank forms can be prepared in advance and the borrower can be informed to provide the required documents ahead of time.
   - The Bank conducted continuous orientations on its products and services during events such as team-building activities and staff meetings.
   - As for maintaining accounts in current status, the Credit Specialist strengthened close monitoring of all accounts under their responsibility. This proactive oversight ensures timely follow-ups on repayments, early identification of potential delinquencies, and immediate resolution of any issues, thereby supporting the Bank's overall goal of maintaining a healthy and performing loan portfolio.
   - The department, with the support of the Research and Development (R&D) Department, continued conducting loan product orientations for all employees, enhancing their product knowledge and ensuring consistent service delivery. In addition, it provided ongoing training to personnel serving as key touchpoints in the loan application process, further strengthening their skills and promoting efficient, client-focused lending operations.

2. **Deposits**
   - The FMBO Department regularly evaluates its deposit products to ensure they remain competitive and meet the evolving needs of depositors.
   - In partnership with the R&D Department, the bank actively reached out to cooperatives within its area of operation, offering to serve as their depository bank.
   - To further expand its outreach and strengthen depositor engagement, the department has consistently prioritized quality customer service, focusing on timely response to inquiries, personalized support, and proactive problem resolution. By fostering trust and satisfaction among clients, the Bank not only enhances depositor loyalty but also encourages repeat business, promotes positive word-of-mouth, and strengthens its overall market presence within the community.

In summary, the Bank's strategies in lending operations and deposit and generation have strengthened both borrower support and depositor engagement. Streamlined processes, proactive monitoring, and targeted employee training have enhanced lending efficiency, while continuous product evaluation and quality customer service have expanded outreach and reinforced depositor trust.

These initiatives collectively position the Bank for sustained growth, enhanced financial inclusion, and long-term institutional resilience, resulting in a positive performance for the year 2025.

III. OTHER

A. Asset Management and Legal Department (AMLD)

Being the department to which problematic accounts are routed by the Loan Department—accounts that can no longer be managed as regular (Current, Past Due, or NPL)—the Legal Department demonstrated a positive performance in 2025. This was evident across the various areas under its responsibility, including Items in Litigation (ITL), Sales Contract Receivables (SCR), and Real and Other Properties Acquired (ROPA).

From the (ITL), the AMLD recorded a total reduction of Php8,946,743.43. From the (SCR), the bank recognized an income of Php 1,049,106.17. Additionally, from the ROPA, the bank recognized an income of Php 2,694,365.35, and that 9 ROPA accounts has been successfully disposed during the year.

Strategies of the department in achieving this performance are as follows:

1. The department organized "Oplan CALLekta," an internal recovery initiative that mobilizes existing staff into a digital recovery team utilizing mobile and social media platforms. The program targets delinquent and written-off accounts (ITL and WOA), ensuring consistent monitoring and follow-up without increasing headcount. Through this initiative, the total collections from ITL and WOA amounted to Php 710,157.00, with 9 accounts successfully disposed during the period.
2. Although the SCR income was primarily driven by the agricultural sector—where vendees experienced significant crop losses and depressed market prices following recent typhoons—the AMLD systematically reviewed and rescinded eligible accounts by issuing Notarial Demands to effectively address SCR delinquencies.
3. To optimize revenue from Real and Other Properties Acquired (ROPA) and accelerate the disposal of aged assets, the AMLD recommends the following strategies: 1.) Repricing – Adjust asset values in line with current market conditions and appraisal trends to enhance competitiveness; 2.) On-Site Signage – Install strategic signboards and tarpaulins to capture local interest and increase visibility; 3.) Digital Marketing – Utilize social media and online channels to broaden outreach to potential buyers; and, Direct Engagement – Present purchase offers directly to existing tenants and adjacent property owners.

B. Marketing of Products and Services

All employees share the responsibility of marketing the Bank's products and services, as this is incorporated into their Performance Evaluation. In addition, the Performance Rewards and Incentive System Evaluation (PRAISE) is conducted quarterly to motivate employees and recognize their efforts in promoting the Bank's offerings.

To enable other employees to have their own referrals, the Marketing Specialist deployed at each branch and branch lite provides support and guidance, assisting employees in achieving their targets.

LOOKING FORWARD

The Bank remains committed to strengthen its operations, expanding its outreach, and enhancing client-focused services. It will continue to innovate strategies, and implement effective asset management initiatives, while further empowering employees through training, incentives, and active engagement. Building on the successes of 2025, the Bank aims to achieve sustained growth, deepen financial inclusion, and reinforce long-term institutional resilience in the year ahead.

RISK MANAGEMENT FRAMEWORK

It is often presumed that risk is everywhere, and it is often said that profit is a reward for a risk-bearer or risk-taker. Banks are literally exposed to different types of risks. A successful banker is one who can mitigate these risks and create significant returns for shareholders or members on a consistent basis. Mitigation of risks begins by correctly identifying the risks, why they arise, and what damage they can cause to the operation of the bank. Applying risk from the day-to-day operation of the Bank is like encountering traffic lights; it signals the concerned individuals to slow down whenever any of the members of the organization detect and report risk incidents, top to assess the situation properly and act upon occurrences, and go or apply mitigation processes to improve the overall operation of the bank.

— CBC RMO

RISK MANAGEMENT CHARTER

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

Objectives

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

Risk Management System and Structure

The committee shall be composed of at least 3 members of the Board of Directors, a majority of whom shall be independent directors, including the chairperson. The RMC chairperson shall not be the chairperson of the board of directors or any other board-level committee. The risk oversight committee shall possesses 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 assesses the bank's Senior Management oversight to be generally sufficient, with performance and overall risk profiles regularly discussed during meetings.

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 assists businesses and operating units in measuring risk/return to better manage their risk profile.

Senior Management of CBC is also actively involved in the planning, reviewing, and assessing different risks being managed by the bank through various committees. The Management Committee ensures that all business objectives are aligned 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 a long-term and daily basis.

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

RISK GOVERNANCE FRAMEWORK

It 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:

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

2. 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; 3. system for measuring risk; 4. checks and balances system; and 5. framework for risk data aggregation and risk reporting.

3. 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 dynamic, comprehensive, and accurate risk reporting both at the disaggregated and aggregated levels 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**—refers to the capability to generate accurate and reliable risk data to meet normal and stress reporting accuracy requirements.
- **Completeness**—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
- **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.

4. 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.

5. 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 making. Reports should decision include meaningful information tailored to the needs of the recipients or end-users.

RISK MANAGEMENT FUNCTIONS

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

The RMO shall have a sufficient stature, authority and seniority within the bank. He/she shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions, and shall have access to such information as he/she deems necessary to form his/ her judgement.

the RMO shall have direct access to the BODs and the RMC without any impediment. He/she shall serve on a full time basis and shall functionally meet and report to the BODs or board-level committee. Meeting with the BODs or Board Level committee shall be duly minuted and adequately documented. In this regard, the BODs or board-level committee shall review and approved the performance and compensation of the RMO, and budget of the risk management function.

1. **Qualification of the RMO**—He/she shall have a knowledge or skills necessary to oversee the bank's risk management activities. This will be assessed based on the ability of the RMO to influence decisions that affect the Bank's exposure to risk. The RMO should have the ability to interpret and articulate risk in a clear and understandable manner and, without compromising his/her independence, can engage in a constructive dialogue with the BODs, CEO/ President, and other senior management on key issues.
2. **Duties and Responsibilities of RMO**—The RMO shall be responsible in overseeing the risk management function and shall support the BODs in the development of risk appetite and risk appetite statement of the bank and for translating the risk appetite into a risk limits structure. The RMO shall likewise propose enhancements to risk management policies, processes and systems to ensure the bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

DIFFERENT TYPES OF RISKS

1. **Credit Risk** – is the risk that counterparty fails to discharge an obligation to the Bank. It arises from lending, treasury and other activities undertaken by the Bank. Managing credit risk involves defining the principles and parameters governing credit activities at various levels i.e. strategic level, portfolio level down to individual transaction or account level.

2. **Market Risk** – is the risk to earnings or capital arising from changes in the value of traded portfolio of financial instruments. This risk arises from market-making, dealing and position taking in interest rate, equity and commodities markets.
3. **Liquidity Risk** – is the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.
4. **Operational Risk** – is the current and prospective risk to earnings or capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information.

   Risk is inherent in efforts to gain strategic advantage, and in failure to keep pace with changes in the financial services market place. Operational risk is evident in each product and service offered. Operational risk encompasses:

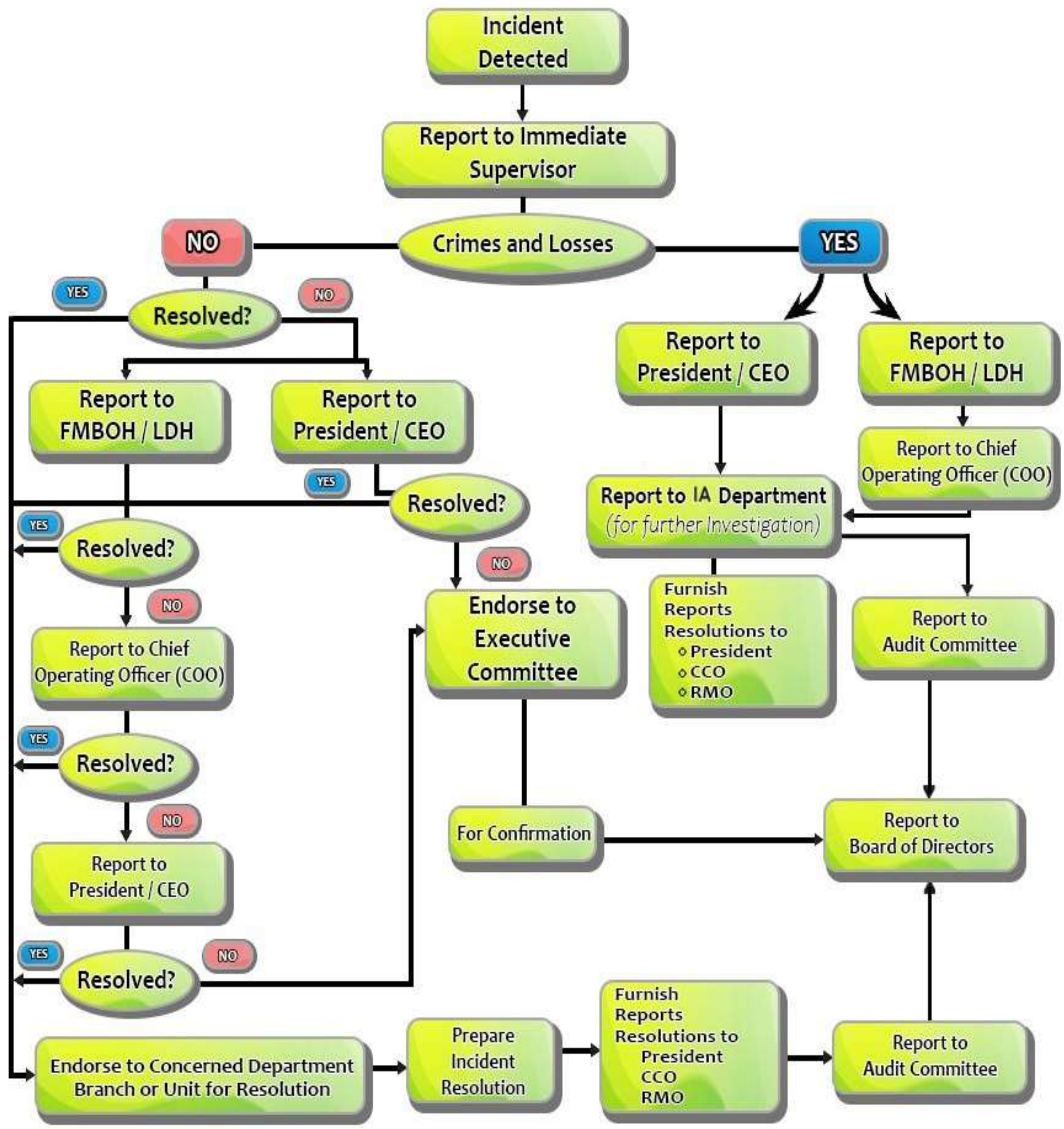
   (i) product development and delivery,
   (ii) operational processing,
   (iii) systems development,
   (iv) computing systems,
   (v) complexity of products and services, and
   (vi) the internal control environment.
5. **Physical Risks**—risks connected to the physical assets of the Bank such as properties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

strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

10. **Reputation Risk**—a risk resulting from damages to Bank's reputation which may trigger bank run, low income due to low products or services availment, legal expenses, low capitalization and other financial loss. This affects the Bank's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Bank to litigation, financial loss or a decline in its customer base. In extreme cases, a financial institution that losses their reputation may suffer a run on deposits. Reputation risk exposure is present throughout the organization and requires the responsibility to exercise an abundance of caution in dealing with customers and the community.

RISK INCIDENT REPORTING PROCESS

Employees or officers of the bank who identified risk issues or incident shall observed the flow of risk reporting.



CORPORATE GOVERNANCE

OBJECTIVES

This Manual is institutionalized to provide a clear framework for the effective oversight and management of the Bank.

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

GOVERNANCE STRUCTURE

The Board of Directors (the board) 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 same. The Board shall be responsible for monitoring and overseeing management action.

COMPOSITION OF THE ORGANIZATION

A. BOARD OF DIRECTORS

The corporate powers of the Bank shall be exercised, its business conducted and all its property controlled and held, by its Board of Directors ("the board"). The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank. The board is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, compliance program, corporate governance, and corporate values. 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. The Board shall have all the powers, responsibilities, and duties provided for under existing rules and regulations issued by the BSP and Cooperative Development Authority (CDA).

Directors shall include those:

- Who are named as such in the Articles of Cooperation;
- Duly elected during general or special assembly meetings; and
- Elected/appointed to fill vacancies in the board of directors.

1. **Composition of the Board**

   The Board shall 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 fields of finance, banking, accounting, law, and marketing, as well as knowledge of related industries, in order to truly understand specific issues and challenges confronting the Bank. The Board shall determine the appropriate number of its members to ensure that it is commensurate with the size and complexity of the Bank's operations. The Board shall, as a rule, be composed of a majority of non -executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. Non-executive members of the Board shall refer to those who have no executive responsibility and are not part of the day-to-day management of banking operations and shall include the independent directors.

Currently, the Board of Directors has seven members: 5 of whom are regular directors and 2 independent directors.

2. **Limits on Membership**

   A. Pursuant to Sections 15 and 17 of R.A. 8791 otherwise known as "The General Banking Law of 2000", there shall be at least five (5), and a maximum of fifteen (15) members of the Board elected by the voting shareholders, where at least one (1) independent director shall be elected to the Board of Directors. In case the Bank's business model is deemed complex by the Bangko Sentral ng Pilipinas or as directed by the appropriate supervising department, the Bank shall have at least one-third (1/3) but not less than 2 members of the board of directors as independent directors. *Provided*, that any fractional result from applying the required minimum proportion, shall be rounded-up to the nearest whole number.

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

C. Non-Filipino citizens may become members of the Board to the extent of the foreign participation in the equity of the Bank.

3. Independent and Non-executive Director

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

In selecting independent and non-executive directors, the Board shall consider the number of concurrent directorships held by the candidate in other entities to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities. In this regard, the following shall apply:

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

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

3.a. Definition of Independent Director

An independent director shall refer to a person who:

1. is not or was not a director, officer, or employee of the bank, its subsidiaries, affiliates, or related interests during the past 3 years counted from the date of his election/appointment.
2. is not or was not a director, officer, or employee of the bank's substantial shareholders and their related companies during the past 3 years counted from the date of his election/ appointment.
3. is not an owner of more than 2%of the outstanding shares or a shareholder with shares sufficient to elect one (1) seat in the board of directors of the bank, or any of its related companies/ affiliates or of its majority corporate shareholders.
4. is not a close family member of any director, officer, or shareholder holding shares sufficient to elect (1) seat in the board of directors of the bank or any of its related companies or of any substantial shareholders;
5. is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies ,or any of its substantial shareholders;
6. is not or was not retained as a professional adviser, consultant, agent, or counsel of the bank, any of its related companies/affiliates, or any of its substantial shareholders either in his personal capacity or through his firm during the past 3 years counted from the date of his election/ appointment;
7. is independent of management and

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

8. was not appointed in the bank, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
9. is not affiliated with any non-profit organization that receives significant funding from the bank or any of its related companies or substantial shareholders, and
10. is not employed as an executive officer of another company where any of the bank's executives serve as directors.

3.b. Termination or cessation of Independent Director/s

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

4. Minimum Qualifications and Disqualifications of a Director

A. Minimum Qualifications of a Director

A director shall have the following minimum qualifications:

- He shall be at least twenty-five (25) years of age at the time of his election or appointment;
- He shall be at least a college graduate, or have at least five (5) years of experience in banking or trust operations or related activities or in a field related to his position and responsibilities, or have undergone training in banking or trust operations acceptable to the appropriate supervising department of the BSP;
- He must be fit and proper for the position of a director of a bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/ financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; sufficiency of time to fully carry out responsibilities; and concurrent positions in the bank

and interlocking positions in other entities that may pose conflict of interest.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with the bank's policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

B. Disqualifications of a Director

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

1. Permanently disqualified

A person who has been found or is subsequently determined to have committed any of the following acts, or who meets any of the grounds enumerated below, shall be permanently disqualified to serve as a Director of the Bank, to wit:

(i) Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R. A. No.6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);

(ii) Persons who have been convicted by final judgment of a court or other tribunal for violation of securities and banking laws, rules, and regulations;

(iii) Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);

(iv) Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years;

(v) Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;

(vi) Persons who were found to be culpable for the bank's closure, as determined by the Monetary Board;

(vii) Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; and

(viii) Persons found liable by any another government agency/corporation, including government financial institution, for violation of any laws, rules or regulations involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code of Civil Service rules that adversely affects their fitness and proprietary as directors, and which finding of said government institution has become final and executory.

2. **Temporarily disqualified**

The following acts, omissions, or conditions shall constitute grounds for the temporary disqualification of a person from becoming or serving as a director of the Bank, to wit:

a) Persons who have shown unwillingness to settle their obligations, as evidenced by, but not limited to, the following circumstances:
   - A person has failed to satisfy any financial obligation that has been adjudicated by a court;
   - The person has filed for insolvency or suspension of payments that adversely affects his/her fitness and proprietary as director; or
   - A person who is delinquent in the payment of: an obligation with the bank where he/she is a director or officer; or at least two (2) obligations with other bank's or financial institutions.

   Financial obligations as herein contemplated shall include all borrowings obtained by: i) a person for his/her own account or where he/ she acts as a guarantor, endorser or surety for loans; ii) the spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage; iii) any debtor whose borrowings or loan proceeds where credited to the account of, or used for the benefit of, the person described under item "2(i)" of this portion (temporarily disqualified); iv) a partnership of which a person, or his/ her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and v) a corporation, association or firm wholly -owned or majority of the capital of which is owned by any or a group of individuals/entities mentioned in the immediate preceding items "i.", "ii." and "iv.".

   They shall remain temporarily disqualified until the financial obligations have been settled or satisfied.

b) Persons involved in the closure of banks pending their clearance by the Monetary Board;

c) Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (a) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the BSP or to the public in general; or (c) exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;

d) Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;

e) Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;

f) Persons, other than those items specified in this section, who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the afore -cited authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person of the ability to effectively discharge his/her duties;

g) Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (a) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (b) violation of securities and banking laws, rules and regulations;

h) Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;

i) Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;

j) Persons found by Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is retrained by the appellant court;

k) Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellant court; and

l) Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellant court.

Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified under this section/portion of this manual.

5. **Eligibility and Documentary Requirements, and Selection Process for Directorship**

A. Eligibility Requirements for Directorship

Aside from the qualifications discussed under Section 3, a candidate should also possess the following criteria to be eligible for directorship, to wit:

1) The candidate must be a duly authorized representative of a regular member at the time of his/her election or appointment as such;
2) Any member aspiring for the directorship by election and appointment must not have any past due loans from the Cooperative Bank of Cagayan either personal, coop-represented, and of relatives up to the first degree of consanguinity or affinity. Past due accounts/obligations relative to the candidate must be updated within 15 banking days prior to filing of candidacy;
3) 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;
4) The cooperative he/she represents must have subscribed and paid a 30-share capital amounting to Php30,000.00 and infused an increment of Php30,000.00 per year (GA Resolution No. 002 Series of 2019);
5) The cooperative he/she represents must be a member of good standing and has Certificate of Compliance issued by the Cooperative Development Authority (CDA);
6) The candidate for Directorship is not engaged in business similar to the Cooperative Bank;
7) The candidate for directorship must not be an incumbent elective official of the government;
8) Applicant should not be convicted or found guilty of any criminal or administrative case and/or dismissed from the service for cause;
9) The candidate have complied with the mandatory training requirements in accordance with the rules and regulations issued by the CDA; and
10) The candidate is willing to undergo a special seminar on corporate governance for board of directors conducted or accredited by the BSP.

B. Documentary Requirements for Directorship

The following documentary requirements shall be submitted to the Election Committee through the Cooperative Secretary within the filing period:

1. Duly accomplished Certificate of Candidacy;
2. In case, the candidate is not the chairperson of the cooperative affiliate s/he represents, Board resolution issued by the cooperative he/she represents authorizing the candidate to run as a director;
3. Certificate of Compliance of the cooperative-affiliate he/she represents as issued by the CDA for 3 years;
4. Clearance from the Municipal Trial Court and Regional Trial Court and the office he represents;
5. Certification from the Loans Department Head of Cooperative Bank of Cagayan as to status of loans availed;
6. Photocopy and original copy of transcript of records (TOR) from school he/she graduated or a board resolution from the cooperative s/he represents that s/he has been engaged with them for at least five (5) years;
7. Certification from the Chief Finance

Officer of the Cooperative Bank of Cagayan that the cooperative represented by the candidate had an updated yearly contributions on capital share;

8. Certification from the management of Cooperative Bank of Cagayan as to the attendance of the cooperative the candidate represents for three (3) consecutive General Assembly meetings; and
9. Certification from the Bank's management that the cooperative he/she represents had been affiliated in the Bank for three (3) years.

C. Selection and Election Process for Directorship

To ensure transparency, equity, and regulatory compliance in the governance of the Bank, the selection and election of the members of the Board shall strictly adhere to the following procedures, administered independently by the Election Committee (ELECOM) which are as follows:

Selection and Election Process for Directorship

Notice of Election of Board of Directors

The Cooperative Secretary together with the Research and Development Department shall formally notify all member-cooperatives/ cooperative affiliates of the Bank regarding vacancy in the Board of Directors that will be filled during a regular or special general assembly meeting. The notice shall include the number of vacant board seats available for election, minimum qualifications and disqualifications for directorship under existing and applicable laws and regulations, documentary requirements for nominees/ candidates and candidacy period for filing the candidacy.

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Screening of the Election Committee

After the filing of candidacy, the Election Committee shall convene to evaluate all submissions to verify the eligibility, qualifications and compliance of each candidate.

Notice to the Candidates

Upon completion of the evaluation, the ELECOM shall issue notice or notify all applicants to inform them of their status of candidacy (i.e. qualified or disqualified).

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Election Proper

The ELECOM shall formally present the official list of candidates to the General Assembly prior to casting of votes. The election will be conducted pursuant to the provisions of the Bank's By-Laws and applicable laws, rules and regulations.

During the Election Proper, the following activities shall be chronologically conducted:

- Presentation of Rules of Election
- Presentation of Candidates for Directorship
- Casting of Votes
- Proclamation of winners

6. Term of Office

Unless earlier removed for caused, or have resigned or become incapacitated due to illness or death or disqualified by law or by BSP rules and regulations, the Board of Directors shall hold office for a term of two (2) years or until their successors shall have been elected and qualified.

The term of the cooperating Directors shall expire upon the election of their successors.

7. Multiple Board Seats

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

8. General Duties and Responsibilities of the Board of Directors

It is the Board's responsibility to foster the long-term success of the Bank to sustain its competitiveness and profitability with utmost honesty and integrity in the discharge of its fiduciary responsibilities, duties and functions in a manner consistent with its corporate objectives and the best interests of its shareholders and other stakeholders.

The Board has fiduciary responsibility to the Bank and all its shareholders. It shall approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall also establish a sound corporate governance framework. Further, the board of directors shall approve the selection of the President/CEO and key members of senior management and control functions and oversee their performance.

To establish and ensure sound corporate governance, the board of directors shall consistently carry out the following general duties and responsibilities:

a) Define the Bank's corporate culture and values

The Board shall establish and maintain a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:

1) Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and bank's policies;
2) Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the bank's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The board shall ensure that the President/CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches; and
3) Oversee the integrity, independence, and effectiveness of bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board or to any independent department/ unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of the facilities of the bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

b) Approve bank's objectives and strategies and oversee management's implementation

The board shall:

1) Ensure that the bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy;

2) Approve the bank's strategic objectives and business plans. These shall take into account the bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board shall establish a system for measuring performance against plans;
3) Actively engage in the affairs of the bank and keep-up with material changes in the business and regulatory environment as well as act in a timely manner to protect the long-term interests of the bank; and
4) Approve and oversee the implementation of policies governing major areas of the bank's operations. The board shall regularly review these policies, as well as evaluate control functions (e.g. internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

c) Appointment/ selection of key members of senior management and heads of control functions and for approval of a sound remuneration and other incentives policy for personnel

The board shall:

1) Oversee the selection of the President/ CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the bank;
2) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the bank and should promote good governance, convey acceptable risk-taking behavior, and reinforce the bank's operating and risk culture;
3) Oversee the performance of senior management and heads of the control functions by:
   i) Regularly monitoring and assessing the performance of the management team;
   ii) Hold members of the senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the bank's values, risk appetite and risk culture, under all circumstances;
   iii) Regularly conduct of meeting with senior management to engage discussions, question, and critically review the reports and information provided by the latter; and
   iv) Regularly meeting of non-executive members of the board, other than in meetings of the Audit, Risk and Health & Safety (ARHS) and Corporate Governance, Compliance, and Related Party Transactions (CorGCoRPT) committees, in the absence of senior management, with external auditor and heads of the internal audit, compliance and risk management functions.

4) Engage in succession planning for the President/CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential

successors for the President/CEO and other critical positions;

5) Ensure that personnel's expertise and knowledge remain relevant. The board shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility; and
6) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

d) Approve and oversee implementation of Bank's corporate governance framework

The board shall:

1) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed, the board of directors shall:
   i) Structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The board shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors;
   ii) Create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the bank and the board of directors, the Bank's complexity of operations, as well as the board of director's long-term strategies and risk tolerance;
   iii) Regularly review the structure, size and composition of the board of directors and board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board;
   iv) Adopt policies aimed at ensuring that the members of the board are able to commit effectively discharge their duties and responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the bank's operations;
   v) Ensure that individual members of the board and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the bank's performance, financial condition, and risk exposures. All members of the board shall have reasonable access to any information about the bank at all times. The board shall also ensure that adequate and appropriate information flows internally and to the public;
   vi) Assess at least annually its performance and effectiveness as a body, as well as its various committees, the President/ CEO, the individual directors, and the bank itself, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board meeting taking into account his or her performance in the board of directors and board-level committees; and
   vii) Maintain appropriate records (e.g., meeting minutes or summaries of

matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The board of directors shall also ensure that independent views in meetings of the board of directors shall be given full consideration and such meetings shall be duly minuted.

2) Develop remuneration and other incentives policy for directors that shall be submitted for approval of the general assembly. The board shall ensure that the policy is consistent with the long-term interest of the bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities;
3) Adopt a policy on retirement for directors and officers, as part of the succession plan to promote dynamism and avoid perpetuation in power;
4) Conduct and maintain the affairs of the bank within the scope of its authority as prescribed in its charter and in existing law, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe or unsound banking.

   Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The board shall ensure that the bank's organizational structure facilitates effective decision-making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability;

5) Oversee the development, approve, and monitor implementation of corporate governance policies. The board shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement;

6) Approve an overarching policy on handling all material Related Party Transactions (RPTs) to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard, the board shall:
   a) Approve all material RPTs, those that cross the materiality threshold and write-off of material exposures to related parties, and submit the same confirmation by majority vote of the shareholders in the annual general assembly meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board. All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow shareholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during general assembly meetings and duly reflected in the minutes of board and general assembly meetings;
   b) Delegate to appropriate management or board-level committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board. This shall, however, exclude directors, officers, stockholders their related interests (DOSRI) transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings;
   c) Establish an effective system to (i) determine, identify and monitor related parties and RPTs; (ii) continuously review and evaluate existing relationships between and among businesses and counterparties; and (iii) identify, measure, monitor and control risks arising from

RPTs. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a non-related (with whom the Bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for its sound implementation. The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the board;

d) Maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under capital planning process shall also capture RPTs in order to determine whether the bank is well-insulated from any going concern issue of related parties; and

e) Oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board should ensure that senior management addresses legitimate issues on RPT that are raised. The board should take responsibility for ensuring that staffs that raise concerns are protected from detrimental treatment or reprisals.

7) Define an appropriate corporate governance framework which shall facilitate effective oversight over the bank. In this regard, the board shall:

a) Define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire bank, taking into account the nature and complexity of operations, size and types of risks which the bank is exposed to. The board shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the bank;

b) Define risk appetite of the bank which shall be linked to the process of determining its capital adequacy;

c) Ensure that adequate resources are available across the bank to effectively implement and meet the governance policies, practices and systems;

d) Define and approve policies and clear strategies for the establishment of new structures;

e) Understand the roles, the relationships or interactions within the bank. The board shall understand the legal and operational implications of the structure and how the various types of risks exposures affect the bank's capital, risk profile and funding under normal and contingent circumstances. The board shall ensure that the bank's corporate governance framework includes appropriate processes and controls to identify and address potential interbank conflicts of interest, such as those arising from interbank transactions;

f) Develop sound and effective systems for generation and sharing of information within the bank, management of risks and effective supervision; and

g) Require the risk management, compliance function and internal audit function to conduct a periodic formal review of the bank's structure, its controls and activities to assess consistency with the board approved policies, practices and strategies and to require the above-mentioned functions to report the results of its respective assessment directly to the board of directors.

e) Responsible for approving the bank's risk governance framework and overseeing management's implementation thereof

In this regard, the board shall:

1) Define the bank's risk appetite. In setting the risk appetite, the board shall take into account the business environment, regulatory landscape, and the bank's long term interests and ability to manage risk;
2) Approve and oversee adherence to the risk appetite statement, risk policy, and risk limits;
3) Oversee the development of, approve, and oversee implementation of policies and procedures relating to the management of risks throughout the bank; and
4) Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:
    i) The board shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively; and
    ii) The board shall ensure that non-executive board of directors meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the ARHS committee, in the absence of senior management.

9. Specific Duties and Responsibilities of a Director

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 stakeholder have the right to expect that the bank is being run in a prudent and sound manner. The members of the board of directors should exercise their "duty of care" and "duty of loyalty" to the Bank. In this respect a board of director should:

a) Remain fit and proper for the position for the duration of his term

A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.

b) Conduct fair business transactions with the Bank and to ensure that personal interest does not bias Board decisions

Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the Bank cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the Bank than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality. Directors are required to abstain or inhibit from participating in the Board discussion on a particular agenda when they are conflicted.

c) **To act honestly and in good faith, with loyalty and in the best interest of the Bank, its shareholders, regardless of the amount of their shareholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public.**

A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all shareholders, he should also give due regard to the rights and interests of other stakeholders.

d) **To devote time and attention necessary to properly discharge their duties and responsibilities**

Directors should devote sufficient time to familiarize themselves with the Bank's business. They must be constantly aware of the Bank's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the Bank, he should neither accept his nomination nor run for election as member of the Board.

e) **To act judiciously**

Before deciding on any matter brought before the Board, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

f) **To contribute significantly to the decision-making process of the Board**

Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of the Board.

g) **To exercise independent judgment**

A director should view each problem/ situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the Bank.

h) **To have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the content of its articles of cooperation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies**

A director should also keep himself informed of the industry developments and business trends in order to safeguard the Bank's competitiveness.

i) **To observe confidentiality**

Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.

10. Chairperson of the Board

A. Qualifications of the Chairperson

To promote checks and balances, as a general rule, the Chairperson of the board of directors shall be a non-executive director or an independent director.

The position of Chairperson and President/CEO shall not be held by one (1) person. However, in exceptional cases where the position of chairperson of the board and President/CEO is allowed to be held by one (1) person as approved by the Monetary Board of the BSP, a lead independent director shall be appointed. The Chairperson must not have served as President/CEO of the Bank within the past three (3) years. However, in exceptional cases where the position of the Chairperson and President/CEO shall be allowed to immediately assume the position of chairperson of the board provided that this is consistent with the provisions of the bank's succession plan; and there are no major supervisory concerns in the quality of the bank's governance, risk management systems, and internal controls and compliance system, and the Bank is not subject to escalated enforcement action.

The board shall ensure that the lead independent director functions in an environment that allows him to effectively challenge the President/CEO as circumstances may warrant. The lead independent director shall perform a more enhanced function over the other independent directors and shall:

- lead the independent directors at board of directors meetings in raising queries and pursuing matters; and
- lead meetings of independent directors, without the presence of the executive directors.

B. Roles of the Chairperson

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 members of the board of directors. He shall:

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

11. Cooperative Secretary

The Cooperative Secretary must be a Filipino citizen. He should work and deal fairly and objectively with all the constituencies of the Bank, namely the Board, management, shareholders and other stakeholders. He should possess organizational, interpersonal, financial, accounting and legal skills to enable effective discharge of his varied functions and responsibilities. The Cooperative Secretary shall discharge the duties and responsibilities as prescribed in the job design, by-laws and other applicable regulatory. The Board of Directors shall have separate and independent access to the Cooperative Secretary.

12. Compensation and Per Diem of Directors

The per diem and/or compensation of the board of directors shall be based on the general assembly approved allowable compensation and/or per diem, subject to the following conditions:

a. That the directors shall not be entitled to any per diem when, in the preceding calendar year, the Bank reported a net loss or had a dividend rate less than the official inflation rate for the same year;
b. Any compensation other than per diems may be granted to directors by a majority vote of regular members at GA meeting called for this purpose; and
c. Directors are allowed for any reasonable expenses incurred and/or allowances when authorized or directed to travel in connection with official business of the Bank.

13. Conduct of Board Meeting and Quorum Required

A director's commitment to the bank is evident in the amount of time he/she dedicates in performing his/her duties and responsibilities, which includes his/her presence in all meetings of the Board, committees and general assembly. In this way, the director is able to effectively perform his/her duty to the Bank and shareholders.

A majority of the Board shall constitute a quorum for the transaction of business and the vote of a majority of the quorum of the Board shall always be needed to decide any action. It shall ensure that independent views in Board meetings shall be given full consideration and all such meetings shall be duly minuted.

The Board of Directors shall hold regular meetings at least once a month in the principal office or in any place within the area of business operations. Special meetings may be called by the Chairperson, or in his absence, by the Vice Chairperson, or by majority of the members of the board of directors. Provided, that notice of the meeting specifying the agenda of the meeting shall be given to all members of the board at least one (1) week before the said meeting. The meetings may be conducted through modern technologies such as, but not limited to teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: Provided, that every member of the Board shall participate in at least fifty percent (50%) and shall physically attend at least twenty five percent (25%) of all Board meetings every year: Provided, further, that the absence of director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events. Provided, furthermore, that the twenty-five percent (25%) physical attendance requirement is lifted during periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the bank.

The quorum requirement in meetings of the Board of Directors, whether regular or special, shall be one-half (1/2) plus one of all the members. Each director shall only have one vote.

Meanwhile, board-level committees shall meet as prescribed in its respective charter. Participation of committee members may likewise be in person or through modern technologies. Provided, that the attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and proprietary of each director as member of board-level committees and the board of directors.

14. Removal of Directors

Any director may be removed from office by three-fourths (3/4) of the number of voting shares of all members with voting rights, present and constituting a quorum, in a regular or special General Assembly meeting called for this purpose. The Director concerned shall be given opportunity to be heard in this meeting.

To establish a clear, legal, and transparent process for the removal of a member of the board while ensuring that the Bank's leadership maintains fit and proper standards, and strictly protecting the director's right to due process, the following procedures shall be undertaken:

a) A verified written complaint stating specific grounds is submitted to the Cooperative Secretary. Alternatively, the process may be initiated by an official report from the Chief Compliance Officer or Internal Audit Head that flags a mandatory regulatory disqualification. If the evaluation reveals violation of any of the disqualifications enumerated under Section 138 of the MORB, the case shall be subject to the disqualification procedures provided therein;

b) The complaint/ report shall be forwarded to the CorGCoRPT Committee to evaluate and determine if it is sufficient in form and substance, and establishes a *prima facie case.* If it lacks basis, the committee will recommend to the Board that the case be dismissed . However, if the board deemed it necessary to conduct further investigation or gathering of evidence, the investigation shall be requested and delegated to the ARHS Committee through the Internal Audit Department to conduct a special audit;

c) If the complaint is deemed sufficient, the CorGCoRPT Committee or ARHS Committee shall recommend to the board of directors to issue a Show Cause Notice to the respondent director. The notice shall be issued by the Chairperson of the Board which includes a brief description of the complaint/violation, the specific bank policies or regulations violated, and an instruction to submit a written explanation within a specific time. A notice of suspension may also be issued by the Board, through the Chairperson, to the respondent director awaiting the result of audit or investigation;

d) The respondent director has the right to request a formal administrative hearing before the CorGCoRPT Committee to present supporting evidence, cross-examine witnesses, or be assisted by legal counsel;

e) The CorGCoRPT Committee together with the ARHS Committee shall deliberate the explanation of the respondent director including those presented evidence/s. The ARHS Committee shall prepare a report detailing the result of findings/ investigations which will be endorsed to the board of directors for proper action;

f) The Board shall review the committee's findings. If the case/ findings will result to the removal of the respondent director, a majority vote of the board must be obtained to pass a resolution to formally place the removal of the director on the agenda of the upcoming regular assembly meeting or call a special general assembly meeting specifically called for this purpose;

g) The general assembly shall be notified of the date and place where the assembly meeting is called for its purpose;

h) The removal case is presented to the general assembly. The respondent director is given a final opportunity to be heard before the general assembly. The director is officially removed only upon the affirmative vote of three-fourths (3/4) of the number of voting shares of all members with voting rights, present and constituting a quorum; and

i) A written notice together with the documentary requirements will be submitted by the Bank through the President/CEO and Chief Compliance Officer to the Bangko Sentral ng Pilipinas within twenty (20) banking days from the date of general assembly meeting.

15. Vacancies

An elected director shall hold office for a term of two (2) years unless sooner removed for cause, die, have resigned or become physically or legally incapacitated, and until their successors have been duly elected and qualified.

Any vacancy/ies in the Board of Directors resulting from any of the circumstances mentioned above may be filled by the vote of at least a majority of the remaining directors if still constituting a quorum. The appointed director shall hold office for the remainder of the unexpired term of his/her predecessor.

While vacancy resulting from expiration of term, the vacancy must be filled by the General Assembly in a regular or special meeting called for the purpose.

THE BOARD OF DIRECTORS

Engr. NESTOR T. BAUSTISTA
BOD Chairperson

QUIRINO V. MUÑOZ
BOD Vice Chairperson

LORETO M. PACAY JR.
Independent Director

PERLITA D. MANIBUG
Independent

Engr. RUSTICO R. TURINGAN
BOD Member

DANIEL M. NARAG
BOD Member

NATHANIEL B. GARCIA SR.
BOD Member

DAVID JAMES A. SINIGUIAN
Cooperative Secretary

The GA elected **Engr. NESTOR T. BAUTISTA** as a director in March 2022, and he has served in that capacity for more than two years. A non-executive director. He is 64 years old and a Filipino citizen. He finished a BS in Agricultural Engineering at Central Luzon State University. He became a director of the bank for 6 years, from 2004 to 2010, before he became the President/CEO for 6 years, from 2011 to 2017. He is the current manager of Cagayan Seed Producers Cooperative. He became a chairman and CEO at NORFARCO from 1994 to 2001.

Dir. QUIRINO V. MUŃOZ has been a director for more than 1 year after being elected by the General Assembly in March 2023. He is a non-executive director. He is 69 years old and a Filipino citizen. He finished a BS in Industrial Education at Mariano Marcos State University Institute of Technology and a master's degree in education at Northern Cagayan Colleges. He held a directorial seat in the bank for the following years: 1) 2005-2007, 2 years; 2) 2010-2014, 4 years; and 3) 2016-2022, 6 years. He is the chairperson of Sta. Cruz MPC, Former Teacher I, Head Teacher III, Elementary School Principal II.

Dir. LORETO M. PACAY, JR. has been an independent director for more than 1 year after being elected by the General Assembly in March 2024. He is 57 years old and a Filipino citizen. He finished AB History at Isabela Colleges and a master's in public administration at Cagayan State University. He is the current manager of Mabuhay Agri-Crop Multi Purpose Cooperative. He was an agreeable, cooperative representative of the Provincial Agrarian Reform Coordinating Committee (PARCCOMM) in 2023 and a member of the Board of Regents (PSR) of Cagayan State University in 2021.

Dir. PERLITA D. MANIBUG has been a director for more than 1 year after being elected by the General Assembly in March 2024. An independent director, 67 years old and a Filipino citizen. A graduate of BS Commerce at Polytechnic University of the Philippines. She became a manager of different branches and Units of Cooperative Bank of Cagayan from 2003 to 2017 and Internal Auditor/ Compliance Officer of this institution from 1998 to 2003. A former employee of the Land Bank of the Philippines (LBP) from 1980 to 1996.

Engr. RUSTICO R. TURINGAN is an independent director for more than 2 years after being elected by the General Assembly in March 2022. He is 66 years old and a Filipino citizen. He finished a BS in Civil Engineering and a BS in Geodetic Engineering at the University of St. Louis and a Master in Public Administration at Isabela Colleges Incorporation. He also became a director of the bank for 3 years, from 2016 to 2019. He has been the Provincial Agrarian Reform Program Officer at DAR since 2018. .

Dir. DANIEL M. NARAG is a director for more than 1 year after being elected by the General Assembly in March 2022. A non-executive director, 75 years old & a Filipino citizen. A graduate of BS Administration at University of the East—Manila. He also became a director of the bank for 3 years, from 2016 to 2019. Re -elected from 2017 to 2022 (5 years). He is the chairperson of Northern Philippine Farmers' Coop. (NORFARCO) since 2013. Farmers Organization Representative in Provincial Agrarian Reform Committee since 2018.

Dir. NATHANIEL B. GARCIA SR. has been a director for more than 1 year after being elected by the General Assembly in March 2022. A non executive director. 71 years old and a Filipino citizen. He attended a two-year Course Bachelor of Science in Architecture at Cebu Institute of Technology and a civil engineering undergraduate at International Correspondence School. He is the chairperson of Hacienda Intal Credit Cooperative. He was an instructor in the National Manpower and Youth Council, a former Director Regional Chamber of Furniture Producers for 2 years.

DAVID JAMES M. SINIGUIAN is the Cooperative Secretary for 1 year. He is 28 years old and a Filipino Citizen. he finished Bachelor of Science in Business Administration major in Financial Management at University of St. Louis Tuguegarao where he consistently demonstrates outstanding academic performance.

Major Roles and Contribution of Chairperson of the Board for 2025

The Chairperson plays a significant role in guiding the bank toward the achievement of its targets for the year 2025.

Through his leadership, the bank's Recovery Plan—aimed at ensuring preparedness during periods of financial stress—was adopted through Board Resolution No. 108. In addition, the Contingency Funding Plan, Investment Policy, and Provident Fund Plan Agreement were also approved.

The Chairperson also supports the Human Resources and Risk Management units in promoting a safe and healthy working environment for employees. Several related resolutions (Nos. 126 to 126-F) were approved and adopted. These include policies on a smoke-free workplace, tuberculosis prevention and control, alcohol-free workplace, hepatitis B awareness and prevention, anti-sexual harassment, breastfeeding support, and HIV/AIDS prevention and awareness programs.

Through his initiatives, together with management, a collection study was conducted for the year, which served as the basis for establishing the curing period for loan products. This was likewise approved through Board Resolution No. 112.

To enable all employees to effectively market the bank's products and services, the Chairperson, through the approved Performance Rewards and Incentive System Evaluation (PRAISE), has strengthened employee motivation and performance recognition initiatives.

A collection strategy aimed at addressing problematic accounts was also approved through Board Resolution No. 107. This initiative, known as "Oplan Callekta", involved selected employees actively assisting in the collection process by regularly contacting borrowers via phone to encourage timely payments and improve recovery efforts.

The role of the Chairperson has significantly contributed to the bank's operations in 2025, particularly in strengthening policy development and implementation, ensuring a safe and healthy workplace for employees, and providing motivation and incentives beyond basic salaries. These initiatives have also supported the continuous improvement of the bank's overall operations and organizational performance.

Name	Paid-in Preferred Capital	No. of Preferred Shares Held	% Of Shares Held	Principal Stockholder Represented	Paid In Common Capital	No. of Common Shares Held	% Of Shares Held
Engr. Nestor T. Bautista *Chairperson*			0.00%	Cagayan Seed Producers Cooperative	536,670.24	536	1.44%
Quirino V. MuÑoz *Vice Chairperson*	25,000.00	25	0.07%	Sta. Cruz SN MPCI	1,065,950.00	1,065	2.96%
Nathaniel B. Garcia *Member*			0.00%	Hacienda Intal Credit Cooperative	1,466,018.91	1,466	3.94%
Daniel M. Narag *Member*	500,000.00	500	1.33%	Northern Philippine Farmers Coop (NORFARCO)	533,114.25	533	1.43%
Engr. Rustico R. Turingan *Member*	256,000.00	256	0.68%	Rainbow Marketing Cooperative	333,500.00	333	0.90%
Loreto M. Pacay Jr. *Member*			0.00%	Mabuhay Agri-Crop Cooperative	196,000.00	196	0.53%
Perlita D. Manibug *Member*			0.00%	MSRT Culung Credit Cooperative	532,620.24	532	1.43%

BOARD OF DIRECTORS' ATTENDANCE							
Composition	Position	Regular			Special		
		Physical	Virtual	%	Physical	Virtual	%
Engr. Nestor T. Bautista	Chairperson	12/12		100%	3/3		100%
Quirino V. MuÑoz	Vice Chairperson	7/12	4	100%		1/3	33.33%
Nathaniel B. Garcia	Member	12/12		100%	3/3		100%
Daniel M. Narag	Member	12/12		100%	3/3		100%
Engr. Rustico R. Turingan	Member	11/12	1	100%	3/3		100%
Loreto M. Pacay Jr.	Member	12/12		100%	3/3		100%
Perlita D. Manibug	Member	11/12	1	100%	3/3		100%

B. BOARD-LEVEL COMMITTEES

The board of directors may delegate some of its functions, but not its responsibilities, to board-level committees. In this regard, the board shall:

1. Approve, review and update at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full board of directors, what is expected of the committee members, and tenure limits for serving this committee. The board shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective;
2. Appoint members of the committees taking into account the optimal mix of skills and experience to allow the members, through the committees, to fully understand and objectively evaluate the issues. In order to promote objectivity, the board of directors, shall appoint independent directors and non-executive members of the board to the greatest extent possible. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit Committee, Risk Management Committee and Compliance Committee, without prior approval of the Monetary Board;
3. Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions; and
4. Constitute, at a minimum, the Audit, Risk Management, and Compliance Committees.

Specific mandates, structure, and functional responsibilities of the different and merged board-level committees has been established in its respective charters which comprises of the following:

a. Audit, Risk and Health & Safety Committee;
b. Corporate Governance, Compliance and Related Party Transaction Committee;
c. Human Resource, Education & Training, Performance Rewards and Incentive System Evaluation (PRAISE) and Gender & Development (GAD) Committee;
d. Mediation and Conciliation Committee;
e. Asset & Liabilities and Credit Committee;
f. Bids and Awards Committee; and
g. Ethics Committee

The Board may establish additional board-level committees as operational exigencies dictate or upon recommendation by the regulatory bodies. Provided, that any newly created committee shall be governed by a specific, board-approved charter defining its composition, authority, and reporting line and frequency prior to commencement of its operations.

1. Audit, Risk and Health & Safety Committee

A. Audit

This committee shall be responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The committee shall have accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. It shall have access to independent experts to assist them in carrying the following duties and responsibilities:

- *Oversee the financial reporting framework.* The committee shall 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.
- *Monitor and evaluate the adequacy and effectiveness of the internal control system.* The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the bank's risk profile and strategic direction.
- *Oversee the internal audit function.* The committee shall be responsible for the appointment or selection, remuneration, and dismissal of internal auditor. It shall review and approve the audit scope and frequency. The committee shall ensure that the scope covers the review of the effectiveness of the bank's internal controls, including financial, operational and compliance controls, and risk management system. The committee shall functionally meet with the head of internal audit and such meetings shall be duly minuted and adequately documented. In this regard, the audit committee shall review and approve the performance and compensation of the head of internal audit, and budget of the internal audit function.
- *Oversee the external audit function.* The committee shall be responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the BSP and other regulators.
- *Oversee implementation of corrective actions.* The committee shall receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors and other control functions.
- *Investigate significant issues/concerns raised.* The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
- *Establish whistleblowing mechanism.* The committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow - up action and subsequent

resolution of complaints.

B. Risk Management

The committee shall also possess a range of expertise and adequate knowledge on risk management issues and practices. The committee shall advise the board of directors on the bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank. The committee is also responsible to:

- Oversee the risk management framework. The committee shall 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.
- *Oversee adherence to risk appetite.* The committee shall ensure that the current and emerging risk exposures are consistent with the bank's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.
- *Oversee the risk management function.* The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Risk Management Officer. It shall also ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the bank.

C. Health & Safety

The Committee shall also ensure the health and safety system of the bank through its mission statement "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."

The Committee shall include among others the following duties and responsibilities, but are not limited to:

- 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.
- Provide suggestions and recommendations for resolution of health and safety concerns.

Composition of the Committee

The committee shall be composed of at least three (3) members of the board of directors, who shall all be non-executive directors, including the chairperson who shall be an independent director. Provided, that the chairperson of the committee shall not be the chairperson of the board of directors or of any other board-level committees.

Frequency of Meeting

Meetings will be held every quarter or special meeting may be called by the Chairperson of the committee upon his/her initiative.

AUDIT, RISK AND HEALTH & SAFETY COMMITTEE			
Composition	**Position**	**No of Meetings**	**%**
Perlita Manibug	Chairperson	4/4	100%
Loreto Pacay Jr.	Member	4/4	100%
Engr. Rustico Turingan	Member	4/4	100%

2. **Corporate Governance, Compliance and Related Party Transaction Committee**

A. Corporate Governance

The committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. In this regard, the committee's duties and responsibilities are as follows:

- *Oversee the nomination process for members of the Board of Directors and for positions appointed by the board of directors*. The committee shall review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors. The committee shall recommend to the board of directors matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.
- *Oversee the continuing education program for the board of directors*. The committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed. The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors. The orientation program for first time directors shall be for at least (8) hours, while the annual continuing training shall be at least four (4) hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.
- *Oversee the performance evaluation process.* The committee shall oversee the periodic evaluation of contribution and performance (e.g. competence, candor, attendance, preparedness and participation) of the board of directors, 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*. The committee shall 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. It shall work closely with the ARHS committee in evaluating the incentives created by the remuneration system. In particular, the ARHS committee shall examine whether incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings. Moreover, it shall monitor and review the remuneration and other incentives policy including plans, processes and

outcomes to ensure that it operates and achieves the objectives as intended.

B. Compliance

The Committee shall also assist the board in fulfilling its oversight functions and responsibilities in the compliance system of the Bank. The Committee is dedicated to provide a valuable service to the Cooperative Bank of Cagayan on matters of regulatory compliance mandates, needs and requests. The Board of Directors authorizes the 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 Committee) and/or external parties, and retain, at the expense of the Bank, such outside consultants, experts and other advisors as it deems appropriate to assist in the full performance of its duties and responsibilities. In this regard, the committee shall perform its duties and responsibilities to the following but not limited to:

- Oversee the compliance program to ensure that compliance issues are resolved expeditiously;
- Oversee the compliance function;
- Review and approve the performance and compensation of the CCO, as well as the budget of the compliance function;
- Ensure that bank personnel and affiliated parties adhere to the pre-defined compliance standards;
- Review the effectiveness of the system for monitoring compliance with applicable laws, rules, and regulations as well as the results of investigation and follow-up (including disciplinary action and legal proceedings) by the management in connection with any non-compliance with legal and regulatory requirements and violations of internal policies and procedures;
- Ensure that compliance matters have been considered in the operational objectives and financial reports; and
- Monitor the Bank's compliance relative to the noted findings, exceptions and/or observations of the internal audit, external audit, BSP, CDA and other regulatory bodies and ensure that the Bank is compliant and adheres to all applicable laws, rules and regulations.

C. Related Party Transaction

The committee also ensures transparency and fairness for all stakeholders by determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. The committee shall assist the board in fulfilling its responsibilities with respect to the procedures on related party transactions (RPTs). The committee shall: i) review and endorse all RPTs including those involving DOSRI which shall require final Board approval; ii) formulate, revise and approve policies on related party transactions; iii) conduct any investigation required to fulfill its responsibilities on RPTs; iv) consult or retain at the Bank's expense such outside legal counsel, accounting or other advisers, consultants or experts as the Committee may consider necessary from time to time to carry out its duties; and v) have access to all bank records in order to perform its responsibilities.

In this regard, the committee is expected to perform its duties and responsibilities on related party transactions, as follows:

- Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board of directors and regulators/supervisors.

- Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the BSFI are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the committee shall take into account, among others, the i) related party's relationship to the Bank and interest in the transaction; ii) material facts of the proposed RPT, including the proposed aggregate value of such transaction; iii) benefits to the Bank of the proposed RPT; iv) availability of other sources of comparable products or services; and v) assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material based on Bank's internal policies shall be endorsed by the committee to the board of directors for approval.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to manage material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.
- Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Composition

The committee shall be composed of at least three (3) members of the board of directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson. In case a member has conflict of interest in a particular related party transaction, he/she should refrain from evaluating that particular transaction. The CCO or the Internal Audit Head may sit as resource persons during the committee's meeting.

Frequency of Meeting

Meetings will be held every quarter or special meeting may be called by the Chairperson of the committee upon his/her initiative.

CORPORATE GOVERNANCE, COMPLIANCE AND RELATED PARTY TRANSACTION COMMITTEE MEETING ATTENDANCE			
Composition	**Position**	**No of Meetings**	**%**
Dir. Loreto Pacay Jr.	Chairperson	3/3	100%
Dir. Perlita Manibug	Member	3/3	100%
Dir. Rustico Turingan	Member	3/3	100%

3. Human Resource, Education & Training, Performance Rewards and Incentive System Evaluation (PRAISE) and Gender and Development Committee

A. Human Resource, Education & Training, and PRAISE

The committee is tasked to oversee the human resource management and establish a formal and transparent procedure in determining the remuneration of officers, employees and counsels/consultant that is consistent with the Bank's culture, strategy, business environment and industry practice. The committee shall have unrestricted access to management to seek explanations and additional information.

The committee's objectives are:

- To give clear and concrete information on the personnel and administrative policies and procedures to all staff members (employees) of the Bank;
- 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; and
- 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.

The Committee is responsible to oversee the overall human resources strategy, capacity building, and remuneration and incentive policies 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 respective duties and achieve their individual level of potential;
- A high performance culture and

employee engagement that will drive organization's success; and

- A level and mix of reward and recognition that will attract and retain employees with the essential skills and expertise to motivate high performance and maintain the integrity of the Bank's remuneration principles, strategies and practices which aligns with the shareholder and employee interests and provide a framework for undertaking reviews of remuneration proposals.

Hence, the committee is responsible to fulfill the following functions, duties and responsibilities:

- Oversee the annual talent review process for executives and senior management, and the development of succession plans for executives and key senior management to foster an appropriate balance of skills, experience, and expertise to support the ongoing successful management of the Bank;
- Oversee and ensure that diversity remains a key component of the global Human Resources strategy;
- Oversee an appropriate wide diversity policy and report to the Board at least annually on progress in achieving the bank's objectives;
- The Committee is to satisfy itself that all legal and disclosure requirements in relation to diversity are satisfied;
- Identify skill gaps and formulate training plan of the required knowledge needs to all the bank's officers and other personnel;
- Seek or provide specialized leadership and management training programs to prepare high-potential staff and members for future leadership roles including the continuing education of key officers and senior management;
- Oversee the Bank's recruitment, retention and termination of executives, senior management and employees in order to ensure a market-competitive approach with the sourcing and retaining the level of talent required;
- Review regularly and recommend to the Board for approval the remuneration philosophy, principles, policies, strategy and framework of the Bank including the applicable short-term and long-term incentive arrangements (including robust performance measures and targets;
- Monitor the effectiveness of the Bank's overall remuneration framework in achieving its objectives;
- Review the Bank's recruitment and retention strategies;
- Review regularly and recommend to the Board for approval the remuneration policy, arrangements including fixed and variable components, performance measures and targets for the senior management and rank-and-file employees which aligns with the expected outcome of the annual performance; and
- Consider, and if deemed appropriate, approve the employment contract terms and remuneration arrangements of retains/ consultants.

B. Gender and Development

The committee is also 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 the bank.

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".

In this regard, the committee is also responsible to effectively carry out its duties and responsibilities to conducts gender analysis, develop and recommend GAD and gender equality (GE) policies and programs/activities/projects to the Board, monitor and assess progress in the implementation of GAD programs/ activities/projects towards achieving GE, submit report to the board, provide directional guidance, and perform such other function as may be prescribed in the by-laws or authorized by the regulatory agencies and board of directors.

Composition

The committee shall be composed of at least three (3) members of the board of directors including the Vice-Chairperson and shall automatically act as the Chairperson of the Committee.

Frequency of Meeting

Meetings shall be held monthly.

HUMAN RESOURCE, EDUCATION & TRAINING, PRAISE and GAD COMMITTEE MEETING ATTENDANCE			
Composition	Position	No of Meetings	%
Dir. Quirino Munoz	Chairperson	11/12	91.76%
Dir. Rustico Turingan	Member	11/12	91.76%
Dir. Daniel M. Narag	Member	8/8	100%
Director Narag was only appointed as member of the committee after the General Assembly Meeting			

4. Mediation and Conciliation Committee

This committee was created as a mandate by the DOLE and pursuant to 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. This committee will provide an independent, confidential, and accessible forum for the amicable settlement of disputes within the Bank. In alignment with cooperative principles, the committee aims to preserve internal harmony and strengthen member relations by facilitating voluntary, mutually agreeable resolutions to conflicts.

The Committee serves to ensure that all disputes whether between members, between members and management, or involving the board of directors, are handled with neutrality, equity, and due process.

Duties and Responsibilities

The duties and responsibilities of the Mediation and Conciliation Committee are as follows:

- Conduct mediation-conciliation proceedings and services;
- Formulate, develop, and improve the Conciliation-Mediation policies, guidelines and program and ensure its proper implementation;
- Monitor Conciliation-Mediation program and processes;
- Submit semi-annual Mediation and Conciliation Report as part of the annual submissions of the Bank through the Cooperative Assessment Information System (CAIS);
- Accept and file evaluation reports;
- Submit recommendations for improvement to the Board of Directors;
- Recommend to the Board of Directors any member of the cooperative for Conciliation-Mediation Trainings as Cooperative Conciliation-Mediator;
- Issue the Certificate of Non-Settlement (CNS);
- 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 prescribed in the By-laws, regulators or authorized by the board.

Composition of the Committee

The Mediation and Conciliation Committee shall be composed of three (3) members to be appointed by the Board of Directors. They shall serve for a term of one (1) year or until their successors shall have been appointed and qualified and without prejudice to their reappointment. No member of the committee shall hold any other position in the Bank during his/her term of office.

Frequency of Meeting

Meetings will be held as need arises or special meeting may be called by the Chairperson of the committee upon his/her initiative.

No conducted committee meeting for the year—No agenda to discuss

MEDIATION AND CONCILIATION COMMITTEE MEETING ATTENDANCE			
Composition	**Position**	**No of Meetings**	**%**
Dir. Daniel Narag	Chairperson		
Dir. Nathaniel Garcia	Member		
Dir. Nestor Bautista	Member		

5. Asset & Liabilities and Credit Committee

A. Asset and Liability

The committee has been established to provide the framework to strategically manage the bank's overall assets and liabilities for the long-term and the short term goals and objectives. The committee shall have the following duties and responsibilities:

- Establish policies, limits and guidelines within which asset and liability management (ALM) strategies are to be executed which are within the limits set by Board;
- Liquidity management;
- Monitor the bank's performance and overall liquidity risk profile in a timely manner by requiring regular reports. These reports should, at a minimum, contain the liquidity position of the bank along with information related to compliance with established risk limits, and on new or emerging liquidity risks;
- Provide direction, guidance, and monitor performance of bank's products rendered to its clients;
- Mandate and track resolution of breaches in risk limits and actions

- taken on deviations from policies and procedures; and
- Monitor activities and review results of ALM strategy implementation and execution.

The Committee is also responsible in i) defining bank's management objectives for customer transactions dealing; ii) defining bank's liquidity management; iii) receive reports from FMBO department and review, revise and adjust limits as necessary; iv) provide guidance and monitor performance of investments of the bank; v) review markets and new investment opportunities; vi) review performance of existing investments; vii) review and approve new investments and changes in allocations within approved guidelines and risk exposure limits; viii) reviews and maintains agreed risk exposures; ix) review and approve the recommendation of the Risk Management Officer (RMO) on the booking of Allowance for Credit Losses (ACL); and x) review the over-all risk exposure of the bank as to other assets and liabilities.

B. Credit

The committee shall also be responsible for assessing the credit standing and ability to repay debt of prospective borrowers of the bank including the determination of the bank's credit policy and spotting potential risks of various transactions assumed by the bank. Also, it is the committee's responsibility to ensure that management is appropriately identifying, measuring, controlling and monitoring the bank's liquidity risk, interest rate risk and capital adequacy position. The committee shall have access data or records of loan accounts requiring actions from the Committee.

In line with the Bank's trusts of maintaining high quality, sound and profitable loan portfolio, the committee shall evaluate and approve loan accounts within its credit approval authority, and review credit evaluation and approval procedures and recommend changes, if necessary to ensure continues relevance and effectiveness.

The Committee will also carry out the following responsibilities:

- To establish the Bank's overall credit risk capacity;
- Set strategic targets, portfolio composition and limits at the branch level;
- Review and approve credit decision that may pose material risks to the Bank's business strategy or reputation;
- Review the financial results of the Bank and determine action plans; and
- Review at least quarterly the industry ratios pertaining to the asset quality.

Composition of the Committee

The Committee shall consist of at least three (3) members of the Board of Directors.

Frequency of Meeting

Meetings will be held monthly

ASSET & LIABILITIES AND CREDIT COMMITTEE			
Composition	**Position**	**No of Meetings**	**%**
Dir. Quirino Munoz	Chairperson	12/12	100%
Dir. Daniel Narag	Member	12/12	100%
Dir. Nathaniel Garcia	Member	12/12	100%

6. Bids and Awards Committee

The Bids and Awards Committee ("BAC") is constituted to assist the Board of Directors of the Bank in exercising its oversight function and in upholding transparency and accountability by implementing rules and

and regulations that promote fair, objective, efficient and transparent procurement of goods and services.

Organization and Composition of the Committee

The board may, by a resolution or resolutions duly passed by majority of its members, create the Bids and Awards Committee which shall be comprised of at least three (3) members, two (2) of whom shall be appointed by the board and the President/CEO. The Chairperson of the board shall not be appointed as member of this committee. The Board shall have the power to change the members of the Committee at any time, to fill vacancies therein and to discharge or dissolve the Committee with or without cause. The Board shall appoint the Chairperson of the BAC.

Duties and Responsibilities

The following are the duties and responsibilities of the Bids and Awards Committee, to wit:

- Ensure that all procurement activities that will be carried out by the Bank will: i) provide the best possible value for money; ii) conducted in a fair, objective, efficient, and transparent manner; iii) compliant with all internal policies and meet all legal and internal control requirements; and iv) use best practices in the application of ethical standards;
- Ensure that procurement options are chosen on the basis of the degree to which these fulfill the Bank's aims and objectives;
- Enforce internal compliance with a consistent and standard approach in the procurement of goods and services by all units and employees of the Bank;
- 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;
- Ensure that the selection of suppliers, vendors, and contractors shall be based on demonstrated ability to meet the bank's business and operational objectives, and the required technical and nontechnical specifications in a cost-effective manner;
- All actions of the BAC shall be minuted and reported to the Board on the next meeting following such action; and
- Periodically review and assess the adequacy of this charter and recommend any proposed changes subject to the Board's approval.

Frequency of Meetings

Meetings may be held at such time and place and upon such notice, if any, as the BAC may prescribe. Special meetings may be called for by the Chairperson of the BAC or by request of a majority of the BAC members with at least one day notice of the time and place of the meeting, given personally or by letter, telegram, telephone, electronic mail, or any mode of communication.

No conducted meeting for the year—No agenda to discuss

BIDS AND AWARDS COMMITTEE MEETING			
Composition	**Position**	**No of Meetings**	**%**
Dir. Daniel Narag	Chairperson		
Dir. Quirino Munoz	Member		
Atty. Robin James Gunnacao	Member		

7. Ethics Committee

Ethics Committee shall promote and help sustain a charter of ethical conduct throughout the operation of the Bank. The Ethics Committee shall review all Bank's codes of conduct, conflict of interest regulations and disclosures, and other policies and reports addressing prescribed and recommended standards of behavior of Cooperative Bank members and employees. The Committee shall address inquiries regarding the applicability, compliance or non-compliance with promulgated ethical standards, shall review complaints alleging ethical violations that are referred to it by 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. To review and recommend to the management and board on policies and procedures that best serve the Bank's interests in maintaining a business environment that is committed to high standards of ethics and integrity, corporate responsibility and legal compliance.

The Committee shall have authority to retain and obtain advice and assistance from internal or external ethics, legal or other advisors as it believes may be necessary to fulfill its responsibilities. The Committee shall also have authority to assess and recommend such advisor's fees, expenses and the other terms of its retention subject to the approval of the Board of Directors. The Bank shall provide appropriate funding, as determined by the Committee, for paying the fees and expenses of any advisors retained by the Bank.

Duties and Responsibilities

The duties and responsibilities of the Ethics Committee are as follows:

- Formulate, develop, implement and monitor the Code of Governance and Ethical Standards (CGES) to be observed by the members, officers and employees of the Bank subject to the approval of the BOD and ratification by the GA;
- Conduct initial investigation or inquiry, upon receipt of a complaint involving violations of the Code of Governance and Ethical Standards;
- Submit a report on its recommendation together with the appropriate sanctions, to the Board for its proper action, or to the remaining members of the board, if the violation is committed by any members of the board. Provided, that if the remaining members of the board fail to act on the report within a period of thirty (30) days, or the violation is committed by the majority of the board, the ARHS Committee shall act on the same; and
- Perform such other functions as may be prescribed in the By-laws, regulators or authorized by the GA.

Composition of the Committee

The Ethics Committee shall be composed of three (3) members to be appointed by the Board of Directors. They shall serve for a term of one (1) year or until their successors shall have been appointed and qualified and without prejudice to their reappointment. No member of the committee shall hold any other position in the Bank during his/her term of office.

Frequency of Meetings

Meetings will be held as need arises or special meeting may be called by the Chairperson of the committee upon his/her initiative.

No conducted meeting for the year—No agenda to discuss

ETHICS COMMITTEE MEETING ATTENDANCE	
Composition	**Position**
Robert D. Simeon	Chairperson
Reymundo D. Salagan	Member
Salud B. Vitug	Member

C. MANAGEMENT-LEVEL COMMITTEES

To ensure the efficient execution of policies approved by the Board of Directors and to maintain robust control over the day-to-day operations of the Bank, the management utilizes a network of specialized management-level committees which are the Management Committee (MANCOM) and Operations Committee (OPECOM). These committees serve as the primary operational engines of the Bank, translating board-approved strategies into daily banking practices, monitoring frontline risks, and driving bank's performance.

While board-level committees provide governance and independent oversight, management-level committees are strictly executive and operational in nature. They bring together key senior officers and department heads to collaborate on multi-disciplinary business decisions, manage interdepartmental dependencies, and ensure that the Bank operates safely, soundly, and within established risk tolerances.

These management-level committees shall provide the Board with complete and adequate information on the operations and affairs of the bank in a timely manner.

1. Management Committee

The Management Committee (MANCOM) serves as the primary executive body responsible for the operational management, administrative oversight, and strategic execution of the Bank's operational plan. The MANCOM provides a collaborative forum for department heads to review the Bank's financial and operational performance, address operational challenges, and implement robust compliance system and internal controls. The committee ensures that day-to-day operations align with the strategic directives, risk appetite, and governance frameworks established by the Board of Directors. Issues and concerns may either be addressed by the committee itself or elevate to the appropriate board-level committee and/or the full board of directors.

A. Composition of the Committee

The committee shall be headed by the President/CEO and its members composed of the Chief Operating Officer (COO), Fund Management & Branch Operation (FMBO) Head, Loans Department Head, Chief Accountant, Human Resource (HR) & Administrative Department Head, Information Technology (IT) Head, Asset Management & Legal Department (AMLD) Head, and Research & Development (R&D) Head. While, the three (3) independent officers (i.e. Internal Audit Head, Risk Management Officer, and Chief Compliance Officer) shall serve as the committee's resource persons to preserve checks and balances and maintain strict compliance with regulatory bodies. The committee may also request the attendance of any other officer or employee of the Bank as an ad-hoc resource person when specialized expertise or specific data is required. The Executive Secretary shall responsible in the preparation of the committee's minutes of meetings, however, in its absence the committee shall designate or appoint one of its members or other employee to act as the secretary.

B. Duties and Responsibilities of the Committee

The committee shall execute the following duties and responsibilities in the management of the bank's operations but not limited to:

- Review issues and concerns of the different departments to come up with a resolution to address the issue or concern. If the resolution affects any of the policy of the Bank or if it will serve as a precedent case concerning the operations or administration of the Bank, such resolution will be subject to the review of the appropriate board-level committee/s and will be further subject to the approval of the board en banc;
- Review and refine the proposed operational plans and budget and/or strategic development plan before it shall be elevated to the appropriate board-level committees, and/or full board of directors to cause its approval;
- Translate the board-approved strategic goals and long-term vision into actionable targets, operational plans and budgets. The committee is also responsible for continuously monitoring and evaluating the execution thereof across the bank;
- Review and monitor the operational performance including key performance indicator results and trends, risk exposure and risk mitigation strategies, and business continuity of the Bank;
- 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, evaluate and provide executive guidance on operational requests, resource allocations, and recommendations elevated by the Operations Committee;
- Formulate, implement, and monitor corrective action plans to address variances, shortfalls, or adverse trends in the Bank's financial and operational performance against its targets;
- Review the overall quality, concentration and performance of the bank's loan portfolio;
- Review and refine recommended policies, processes before they are endorsed to the appropriate board-level committee for board's approval;
- Oversee the operationalization, testing, and implementation of the bank's business continuity plan and recovery plan to ensure continuous operations during financial stress, operational disruptions, or calamities;
- Address, resolve and remediate deficiencies/audit findings/ or compliance issues noted by the Internal Audit, External Audit and other regulatory bodies on a timely manner; and
- Perform other functions as required or mandated by the board and/or regulatory bodies.

Meetings and Quorum

The Management Committee shall have a regular monthly meeting. The President/CEO shall be the presiding officer during the meeting or in his absence may appoint the Chief Operating Officer or any member of the committee to act as the temporary presiding officer. A quorum for any meeting will be at least 50% of the number of members. Special meetings may convene as required. The proceedings of all meetings of the Management Committee shall be in minutes to be fully documented by the appointed Secretary of the Committee.

MANAGEMENT COMMITTEE MEETING ATTENDANCE

Composition	Position	No of Meetings	%
Atty. Robin James A. Gunnacao- President/ CEO	Presiding Officer	12/12	100%
Marilyn L. Sagala—Chief operating Officer	Member	11/12	91.67%
Steven B. Bańez—FMBO Head	Member	10/12	83.33%
Jitko B. Tayawa—Loans Department Head	Member	11/12	91.67%
Karina P. Bunagan—HR & Admin. Head	Member	11/12	91.67%
Jhon Czery C. Alina—Chief Accountant	Member	8/8	100%
Maynard B. Corpuz—I.T. Head	Member	11/12	91.67%
Rizza T. Sulla—R&D Head	Member	11/12	91.67%
Kristine Joyce A. Pascual—Asst. AMLD Head	Member	12/12	100%
Joel V. Bugaring—Security/Risk Mgmt. Officer	Member	12/12	100%
Kristine P. Pasicolan—Chief Compliance Officer	Member	11/12	91.67%
Internal Audit Officer or the OIC of the Office	Member	11/12	91.67%

- *Mr. Alina, Chief Accountant, commenced attendance at the meetings beginning in May, following his appointment.*
- *Ms. Carina Catabay (former IA Head) resigned effective July 2025.*

  Following her resignation, Ms. Mary Joyce Bruan, as the most senior successor in the Department, attended the July meeting.

2. **Operations Committee**

Operations Committee (OPECOM) was established to oversee, streamline, and enhance the execution of the Bank's day-to-day banking operations and branch performances. The OPECOM is responsible for strategic execution to ensure that the bank's operational infrastructure, branch channels, and systems function efficiently, effectively, securely and in strict compliance with internal guidelines and applicable laws, rules, and regulations.

The primary purpose of the OPECOM is to maximize operational efficiency, reduce transaction processing cycle times, manage frontline operational risks, and ensure uniformity in policy implementation across the bank and all its branches and branch-lite units.

A. Composition of the Committee

The OPECOM shall be headed by the Chief Operating Officer and shall be composed of the FMBO Head, Loans Department Head, Assistant Loans Head, Branch Managers, Lending Support Unit (LSU) Supervisor, Appraisal Supervisor, Evaluation Supervisor, Credit Management Unit (CMU) Supervisor, Account Management Unit (AMU) Supervisor, and Microfinance Supervisor.

The committee may invite the Chief Compliance Officer, Internal Audit Head, and Risk Management Officer to provide guidance on the proper implementation of operational workflows to ensure that the Bank's operations remain aligned with the internal policies and guidelines and regulatory mandates. The committee may also request attendance of other department heads/ officers/employees to act as ad-hoc resource persons when specialized technical expertise or data/information is required. The committee chairperson shall designate or appoint a secretary to prepare the committee's minutes of meeting.

B. Duties and Responsibilities of the Committee

The OPECOM shall exercise the following duties and responsibilities to maintain a robust and secure operating environment but not limited to:

- Initiate the preparation of the annual targets, capital expenditure and operational budgets across all branches and branch-lite units for endorsement to the MANCOM;
- Monitor the execution of the board-approved strategic goals and long-term vision into actionable targets, operational plans and budgets;
- Review, monitor and evaluate the operational and financial performance of the bank's branches and branch-lite units;
- Continuously review and monitor operational risk exposure and risk mitigation strategies including business continuity;
- Develop strategies, action plan and/or remediation to continuously attain and improve the operational and financial performance of the Bank; and
- Determine and identify support needed from other departments.

Meetings

The Operations Committee shall have a regular monthly meeting. The COO shall be the presiding officer during the meeting or in his/her absence may appoint any member of the committee to act as the temporary presiding officer.

OPERATIONS COMMITTEE MEETING ATTENDANCE

Composition	Position	No of Meetings	%
Marilyn L. Sagala—Chief operating Officer	Presiding Officer	12/12	100%
Steven B. Bańez—FMBO Head	Member	12/12	100%
Jitko B. Tayawa—Loans Department Head	Member	12/12	100%
Sheryl C. Pamittan—Asst. Loans Department	Member	12/12	100%
Melody Faith C. Macababbad—Main Branch	Member	12/12	100%
Joan T. Soriano—Lal-lo Branch Manager	Member	11/12	91.67%
Robin C. Cajio—Abulug Branch Manager	Member	12/12	100%
Linden M. Gacias—LSU Supervisor	Member	9/9	100%
Roldan B. Apacible—Evaluation Unit	Member	12/12	100%
Richie L. Canapi—Appraisal Unit Supervisor	Member	10/12	83.33%
Kaepee T. Corpuz—CMU Supervisor	Member	11/12	91.67%
Janice G. Ulep—AMU Supervisor	Member	12/12	100%
Ricky B. Mabborang—Microfinance Unit Supervisor	Member	11/12	91.67%

Ms. Linden Gacias was able to attend only the Operations Committee Meeting beginning in April 2025, in light of her recent appointments.

D. OFFICERS

The officers of the bank shall include President/ Chief Executive Officer, Chief Operating Officer, Internal Audit Head, Risk Management Officer, Chief Compliance Officer, Treasurer/ Chief Finance Officer and others mentioned/ enumerated as officers in the Bank's by-laws and applicable regulations. The Board of Directors may appoint or employ other officers, subject to the general provisions, rules and regulations of the BSP, CDA and other regulatory bodies. They shall perform such duties as may be prescribed by the Board of Directors.

Each officer shall contribute his share in the pursuit of good corporate governance. His/her service shall be characterized by honesty and integrity, diligence and dedication, efficiency and effectiveness, loyalty and fidelity, adherence to sound banking practices and the rule of law, as well as fairness and equity to all depositors and clients constituting the banking public; his/her peers and colleagues in the Bank and the banking community, the Board and senior officers, and the public in general.

1. Qualifications of an Officer

An officer must be fit and proper for the position he is being appointed to. In determining whether an officer is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, possession of competencies relevant to the function such as knowledge and experience, skills and diligence, and concurrent positions in the bank and interlocking positions in other entities that may pose conflict of interest.

In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his/her ability to continuously comply with the bank's policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

At a minimum, an officer must at least be twenty-one (21) years of age, a college graduate or have at least five (5) years' experience in banking or related activities or in a filed related to his position and responsibilities, or have undergone training in banking acceptable to the BSP.

An appointed officer has the burden to prove that he possesses all the minimum qualifications and none of the cases mentioned under Section 138 of the MORB (Persons disqualified to become officers). An officer subject for confirmation shall submit to the Bank the required certifications and other documentary proof of such qualifications using the BSP-prescribed template/form within ten (10) banking days from the date of meeting of the board of directors in which the officer is appointed or promoted. Within twenty (20) banking days from date of appointment/ promotion, the Bank shall submit the same to the BSP for its confirmation. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and results to his/her removal therefrom.

2. Persons Disqualified and Prohibited to Become Officer

Consistent with the fit and proper standards mandated for directorship, a person shall be disqualified to become or from holding an officer position if any of the grounds for disqualification enumerated under Section A.3.b *(Disqualifications of Director)* of this section is present. This stringent process is to promote the integrity of the Bank and to better protect the interest of the public.

In addition to those grounds for disqualification, the following person will be prohibited to become or serve as an officer of the Bank:

a. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within the bank:
   - Decision making and senior management function (e.g. President, Chief Executive Officer (CEO), Chief Operating Officer (COO), Fund Management and Branch Operation Head (FMBOH) and Chief Finance Officer (CFO);
   - Treasury Function (e.g. Treasurer or Treasury Head);
   - Recordkeeping and financial reporting functions (e.g. Chief Accountant);
   - Safekeeping of Assets (e.g. Cashier)
   - Risk Management Function (e.g. Risk Management Officer)
   - Compliance Function (e.g. Chief Compliance Officer) and
   - Internal Audit Function (e.g. Internal Audit Head)

   The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of Manager or Teller/Cashier of a branch/ branch-lite unit or their respective equivalent positions is prohibited from holding or being appointed to any of said positions in the same branch/ branch-lite unit;

b. Any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or –controlled corporations (GOCCs) or in cases allowed under existing laws;

c. Any incumbent officer or employee of the Cooperative Development Authority (CDA);

d. Any incumbent elective public official, except a party list representative who is an officer of a cooperative s/he represents, and which the cooperative is a stockholder of the bank; and

e. A person engaged in business similar to that of the bank or who in any way has a conflict of interest with it.

3. Duties and Responsibilities

Duties and responsibilities of officers shall include among others the following:

- *To set the tone of good governance from the top*

  Bank officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the Board are consistently adopted across the Bank.

- *To oversee the day-to-day management of the Bank*

  Bank officers shall ensure that bank's activities and operations are consistent with its strategic objectives, risk strategy, corporate values and policies as approved by the Board. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.

- *To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency*

  Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board for the performance of the Bank.

- *To promote and strengthen checks and balances systems in the Bank*

  Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, risk management, compliance and external audit functions.

4. The President/CEO

The President/CEO shall be the overall-in-charge for the management of the business and affairs of the bank governed by strategic direction and risk appetite approved by the board. He shall be primarily accountable to the board in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the bank. He may assign and delegate the exercise or performance of his powers, duties and functions to any other officer/s subject to his supervision and control. He may also constitute management committees for this purpose. His responsibilities include among others, the following:

- To ensure that all orders and resolutions of the Board of Directors are carried into effect;
- To submit regularly to the Board a complete report on the results of operations of the Bank;
- To promptly notify 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; and
- Directs, evaluates and guides the work of the key officers of the bank.

5. Compliance Function

The compliance function shall ensure that a robust compliance system is in place to ascertain that the bank conducts its business in accordance with relevant laws, rules, regulations, and internal policies. It shall identify areas which are likely to lead to incidents or violations that can undermine the bank's reputation.

The compliance function shall have a formal status within the bank. It shall be established by a charter or other formal document approved by the board that defines the compliance function's standing, authority and independence. It shall have the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy, and shall directly report to and have direct access to the board and the CorGCoRPT committee.

The compliance function shall facilitate effective management of compliance risk by:

- Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
- Apprising personnel on compliance issues, and acting as a contact point within the bank for compliance queries from personnel;
- Establishing 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;
- Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;
- Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;

- Monitoring and testing compliance by performing sufficient and representative compliance testing; and
- Maintaining a constructive working relationship with the BSP and other regulators.

6. **Internal Audit Function**

An effective and effective internal audit function constitutes the third line of defense in the system of internal control. Internal audit 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 the bank, 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. The bank shall have a permanent internal audit function.

7. **Risk Management Function**

The risk management function shall be responsible for overseeing the risk-taking activities of the bank, as well as in evaluating whether these remain consistent with the bank's risk appetite and strategic direction. It shall ensure that the risk governance framework remain appropriate relative to the complexity of risk taking activities of the bank. The risk management function shall be responsible for identifying, measuring, monitoring and reporting risk on a bank-wide basis as part of the second line of defense. It shall directly report to the ARHS committee and board of directors. Personnel in the risk management function should collectively have knowledge and technical skills commensurate with business activities and risk exposures of the Bank.

8. **Remuneration and Other Incentives**

The board shall approve remuneration and other incentives policy that is appropriate and consistent with the bank's operating and risk culture, long-term business and risk appetite, performance, and control environment. The policy shall cover all employees and should designed to encourage good performance that supports the interest of the bank and its stakeholders. The board or the Performance Rewards and Incentive System Evaluation (PRAISE) Committee shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended.

In designing or enhancing remuneration and other incentive policy, the bank shall consider the following:

- The remuneration and incentives package shall take into account the employee's position, role, responsibilities, and activities in the bank. The bank shall also consider the risks that the employee takes on behalf of the bank. In this regard, it should be sensitive to prospective risks and risk outcomes that have been realized and considers the overall performance of the bank;
- Remuneration and incentive pay-out schedule should be sensitive to the time horizon of risk. The policy may include provisions that defer payment until risk outcomes are better known or provisions

under which remuneration and incentives paid was based on erroneous assumptions, such as misreporting or if it is discovered that the employee has failed to comply with internal policies or legal requirements; and

- Remuneration of employees in risk control functions (i.e. internal audit, risk management and compliance) shall be based on the achievement of their objectives and shall be independent of the business lines which they oversee.

The bank may grant loans, advances, or any other forms of credit accommodations to its officers as part of the board-approved remuneration and incentive program. The board shall ensure that these credit accommodations are granted for legitimate purposes, such as among others, financing the housing, transportation, and personal needs of the officers. In this regard, the board shall identify specific purposes eligible of said credit accommodations to officers to promote good performance and acceptable risk-taking behavior consistent with the bank's operating and risk culture, long-term business and risk appetite, performance, and control environment. The bank shall submit the board-approved purposes for the grant of loans, advances, or any other forms of credit accommodations to officers for approval of the BSP within twenty (20) banking days from approval of the board of directors. The guidelines and contractual provisions implementing said defined purposes, and any subsequent changes thereto, shall on the other hand, be approved by the board of directors or a designated board-level committee.

Any changes any of the provisions of the earlier financing programs for officers that have been approved by the BSP shall submit for approval of the BSP the board-approved purposes for the grant of loans, advances, or any other forms of credit accommodations to officers.

The investment by the bank in equipment and other chattels under fringe benefits program for officers and employees shall be included in determining the extent of the investment of the bank in real estate and equipment for purposes of Section 51 of R.A. No. 8791. The investment in equipment and other chattels contemplated under these guidelines shall not be for the purpose of profits in the course of business for the bank. The aggregate outstanding loans and other credit accommodations granted under the fringe benefits program, inclusive of those granted to officers in the nature of lease with option to purchase, shall not exceed five percent (5%) of the bank's total loan portfolio.

The Bank shall maintain a record of "availments of loans, advances, or any other forms of credit accommodations to officers and employees" and keep on file the board-approved purposes, guidelines, and contractual provisions of the loans, advances, and other credit accommodations to officers and employees.

9. Disciplinary Action for Officers

The Bank demands the highest standards of professional conduct, integrity, and regulatory compliance from its officers. Any officer found to have violated the Bank's standard/code of conduct, breached fiduciary duties, exhibited gross negligence, or failed to maintain the "fit and proper" standards mandated by the BSP and other regulatory bodies shall be subject to the disciplinary actions and administrative procedures stipulated in the bank's Personnel and Administrative Manual.

COMPENSATION AND OTHER BENEFITS OF DIRECTORS AND OFFICERS

To protect the funds of depositors and creditors, the BSP may regulate or restrict the payment of compensation, allowances, fees, bonuses, profit sharing and fringe benefits to the directors and officers in exceptional cases and when circumstances warrant, such as, but not limited to the following:

- When the bank is under controllership, conservatorship or when it has outstanding emergency loans and advances and such other forms of credit accommodation from the BSP which are intended to provide it with liquidity in times of need;
- When the bank is found by the BSP to be conducting business in an unsafe and unsound manner; and/or
- When the bank is found by the BSP to be in an unsatisfactory financial condition such as, but not limited to: (i) capital is impaired; (ii) suffered continuous losses from operations for the past 3 years; (iii) composite SAFR in the latest examination is 2 and below; and (iv) under rehabilitation by the BSP/PDIC which rehabilitation may include debt-to-equity conversion, etc.

In the presence of any one or more of the circumstances mentioned above, the BSP's Monetary Board may impose the following restrictions in the compensation and other benefits of directors and officers:

- In the case of profit sharing, the provision on profit sharing program shall be observed, the total amount of unbooked ACL and deferred charges shall be deducted from the net income.
- Except for the financial assistance to meet expenses for the medical, maternity, education and other emergency needs of the directors or officers or their immediate family, the other forms of financial assistance may be suspended.
- When the total compensation package including salaries, allowances, fees and bonuses of directors and officers are significantly excessive as compared with peer group averages, the Monetary Board may order their reduction to reasonable levels. Provided, that even the bank is in financial trouble, it may nevertheless be allowed to grant relatively higher salary packages in order to attract competent officers and quality staff as part of its rehabilitation program.

INTERLOCKING DIRECTORSHIP and/or OFFICERSHIP

The Bank also recognizes that effective sharing of managerial and technical expertise across institutions promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management. To ensure that the benefits of having directors or officers with interlocking positions in other entities are optimized, the concerned director or officer should devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

1. Responsibilities of Board of Directors

The board shall:

a) Approve policy and its amendments on having directors or officers with interlocking positions in other entities, which shall cover, among others, the following:

- Cases and the corresponding rationale when the bank shall allow/ appoint directors or officers to have/with interlocking positions in other entities; the sectors or industries of the entities where the director or officer may hold interlocking positions. Provided, that the limit to be set for non-executive director to concurrently serve as director shall be maximum of five (5) publicly listed companies;

- Measures to avoid excessive concentration of economic power, unfair competitive advantage and abusive practices. The policy shall also include the measures in handling conflict of interest situations;
- Requirements to obtain proof of disclosure to and consent from all the involved entities on interlocking officership held outside the banking group; and
- Courses of action in case conflict of interest arise or when the performance of the director or officer has been affected by the interlocking positions held.

b) Ensure effective governance process on the selection and appointment of directors and/or officers who are holding interlocking positions in other entities. The governance process shall cover continuous assessment of potential conflict of interest in the entities involved as well as the interlocking positions held.

c) Ensure that directors and/or officers holding interlocking positions in other entities effectively carry out their duties and responsibilities in the bank. It shall be the responsibility of the board of directors to conduct a periodic performance evaluation of the concerned directors and officers measured against agreed upon standards for the position. The board of directors shall immediately take appropriate action should the results of performance evaluation reflect that the performance of the function in the bank has been adversely affected by the interlocking positions held by the director and/or officer.

d) Ensure that the control functions (i.e., risk management, compliance, and internal audit) cover the assessment of adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or officers. For the interlocking positions held by heads of control functions, the assessment shall be performed by the board of directors or respective board-level committee to whom they functionally report to.

2. Factors to Consider on Interlocking Positions

The Bank shall observe the following rules for interlocking positions held by directors and/or officers:

- Interlocking directorships. Interlocking directorships in the Bank are allowed except in cases involving banks belonging to the same category. In this respect, interlocking directorship in banks belonging to the same category shall only be allowed if the bank: (i) is part of the same banking group; or (ii) have different business models and are serving different markets or clients. For purposes of determining interlocking directorship, a director and his/her spouse, whether legitimate or common -law, shall be considered as one (1) and the same person.
- Interlocking directorships and officerships. Interlocking directorships and officerships are allowed provided that the positions do not pose conflict of interests. For this purpose, the

appointment should be consistent with the policy adopted by the bank.

- Interlocking officerships. As a general rule, interlocking officerships shall not be allowed except: (a) held in the same capacity within a banking group as corporate secretary, security officer, Head of the Risk Management function, Chief Compliance Officer, Head of Internal Audit, or other positions performing similar functions as stated above; Provided, that the assumption of interlocking officerships is consistent with the enterprise risk management approach of the bank and the banking group where the concerned entities belong; and (b) as corporate secretary or assistant corporate secretary between/among entities, which are not part of the same banking group; Provided, that proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained; and the positions do not pose conflict of interest and that the officer holding interlocking positions will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities.
- Consistent with Section 6 of Presidential Decree No. 129, as amended by Batas Pambansa Blg. 66, entitled "Governing the Establishment, Operation and Regulation of Investment Houses," the BSP allows interlocking directorship and officership between a bank and an investment house subject to the requirements under Section 137 of the MORB and other applicable laws and regulations: Provided, however, that interlocking officerships between a bank and an investment house may only be allowed where the majority or all of the equity of the investment house is owned by the bank.

3. Approval and Reportorial Requirements of Interlocking Positions

The board of directors or shall approve the interlocking positions held by directors and officers of the bank. The documents supporting the approval shall reflect the assessment done by the approving authority consistent with the policy adopted and the expectations in under Section 137 of the MORB. The Bank shall submit an annual report of all interlocking positions of its directors and officers within twenty (20) banking days from the end of each reference year.

CONFIRMATION OF ELECTION/ APPOINTMENT OF DIRECTORS/ OFFICERS

The election/appointment of directors/ officers (President/CEO or its equivalent rank) of the Bank shall be subject to confirmation by the BSP's Financial Supervision Sector (FSS) Committee.

Provided, that the Bank shall report to the appropriate supervising department of the BSP, any succeeding resignation, retirement, or replacement of directors/officers within twenty (20) banking days after such resignation/retirement/replacement.

The election/appointment of directors/ officers shall be deemed to have been confirmed by the BSP, if after sixty (60) banking days from receipt of the complete required reports, the appropriate supervising department of the BSP does not advise the Bank against said election/appointment.
However, the confirmation by the FSS Committee shall not be required in the following cases :

- Re-election of a director (as a director) in the same bank or election of the same director in another bank, QB, trust corporation, and NBFI with trust authority within the banking group;
- Re-election of an independent director (as an independent director or not) in the same bank or election of the same director (as an independent director or not) in another bank, QB, trust corporation, and NBFI with trust authority within the banking group; and
- Promotion of an officer, other than to that which requires (i) prior Monetary Board confirmation or (ii) a different set of minimum qualifications or (iii) a different level of confirming authority as provided in the first paragraph of MORB Section 137 item a (Confirming authority) under Confirmation of election/ appointment of directors/officers, in the same bank or appointment/transfer to another bank, QB, trust corporation, and NBFI with trust authority within the banking group.

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

The appointment of officers other than those mentioned in the first paragraph of MORB Section 137 item a (Confirming authority) under Confirmation of election/appointment of directors/officers, shall not be subject to BSP's confirmation.

The required certifications and other documentary proof of qualifications for the election/appointment of a director/officer are as follows:

a) Letter-request for BSP's confirmation signed by authorized officer (i.e. President/CEO however, in case that the President/CEO shall be the officer subject for confirmation, the letter-request shall be signed by the Chairperson of the Board) with an affirmative statement that the Bank has conducted a fit and proper test on the subject director/s or officer/s and is taking full responsibility thereon on ensuring that the director/officer meets the BSP eligibility requirements/ qualifications;
b) Secretary's Certification under oath attesting to the resolution of the stockholders (director) or board of directors (director/officer) approving the election of director of appointment of the director/officer. For re-elected director, attendance by the director concerned to the board meetings held for the last twelve (12) months covering the term or service, indicating percentage of attendance to board meetings. While, for a foreigner appointed as officer, that the corresponding Alien Employment Permit issued by the Department of Labor and Employment (DOLE) was secured;
c) Bio-data with a photograph (2" x 2") taken within the last six (6) months;
d) Certification under oath of the subject director/officer that: (i) he/she possesses all the qualifications and none of the disqualifications to become a director/ officer, and (ii) for a director/officer holding concurrent positions in the government/ GOCC, that a written

permission from the government agency as required by the Civil Service Commission (CSC) allowing him/her to become a director/officer of the Bank was obtained and provided to the Bank. In addition to the certification of first-time directors, that he/she attended the seminar on corporate governance in accordance with the BSP prescribed syllabus, and he/she received copies of the duties and responsibilities of the board of directors and of a director and that he/she fully understands and accepts the same. Meanwhile, for independent directors, that he/she is an independent director as defined under BSP regulations must be stated as an additional statement in the certification; and

e) For first-time director/officer, duly accomplished and notarized authorization form for querying the BSP records for screening applicants and confirming appointments of directors/officers.

Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position. A director/officer whose election/appointment was not confirmed for failure to submit the complete documentary requirements shall be deemed removed from office after due notice to the board of directors, even if he assumed the position to which he was elected/ appointment, pursuant to Section 16 of R.A. No. 8791.

The required certifications and other documentary proof of qualifications of a director/officer must be submitted to the BSP within twenty (20) banking days from the date of election/appointment. The bio-data shall be updated and submitted in cases of change in name due to change in civil status and change of residential address, within 20 banking days from the date the change occurred. For other officers below the rank of senior vice president level other than the Chief Finance Officer/ Treasurer, Internal Audit Head, Risk Management Officer and Chief Compliance Officer regardless of rank, the Bank shall not be required to submit their bio-data to the BSP.

The Bank shall keep a complete record of the bio-data of all its directors and officers and shall maintain a system of updating of the said records that will be made available during on-site examination or when required by the BSP for submission for off-site verification.

The Bank through the President/CEO shall also submit to the BSP's appropriate supervising department a duly notarized list of the incumbent members of the board of directors and officers, within 20 banking days from the annual election of the board of directors as provided in the Bank's by-laws and in accordance with Appendix 7 of the MORB.

If after evaluation, the appropriate supervising department of the BSP shall find grounds for disqualification, the director/officer so elected/re-elected/appointed/appointed may be recommended for removal from office even if he/she has assumed the position to which he/she was elected/re-elected/appointed/ promoted pursuant to Section 16 of R.A. No. 8791.

DISQUALIFICATION PROCEDURES FOR DIRECTORS/ OFFICERS

All directors/officers who are considered disqualified under this Manual shall be subject to the disqualification procedures provided herein. Disqualified persons shall be included in the BSP's Watchlist Files.

The following procedures will be observed to disqualify a director/officer:

- The Board, appropriate board-level committee or senior management shall be responsible in determining the existence of the ground for disqualification of the concerned director/officer and subject for reporting the same to the appropriate supervising department of the BSP within ten (10) calendar days from knowledge thereof. The Bank shall ensure that the person concerned is informed that his/her offense was reported to the appropriate supervising department of the BSP and, as such, may be evaluated for watchlisting. The Bank shall conduct its own investigation, impose appropriate sanction/s, and report the results to the appropriate supervising department of the BSP within twenty (20) calendar days from the termination of investigation.
- If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he should not be disqualified and included in the BSP watchlist file, before the evaluation on his disqualification and watchlisting is elevated to the appropriate supervising department of the BSP.
- On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Part IV Sections A.3.b (Disqualifications of Director) and D.2 (Persons Disqualified and Prohibited to Become Officer), the person concerned shall be notified in writing either by personal service or through registered mail or courier at his/her last known address by the appropriate supervising department of the BSP of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice, a sworn statement/explanation on why he/she should not be disqualified and his/her name not included in the watchlist file of the BSP, together with the evidence in support of his/her position. The head of the appropriate supervising department of the BSP may allow an extension on meritorious ground.
- Upon receipt of the reply/explanation of the person concerned, BSP shall proceed to evaluate the case.
- The failure of the person concerned to reply within the provided, shall be deemed a waiver of opportunity to explain and the BSP shall proceed to evaluate the case based on available records/evidence.
- If the person concerned was not served copy of the written notice to explain even after using available modes of service, i.e., personal service or registered mail or courier, the appropriate supervising department of the BSP shall proceed to evaluate the case based on available records/evidence.
- Upon evaluation of the BSP that a person is disqualified under any of the grounds listed, the appropriate supervising department shall elevate to the Monetary Board for approval of the person's disqualification and

inclusion in the BSP's Watchlist Files.

- Upon approval by the Monetary Board, the person concerned shall be informed by the appropriate supervising department in writing either by personal service or through registered mail or courier, at his/her last known address of his/her disqualification from being elected/appointed as director/officer in any bank and of his/her inclusion in the masterlist of watchlisted persons so disqualified.
- The determination of the Monetary Board shall become final and executory within fifteen (15) calendar days from receipt of the resolution, unless a motion for reconsideration has been filed.
- In case the subject of disqualification is an incumbent director/officer, the board of directors shall be immediately informed of such disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within three (3) banking days after the board meeting, the Bank through the President/CEO, CCO or Cooperative Secretary shall report to the appropriate supervising department of the BSP of the action taken by the board on the person involved.
- In cases initiated by the BSP which resulted in conviction by final judgment of a court for violation of banking laws, rules and regulations, the Office of the General Counsel and Legal Services (OGCLS) shall recommend to the Monetary Board the permanent disqualification of said person and his/her name shall be included in the Disqualification File "A" (Permanent) upon approval of the Monetary Board.
- In administrative complaints against directors and officers filed with the Bangko Sentral which resulted in the imposition of administrative penalties for violation of banking laws, rules and regulations, the OGCLS shall recommend to the Monetary Board the disqualification of said person, if warranted according to the severity of the offense, and his/her name shall be included in the Disqualification File "A" (Permanent) or "B" (Temporary), as the case may be, upon approval of the Monetary Board.

All delistings shall be approved by the Monetary Board upon the recommendation of the appropriate supervising department except in cases of persons known to be dead where delisting shall be automatic upon proof of death. A person concerned may request delisting only after the lapse of five (5) years from the date of his/her receipt of notice of disqualification, except when a case against a director/officer is decided in his/her favor or upon clearance by the appropriate body or regulatory authorities where the person concerned has derogatory record. The Monetary Board may consider the time already served under watchlisting by the person concerned. A reclassification from Disqualification File "B" (Temporary) to Disqualification File "A" (Permanent) may be approved by the Monetary Board when the case/s becomes final and executory.

ORGANIZATIONAL FUNCTIONS

I. Internal Audit Office

Duties and responsibilities of the IA head are as follows:

- To demonstrate appropriate leadership and have the necessary skills to fulfill his responsibilities for maintaining the unit's independence and objectivity;
- To be accountable to the board of directors or ARHS committee on all matters related to the performance of its mandate as provided in the internal audit charter. The head of the internal audit function shall submit a report to the ARHS committee or board of directors on the status of accomplishments of the internal audit department, including findings noted during the conduct of the internal audit as well as status of compliance of concerned departments/units;
- To ensure that the internal audit function complies with sound internal auditing standards such as the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics;
- To develop an audit plan based on robust risk assessment, including inputs from the board of directors, ARHS committee and senior management and ensures that such plan is comprehensive and adequately covers regulatory matters. The head of the internal audit function shall also ensure that the audit plan, including any revisions thereto, shall be approved by the audit committee; and
- To ensure that the internal audit function has adequate human resources with sufficient qualifications and skills necessary to accomplish its mandate. In this regard, the head of the internal audit function shall periodically assess and monitor the skill-set of the internal audit function and ensure that there is an adequate development program for the internal audit staff that shall enable them to meet the growing technical complexity of banking operations.

II. Risk Management Office

The RMO shall execute the following specific function but not limited to:

- Define a risk management strategy;
- Identify and analyze key risk exposures relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- Evaluate and categorize each identified risk using the Bank's predefined risk categories and parameters;
- Establish a risk register with clearly defined, prioritized and residual risks;
- Develop a risk mitigation plan for the most important risks to the Bank, as defined by the risk management strategy;
- Communicate and report significant risk exposures including business risks (e.g., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the ARHS committee and Board of Directors; and
- Monitor and evaluate the effectiveness of the organization's risk management processes.

III. Compliance Office

- Prepare annually and update the risk-based compliance plan;
- Oversee the identification and management of bank's compliance risk;
- Liaise and acts as the point of contact with the BSP on compliance related issues;
- Oversee the compliance function;
- Build-up a compilation of all banking & labor laws, circulars, memoranda and relevant regulations issued by the BSP, CDA, Philippine Deposit Insurance Corporation (PDIC), and other regulatory bodies/ authorities;
- Update the compliance manual of the bank keeping it abreast with new Laws, Rules & Regulations (LRR) issued by the above-stated regulatory bodies;
- Disseminate to the concerned departments on new LRR, together with its interpretations affecting their respective operation;
- Conduct regular meetings and seminars/ workshops, if necessary, among officers and staff on the interpretation, implementation guidelines and risk implications of each LRR in the operation of the bank;
- Conduct compliance testing including anti-money laundering (AML) checking, in coordination with the internal auditor, on a periodic basis to all department and branches to determine their compliance level on relevant LRR, including internal policies and procedures of the bank;
- Identify the risk and consequences due to non-compliance thereto, affecting the bank's capital adequacy ratio, liquidity, DOSRI, loans (past-due/PDR), investments, other assets, liabilities & borrowings, and other ratios, including corporate governance that may put the bank at an upscale risk;
- Report to the Board of Directors whatever risk the bank may encounter on the ordinary course of its business due to non-compliance with laws, rules and regulations and recommend to the bank's senior management for possible revision of its internal policies and procedures that may become obsolete due to a new LRR;
- Consult the appropriate regulatory agencies for additional clarifications on specific provisions of laws, rules and regulations and discuss compliance findings with the regulatory authorities;
- Ensure compliance by all responsible officers and employees with AML Rules and Regulations and the RIRR;
- Evaluate existing processes, policies and procedures of the Bank's compliance and implementation of the following major requirements through sample testing and review of audit or examination reports;
- Organize, design or conduct AML training and refresher courses to all concerned personnel;
- Report to the Anti-Money Laundering Council (AMLC) all covered and suspicious transactions which originated from all the banking units of the bank; and
- Do other task which the board-level committees or Board of Directors may assign or request from time to time.

B. Office of the President/CEO

- 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.
- 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 Bangko Sentral ng Pilipinas circulars, issuances and bank's policies.
- Supervise the Functions of Corporate Office or the Support Departments.

The Executive Secretary

- Prepare agenda and minutes of Management-level Committee Meetings in consultation with the President/CEO and COO.
- 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 committee members and agenda is given. It shall manage general correspondence of the President/CEO.

Departments under the Supervision of the President/CEO

1. Accounting Department

a. Ensures effective implementation of the financial control system on operational expenses.
b. Ensures the expenditures are within prescribed policies, laws, rules and regulations.
c. Responsible for the accounting/ bookkeeping budgeting, report preparation and disbursement activities of the Bank.
d. Prepares proof sheets for daily transactions and balances end-of-day transactions.
e. 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 Resources Department

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

3. Asset Management and Legal Department

a. Responsible for addressing and controlling the risks of loan delinquency and loan default.
b. It shall address the growing NPL portfolio of the Bank and ensure its maximum collection/recovery.
c. Renders legal advice and reviews documents and contracts for legal sufficiency.
d. Analyze and advices Management on existing and new cases and rulings

affecting banking operations.

4. Research & Development Department

a. Collects data by undertaking or conducting survey
b. Collates/organizes the collected data on the above indicators and present in tabular, line graph, bar graph or pie chart.
c. Market products and services of the bank.
d. Conceptualize and develop marketing tools
e. Market viable cooperatives in the province to affiliate with the bank.
f. Responsible for the event of the bank within or outside the organization.

5. Information Technology Department

a. Provide leadership, management and supervisory functions to plan, develop, implement and administer the programs and projects for the application of computer and communications technologies.
b. Monitor the system used by the bank for its operation.
c. 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.

6. Office of the Chief Operating Officer

a. Directs, evaluates and guides the work of the Branch Operation and Lending activities.
b. Supervise the day to day operation of FMBO Department and Loan Department.
c. Prepare Annual Bank Operational Plan.
d. Accountable in the overall operations of the bank
e. Plans Organize, Coordinate, Direct, Supervise and Control all the financial and Administrative activities of the FMBO and Lending activities
f. Responsible for the efficient and accurate execution of the Bangko Sentral ng Pilipinas (BSP) circulars, issuances and bank's policies;
g. Overall management, administration and control of operations in the area.

Departments under the Supervision of the Chief Operating Officer / COO

1. Fund Management and Branch Operation (FMBO) Department

a. Plans, organize, coordinate and control, direct and supervised all the financial operation activities of the Branch;
b. Preparation of Cooperative Financial Development Plan.
c. Recommends Fiscal Policies and Guidelines or Amendments of the Liquidity Risk Management Policies of the Bank
d. Evaluate and recommend plans, policies and procedures regarding investment option in order to maximize available financial resources.
e. Ensure that the Bank's liquidity level is within the industry ratio or funds are readily available to meet the Bank's maturing obligations.
f. Performs monthly maturity matching of assets and liabilities
g. Monitor/Consolidate/Update Daily liquidity reports of branches.

2. Loans Department

a. Recommend lending policies and procedures for the improvement of the loans department of the Bank
b. Proper implementation of lending policies & attainment of target loan portfolio of CBC.
c. Supervise the proper implementation of the lending policies and procedures of the Bank
d. Responsible for the attainment of the target loan portfolio of the Bank
e. Manage all loan cycle process and determine efficient work plan to achieve all business objectives.
f. Responsible for monitoring the movement of (ACL) per loan account.

SENIOR MANAGEMENT

ATTY. ROBIN JAMES A. GUNNACAO

President/CEO

He has been the President/Chief Executive Officer of the bank since 2018. He is a 50-year-old Filipino citizen who earned a Bachelor of Laws and Letters and a Bachelor of Arts in Political Science.

In 2008, he was appointed as Head of the AML Department. He later served as Executive Assistant in April 2011, and assumed the role of General Manager while concurrently serving as Head of the AMLD in December 2011. With more than 20 years of service in the bank, he has gained extensive experience in banking operations, legal affairs, compliance, and executive management.

MARILYN L. SAGALA, CPA

Chief Operating Officer

She has been the Chief Operating Officer of the bank since 2018. She is a 41-year-old Filipino citizen and a Certified Public Accountant. She earned her Bachelor of Science in Accountancy and completed her Bachelor of Laws and Letters.

Throughout her service in the bank, she has held key leadership roles, including Internal Auditor, Chief Compliance Officer, concurrent Risk Management Officer, and Chief Finance Officer. With more than 18 years of experience in the organization, she has developed extensive expertise in operations management, finance, compliance, and risk governance.

STEVEN B. BAÑEZ, CPA

Fund Management & Branch Operation Department Head

He is the Fund Management and Branch Operations Head of the bank, a 29-year-old Filipino citizen and a Certified Public Accountant. He earned his Bachelor of Science in Accountancy from Cagayan State University Andrews Campus and completed his Master's Degree in Business Administration from St. Paul University Philippines.

Prior to his current position, he served as Chief Compliance Officer and Chief Accountant. With more than 6 years of service in the bank, he has gained solid experience in fund management, compliance, and financial operations.

JITKO B. TAYAWA

Loans Department Head

He is the Head of the Loan Department, a 44-year-old Filipino citizen who earned his Bachelor of Science in Business Administration major in Management from the Polytechnic University of the Philippines in 2002.

Prior to his current position, he served as Account Officer, Branch Loan Officer, and Branch Manager. With nineteen (19) years of service in the bank, he has developed extensive experience in lending operations, credit management, and branch leadership.

JOEL V. BUGARING

Risk Management Officer

He is the Risk Management Officer, Concurrent Security Officer, and Data Protection Officer, a 46-year-old Filipino citizen who earned his Bachelor of Science in Accountancy and Master in Business Administration.

Prior to his current positions, he held several key roles within the bank, including Audit Aide, OIC Loans Bookkeeper, Branch Loans Bookkeeper, Branch Accountant, OIC Chief Accountant, Branch Manager, and Loans Department Head. With more than 22 years of service, he has gained extensive experience in risk management, banking operations, accounting, and branch leadership.

KRISTINE P. PASICOLAN

Chief Compliance Officer and Concurrent Officer-In-Charge of the Internal Audit Department

She has been the Chief Compliance Officer of the bank since 2023, and the Concurrent Officer-in-Charge of the Internal Audit Department. She is a 34-year-old Filipino citizen who earned her Bachelor of Science in Business Administration major in Management Accounting and completed her Master's Degree in Business Administration.

Prior to her current appointment, she served as Assistant Loans Head, Branch Manager, Risk Management Officer, Internal Audit Head, and Audit Staff. She's been in the bank for more than 10 years.

MAYNARD B. CORPUZ

Information Technology Department Head

He is the Information Technology (IT) Head, a 47-year-old Filipino citizen who earned his Bachelor of Science in Computer Engineering and Master's in Information Technology from University of Saint Louis Tuguegarao.

Within the bank, he previously served as Programmer, General Clerk, Computer Programmer, and Senior IT Staff/Programmer. With more than 22 years of service, he has developed extensive experience in information technology operations, systems development, and technical support.

JHON CZERY C. ALINA, CPA

Chief Accountant

He is the Chief Accountant, a 23-year-old Filipino citizen. He earned his Bachelor of Science in Accountancy, and graduated Cum Laude. He successfully passed the Licensure Examination for Certified Public Accountants in December 2024.

Prior to his current role, he gained professional experience at the Bureau of Local Government Finance (BLGF). Due to his competence and dedication in the field of accounting and finance, he was hired as Chief Accountant at CoopBank on April 24, 2025

KARINA P. BUNAGAN

Human Resources, Admin and Facilities Department Head

She is the Head of Human Resource Facilities and Administration, a 38-year-old Filipino citizen who earned her Bachelor of Laws and Letters and Bachelor of Arts in Legal Management from Cagayan State University.
Prior to her current position, she served as Administrative Assistant/Executive Secretary and AMLD Staff. With almost 12 years of service in the bank, she has gained extensive experience in administrative operations, compliance support, and human resource management.

RIZZA T. SULLA

Research and Development Department Head

She is the current R&D Head, a 35-year-old Filipino citizen who earned her Bachelor of Arts in English from Cagayan State University Carig Campus.
Prior to her current role, she served as Executive/Administrative Assistant and Personnel Staff. With more than eight (8) years of service in the bank, she has gained solid experience in administrative support, human resources functions, and, research and product development.

KRISTINE JOYCE A. PASCUAL

Asst. Asset Management Liabilities Department Head

She is the Officer-in-Charge of the Assets Management and Legal Department, a 26-year-old Filipino citizen who earned her Bachelor of Science in Legal Management from Cagayan State University Andrews Campus and completed her Juris Doctor degree at University of Cagayan Valley.
Prior to assuming her current position, she served as Executive Secretary. With more than 7 years of service in the bank, she has gained valuable experience in administrative, legal, and asset management functions.

MELODY FAITH C. MACABABAD

Manager (Main Branch)

She is the Manager of the Main Branch, a 42-year-old Filipino citizen who earned her Bachelor of Science in Business Administration major in Management Accounting and pursued her Master in Business Administration.
Prior to her current position, she served as Savings Bookkeeper, Loans Bookkeeper, and Branch Accountant. With more than 20 years of service in the bank, she has gained extensive experience in branch operations, accounting, and financial management.

ROBIN T. CAJIO

Manager (Abulug Branch)

He is the Branch Manager of the Abulug Branch, a 47-year-old Filipino citizen who earned his Bachelor of Science in Accountancy, Master in Business Administration, and Juris Doctor from the University of Cagayan Valley. He is also a licensed Real Property Appraiser.

Prior to his current position, he served as Audit Staff, Appraiser, Lending Unit Supervisor, and Credit Management Supervisor. With more than 13 years of service in the bank, he has developed extensive expertise in audit, credit management, lending operations, and appraisal services.

JOAN T. SORIANO

Manager (Lal-lo Branch)

She is the Branch Manager of the Lallo Branch, a 46-year-old Filipino citizen. She earned her Bachelor of Science in Business Administration major in Banking and Finance and completed her Master in Business Administration.

Prior to her promotion as Branch Manager, she served in the same institution as Teller, Loans & Savings Bookkeeper, and Cashier. With more than twenty-four (24) years of service in the bank, she has gained extensive experience in branch operations, financial services, and customer management.

EARL DONN S. AGANON

Assistant Branch Manager (San Manuel BLU)

He is the Assistant Branch Manager of the San Manuel Branch Lite Unit, a 48-year-old Filipino citizen who earned his Bachelor of Science in Commerce from University of Saint Louis Tuguegarao.

Throughout his more than 18 years of service in the bank, he has held various positions, including Evaluation Staff, Loans Analyst, Loans Clerk, and Account Officer. His extensive experience has provided him with substantial expertise in lending operations, credit evaluation, and account management.

BOBBY U. MARTINEZ

Assistant Branch Manager (Cabagan BLU)

He is the Assistant Branch Manager of the Cabagan Branch Lite Unit, a 43-year-old Filipino citizen who earned his Bachelor of Science in Environmental Science.

Prior to his promotion as Assistant Branch Manager, he served as Account Officer, Credit Specialist, and Evaluation Staff. With more than 10 years of service in the bank, including over five (5) years in his current position, he has gained extensive experience in credit operations, account management, and branch administration.

JOEL U. TABANGAY

Assistant Branch Manager (Burgos BLU)

He is the Assistant Branch Manager of Burgos BLU, a 40-year-old Filipino citizen who earned his Bachelor of Science in Business Administration major in Banking and Finance.

Prior to his promotion to his current position, he served as Evaluation Supervisor, Lending Support Unit Supervisor, Account Officer, and Evaluation Staff. With 14 years of service in the bank, he has developed extensive experience in lending operations, account management, and credit evaluation.

SHERYL C. PAMITTAN

Assistant Loans Department Head

She is the Assistant Loans Department Head of the bank, a 45-year-old Filipino citizen who earned her Bachelor of Science in Information Technology from St. Paul University Tuguegarao.

Prior to her appointment as Assistant Loans Department Head in April 2023, she served as General Clerk, Rediscounting Staff/Finance Staff, and Fund Management Staff. With more than 15 years of service in the bank, she has gained extensive experience in financial operations, fund management, and lending services

JANICE G. ULEP

Account Management Unit Supervisor

She is a 41-year-old Filipino citizen who earned her Bachelor of Science in Business Administration and completed her Master in Business Administration.

Prior to her current position, she served in various capacities within the bank, including Bookkeeper, Branch Accountant, Teller, Accounting Staff, and Lending Support Unit Supervisor. With more than fifteen (15) years of service, she has gained extensive experience in banking operations, accounting, and lending support functions.

ROLDAN A. APACIBLE

Evaluation Unit Supervisor

He is the Evaluation Unit Supervisor, a 34-year-old Filipino citizen who earned his Bachelor of Science in Business Administration major in Banking and Finance.

Prior to his current position, he held various roles in the bank, including Account Officer, Credit Specialist, Appraisal/Evaluation Staff, and Account Management Supervisor. With more than twelve (12) years of service, he has gained extensive experience in credit evaluation, account management, and appraisal operations.

LINDEN B. GACIAS

Lending Support Unit Supervisor

She is the newly appointed Lending Support Unit Supervisor, a 28-year-old Filipino citizen. She earned her Bachelor of Science in Business Administration major in Financial Management and completed her Master's Degree in Business Administration.

Prior to her appointment, she served as Evaluation Staff and Appraisal Staff. With more than 7 years of service in the bank, she has also held various positions, including 4Ps Project Employee, Credit Processor, and Accounting Associate.

KAEPEE T. CORPUZ

Credit Management Unit Supervisor

He is the Credit Management Unit Supervisor, a 30-year-old Filipino citizen who earned his Bachelor's Degree in Information Technology and completed his Master's Degree in Business Administration.

Prior to his promotion, he served as a 4Ps Project Employee and Collection Specialist. With more than seven (7) years of service in the bank, he has developed substantial experience in credit management and collection operations.

RICKY B. MABBORANG

Assistant Loans Department Head

He is the Supervisor of the Microfinance Unit, a 52-year-old Filipino citizen who earned his Bachelor's Degree in Psychology from Cagayan State University.

Prior to his promotion as Supervisor, he served as Evaluation Staff, Credit Specialist, and Account Officer. With more than 16 years of service in the bank, he has gained extensive experience in credit operations, account management, and microfinance services.

RICHIE L. CANAPI

Appraisal Unit Supervisor

He is currently the Officer-in-Charge of the Appraisal Unit. He is a 39-year-old Filipino citizen who earned his Bachelor of Science in Business Administration major in Banking and Finance. He is presently pursuing studies in Real Estate Management at the Philippine Christian Academy.

Prior to his designation as Officer-in-Charge, he served as Evaluation Staff and Appraisal Staff. He has been with the bank for more than 5 years, contributing valuable experience and expertise in appraisal and evaluation functions.

RECRUITMENT, SELECTION AND HIRING

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

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

A. GENERAL GUIDELINES

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

B. APPLICATION

Application for employment may be personally, through letters or email of application by stating the position desired and describing the applicant's qualification for that position.

C. POLICIES

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

The line supervisor must inform thru Personnel Requisition Form or letter (PRF, HRAD Form- 001) the HR/Admin Dept. about the existence of vacancy to be filled-up. Notice should be given by the supervisor one month before the actual date, to enable the HR/Admin Dept. to recruit qualified applicant for the said vacant position. If the position is not budgeted for, a brief justification should be included in the request and to be approved by the President/CEO or his/her representative.

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

a. Active File—A file of qualified applicants shall be kept by the HR/ Admin for future reference.

b. Internal Transfers / Detail—Existing employees who qualify for the position may apply, and they must do so in writing. This request for transfer should be address to and acknowledged by their present supervisor.

c. Referrals from Staff—Referrals from staff are welcome. These, however, must be coursed through the HR/ Admin Dept.

d. Externally (Job Advertising) - Advertising through posting of Job Vacancy in conspicuous public places, radio, television, social media and other means, schools and colleges to recruit young talented and highly motivated applicants.

2. Selection is a joint effort/responsibility of the requesting dept. and the HR/Admin Dept.

a. A shortlist of candidate is compiled by the HR/Admin Head and submitted to the requesting Department/Branch.

b. HR/Admin Head, in consultation with the President and immediate supervisor for the position, call the attention of the Screening Committee. Screening Committee is composed of HR Comm.

c. The Screening Committee shall read all resumes and culls out unqualified candidates. All remaining resumes can be sorted into ”maybe” and “yes” groups and selects those to be qualified for testing.

d. The HR/Admin Department Head then schedules the testing for the qualified applicants.

e. The HR/Admin Department Head then schedules the testing for the qualified applicants.

f. Upon passing the qualifying exam preliminary interview, the applicant is eligible for final interview by the HR Committee.

g. HR/Admin Head shall develop a standard interview procedure for pre qualified applicants.

h. The Dept. Head/Branch, Manager shall asses the applicant's personal behavior, work attitude on applicants neighbor, on place of residence & character investigation by sending queries to previous employers about the personal behavior, work attitude & the reason for his/her separation from his previous employment.

i. The President/CEO or the (COO) shall approve the salary being offered based on the approved Salary Standardization of the Bank.

j. The immediate supervisor & HR/Admin Head make the job offer to the qualified candidate and finalize effectivity date.

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

<u>3. Promotion</u>

<u>Objectives</u>

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

<u>Policies</u>

1. Promotion to any vacant position shall be filled from the qualified employees through recommendation for promotion emanating from Branch Manager/ Supervisor/ Department Head or through application of the employee to a vacant position which should be filled by hiring and placement.
2. In case two/more contending candidates/ aspirants for any available position, pre requisite should consideration such be taken as into education, Performance Evaluation System (PES), innovation, research and length of service. If after considering all other factors and found to be equal, PES shall apply.
3. Assumption of office by the promoted employee shall be deemed regular and he/ she will no longer undergo probationary appointment in her/his new position.
4. The increase of salary and other entitlements shall be based on approved Plantilla of the Payment Classification Pay Plan (PCPP).

PERFORMANCE EVALUATION SYSTEM

POLICIES

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

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

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

PROCEDURES

1. **Creation and Operations of Performance Evaluation Review Committee (PERC) -** It is created with composition and responsibilities hereunder enumerated:
   a. Composition—The PERC is composed of the following for:
      - Unit Head and Rank and File
        Chairperson—COO
        Members – HR Head and Immediate Supervisor/ Dept. Heads is automatically member of the PERC during the review of their subordinates performances
      - Department Heads
        Chairperson—President/Chief Operating Officer
        Members- HR Head

   b. Responsibilities
      - Review of Employee's Performance Targets—Initiates the comparative review assessment and of employees' performance targets to ensure rationalization of employee workload particularly of those holding similar positions and working under same work conditions and recommends necessary modifications corrective action, if necessary.
      - Review of or Performance Standards —Reviews performance standards adopted 1for each duty of a position in the different organization units in the CBC. It also ensures the adoption of uniform measurements employees positions, standards in holding performing of rating similar functions and working under same conditions.
      - Determination of Final Rating—the PERC reviews documents, evaluates and accomplishments and performance ratings, conduct hearing and dialogues, if necessary, provide opportunities for employee or supervisor to defend a particular rating and eventually determines the employees' final rating. The PERC completes the review and approval of employees rating not later than 15 days after the HR has submitted the same to the formed.
      - Monitoring and Evaluation of PES every year and effects or implements improvements essential to ensure its continued suitability to the different positions and needs of the CoopBank.
      - Setting of Internal Rules and Procedures

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

2. Setting of Performance Targets and Standards

   a. Organizational Targets—Not later than the last quarter immediately preceding the rating period is devoted to preparation & setting of organizational targets. It refer to the targets prepared by all respective Departments and Branches attuned to the vision and mission and Long Term Development Plan.
   b. Managers/Assistant Branch Managers, Department Heads, Supervisors/Assistant Supervisors and Rank and File Targets—Each employee then prepares performance targets during the last month of the fiscal year using the prescribed Performance Evaluation Form (PEF) based on the organizational targets set by the unit where he/she belongs.

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

PERFORMANCE STANDARD

Evaluation

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

MECHANICS OF RATING

1. Levels of Performance

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

Numerical Rating	Adjectival Rating
Performance rating is 90%-100% achievement of target	Outstanding (O)
Performance rating is 80 % to 89.99% achievement of target	Very Satisfactory (VS)
Performance of 65%- 79.99% achievement of target;	Satisfactory (S)
Needs Improvement- below 65% achievement of target.	Needs Improvement (NI)

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

Part I – Performance

a. Individual Target Performance is given a respective weight, depending on the position of the employees. Critical Factors reflects the Bank wide performance

b. Compliance with the rules, regulations and policies of the Bank.

c. Deposit Generation

d. Marketing of Loans

Part II

Core Values—Behavioral dimensions that affect the job performance of the employee. For this purpose, factors like human relations, courtesy, adaptive to changes, excellence in service, stress tolerance, and punctuality and attendance may be given weight of 15%/10% depending on the position.

3. Computation of Average Score

85%/90% of Part I, and 15%/10% of Part II to get the average score for **Department Heads, Branch Supervisory Officer, Rank & File while** 85% of Part I and 15% of Part II for Managers.

The Average of the Department Heads and the Branch Manager will be the rating of the General Manager.

The performance of the General Manager will be the same performance ratings of the Board of Directors.

PERFORMANCE EVALUATION FORMS (PEFs)

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

PEF 2- Behavioral Factors for employees

Ratings of Supervisor will be reflected and the Summary of Ratings showing the final ratings of the employee.

PEF-1 Performance Evaluation Form

Part I—contains the work targets, accomplishments

Part II—contains the Team Performance, compliance of rules, regulations and policies of the Bank

ORIENTATION AND TRAINING

1. Orientation Program

1.a. The bank shall allocate funds for the purpose of conducting an orientation program or workshop to operationalize this Manual.

1.b. A new director shall, within a period of (6) months from the date of his election shall be required to attend a special seminar on corporate governance which shall be conducted by a BSP accredited private or government institute.

2. Continuing Education Program for the Directors and Key Officers—At least annually, as part of the continuing education program for the directors, they are required to attend a program on corporate governance conducted by a training provider duly accredited by BSP, CDA and other regulating agencies.

List of Training / Seminar / Workshop Attended for 2025

#	Training / Seminar / Workshop	No of Hours	External / In-house	No. of Participants	
				Board of Directors	Senior Mgmt.
1	Staying Ahead: BSP Compliance	16	External		1
2	Technical Briefing on the First	8	External		5
3	Loan Evaluation & Cash Flow Analysis	16	In-house		4
4	Fundamentals of Cooperatives and Cooperative Management and Governance	32	External	1	
5	Financial, Risk and Credit	16	External	1	
6	Standardized Business Loan	16	External		3
7	First Aid Training	16	External		5
8	CIBI and Cash Flow Analysis	8	External		9
9	Enhancing Corporate Governance in	16	External	2	
10	Basic Appraisal	16	External		1
11	Comprehensive Anti-Money	8	External		1
12	Digital Transformation Development	40	External		2
13	Think and Move Like Managers	16	External		1
14	Trainers for Training	32	External		2
15	Maximizing the Benefits of Collateral	8	External		2

EMPLOYEE ORIENTATION

POLICIES

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

For the year 2025, fourteen (14) newly hired employees had undergone employee orientation and pre employment training; employee handbooks were also given to them. Additionally, nine (9) probationary staff members received reorientation and their regular appointment. This effort not only fosters a smooth transition into their new roles but also enhances overall job satisfaction and performance. By ensuring that employees are well-informed and prepared, the HR Department is laying the foundation for a productive and engaged workforce.

RETIREMENT PROGRAM

In order to pay back employees who is loyal and faithful with the bank, the management through the initiative of the COO approved the Retirement Program Policy for its employees.

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:

No. of Years in Service	%	Separation Pay
5 years	50%	50% of basic salary times number of years in service
6 years	55%	55% of basic salary times number of years in service
7 years	60%	60% of basic salary times number of years in service
8 years	65%	65% of basic salary times number of years in service
9 years	70%	70% of basic salary times number of years in service
BASIS OF COMPUTATION—Basic Salary at the time of separation from the Bank		

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:

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

No. of Years in	%	Retirement Pay
14 years	95%	95% of (BS) at the time of retirement plus additional 2 step increment or 10% of the (BS) whichever is higher times number of years in service
15 years	100%	100% of (BS) at the time of retirement plus additional 2) step increment or 10% of the (BS) whichever is higher times number of years in service
16 years	105%	105% of (BS) at the time of retirement plus additional 2 step increment or 10% of the (BS) whichever is higher times number of years in service
17 years	110%	110% of (BS) at the time of retirement plus additional 2 step increment or 10% of the (BS) whichever is higher times number of years in service
18 years	115%	115% of (BS) at the time of retirement plus additional 2 step increment or 10% of the (BS) whichever is higher times number of years in service
19 years	120%	120% of (BS) at the time of retirement plus additional 2 step increment or 10% of the (BS) whichever is higher times number of years in service
20 years and above	125%	125% of (BS) at the time of retirement plus additional 2 step increment or 10% of the (BS) whichever is higher times number of years in service
BASIS OF COMPUTATION (BS) at the time of retirement Plus Additional 2 step increment or 10% of the (BS) whichever is higher. COMPULSARY RETIREMENT—60 years old		

SUCCESSION PLAN AND TERM LIMIT OF THE BOARD OF DIRECTORS

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

The term of the incorporating Directors shall expire during the first annual general assembly meeting after registration. In the first election following the registration, the majority of the Board of Directors receiving the highest votes shall serve for the term of 2 years and the remaining members for the term of 1 year. Thereafter those elected to replace them shall serve for a term of 2 years.

Vacancy—When the vacancy is created in the board due disqualification, to death, incapacity, FAILURE OF ELECTION or resignation, A Quorum of a remaining members shall fill the vacancy by appointment from among qualified Authorize Representative of Regular members who shall serve the unexpired portion of the term of office which shall not be less than 90 days immediately preceding the next annual general assembly. If the remaining members do not constitute a quorum of all members of the board, the vacancy shall be filled by General Assembly in a special Meeting called for the purpose.

SUCCESSION PLAN

STATEMENT OF POLICY:

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

PURPOSES:

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

1. To provide stability and sustainability in the mgmt. 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/CEO, Chief Operating Officer (COO), Fund Management and Branch Operation (FMBO) Head, Loans Head, Department Heads, Branch Managers/Assistant Branch Managers, and Supervisors the herein below temporary succession
shall govern:

1. **PRESIDENT/CEO**—Upon the occurrence of the immediately stated contingency, the COO shall act as the Officer-in-Charge (OIC) of the Bank. In case of incapacity of the COO, the following officers in chronological order shall act as OIC of the Bank:
   a. FMBO;
   b. Loans Head;
   c. HR Management Head
   d. Research & Development Head,
   e. Chief Accountant

2. **CHIEF OPERATING OFFICER** — Upon the occurrence of the immediately stated contingency, the Most Senior between the Loans Head and Fund Management and Branch Operation Head shall act as the OIC CHIEF OPERATING OFFICER. In case of incapacity of the Most Senior between the Loans Head and Fund Management and Branch Operation 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 (FMBO) HEAD**—Upon the occurrence of the immediately stated contingency, the Main Branch Manager shall act as the OIC of the FMBO Head. In case of incapacity of the Main Branch Manager, the Most Senior between the remaining Branch Managers shall temporarily take-over.
   The Seniority shall be determined by the number of years of employment with the Bank.

4. **LOANS HEAD**—Upon the occurrence of the immediately stated contingency, the Assistant Loans Head of the Loans Department shall act as the Officer-in-Charge of the Loans Department. In case of incapacity of the Assistant Loans Head, the Most Senior Supervisor shall temporarily take-over.
   The Seniority shall be determined by the number of years of employment with the Bank.

5. **DEPARTMENT HEADS**—The following are the Department Heads of the Bank:
   1. Internal Audit Head;
   2. Chief Compliance Officer;
   3. Risk Management Officer;
   4. Information Technology Head;
   5. HR Management Head;
   6. Research and Development Head;
   7. Asset Management and Legal Department (AMLD) Head;
   8. Chief Accountant, and
   9. Security Officer.

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

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

7. **SUPERVISORS**—The following are the Supervisory Employees of the Bank:
    1. Lending Support Unit Supervisor;
    2. Appraisal Unit Supervisor;
    3. Evaluation Unit Supervisor;
    4. Account Management Unit Supervisor ,and
    5. Credit Management Unit Supervisor
    6. Microfinance Unit Supervisor

    In case any of the above-mentioned Supervisory employees shall take a leave of absence, the Assistant Supervisor of the respective unit shall be the OIC until the Supervisory Employee shall return to work. In the event of the incapacity of the Assistant Supervisor of the respective unit, the Loans Head shall designate among the qualified staff to act as OIC who shall remain as such until the Supervisor shall report to work. For other employees under the Loans Department who shall take a leave of absence, the Supervisor shall appoint a reliever from qualified employees from their unit.

EXTENT OF TENURE AS OIC:

Except for leave of absence, the afore-mentioned OIC shall act as such for a period not more than 30 days from assumption of office. However, the 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.

REMUNERATION/ COMPENSATION

1. POLICY

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

2. STRUCTURE

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

BOARD OF DIRECTORS' REMUNERATION POLICY

BASIC PACKAGE		ALL-INCLUSIVE PACKAGE
Basic Salary	Allowances	Employer's Contributions on Insurance
	1. Monthly *(Travelling, Representation, ESA, Rice, Communication, Med. Assist. & Laundry)* 2. Annually (Medical, Uniform)	1. ASB 2. Keyman 3. Micro Life

The compensation package of a particular position is based from the level of job (Job Grade) according to the gravity of responsibility and accountability. The Job Grade of a position is classified from 1 to 14. From the Job Grade, the Salary Level of a position shall be determined accordingly. The Salary Level starts from 12 to 25.

SENIOR MANAGEMENT'S REMUNERATION POLICY

BASIC PACKAGE		ALL-INCLUSIVE PACKAGE	OTHERS		
Basic Salary	Allowances	Employer's Contributions on Insurance	Inconvenience Pay	Variable Income	Mandatory Employer Share
	1. Monthly *(Travelling, Representation, ESA, Rice, Communication, Med. Assist. & Laundry)* 2. Annually (Medical, Uniform)	1. GADDI 2. Keyman 3. Aksi 4. Micro Life 5. HMO	1. Overtime Pay 2. Credit Leaves	1. Performance Incentives	1. Mandatory Government Contributions *(Premiums on SSS, Pagibig, PhilHealth)*

SALARY STANDARDIZATION

Article 1. Title-This policy shall be known as Salary Standardization Scheme of Cooperative Bank of Cagayan

Article 2. Declaration of Basic Concern- It is the concern of the Cooperative Bank of Cagayan to provide healthy working environment and career advancement for its employees, competitive employment and compensation package in order to enjoy an enhanced quality of life.

Article 3. Coverage- All positions whether permanent, temporary, contractual, casual or emergency in nature, appointive or elective, on full time or part time basis, now existing or hereafter created are covered.

Article 4. Exemptions-Compensation of consultants and experts hired by the Bank for a limited period to perform specific activities or services with expected outputs, student apprentices and laborers hired as part of a contract ("pakyaw") are exempted from this scheme.

Article 5. Definition of Terms-For the purpose of this policy, the term:

1. "Bank" refers to CB Cagayan
2. "Employee" refers to someone who works for and draws salary from the Bank
3. "Regular Employee" means an

employee who has passed the probationary period, presently occupying a regular position and whose employment status is permanent

4. "Salary" means the money paid to employees in exchange of their labor
5. "Salary Level" means the stages of salary grade for a certain job or position
6. "Salary Step" means the specific amount of salary progression of a certain salary grade and grade level
7. "Salary Schedule" means a table indicating the absolute amount of salaries for the different job grade, salary grade and their corresponding progression or salary steps.
8. "Job Grade" means the level of job according to the gravity of responsibility and accountability.

Job Level	Positions
	President/CEO
	Chief Operating Officer
	Loans Department Head, Fund Management and Branch Operation Head, Asset Management and Legal Department Head
	Accounting Department Head, Chief Compliance Officer, Internal Audit Head, Information Technology Head, Human Resources Facilities and Administration Head, Research and Development Head, Risk Management Officer, Branch Managers, Asst. Loans Head
	Assistant Branch Managers, Lending Support Unit Supervisor, Evaluation Unit Supervisor, Appraisal Unit Supervisor, Credit Management Unit Supervisor, Account Management Unit Supervisor, Microfinance Unit Supervisor

RELATED PARTY TRANSACTION (RPT)

In accordance with the regulations, policies and guidelines on Corporate Governance issued by the (BSP), the (CDA) and other regulatory bodies, Cooperative Bank of Cagayan recognizes the need to strengthen its policy on RPT with related parties and avoid risks of conflict of interest.

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

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

Objective

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

Board Duties and Responsibilities / Roles and Functions

They shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

Responsibilities of the RPT Committee

1. Evaluate on an ongoing basis existing relations between & among businesses & counterparties to ensure that all related parties are continuously identified, RPTs are monitored, AND subsequent changes in relationships with counterparties (from non related to related and vice versa) are captured.

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

Roles of Senior Management and Self Assessment Functions

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

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

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

Disclosure and Regulatory Reporting

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

Transactions concerning deposit operations, credit card availment, regular trade transactions involving purchases and sales of debt securities traded in an active market, are excluded from the reporting requirement to BSP. Provided, that credit card lines with amounts falling within the definition of "material transactions" shall be reported to the BSP upon approval of the line. Lease contracts and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transaction by the board of directors. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of a lease contract, or the party engaging/requesting for the services of the other bank, in case of other contracts, shall submit the report.

Disclosure/ Reportorial Requirements

1. The Bank, shall, in addition to the required disclosure under Philippine Accounting Standards (PAS) 24, disclose in its Annual report the following:
   i. Policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflict of interest;
   ii. Responsibilities of Credit Comm. ; and
   iii. Nature, terms and conditions, as well as original and outstanding individual and aggregate balances including off balance sheet commitments of material RPTs.

2. Lease and other similar contracts with recurring payment transactions should only be reported once, upon approval of said transaction by the BODs.
3. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of lease contract, or the party engaging/requesting for the services of the other financial institution, in case of other contracts shall submit the report.
4. Procedures:
   i. All RPTs that exceed the material threshold amount shall be submitted to the Related Party Committee for review & if necessary, for endorsement to the Board for approval.
   ii. RPTs that are below the material threshold amount shall be presented to the respective supervising management committee for approval.
   iii. Transactions with DOSRI, regardless of amount shall be reviewed and endorsed to the Board by the Related Party Committee for approval.
   iv. The Operational Committee shall prepare a monthly report of all related party transactions to the Credit Committee for the latter's information. Said Committee shall be provided with all pertinent documents and material facts that support the transaction. Operation committee shall also be in charge of submitting the required report to BSP using the report format shown in Annex A under BSP Circular No. 895.
   v. If a RPTs would be ongoing, the Board of Directors shall periodically review and assess ongoing relationships with related parties to determine and ensure compliance with all the regulatory requirements.
   vi. No director may engage in any Board or Committee discussion or approval of any RPTs in which he or she is a related party. However, such director must provide to the Board or Committee all material information reasonably requested concerning the transaction.

SELF-ASSESSMENT FUNCTION

Internal Audit (IA) Function

This is an independent Department, objective assurance 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 BODs in protecting the bank and its reputation. The IA function shall both assess and complement operational management, risk management, compliance and other control functions. In this respect, Internal Auditing shall be conducted in frequencies commensurate with the assessed levels of risk in specific banking areas.

Purpose of the Internal Audit

To help the bank in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It represents and assists the Board in its general oversight of the bank's accounting & 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 Comm. for proper deliberation and review during the Audit Comm. meetings and the same shall be elevated to the BOD meetings for further review and consultation. The internal audit office is composed of (1) audit head and (3) audit staffs.

Authority

The IA derives its oversight function from the bank's BOD granted to it through the Audit Comm.

It shall have authority to directly access and communicate with any officer or employee, to examine any activity of the bank, as well as to access any records, files or data whenever relevant to the exercise of its assignment. The head and staff of the internal audit are authorized to:

1. 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.
2. Have full and free access to the Audit Committee.
3. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
4. 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:

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

Scope

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

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

1. Evaluation of the adequacy, efficiency and effectiveness of internal control, risk management and governance systems in the context of current and potential future risks;
2. Review of reliability, effectiveness and integrity of management and financial information systems, including the electronic information system and electronic banking services;
3. Review of the systems and procedures of safeguarding the bank' s physical and information assets;
4. Review of compliance of banking activities with relevant laws, rules and regulations;
5. Review of the compliance system and the implementation of established policies and procedures;
6. 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 IA department will conduct observation of internal control system of the bank, set of interviews with key officers and employees, direct verification or confirmation with clients, documentary review, physical count, asset inspections, data analysis and review of accounting entries and usage and among others.

To comprehensively conduct and establish the aforementioned, different phases shall be adopted which comprises the following:

- **Mobilization Phase.** On this phase, the (IA) will request reports, schedules and pertinent/ relevant documents and information needed for the review from the auditable unit/branch which is basically based from the programmed audit work/activity.

  The department will ensure that all pertinent working papers relevant to the audit activity were prepared prior to audit review and shall further request additional data or CBC Annual Report information from the auditable unit/ branch relevant to the conduct of audit.
- **Execution Phase.** After all information/data has been gathered and note the deviations, observations, findings and/or exceptions during the conduct of audit.
- **Reporting Phase.** After information, data & documents have been comprehensively examined, reviewed and gathered from the unit/ branch, the assigned audit personnel will now prepare and present a draft audit report to the Internal Audit (IA) head the result of conducted audit review.

  After which, the IA will check the audit report submitted and shall discuss the audit findings, exceptions and/or observations to the personnel concerned and branch/unit head/ 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 & 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, deliberation during regular board meeting. After each audit engagements, the result of the audit and level of performance of the audited branch/unit shall be assessed and weighed by the IA through the use of the simplified audit rating system. Level of performance will be rated as "Strong or exemplary", Acceptable", "Deficient, Weak or unsatisfactory".
- **Monitoring Phase.** Lastly, the IA will monitor on the issues, findings, exceptions and/or observations with regards to the branch/unit partial and non compliance within the committed timetable. However, it is the top management's responsibility and assurance that the entire audit exceptions, findings and/ or observations were properly addressed and resolved immediately of within the committed timeframe particularly those major exceptions which may trigger financial loss or future risk to the bank. As such, the IA department shall check & monitor the compliance progress of the auditable branch/unit within the committed timeframe. Delayed of non compliance of the auditable branch/unit shall be reiterated on the next audit report and the reason thereof by the unit/head. Monitoring tool on audit observations, findings and/or exceptions shall be utilized by the audit department to monitor the compliance and action taken by the auditable branch/unit. The IA shall highlight, discuss & report those long outstanding audit observations, exceptions and / or findings through the Audit committee for further action by the BODs.

Compliance Function

- The Compliance Office is headed by a Chief Compliance Officer (CCO).
- The CCO is the lead senior officer for purpose of administering the Annual Report compliance program and interacting with the BSP on compliance-related issues.
- The CCO's principal function is to oversee the design of an appropriate compliance system, promote its effective implementation and address breaches that may arise.

- The CCO shall also be responsible for ensuring the integrity & accuracy of all documentary submissions to the BSP.
- The CCO shall be functionally reporting to the BOD/ board-level committee.
- The appointment/ designation of the CCO shall require prior approval of the Monetary Board.
- The bio-data of the proposed CCO shall be submitted to the appropriate department of the BSP.
- The CCO shall have commensurate skills 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 (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;
   iv. Review the findings of any examinations by regulatory agencies.
2. Compliance with the Bank's Code of Conduct/ Business Ethics
   i. Ensure that the Code of Conduct is in writing and that arrangements are made for all employees to be aware of;
   ii. Evaluate whether Management is putting sufficient emphasis by communicating the importance of the Code of Conduct and the guidelines for acceptable behavior;
   iii. Review the process for monitoring compliance with the Code of Conduct;
   iv. Obtain regular updates from Management regarding compliance
3. Reporting Responsibilities
   i. Regularly update and report (at least semi annually) to Board of Directors about the Committee activities & make appropriate recommendations.
   ii. Ensure the Board of Director is aware of matters, which may significantly impact the financial condition or affairs of the business.
4. Other Responsibilities
   i. Perform other oversight functions as requested by the Board of Directors;
   ii. Evaluate the Committee's own performance on a regular basis.

Authority

Authority The BOD authorizes the CCO, within the scope of its responsibilities, to:

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

Responsibilities of the BODs and Senior Management

Authority

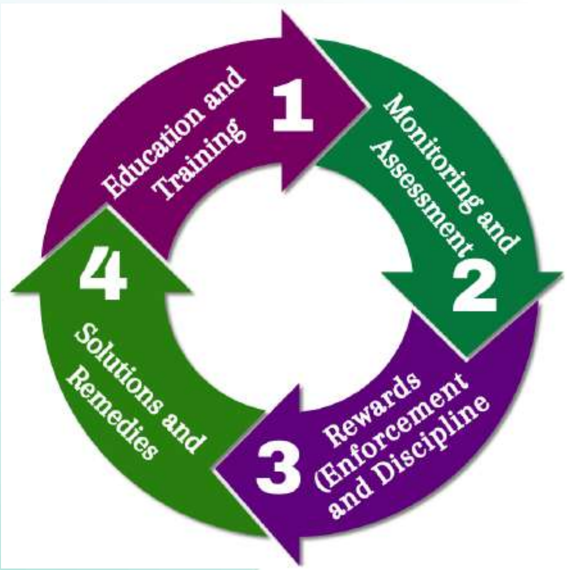
- The BODs shall ensure that a compliance program is defined for the bank.
- The BODs shall ensure that compliance issues are resolved expeditiously.
- The BODs shall ensure that bank personnel & affiliated parties adhere to the pre defined

compliance standards of the bank's rests collectively with senior management, of which the CCO is the lead operating officer on compliance.

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

The Structural Component

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



1. Education and Training. These pertain to all the activities 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 CCO on compliance issues;
- Screening and orientation briefing for new employees;
- In-house seminars, workshops and other training programs for incumbent officers and employees;
- Seminars for the BODs, Bank Officers and personnel pursuant to a training program designed by the HR Department (Training Office);
- Manager's conventions and regional/ sectoral meetings; and Staff meetings conducted in each office on a regular basis; and
- All other activities to seek to announce and clarify or resolve any issues regarding a regulatory issuance.

The objectives of education and training are:

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

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

- Board Audit and Compliance Committee deliberations;
- Risk Management Committee deliberations;
- Annual Performance Appraisal System;
- IA regular and special audit examinations;
- BSP regular and special examinations;
- SEC self-assessment questionnaire;
- Score Card for members of the Board;

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

Compliance training strategies include the entire range of traditional and emerging education programs (Lectures, videos, interactive CDs or Internet training, and other self and group-study methods).

The training sessions should be an on-going process and repeated on a regular cycle.

Training sessions should be conducted both for new and existing employees with appropriate revisions to the training content as the rules change or at a regular intervals.

The frequency of the training or the length of the training shall be determined by the Training Office depending on changes in banking laws, rules and regulations, changes in employee's job functions, and the level of non-compliance in the particular area to which the education applies.

3. The Compliance Self-Assessment 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:

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

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

WHISTLE BLOWING POLICY

CBC is committed to the highest standards of openness, probity 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/ her employer and the public/sector it serve and not disclose confidential information about the employer's affairs. Nevertheless, where an individual discovers information which they believe shows serious malpractice or wrongdoing within the organization then this information should be disclosed internally without fear of reprisal, and there should be arrangements to enable this to be done independently of line management (although in relatively minor instances the line manager would be the appropriate person to be told).

It should be emphasized that this policy is intended to assist individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the Cooperative nor should it be used to reconsider any matters which have already been addressed under harassment, complaint, disciplinary or other procedures.

Once the "whistleblowing" procedures are in place, it is reasonable to expect staff to use them rather than air their complaints outside the Cooperative.

Definition of Terms

1. Whistleblowing—disclosure of and/or giving of evidence to information that a whistleblower reasonably believes constitutes graft and corrupt practices.
2. Whistleblower—refers to a Bank employee or group of Bank employees who make protected disclosures involving graft and corrupt practices.
3. Bank employee—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 or Unit;
5. Retaliatory Action refers to negative or obstructive responses or reactions to a disclosure of illegal, unethical and immoral act acts including, but not limited to, administrative or criminal proceedings commenced or pursued, reprisals or threats against the whistleblower and/or those Bank employees supporting him/her or any of the whistleblower's relatives, such as, but not limited to forcing or attempting to force any of them to resign, retire or transfer, giving negative performance appraisals, fault finding, undue criticism, alienation, blacklisting and other similar acts .

Scope of Policy

It is designed to enable employees to raise concerns internally and at a high level and to disclose information which the individual believes shows malpractice or impropriety. This policy is intended to cover concerns which are in the public interest and interest of the Cooperative and its Shareholders which may at least initially be investigated separately but might then lead to the invocation of other procedures e.g. disciplinary. These concerns could include the following:

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

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

1. In good faith;
2. In the reasonable belief of the individual making the disclosure that it tends to show malpractice or impropriety 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/wild allegations could give rise to legal action on the part of the persons complained about.

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

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

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

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

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

1. Complaints of malpractice will be investigated by the appropriate Director unless the complaint is against the Director or is in any way related to the actions of the Director. In such cases, the complaint should be passed to the CEO for referral;
2. In the case of a complaint, which is any way connected with but not against the Director, the CEO will nominate a Senior Manager to act as the alternative investigating officer;
3. Complaints against the Chief Executive should be passed to the Chairperson of the Board who will nominate an appropriate investigating officer;
4. The complainant has the right to bypass the line management structure and take their complaint direct to the Chairperson. The Chairperson of the Board has the right to refer the complaint back to management if he/she feels that the management without any conflict of interest can more appropriately investigate the complaint.

Should none of the above routes be suitable or acceptable to the complainant, then the complainant may approach one of the following individuals who have been designated 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 d external avenues of complaint open to them:

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

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

Timescales

Due to the varied nature of these sorts of complaints, which may involve internal investigators and / or the police, it is not possible to lay down precise timescales for such investigations.

The investigating officer should ensure that the investigations are undertaken as quickly as possible without affecting the quality and depth of those investigations.

The investigating officer, should as soon as practically possible, send a written acknowledgement of the concern to the complainant and thereafter report back to them in writing the outcome of the investigation and on the action that is proposed.

If the investigation is a prolonged one, the investigating officer should keep the complainant informed, in writing, as to the progress of the investigation and as to when it is likely to be concluded.

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

Investigating Procedures

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

   This judgement will be detailed in a written report containing the findings of the investigations and reasons for the judgement. The report will be passed to the CEO.

   If the CEO is the subject of the judgment, the decision will be passed to the Chairperson for appropriate action; The Chief Executive and or Chairman will decide what action to take.

   If the complaint is shown to be justified, then they will invoke the disciplinary or other appropriate Cooperative procedures.
7. The complainant should be kept informed of the progress of the investigations and, if appropriate, of the final outcome.
8. If appropriate, a copy of the outcomes will be passed to the Company Auditors to enable a review of the procedures.

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

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

FINANCIAL CONSUMER PROTECTION PROGRAM

With the continuous dynamics in the Philippine financial sector, banks are increasingly exposed to various kinds of risk-both financial and non financial. Efficiency of every bank depends on how effectively to manage risks and ensuring a competitive risk adjusted return on capital. The Bangko Sentral ng Pilipinas (BSP) ensures that appropriate mechanisms are in place to protect the interest of financial consumers under the conditions of transparency, fair, and sound market conduct and effective handling of financial consumer disputes, aligned with global best practices. With the advent and present implementation of Republic Act No. 7394 otherwise known as the Consumers' Act of the Philippines and Republic Act No. 11765 known as Financial Products and Services Consumer Protection Act or FCPA and in relation to BSP Circular No. 857 with further enhancement through Circular No. 1160, Series of 2022, Cooperative Bank of Cagayan (the Bank for brevity) and banks and financial institutions are mandated to adopt and implement an effective financial consumer risk management system.

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

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

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

Board and Senior Management Oversight

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

Responsibilities of the Board of Directors

They shall be primarily responsible for overseeing the implementation of the Financial Consumer Protection Risk Management (FCPRM) System . The Board's responsibilities shall include the following:

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

Also, the Board shall ensure the assessment of the FCPRM system is still relevant and effective in cases of change in business model and/or operating environment.

Roles of Risk Management Committee (RMC) and Risk Management Officer (RMO)

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

a. Review and recommend for approval to the Board the policies and procedures related to financial consumer risk management which includes establishing risk appetite, tolerance levels, and risk management frameworks;
b. Oversee the implementation of risk management practices, ensuring that they are consistent with regulatory requirements and the bank's risk appetite;
c. Regular monitoring of the effectiveness of risk management activities and the bank's exposure to financial consumer risks;
d. Review risk reports and analyzes trends to identify emerging risks and vulnerabilities;
e. Make key recommendations for board's decision related to financial consumer risk management such as approving new products or services, setting risk limits, and reviewing risk mitigation strategies; and
f. Report to the BOD on the bank's financial consumer risk profile, risk management practices, and any significant issues of developments that require attention.

Hence, the responsibilities of the Risk Management Officer shall be the following but not limited to:

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

Role of the Internal Audit (IA)

The IA function plays a vital role in overseeing FCRM within the bank.

These specific duties and responsibilities of the IA shall contribute to the effective oversight of financial consumer risk management, helping to safeguard the interests of financial consumers and the bank, to wit:

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

k. Provide insights and recommendations for enhancing financial consumer risk management processes, controls, and practices based on audit findings and industry developments.

Role of the Chief Compliance Officer (CCO)

The CCO plays a critical role in ensuring that the bank maintains a robust and effective compliance framework for managing financial consumer risks, thereby protecting the interest of financial consumers and the bank. Here are some of the specific duties and responsibilities of the CCO:

a. Ensure bank's compliance with all relevant laws, regulations, and guidelines related to FCRM, including consumer protection laws, fair lending regulations, and anti-money laundering requirements;
b. Stay abreast about changes in regulatory requirements and assess their impact on the bank's operations and risk management practices and policies;
c. Develop and maintain policies and procedures related to FCRM, ensuring they are comprehensive, up-to-date, and aligned with regulatory expectations;
d. Provide training and guidance to bank employees on FCRM principles, regulations, and internal policies;
e. Promote a culture of compliance throughout the bank by fostering awareness and understanding of regulatory requirements and expectations;
f. Perform compliance testing and monitoring activities to assess the effectiveness of controls related to FCRM; and
g. Communicate and report with regulatory authorities as necessary, responding to inquiries, providing updates, and addressing any compliance issues or concerns;

Responsibilities of the Senior Management

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

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

FINANCIAL CONSUMER PROTECTION RISK MANAGEMENT SYSTEM. CBC appreciates the importance of risk management as a means of refining and developing its business practices. The Board has given its approval for appropriate resources (financial, personnel and other logistics) in the development, implementation and ongoing monitoring of the risk management framework.

1. Technology

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

All risks shall be entered into the system and tasks in relation to risk treatment plans have been allocated to the relevant Risk Champion. However, in the absence of a computer-based system, a manual pro-formatted report may be used. Using this system minimizes resources required to complete administrative tasks and create reports, allowing resources to be concentrated on more substantive requirements of the risk management framework. Reports have been customized based upon the Bank's specific business requirements and risk profile and are used for reporting to the Board and Audit, Risk, and Corporate Governance Committees.

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

2. Financial resource

The Board has mandated the allocation of financial resources in its budget for the development, implementation and monitoring of the Financial Consumer Risk Management Framework. As an integral part of the bank business process, it is the Board's firm belief that the branches and departments must provide a proportionate contribution to the risk management framework. The provision of financial resources by each business unit will be commensurate to their risk profiles. Those businesses that by their very nature require greater attention within the risk framework (whether by number of risks or severity of risk ratings) will be called upon to provide greater financial assistance than those businesses that represent a lower risk to the business. All earning units are expected to contribute the appropriate financial resources when called upon by the RMO and Senior Management.

3. Human Resource

Appropriate human resources have been allocated for the implementation of this Policy and the broader risk management framework. The RMO will work with the Branch Managers, Assistant Branch Managers, Loan Unit Supervisors & other Department Heads to nominate & appoint Risk Champions, who will be responsible for the risk management function within their respective branches/business units. Each branch/department will ensure that their nominated Risk Champion or any other staff member required is given reasonable time to complete their risk management duties including risk assessments, treatment control plans, and attendance at internal & external training or information sessions.

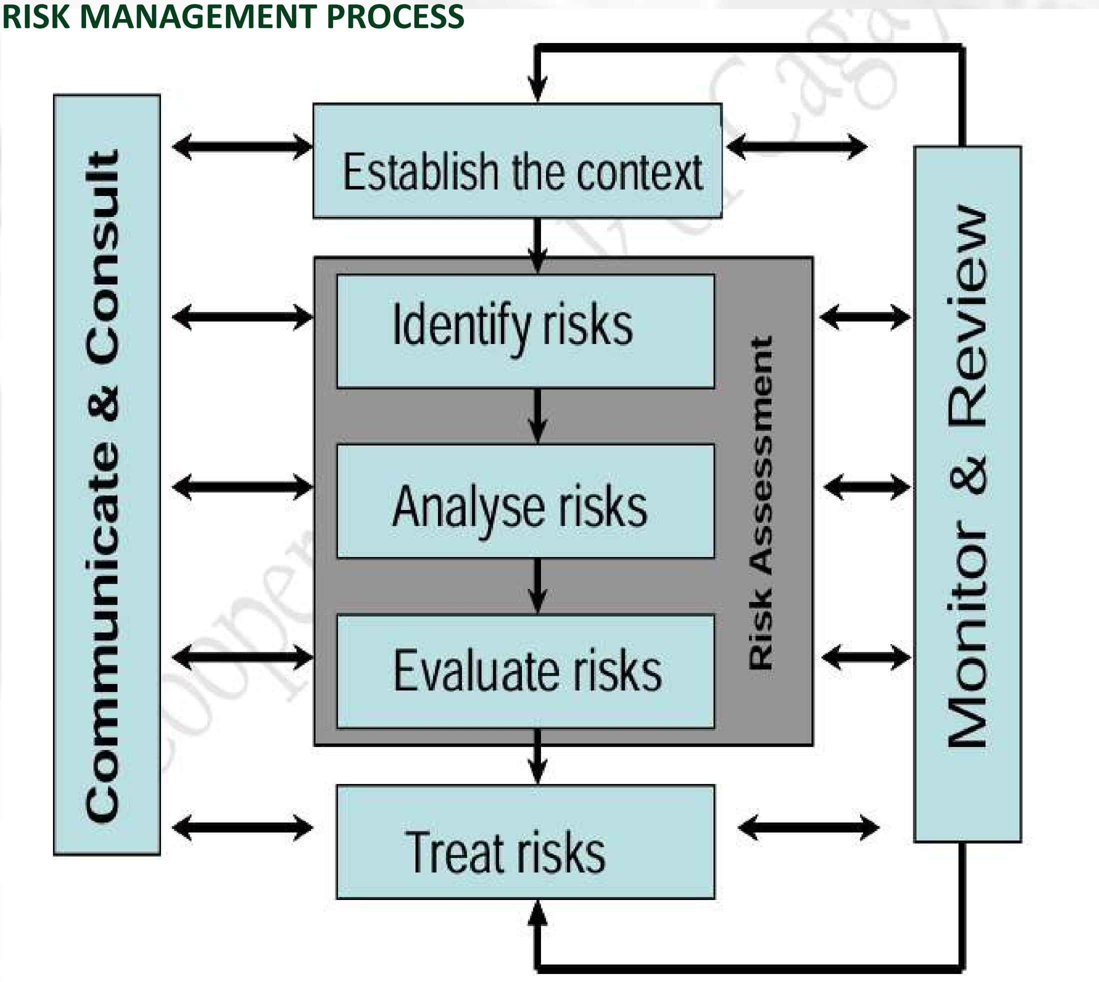
4. Other Support

Support services for the implementation of the Financial Consumer Risk Management Process could be provided by the following:

4.1. External Risk Consultants CB Cagayan may hire experts or consultants to provide with an external review of its current risks and to provide commentary on how to best approach risk management from an enterprise-wide perspective. The experts/ consultants shall establish the context of the Bank's business operations through discussions and meetings with both the Board and senior management of the Bank. This allowed risks to be identified, analyzed and to an extent evaluated and a risk matrix to be compiled. As a result of this review, the Bank will now has a list of identified risks to further evaluate and respond to. It will be the responsibility of the RMO, in conjunction with the relevant branch managers and cooperative officers to develop and implement a final Financial Consumer Risk Management plan around the core risks identified.

4.2. Internal Auditor—The IA Plan shall be developed with financial consumer risk management as one of the core tenets of its functions and the Internal Audit in coordination with the RMO in conducting an annual review of the bank's risk operations.

THE RISK MANAGEMENT PROCESS



STEP 1: ESTABLISH THE CONTEXT—As a precursor to establishing a risk management strategy, it is important to understand the environment within which the Bank is operating. This requires the Bank to consider:

a. The internal context – culture, business structure, reporting lines, resources, capabilities (people and systems);
b. The external context – business, political, financial, regulatory environments;
c. The legal and compliance framework and the scrutiny of the regulators;
d. The requirements of its key alliance partners, including (RBAP) and (BANGKOOP), key creditors, key customers and other partners;
e. The actions of its representatives
f. The industry framework; and
g. Coop. goals and objectives for the bank.

STEP 2: IDENTIY THE RISKS—Identifying a risk involves asking a number of questions within each branch/division/business unit:

a. What could happen to the branch, division or business unit of the bank?
b. How would it happen?
c. Why would it happen?

Cooperative Officers, Branch/Divisional Managers, with assistance from the RMO or any person appointed by the Board, will be responsible for generating and reviewing a list of risk factors that may compromise the Bank's operation, financial or reputational position now or in the future. Particular focus is given to risks that compromise the Bank's ability to provide banking services to, or adversely impacts customers. This emphasis is given in light of the Bank's desire to continue to grow, develop and add value to its share and other stakeholders.

Identified Risks Under Financial Consumer Protection

Risk Description-These guidelines cover 6 most common financial consumer risks in banking. Description of these are as follows:

(a) RISK ON DISCLOSURE AND TRANSPARENCY - This risk is present when the Bank should fail to provide up to date information about its products and services to financial consumers. Such failure will result to the financial consumer being misled in entering into a transaction with the Bank.

(b) RISK ON CONFLICT OF INTEREST- Conflict of interest situation arises when a person in a position to exercise judgement on a matter, has divergent interests, as, for instance, when a staff member's personal interests are different from those of the Bank and the same was not divulge to the financial consumer. The Staff member have a special responsibility to avoid situations and activities that might reflect adversely on the Bank and the financial consumer , compromise its operations, or lead to real, potential, or even apparent conflicts of interest.

(c) RISK ON THE PROTECTION OF CLIENT INFORMATIONS- This risk arises when in the course of a transaction with the financial consumer, the Bank failed to protect client's information through the employment of an appropriate control and protection mechanisms resulting to the improper disclosure of the protected information to the employee of the Bank or to any third person.

(d) RISK ON FAIR TREATMENT-Banks should deal fairly and honestly with consumers at all stages of their relationship, so that it is an integral part of the culture of a Bank. Care should also be made and special attention given to the needs of vulnerable persons and groups. Failure to abide with the foregoing will create an environment of risk with the financial consumers.

(e) RISK ON EFFECTIVE RECOURSE-Financial consumers should be provided efficient means for resolving complaints with their financial transactions. A Bank should have in place mechanisms for complaint handling and redress. The failure of the bank to provide this mechanism will result to either drop-out and worst is non-collection of the account.

(f) RISK ON FINANCIAL EDUCATION AND AWARENESS-This occurs when the Bank fails to initiate the provision of knowledge, skills and confidence to financial consumers to make them understand and evaluate the information they receive and empower them to make informed financial decisions.

STEP 3: ANALYZE THE RISKS

The qualitative measures of likelihood and consequences are outlined in the Risk Rating Guidelines sown in the matrix below. Once a risk has been rated in terms of likelihood and consequence, a risk matrix is used to rate the risk.

Those risks with a high likelihood and an extreme consequence will attract a significant rating, and it will be incumbent upon the bank to either place tight controls around the risk or avoid it completely.

STEP 4: EVALUATE THE RISKS

The evaluation process involves the application of risk controls to the risks identified at Step 2. The controls should be agreed upon by a working group on an annual basis to ensure currency and accuracy. Once the control (s) have been determined for the risk, they should be given a rating.

The ratings scale has 4 levels; level 1, being a poor control or no control at all to level 4, being a sophisticated control that is regularly reviewed and that is likely to lower the inherent risk. This rating is to be applied to the inherent risk to determine the residual risk (ex. the risk that remains after all control mechanisms are considered and applied).

- Inherent Risk: The risk that an activity would pose if no controls or other mitigating factors were in place (the gross risk or risk before controls) Residual Risk:
  The risk that remains after controls are taken into account (the net risk or risk after controls).

The residual risk rating should be used to determine future action to be taken for that risk or a group of risks with similar properties. If the control system or mechanism or policy is rated 5, it means that in all aspects, the control system is strongly effective.

If the rating is 2, there is an existing system or mechanism but it is not working. If the rating is 1, there no control at all so there is a need to formulate a policy to mitigate the risk.

STEP 5: RESPOND TO THE RISK

Cooperative Bank of Cagayan must respond to all risks, which involves identifying the options available to treat risks, assessing the options and implementing a treatment plan based on the accepted option. The appropriate level of response to a risk will be based on a number of factors, including resources (human and financial), worst case scenario versus practical likelihood and return on investment.

FINANCIAL CONSUMER PROTECTION POLICIES AND PROCEDURES

In consonance with internal control principles, the bank formulates policies to serve as guidelines in dealing with risks identified in any of the stages of business dealing with Financial Consumer. These policies are therefore rated as to their effectiveness in mitigating the inherent risks.

1. POLICY ON DISCLOSURE AND TRANSPARENCY—The Bank has adopted a policy relative to disclosure and transparency in dealing with Financial Consumers. The policy shall cover the following:
    a. Products and services shall contain information necessary to make informed judgment;
    b. The Officer or employee transacting shall meet the full disclosure requirements;
    c. Key features of the products and services are prominently highlighted;
    d. Continuous update of offering documents.
2. POLICY ON CONFLICT OF INTEREST—In order to avoid personal interest to set in the transaction with financial consumer, the Bank has adopted a policy that will help to detect potential conflicts of interest. The policy requires that when the possibility of a conflict of interest arises between the bank and the third party, this should be disclosed to the consumer.
3. POLICY ON PROTECTION OF CLIENT INFORMATIONS—Pursuant with the requirement under Republic Act No. 1405, the Bank has adopted a policy in the collection and treatment of financial consumer information and data. The policy includes well articulated information security guidelines, well-defined protocols, Secured database and periodic re-validation procedures in handling personal information of financial customers.
4. POLICY ON FAIR TREATMENT OF FINANCIAL CONSUMER—The Bank has adopted a policy relative to fair and honest dealing with consumers at all stages of the business relationship, so that it now forms integral part of the culture of a Bank. The policy includes care and special attentions to the needs of vulnerable persons and groups.
5. POLICY ON EFFECTIVE RECOURSE—The Bank has adopted a policy governing the handling and resolution of the complaints and redress of grievances of financial consumers. The policy ensures and assures that complaints and grievances are properly and swiftly address to in order to foster a good business relationship with the Financial Consumers.
6. POLICY ON EDUCATION AND AWARENESS—Relative to its corporate social responsibility, the Bank has institutionalized the need to financially educate consumers before its business dealing with them. The concerned officer of the Bank prior to the furtherance of the business transaction shall conduct business counselling which will reinforce the consumer whether or not to continue dealing with the Bank.

CODE OF CONDUCT

A. RELATION WITH CLIENTS We have a keen appreciation of our responsibility to our clients. The bank guarantees its work of employees, of course, share this responsibility. The promptness with which clients are waited upon, the courtesy and concern displayed, the care, skill and pride in your work, neatness, and the appearance of premises, all influence the client to return to the Bank.

B. CONFIDENTIALITY AND SECURITY OF PERSONAL DATA Security is the preservation of confidentiality, integrity and availability of information, other properties, such as authenticity, accountability, and reliability. Any information given or received in confidence for one purpose will not be used for another purpose, or passed to a third party, without their consent except in special circumstances in order to prevent harm to an individual. Consent should be sought every time there is a need for confidential information to be passed on to an unauthorized person. Confidential information will not be discussed on the telephone unless the identity of the caller is established, this will be checked when necessary, e.g. with call-backs and/or security checks prior to the release of any information. Refusal to give consent should be respected wherever possible.

MANAGEMENT RESPONSIBILITIES—In accordance with the Bank's disciplinary procedures, disciplinary action taken against any employee who fails to carry out the duties and responsibilities set out in this policy.

1. Offer appropriate training, education and other opportunities within the Bank and encourage each employee to develop his/her capacities and potential.
2. Make demonstrated ability and qualifications the primary basis of selection and promotion.
3. Consider employee satisfaction and morale as well as the Bank productivity, efficiency and cost.
4. Maintain open communication create an atmosphere of understanding, cooperation and mutual trust.
5. Promote client satisfaction for the bank.

EMPLOYEE RESPONSIBILITIES—The job performance and personal conduct of each employee reflects directly upon the image and reputation of the Bank. It is expected that each employee will conform to the established Bank policies and that dealings with clients and fellow employees will at all times reflect honesty and the highest ethical standards. Employees will observe to maintain the ethical standards of the Bank:

1. Promote client satisfaction for the Bank.
2. Outside activities must be acceptable and compatible with an employee's identity with the bank.
3. Employees must not accept from, or give to, clients' gifts.
4. Integrity is a must for continued employment. .
5. It is the responsibility of each employee to report to management any knowledge that a crime has been or will be committed. Not reporting is cause for immediate dismissal.
6. Strict compliance with laws and regulations is necessary. Non compliance could result in adversity both for the employee and bank.
7. A clients' confidential information must not be divulged to third parties except with proper authority from the client.
8. An employee will not discuss nor enter into agreement concerning bank's business unless authorized.
9. Disclosure of the Banks' financial information and policies will be made only upon authorization from the top management, GM
10. The Bank physical properties, information and influence will not be used for the private advantage of any employee or other person.
11. Each employee owes the Bank a duty of loyalty. That duty is violated if the individual personally profits from a business opportunity which rightfully belongs to the Bank. This problem arises when an employee has an interest in an entity which offers a product or service which could be offered by the Bank, or when an employee directly offers such a product or service.

Service Delivery

CB Cagayan is committed to provide fast, efficient and reliable service that takes into account the sensibility and to continuously strive toward the attainment of international standards of best practices in its service delivery.

1. Personalized Service—A well-trained CBC personnel and outsource service provider who is knowledgeable about the bank's products and services will always be available to address concerns and deal with consumers with utmost courtesy and respect.
2. Other Channels of Providing Customer Service—The Bank will, as much as possible, make available more than one channel and these channels are complementary to enable to avail basic banking services as may need. Traditional channels, which require bank personnel and outsource service providers to operate, are accessible during banking hours. These channels include branches, teller, cashier, sales officers, branch managers/heads, relationship managers, account officers.
3. Elderly customers and customers with disability—The Bank recognizes the needs of elderly and physically challenged customers to have access to transaction services. The bank will take reasonable and adequate measures to enhance their access to those services like the senior citizen lane/priority lane.
4. Bank's Mechanisms to Respond to Inquiries, Complaints and Feedbacks—Complaints from customers are to be considered valuable information that may form the basis of future development or changes to our products and actions. The Bank will always accept complaints in a positive manner and clearly demonstrate, receptive and value criticism.
5. Privacy, Confidentiality and Safeguarding Information—CBC is duty-bound to treat personal information as private and confidential, even after the relationship of the client/customer with the have ceased.

FINANCIAL CONSUMER ASSISTANCE MANAGEMENT SYSTEM (FCAMS)

Objectives

1. To be able to define the Bank's Structure in handling Customer complaints.
2. To be able to define the Bank's Customer Assistance Process and corresponding timelines.
3. To be able to define the Bank's Complaint Recording/Data Management system
4. To be able to define the Bank's level of risk in Customer Relations and its corresponding Risk Assessment Strategies.
5. To have a System of evaluating Effectiveness of the bank's (FCAMS)

ASSISTING PERSONNEL

- Receives and acknowledge Consumer's concerns.
- Take necessary actions within his/ her Capacity otherwise elevate the same to the Branch Manager or Assistant Branch Manager or immediate Supervisor for further action.
- Prepares Repost on a monthly basis and shall submit the same to his/her Immediate Supervisor.

FMBO HEAD, LD HEAD, R&D HEAD

- Consolidate reports from Branches/ branch lite units or concerned department and take necessary actions within his/her capacity.
- Reports to the COO on the actions taken and to be taken on Customers Complaints
- Prepares Risk Assessment based on complaints received and shall make recommendations.

COMMITTEE/ BOARD OF DIRECTORS

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

Rationale: The Bank is a social institution with a responsibility to see to it that all transactions with its Financial Costumer/ Clients are entered into in accordance with its policy and the regulations issued by the Bangko Sentral ng Pilipinas and other Regulatory Agencies. In furtherance thereto, the Board of Directors have provided the Financial Costumers an avenue to air and lodge their grievances for proper redress.

Organizational Structure

The Board and management has designated the Research and Development (R&D) Department, Human Resource Department, the Loans Department, and the Fund Management and Branch Operation Department who are responsible in dealing with clients with utmost quality service and primarily responsible in addressing client's complaints and/or issues. The above-cited departments are also responsible to:

- Monitor consumer assistance process; Keep track, identify and analyze nature of complaints and recommends solutions in order to avoid recurrence;
- Elevate to the top management and board on the complaints which cannot be resolved within their respective levels;
- Recommend solutions to avoid recurrence of complaints and the suggestions for process or personnel competency needing improvement;
- Ensure immediate resolution of significant complaint in any unit of the Bank.

Resources and Capability Building

The Board from time to time shall allocate an amount which shall be used to enhance the skill and technical know-how of all persons involve in the Consumer Protection framework of the Bank. Appurtenant thereto, they shall undergo the following training but not limited to:

1. Solid Interpersonal skills/customer service;
2. Basic and advance listening skills;
3. Written and verbal communication skills;
4. Handling Financial Consumer Feedback;
5. Dealing with difficult people;
6. Problem solving and conflict resolution;
7. Bank's corporate structure, products and services

Consumer Assistance, Process and Timeliness

Complaint Request

Complaint Reporting

Activity	Simple	Complex
Acknowledgement	Within the day	Within the day
Processing and Resolution (This Includes assessment, Investigation & Resolution)	Within 7 days	Within 20 days
Communication of the resolution	Within 10 days	Within 25 day
Note: the dates shall always be reckoned from the date of receipt of the complaint/request		

1. Internal Reporting
   Assisting personnel/officer in the branches and branch lite units shall submit the complaint report to the appropriate level of authority to include, any recommendations to avoid the recurrence of the complaint and suggestions for process/ personnel competency improvement, if any. The report of the Internal Auditor and Chief Compliance Officer concerning the independent review shall be conducted on t he complaints report, policy recommendation and consumer protection compliance shall be elevated to the Board;
2. Bangko ng Pilipinas Reporting
   The Bank shall submit a consolidated complaints report to the appropriate supervisory department of the Bangko Sentral ng Pilipinas on a quarterly basis. Such report shall be reported on a format required by the BSP within the prescribed timeline.

Reporting and Review

A report is to be compiled on the risks review as a collaborative effort of the RMO and Internal Audit and accordingly, the report must confirm both parties acceptance of the report and the recommendations contained therein. The report shall be made on a regular basis or upon receipt of complaints and shall include suggestions and recommendations for the discussion, refinement and adoption of the Board of Directors.

The Financial Consumer Risk Management system shall be part of the risks review to be conducted on a regular basis. The RMC will be responsible for reviewing and overseeing the implementation of any actions that arise from the review. The report will then be tabled during the Board meeting.

COMPLIANCE PROGRAM

Role of the Compliance Officer

The compliance office is responsible for the assessment as to whether sound consumer practices are embedded in the Financial Consumer Protection framework. A sound Consumer Protection framework should include among others a system of policies and procedures that explicitly define the manner of addressing consumer complaints.

INTERNAL AUDIT PROGRAM

Role of the Internal Auditor

The Internal Auditor shall be responsible for the review of the Bank's Consumer Protection Practices as well as its adherence to internal policies and procedures as defined in the Bank's Consumer Protection Framework.

Audit Objective

The audit's objective is to determine the extent to which bank policies and procedures effectively and efficiently protect consumers. In particular, the audit sought to determine whether the bank has:

- Applied a sound framework for carrying out bank services that are not disadvantageous for the clients and consumers.
- Adequately assessed its performance to demonstrate its effectiveness in regulating consumer affairs.

Audit Scope

Assessment of the Bank's Consumer Protection framework shall include but not limited to the following:

1. Check and review of corrective actions taken to resolve consumer concerns and acknowledge such recommendations/ feedbacks.
2. Check and review inadequate data collection and reporting practices that have resulted in errors in reported data.
3. Assessment of the status and currency of its compliance and enforcement policies and procedures in relation to consumer services of the Bank.

Audit Process

1. **Planning**—Audit planning includes identification of available resources (human, time) the timing of the audit to be performed as well as frequency of audit. Identification of prioritization of areas to be audited shall be identified in during the planning stage.

   This is done through a conduct of Risk Assessment.

   There are three main benefits from planning audits: it helps the auditor obtain sufficient appropriate evidence for the circumstances, helps keep audit costs at a reasonable level, and helps avoid misunderstandings with the client. Plan Audit procedures include the following:

   a. Review and obtain an understanding of the laws, regulations and policies provided in the Financial Consumer Protection Program.
   b. Identify risk
   c. Collect available documentation, and conduct interviews to document formal/ informal processes and controls.
   d. Conduct Monitoring process and reporting
2. **Risk Assessment**—Risk is the possibility of an act or event occurring that would have an adverse effect on the organization. Risk can also be the potential that a given threat will exploit vulnerabilities of an asset or group of assets to cause loss of, or damage to, the assets. It is ordinarily measured by a combination of effect and likelihood of occurrence.

   More and more organizations are moving to a risk-based audit approach that can be adapted to develop and improve the continuous audit process. This approach is used to assess risk and to assist an auditor's decision to do either compliance testing or substantive testing. In a risk based audit approach, auditors are not just relying on risk. They are also relying on internal and operational controls as well as knowledge of the organization. This type of risk assessment decision can help relate the cost/benefit analysis of the control to the known risk, allowing practical choices.

The process of quantifying risk is called Risk Assessment. Risk Assessment is useful in making decisions such as:

1. The area/business function to be audited
2. The nature, extent and timing of audit procedures
3. The amount of resources to be allocated to an audit

   Consumer risk assessment process is designed to evaluate on a consistent basis the extent of risk to consumers arising from the activities of a particular supervised entity and to identify the sources of that risk. "Risk to consumers" for the purpose of consumer risk assessment is the potential for consumers to suffer economic loss or other legally-cognizable injury as a result of a violation of Financial Consumer Protection. To determine the risk to consumers, the Risk Assessment considers the interaction of two broad sets of factors: the inherent risks in a particular line of business or the entity as a whole and the quality of controls implement by the entity to manage and mitigate those risks. Inherent risk includes factors that increase the potential for unfair, deceptive or abusive acts or practices, for discrimination, or for violations of other Financial Consumer Protection. It also includes factors that increase the compliance management challenges of a business and thereby increase the risk of such violations. The quality of risk controls includes factors related to both managing and mitigating specific inherent risks as well as the strength of an entity's overall system of compliance management.

3. **Performance Audit**—Work In the performance of Audit Work require to provide supervision, gather audit evidence and document our audit work. We achieve this objective through:
   - Establishing an Internal Review Process where the auditors review management reporting and corrective actions on complaints.
   - Determine violations of Consumer Protection principles, law, regulations and policies based on branch visits
   - Obtaining sufficient, reliable and relevant evidence to be obtained through inspection, observation, inquiry and confirmation
   - Documents all work by describing audit work done and audit evidence gathered to support the auditors' findings.
   - Prepare audit findings and discuss with the auditee.
   - Assess the Consumer Protection Program of the Bank
   - Prepare audit report addressed to Audit Committee
4. **Reporting**—Upon the performance of the audit test, the Auditor is required to produce and appropriate report communicating the results of the Financial Consumer Protection audit. An Auditor report should:
   1. Identify an organization, intended recipients and any restrictions on circulation
   2. State the scope, objectives, period of coverage, nature, timing and the extend of the audit work
   3. State findings, conclusions, recommendations and any reservations, qualifications and limitations
   4. Provide audit evidence.

Money Laundering and Terrorist Financing Prevention Program

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

1. State policy

It is hereby declared the policy of the State to:

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

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

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

2.1. A straightforward **Customer Due Diligence (CDD)** policy to ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank by himself or otherwise;

- When it establishes business relations with any customer
- When it undertakes any occasional but relevant business transaction for any customer who has not otherwise established relations with the covered person
- When there is a suspicion of money laundering or terrorism financing
- When there is doubt about the veracity or adequacy of previously obtained customer identification data

2.2. Adoption and implementation of a sound **Anti-Money Laundering (AML) and terrorist financing risk management system** that will ensure the conduct of customer due diligence which shall include:

- Identifying the customer and verifying the true identity of the customer based on official documents, data or information. In case of corporate and juridical entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf;
- Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner, such that the Bank shall be satisfied that it knows who the beneficial is, as well as the ownership and control structure of the customer, in case of juridical entities or legal arrangements;
- Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationships; and
- Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transaction being conducted are consistent with the covered person's knowledge of the customer, their business and risk profile.

2.3. Compliance with laws—Management shall ensure that business is conducted in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system.

2.4. Cooperation with competent authorities. The Bank shall cooperate fully with the (AMLC) for the effective implementation and enforcement of the AMLA, as amended, and its RIRR.

- Covered persons shall report to the AMLC all covered transactions and suspicious transactions within 5 working days from occurrence thereof.

  In case of suspicious transactions, the five working day period shall be reckoned from the determination of the suspicious nature of the transaction, which determination should be made not exceeding 10 calendar days from date of transaction. However, if the transaction is in any way related to, or the person transacting is involved in or connected to an unlawful activity under Section 3 (i) or 4 of of RA No. 9160, as amended, the 10-day period for determination shall be reckoned from the date the covered person knew of, or should have known, under the circumstances, the suspicious indicator. (BSP Circular Letter No. 065, Series of 2016) Lawyers and accountants acting as independent legal professionals are not required to report covered and suspicious transactions if the relevant information was obtained in circumstances where they are subject to professional secrecy or legal professional privilege.- (R.A. 10365)
- When reporting covered or suspicious transactions to the AMLC, covered persons and their officers and employees are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any other information in relation thereto. Neither may such reporting be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer and employee of the covered person and media shall be held criminally liable.- (R.A. 10365)
- Banking units should give special attention to business relations and transactions with persons, companies, and financial institutions from countries which do not apply sufficient controls against money laundering. (For countries which are members of the Financial Action Task Force, see Appendix A). Whenever these transactions have no apparent economic or visible lawful purpose or where the transaction is unusually large, their background and purpose should, as far as possible, be established, recorded in writing, and reported to the AMLC if said transaction falls under the definition of a covered transaction.
- Banking units must not warn their customers when information relating to them is being reported to the competent authorities.
- When a banking unit reports its suspicions to the competent authorities, it must comply with their instructions as provided or allowed by law.
- When a banking unit develops strong suspicions about operations of a customer, this should be reported immediately to the Compliance Officer and to the General Manager.

2.5. The Bank shall comply fully with these rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employee are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and

- Banking units must keep records of customer identification for at least 5 years after the account is closed. These documents should be available to the competent authorities as allowed by law.
- To enable compliance with requests for information from competent authorities, banking units must retain records of all transactions. As a minimum, account ledger entries and the records supporting them must be kept for 5 years.

3. Stages of Money Laundering

3.1. Placement refers to:

- the physical disposal of cash proceeds derived from illegal activity
- the introduction of the criminal proceeds into the stream of commerce

Method used:

- incremental bank deposits (smurfing)
- purchasing goods and services to disguise the source of funds
- alse business losses

Strategies used:

- smuggling cash
- Smurfing
- wire transfers
- money remitters

3.2. Layering refers to:

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

Methods used:

- international wire transfers
- transfers through bank secrecy jurisdictions
- use of shell companies
- sham front companies

Strategies used:

- insurance companies
- money remitters
- cash intensive businesses
- brokerage firms
- Realtors
- crooked Lawyers and Accountants

3.3. Integration refers to:

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

Methods used:

- repayment of offshore loans
- onshore loans
- bogus commodity sales
- cashing out sham transfers
- false invoices
- stock sales in front companies

Strategies used:

- use of shell corporations
- use of offshore banks -use of front companies

POLICY GUIDELINES

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

B. Customer Due Diligence Procedures

1. Customer Identification - The Bank shall establish and verify the true identity of its customers based on official document as defined in AML rules or other reliable, independent source documents, data or info.

2. Due Diligence – If a customer is risk-profiled as low risk, the Bank will apply reduced due diligence in the customer identification process/procedures, meaning an individual customer may open an account under the true and full name the account owner and defer acceptance of minimum information. Deferred acceptance of minimum shall mean obtaining the following information at the time of account opening:
   - Name;
   - Present address;
   - Date and place of birth;
   - Nature of work, name of employer or nature of self-employment/ business;
   - Contact details;
   - Specimen signature;
   - Source of funds;

   While the other following information may be obtained within a reasonable time but not exceeding (90) days from account opening:
   - Permanent address;
   - Nationality;
   - TIN, SSS no. or GSIS no., if any; and
   - Name, present address, date and place of birth, nature of work and source of funds of beneficial owner or beneficiary, whenever applicable.

Enhanced Due Diligence (EDD)

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

1. Gather additional customer information and/or identification documents, other than the minimum information and/or documents required for the conduct of average due diligence as enumerated under Subsec X806.2/4806Q.2:
   a. In Case of Individual Customers – (i) supporting information on the intended nature of the business relationship/source of funds/source of wealth (such as financial profile, ITR, Loan Application, Deed of Donation, Deed of Sale, etc); (ii) reasons for intended or performed transactions; (iii) list of companies where he/she is a stockholder, director, officer, or authorized signatory; (iv) other relevant information available through public data bases or internet; and (v) a list of banks where the individual has maintained or is maintaining an account.
   b. In case of entities – (i) prior or existing bank references; (ii) the name, present address, nationality, date of birth, nature of work, contact number and source of funds of each of the primary officers; (iii) volume of assets, other information available through public databases or internet and supporting information on the intended nature of the business relationship, source of funds or source of wealth of the customer, and; (iv) reasons for intended or performed transactions.
2. Conduct validation procedures in accordance with herein stated in this manual on any or all of the information provided.
3. Secure senior management approval to commence or continue business relationship/transacting with the customer.
4. Conduct enhanced ongoing monitoring of the business relationship, by, among others, increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination
5. Require the first payment to be carried out through an account in the customer's name with a bank subject to similar CDD standards, where applicable, and
6. Perform such other measures as the covered person may deem reasonable or necessary.

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

Minimum Validation Procedures for EDD

The procedures performed must enable the covered person to achieve a reasonable confidence and assurance that the information obtained are true and reliable.

Validation procedures for <u>individual customer/ client</u> shall include, but are not limited to, the following:

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

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

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

Reduced Due Diligence

Where lower risks of ML/TF have been identified, through an adequate analysis of risk by the covered person, reduced due diligence procedures may be applied.

The reduced due diligence procedures should be commensurate with the lower risk factor, but are not acceptable whenever there is suspicion of ML/TF, or specific higher risk scenarios apply.

Minimum Validation Procedures for RDD

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

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

<u>C. Restricted Account</u>

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

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

In lieu of a valid ID, the bank shall obtain customer's complete name, birth date, source of funds, present and/or permanent address and nationality and ensure that it has in its records a clear photograph and signature or thumbprint of the customer.

The account opening shall be subject to the condition that the customer/client shall obtain a valid ID within 12 months; otherwise the account shall be closed and the remaining balance therein shall be returned to the customer.

An extension of another 12 month may be allowed; Provided that the customer is base to show to the covered person a proof of application for a valid ID. The covered person shall ensure that the above conditions are not breached otherwise complete information and valid ID shall immediately be required or the account shall be closed accordingly.

D. Objectives of "Know Your Client" KYC

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

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

Minimum Information/Documents Required for New Individual customers.

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

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

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

Minimum Information/Documents Required for New Corporate and juridical entities

1. Before establishing business relationships, the Bank shall endeavor to ensure that the customer is a corporate or juridical entity which has not been or is not in the process of being dissolved, wound up or voided, or that its business or operations has not been or is not in the process of being closed, shut down, phased out or terminated. Dealings with shell companies and corporations, being legal entities which have no business substance in their own right but through which financial transactions may be conducted, should be undertaken with extreme caution.
2. The minimum information and/or documents to be obtained by the bank to its customer/client before establishing business relationships:

    2.1. Customer Information

a. Name of entity
b. Name, present address, date and place of birth, nationality, nature of work and source of beneficial owner or beneficiary, if applicable, and authorized signatories
c. Official address
d. Contact numbers or information.
e. Nature of business, and
f. Specimen signatures or biometrics of the authorized signatory

2.2. Identification Documents

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

For legal arrangement, the following must be obtained:

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

Valid Identification Documents

1. The following guidelines govern the acceptance of valid ID cards for all types of financial transaction by a customer and the authorized signatory/ies of a corporate or juridical entity, including financial transactions involving (OFWs), in order to promote access of Filipino to services offered by formal financial institutions, particularly those residing in the remote areas, as well as to encourage and facilitate remittances of OFWs through the banking system:

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

   The term official authority shall refer to any of the following:

   a. Government of the Republic of the Philippines;

b. GOCCs; and
c. Its political subdivisions and instrumentalities;
d. Private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC.

Valid Ids include the following:

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

1.2. Students who are beneficiaries of remittances/fund transfers and who are not yet of voting age, may be allowed to present the original and submit a clear copy of 1 valid photo-bearing school ID duly signed by the principal or head of the school.

1.3. Where the customer or authorized signatory is a non-Philippine resident, similar IDs duly issued by the foreign government where the customer is a resident or a citizen.

1.4. The Bank shall require the customers or authorized signatory to submit a clear copy of 1 valid ID on a one-time basis only at the commencement of business relationship. It shall require the clients to submit an updated photo and other relevant information on the basis of risk and materiality.

1.5. The Bank may classify identification documents based on its reliability and ability to validate the information indicated in the identification document with that provided by the customer.

1.6. Whenever it deems necessary, the Bank may accept other IDs not enumerated above provided that it shall not be the sole means of identification.

1.7. In case the identification documents mentioned above or other identification documents acceptable to the Bank do not bear any photo of the customer or authorized signatory, or the photo bearing ID or a copy thereof does not clearly show the face of the customer or authorized signatory, the Bank may utilize its own technology to take the photo of the customer or authorized signatory.

2. The name of the corporation and/or beneficial owners of the account sought to be established should be checked or verified against the lists of known or suspected terrorists or terrorist organizations provided to the Bank by the AMLC to determine whether a person seeking to open an account appears on such list.
3. The Bank shall establish appropriate systems and methods based on internationally compliant standards and adequate internal controls for verifying and recording the true and full identity of their customers.

Relief in case of calamity

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

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

Face-to-Face contact

The Bank shall conduct face-to-face contact and personal interview at the commencement of the relationship, or as reasonably practicable so as not to interrupt the normal conduct of business, taking into account the nature of the product, type of business, and the risks involved: Provided, That ML/TF risks are effectively managed. The use of Information and Communication Technology (ICT) in the conduct of face-to-face contact and interview may be allowed: Provided, That the covered person is in possession of and has verified the identification documents submitted by the prospective client prior to the interview and that the entire procedure is documented.

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

Prohibition against opening of Accounts without Face-to-face Contact

No new accounts shall be opened and created by the Bank without face-to-face contact and full compliance with the requirements:

iii. contacting the customer by telephone, by letter or by e-mail to confirm the information supplied after an account has been opened (e.g., a disconnected phone, returned mail, or incorrect e-mail address should warrant further investigation); and
iv. confirming the validity of the official documentation provided through certification by an authorized person.

<u>For corporate clients</u>

i. for established corporate entities - reviewing a copy of the latest report and accounts;
ii. conducting an inquiry by a business information service, or an undertaking from a reputable & known firm of lawyers & accountants confirming the docs submitted;
iii. undertaking a company search and/or other commercial inquiries to see that the institution has not been, or is not in the process of being, dissolved, struck off, wound up or terminated;
iv. utilizing an independent information verification process, such as accessing public and private databases;
v. obtaining prior bank references;
vi. visiting the corporate entity, where practical;
vii. contacting the corporate entity by telephone, mail or e-mail. If the customer appears to be listed in the lists of terrorists or terrorist's organizations, the account should be reported to the AMLC.

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

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

ii. conducting an inquiry by a business information service, or an undertaking from a reputable & known firm of lawyers & accountants confirming the docs submitted;
iii. undertaking a company search and/or other commercial inquiries to see that the institution has not been, or is not in the process of being, dissolved, struck off, wound up or terminated;
iv. utilizing an independent information verification process, such as accessing public and private databases;
v. obtaining prior bank references;
vi. visiting the corporate entity, where practical;
vii. contacting the corporate entity by telephone, mail or e-mail. If the customer appears to be listed in the lists of terrorists or terrorist's organizations, the account should be reported to the AMLC.

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- Nevertheless, the Bank may reasonably allow applying simplified or reduced CDD measures where there are circumstances where the risk of money-laundering or terrorist-financing, is lower, where information on the identity of the customer and beneficial owner of a customer is publicly available, or where adequate checks and controls exist elsewhere in national systems. Examples of customers where simplified or reduced CDD measures could apply are:
    i. financial institutions—where they are subject to requirements to combat money laundering and terrorist financing and are supervised for compliance with those controls;
    ii. Public companies that are subject to regulatory disclosure requirements;
    iii. Gov't administrations or enterprises.

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

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

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

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

1. For covered person counterparty:
    a. There is a written service level agreement approved by the board of directors of both covered persons; and
    b. The counterparty has a reliable and acceptable customer identification system and training program in place.
2. For non-covered person counterparty:
    a. All conditions required for covered person counterparty;
    b. b. The covered person outsourcing the activity shall ensure that the employees or representatives of the counterparty gathering the required information/documents of, and/or

conducting face-to-face contact with, the customer undergo equivalent training program as that of the covered person's own employees undertaking a similar activity; and

c. The covered person shall monitor and conduct annual review of the performance of the counterparty to determine whether or not to continue with the arrangement.

***All identification information and/or documents shall be turned over within a period not exceeding ninety (90) calendar days to the covered person, which shall carefully review the documents or information and conduct the necessary risk assessment of the customer.

The covered person may, however, include in the coverage of the outsourcing agreement the safekeeping of the documents shall be made available to the covered person or to the competent authorities within three (3) banking days from the date of request.

Third Party Reliance

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

1. Where the third party is a covered person specifically defined by this Manual and as generally defined by AMLA, as amended, and its RIRR – the covered person shall obtain from the third party a written sworn certification containing the following:
   a. The third party has conducted the prescribed customer identification procedures in accordance with this Part and its own MLPP, including the face-to-face contact requirement, to establish the existence of the ultimate customer and has in its custody all the minimum information and/or documents required to be obtained from the customer; and
   b. The relying covered person shall have the ability to obtain identification documents from the third party upon request without delay.
2. Where the third party is a financial institution operating outside the Philippines that is other than covered persons referred to in item "1" above but conducts business operations and activities similar to them – all the contents required in the sworn certification mentioned in item "1" above shall apply, with the additional requirement that the laws of the country where the third party is operating has equal or more stringent customer identification process requirement and that it has not been cited I violation thereof.

   It shall, in addition to performing normal due diligence measures, do the following:
   a. Gather sufficient information about the third party and the group to which it belongs to understand fully the nature of its business and determine from publicly available information the reputation of the institution and the quality of supervision, including whether or not it has been subject to ML or TF investigation or regulatory action;
   b. Document the respective responsibilities of each institution; and
   c. Obtain approval from senior management at inception of relationship before relying on the third party.

Trustee, Nominee and Agent Accounts

a. 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;

   a. trustee, nominee, agent or intermediary and the
   b. trustor, principal, beneficial owner or person on whose behalf the transaction is being conducted. The Bank shall determine the true nature of the parties' capacities and duties by obtaining a copy of the written document evidencing their relationship and apply the same standards for assessing the risk profile and determining the standard of due diligence to be applied to both.

2. In case it entertains doubts as to whether the trustee, nominee, agent, or intermediary is being used as a dummy in circumvention of existing laws, it shall apply enhanced due diligence.

Prohibition against Certain Accounts

The Bank shall maintain accounts only in the true and full name of the account owner or holder. The provisions of existing law to the contrary notwithstanding, anonymous accounts, accounts under fictitious names, and all other similar accounts shall be absolutely prohibited. (BSP Cir. 706, Series of 2011)

Private Banking/Wealth Management Operations

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

Politically Exposed Persons (PEP)

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

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

Correspondent Banking

To prevent correspondent banking activities from being utilized for ML/TF activities, the bank shall adopt policies and procedures and designate an officer responsible in ensuring compliance with these regulations and the covered person's policies and procedures.

A covered person may rely on the customer identification process undertaken by the respondent bank and apply the rules on third party reliance treating the respondent bank as third party.

The correspondent bank shall:

1. In relation to cross border correspondent banking and other similar relationship;
   a. 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;
   b. Assess the respondent institution's AML/CFT controls;
   c. Obtain approval from senior management before establishing new correspondent relationships,
   d. Clearly understand and document the respective AML/CFT responsibilities of each institution
2. With respect to "payable-through accounts", satisfy themselves that the respondent bank:
   a. Has performed customer due diligence obligations on its customers that have direct access to the accounts of the correspondent bank; and
   b. Is bale to provide relevant customer due diligence information upon request to correspondent bank.

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

Buyers of Cashier's, Manager's or Certified Checks

1. The Bank may sell Cashier's, Manager's or Certified Checks only to its existing customers and shall maintain a register of said checks indicating the following information:
   a. True and full name of the buyer or the applicant if buying on behalf of an entity;
   b. Account number;
   c. Name of the payee;
   d. Date of issuance and the no. of the check;
   e. Amount; and
   f. Purpose of such transaction.
2. Buyers of cashier's, manager's or certified checks other than its existing Customer Where an individual or any entity other than an existing customer applies for the issuance of Cashier's, Manager's or Certified Checks, the Bank shall obtain all the identification documents and minimum information required by Anti-Money Laundering rules to establish the true and full identity and existence of the applicant.
3. Buyers of cashier's, manager's or certified checks in blank or payable to cash, bearer or numbered account – The Bank may issue cashier's, manager's or certified checks or other similar instruments in blank or payable to cash, bearer or numbered account subject to the following conditions:
   a. The amount of each check shall not exceed P10, 000;
   b. The buyer of the check is properly identified in accordance with its customer acceptance and identification policies.
   c. A register of said checks indicating all the information required.
   d. The Bank which issues as well as those which accepts as deposits, said cashier's, manager's or certified checks or other similar instruments issued in blank or payable to cash, bearer or numbered account shall take such

measure(s) as may be necessary to ensure that said instruments are not being used/ resorted to by the buyer or depositor in furtherance of a money laundering activity;

e. The deposit of said instruments shall be subject to the same requirements of scrutiny applicable to cash deposits;

f. Transactions involving said instruments should be accordingly reported to the AMLC if there is reasonable ground to suspect that said transactions are being used to launder funds of illegitimate origin

4. Second-endorsed Checks – The Bank shall enforce stricter guidelines in the acceptance of second-endorsed checks including the application of enhanced due diligence to ensure that they are not being used as instruments for money laundering or other illegal activities. For this purpose, the Bank shall limit the acceptance of second-endorsed checks from properly identified customers and only after establishing that the nature of the business of said customer justifies, or at least makes practical, the deposit of second-endorsed check. In case of isolated transactions involving deposits of second-endorsed checks by customer who are not engaged in trade or business, the true and full identity of the first endorser shall be established and the record of the identification shall also be kept for five (5) years.

Treatment of Dormant Account

Savings or current accounts become dormant when there is no movement (deposit or withdrawal) for a period of 2 years. At times, bank accounts which have been dormant for many years are activated for fraudulent or other criminal purposes.

⇒ All dormant accounts shall be segregated from active accounts, including the specimen signature cards

⇒ 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.

Transactions Undertaken for Non-account Holder

Transactions undertaken for non account holders demand special care and vigilance.

⇒ Where the transaction involves significant amount, the customer should be asked to produce positive evidence of identity, including nationality if the customer is not a Filipino.

⇒ File copies of the identification documents should be retained. Identification documents should be treated as part of transaction records and should be retained and retrievable.

⇒ Funds deposited by non-account holders into an existing account should be handled with particular care. The name of the representative shall be indicated in the deposit slip.

Record Keeping: Kinds of Records and Period for Retention

1. All customer identification records of the Bank shall be maintained and safely stored as long as the account exists. All transaction records, including all unusual or suspicious patterns of account activity whether or not an STR was filed with the AMLC, of the Bank shall be maintained and safely stored for 5 years from the date of transaction.
2. Said records and files shall contain the full and true identity of the owners or holders of the accounts involved in the transactions

such as the ID card and photo of individual customers and the documents for entities, customer information file, signature card of authorized signatory/ies, and all other pertinent customer identification documents as well as all factual circumstances and records involved in the transaction. The Bank shall undertake the necessary adequate security measures to ensure the confidentiality of such file. The Bank shall prepare and maintain documentation, in accordance with the aforementioned client identification requirements, on their customer accounts, relationships and transactions such that any account, relationship or transaction can be reconstructed as to enable the AMLC, and / or the courts to establish an audit trail for money laundering.

3. Whenever a bank engaged in micro-finance operations has tagged a 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 3 years. This provision is applied when a money laundering case is filed in court. (BSP Circular 706, Series of 2011)
    - Existing and New Accounts and New Transactions - All records of existing and new accounts and of new transactions shall be maintained and safely stored for five (5) years from October 17, 2001 or from the dates of the accounts or transactions, whichever comes later. (Rule 9.2.0.IRR)
    - Closed Accounts -With respect to closed accounts, the records on customer identification, account files and business correspondence shall be preserved and safely stored for at least five (5) years from the dates when they were closed. (BSP Circular 706, series of 2011
    - Retention of Records in Case a Money-Laundering Case has been Filed in Court - If a money laundering case based has been filed in court involving the account or customer, records must be retained and safely kept beyond the 5-year retention period, until it is officially confirmed by the AMLC Secretariat that the case has been resolved, decided or terminated with finality (BSP Circular 950, series of 2017)
    - Form of Records- Records shall be retained as originals or in such forms as are admissible in court pursuant to existing laws such as the e-commerce act and its implementing rules and regulations, and the applicable rules promulgated by the Supreme Court. (BSP Circular 706, Series of 2011) Covered person shall, likewise, keep the electronic copies of ll CTRs and STRs for at east 5 years from the dates of submission to the AMLC.

      For low risk customers, it is sufficient that covered persons shall maintain and store, in whatever form, a record of customer information and transactions. (BSP Circular No. 950 Series of 2017)

4. Documentation on the customer relationships and transactions shall be maintained such that:
    - The requirements of law and regulations are fully met;
    - The BSP and other regulatory authorities and the internal and external auditors will be able to judge reliably the Bank's transactions and its compliance with the herein guidelines;

- Any transaction effected via the Bank can be reconstructed;
- It can satisfy within a reasonable time any enquiry or order from lawful authorities as to disclosure of information, including without limitation (a) whether a particular person is the customer or beneficial owner of funds/assets deposited with banks and (b) whether the bank has effected cash transactions requiring customer IDs;
- Financial transaction documents may be retained as originals or copies, on microfilm, or in electronic form, provided that such forms are admissible in court. If the records relate to on-going investigations or transactions that have been the subject of a disclosure, they shall be retained beyond the stipulated retention period until it is confirmed that the case has been closed.

5. The records to be retained shall depend on the nature of the transaction as a. follows:
   a. Cash Deposits generally require:
      - Deposit slip or daily posting register showing account number and amount;
      - ledger entry

   b. Cash Transfer Generally require:
      - debit voucher (check or authority to debit) showing name, account no. and signature
      - payment or posting register, showing check no., amount and account no.
      - ledger entry

   c. Check Deposits Generally require:
      - Check deposit slip
      - Daily posting register showing the account no, check no. and amount
      - Ledger entry

   d. Loan Transactions Generally require:
      - Loan application
      - Discount statement
      - Promissory Note
      - Ledger entry

   e. Collections Generally require:
      - Paying slip (Official Receipt)
      - Daily posting register
      - Ledger entry

6. Safekeeping of records and documents
   The Branch Managers and the New Account staff shall be the 2 officers who will be jointly responsible and accountable in the safekeeping of all records and documents required to be retained by the AMLA.
7. Digitization of Customer Records (DIGICUR) Objectives:
   a. To ensure that customer records are submitted in the manner, quality, and periods that would assist the AMLC in its prompt financial investigation and institution of legal actions; and.
   b. To maintain the confidentiality of the financial investigations of the Anti Money Laundering Council by preventing tipping off to customers under investigation

Covered Transactions subject to deferred reporting

1. Transactions between BSP Supervised Covered Institutions and the BSP;
2. Transactions between banks operating in the Philippines;
3. Roll-overs of placements of time deposit and/or other client's investment;
4. Transactions involving transfer of funds from one deposit account to another deposit account of the same person within the same bank;
5. Bank-initiated (transactions of the bank) or system generated transactions;
   i. Internal operating expenses and capital expenditures of Covered Institutions;
   ii. Remittance by a bank, acting as a collecting agent, of taxes and other government fees collected from the public, to the BIR and other government agencies;

iii. Remittance by a bank, acting as collecting agent, of customers' bills and payment (e.g. utilities);
iv. Adjusting entries or reclassification of accounts;
v. Service fees, proprietary revenue fees, arrangement fees, loan syndication fees and other form of fees incidental to loans granted or investments sold, provided that the loans granted or the sale of investment was reported at gross or its principal amount; and
vi. Investments of Covered Institutions in government securities, or in companies listed in the local or international stock exchanges.

6. Payment of loan and/or its corresponding interest regardless of the manner of payment (cash, fund transfer, debit of account, check), provided that the grant of loan was previously reported as covered transaction;
7. Reclassification of loan to Real and other Properties Acquired (ROPA); provided that the loan availment was previously reported;
8. Installment of partial payment in the sale of ROPA, provided that the total selling price of the ROPA in excess of P500,000.00 was reported at the time of the execution of the contract to sell or sales contract receivable, or deed of sale;
9. Loan repricing, loan renewal, loan restructuring, provided that there is no change in borrower's name, otherwise, the loan shall be considered as new loan, hence, reportable;
10. Transactions of the Trust department of a bank:
    i. Investment/divestment of Unit Investment Trust Fund (UITF) and Trust and Other Fiduciary Activities (TOFA);
    ii. Investment/divestment of Investment Management Account (IMA), such as Special Deposit Account, government securities, equities traded in the Philippines Stock Exchange, real estate properties, and deposits with own bank or other banks, and loans granted;
    iii. Rollover of Investment of UITF, TOFA, and IMA, provided that the initial contribution or placement was previously reported. Any redemption, termination, or cancellation of investment resulting in the closure of the trust account of a client shall be reported;
11. Transaction of government agencies with banks, except the following:
    i. Disbursement of government agencies that passed through the Modified Disbursement Scheme (MDS), which disbursements are payable to private entities; (NGOs); non-profit, charitable or religious foundation; or to individual;
    ii. Disbursement of government agencies coursed through other depository banks, other than the MDS accounts, that are payable to private entities; non-governmental organizations (NGOs); non - profit, charitable or religious foundations; or to individual persons;
12. Agrarian Reform Receivables;
13. Payment for agricultural lands under the Agrarian Reform Law.

Recognizing Suspicious Transactions

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

⇒ As the type of transactions which may be used by a money launderer is almost unlimited, it is difficult to define a suspicious transaction. However, a suspicious transaction will often be one which is inconsistent with a customer's known legitimate business or personal activities or with the normal business for the type of account. Therefore, the first key to recognition is to know enough about the customer's business to recognize that the transaction or series of transactions is unusual. Accordingly, procedures should be in place so that activity on account is monitored by staff who is familiar with those accounts. This day to day monitoring is made easier if the identification of suspicious transactions can be automated.

⇒ Examples of circumstances where funds might stem from drug-trafficking, terrorism and other serious crimes are shown in “Appendix C”.

⇒ What might appear to be suspicious or to constitute unusual activity on the account of a particular customer in the eyes of staff at one branch may be explicable by reference to the conduct of the same customer's account at another branch. Thus, it is important that suspicions reported by branches are reviewed centrally at the main office. Where transactions are conducted by a business unit (e.g. Treasury) not holding all the customer or account information, special vigilance is required. When a doubt arises about a specific transaction further. Information about the customer should be sought from the branch holding the customer records.

⇒ When a suspicious transaction is rejected for commercial reasons, a record should be maintained.

⇒ Each branch should require each staff who deals directly with accounts and customers to report any suspicion to the branch manager using the form in Appendix H. The Branch Manager shall review/evaluate such suspicion of money laundering using the form in Appendix H-1.When the Branch Manager is satisfied that the suspicion is reasonable, he shall report it immediately to the General Manager and to the Compliance Officer by forwarding to them the completed report forms shown in Appendix H and H-1. It is important that as much as possible, normal business relations with account holders are maintained.

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

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

Monitoring Suspicious Transactions

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

Ongoing Monitoring of High-Risk Accounts

1. Clear standards on what records must be kept, on customer identification and individual transaction and its retention period.

2. An adequate management information system to provide managers with timely information needed to identify, analyze and effectively monitor higher risk customer accounts.
3. Senior management should know the personal circumstances of the Bank's large/important customers and be alert to sources of third party information. Significant transactions by high-risk customers should be approved by a senior manager.
4. System to detect unusual or suspicious patterns of activity should be in place.

Non-discrimination against certain types of Customers

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

Reporting Suspicious Transactions

1. If there is reasonable ground to believe that the funds are proceeds of unlawful activity as defined under R.A. No. 9160, otherwise known as the "AML Act of 2001" (AMLA) and/or its Implementing Rules and Regulations (IRR), the transaction involving such funds or attempts to transact the same, should be reported to the (AMLC).
2. Other suspicious transactions not involving deposits should be reported to competent authorities.
3. The report shall provide the minimum information.:
   a. Name or names of the parties involved;
   b. A brief description of the transaction/ (s)
   c. Date/(s) the transaction/(s) occurred;
   d. Amount(/s) involved in every transaction;
   e. Such other relevant information which can be of help to the authorities should there be an investigation.
4. Deadline of Report—shall be submitted within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof. For suspicious transactions, "occurrence" refers to the date of determination of the suspicious nature of the transaction, which determination should be made not exceeding ten (10) calendar days from the date of transaction. However, if the transaction is in any way related to, or the person transacting is involved in or connected to

   an unlawful activity or money laundering offense, the 10-day period for determination shall be reckoned from the date the bank knew or should have known the suspicious transaction indictor.

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

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

Updating of Customer Identification Information

The Bank shall regularly update customer identification information at least once every 3 years.

Internal reporting procedures

1. All Covered transactions (CTR) shall be reported by the staff to the Branch Manager/ immediate supervisor using the form in Appendix G as transaction occurs. Upon receipt of the report, the Branch Manager/ immediate supervisor/ shall evaluate the accuracy and completeness of the reports with the bank's system generated AMLA report provided by the bank's Management Information System (MIS). A copy of the report shall be forwarded to the Compliance Department within the day of transaction or at least 1 day from the date of transaction. If the Branch Manager/immediate supervisor is of the opinion that there is/are reasonable basis for the suspicion, he/she should forward the report form G, H and H-1 to the General Manager and to the Compliance Officer.
2. Upon receipt of a report on suspicion on Money Laundering (Appendix G, H, H-1), the compliance Officer shall convene a meeting with the AMLC composed of 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/Branch Manager 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 Anti-Money Laundering Council through electronic reporting.
4. CTR shall be reported by the Compliance Department thru AMLC electronic reporting within five (5)working days from the date of transaction. In case of suspicious transactions, the five-working day period shall be reckoned from the determination of the suspicious nature of the transaction, which determination should be made not exceeding 10 calendar days from date of transaction. However, if the transaction is in any way related to, or the person transacting is involved in or connected to, an unlawful activity or money laundering offense, the ten (10)-day period for determination shall be reckoned from the date the covered person knew or should have known the suspicious transaction indicator.
5. A copy of the uploaded file and the upload confirmation receipt from the AMLC portal shall be filed and maintained by the Compliance Officer.

Staff education and training

1. The staff must be aware of their own personal legal obligations under the foregoing guidelines and applicable banking laws, rules and regulations on money laundering. The staff must be encouraged to cooperate fully with competent authorities and promptly report suspicious transactions to the CBC Head Office.
2. The Bank should, therefore, provide its personnel 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.
   - 2.1. New employees—A general appreciation of the background to money laundering, the consequent need to be able to identify suspicious transactions and report such transactions to the appropriate reporting levels within the Bank. The staff should be made aware of the legal requirement to report suspicious transactions relating to indictable offenses.
   - 2.2 Cashiers/Tellers/Remittance Clerks/ Processors—Personnel who are

dealing directly with the public are the first point of contact with potential money launderers and their efforts are, therefore, vital to the Bank's strategy in the fight against money laundering. They should be made aware of their legal responsibilities in the reporting system for suspicious and covered transactions. Training should be provided on factors that may give rise to suspicions and on the procedures to be adopted when a transaction is deemed to be suspicious. It is vital that the "front line" staffs are made aware of the Bank's policy for dealing with non -regular customers particularly where large cash transactions are involved, and the need for extra vigilance in these cases.

2.3 New Accounts Personnel/Customer Relations Officers—Personnel dealing with account opening or accepting applicants for business relationship with the Bank must undergo training given to cashiers

Such personnel should be aware that the offer of suspicious funds or the request to undertake a suspicious transaction needs to be reported, whether or not the funds are accepted or the transactions implemented. They must be apprised of the reporting procedures spelled out in this program.

2.4. Bank Supervisors and Managers—A higher level of instruction covering all aspects of money laundering procedures should be provided to those with the responsibility for supervising or managing staff.

This will include the offenses and penalties arising from non-compliance; procedures relating to service of production and restraint orders; and the requirements for retention of records.

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

On-going Training

1. It will also be necessary to make arrangements for refresher training at regular intervals to ensure that the staffs do not forget their responsibilities vis-à-vis the bank’s processes, policies and procedures. Regular refresher trainings shall likewise be provided in order to guarantee that officers and staff are informed of new developments and issuances related to the prevention of money laundering and terrorism financing.
2. Trainings of officers and employees shall include awareness of their respective duties and responsibilities under the MLPP particularly in relation to the customer identification process, record keeping requirements and CT and ST reporting and ample understanding of the internal processes including the chain of command for the reporting and investigation of suspicious and money laundering activities.
3. Dissemination of information on the activities on money laundering, its prevention and detection shall be the responsibility of the Compliance Officer.

Recruitment/Screening Process

An adequate screening and recruitment process to ensure that only qualified personnel who have no criminal records are employed to assume sensitive banking functions. The following procedures shall be adopted:

1. Initially, all applicants to be employed in sensitive functions shall undergo the thorough Credit Investigation and Background Investigation to be conducted by the HR Dept.
2. If an applicant passed the CI/BI conducted by the HR Department, he shall undergo the qualifying exam given by the Bank.

3. If he passed the qualifying exam, the applicant shall be oriented by the HR dept. and shall be trained by the Branch in need of the applicant.
4. The applicant/employee shall be evaluated by the Branch where the applicant was trained.

INTERNAL AUDIT SYSTEM

A. Audit Objectives

1. To test the bank's compliance with the requirements of the Bank Secrecy Act and AML Program and that the bank policies and procedures are strictly followed.
2. To assess the bank's compliance with the minimum statutory and regulatory requirements for the (CIP).
3. To determine that procedures are in place for the identification and reporting of suspicious transactions relevant to a possible violation of law or regulation.
4. To determine that the bank observes the required records retention period
5. To evaluate the effectiveness of internal control.

B. Minimum Internal Control

1. Strict implementation by the bookkeeper of "Know Your Customer" (KYC) principle.
   a. The Bank shall determine and document the true identity of customers.
   b. Determine if the customer is acting on behalf of another person or legal entity.
   c. Bank shall obtain satisfactory evidence about the identity of any intermediaries and of the persons upon whose behalf they are acting.
   d. The bank does not maintain secret, anonymous or fictitious accounts.
   e. Continuously update information of the Customers' identity.
2. Dormant and closed accounts shall be segregated from active accounts, including the specimen signature cards and held under joint custody of two (2) responsible officers/employees
3. Records of Dormant and Closed Accounts shall be maintained and activities/ movements shall be strictly monitored.
4. All reactivation requests for dormant and closed accounts shall be processed by the bookkeeper and duly approved by the manager.
5. Occurrence of Covered and/or Suspicious transactions should be reported immediately by the concerned employee to the manager. The manager shall evaluate and report to the Compliance for reporting to the AMLC.
6. Signature Card and Picture of customers must be scanned in the system for immediate checking of the identity of the depositor.
7. Record retention for at least 5 years for existing, new and closed accounts; beyond 5 years in case a money laundering case has been filed in court until the case has been terminated or resolved by the court.
8. Adequacy of AMLA training programs for employees.

C. Audit Procedures

1. Client information "KYC" principle.
   a. Obtain CISand Signature Card of Depositor/Borrower and test if minimum information requirements were complete.
   b. Determine if the Signature Card and Picture of Depositor/Borrower were duly scanned in the system.
   c. Determine record retention of client info.
2. Check accuracy and proper classification of Active, Dormant and Closed account
3. Obtain list of AMLA report and proof sheet then test check sample of covered/ suspicious transactions.

4. Test check if movements of Dormant/ Closed account were properly monitored.
5. Check if the bank provides periodic training for appropriate personnel.
    a. Evaluate concerned employees on their knowledge to combat laundering.
    b. Determine scope of training and if adequate
6. Determine if the bank has complied with the recordkeeping and reporting requirements.
7. Check if the bank rejects transactions by blocked entity or individual.
8. List exceptions.
9. Maintenance of list or database of blocked entities and individuals.
    a. Ensure the list or database is updated regularly.
    b. The list or database contains sanctions or with the types of activities prohibited.

D. Audit Testing

Procedure to test if the program as presented is being implemented at all levels effectively

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

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

CHECKLST FOR COMPLAIAINCE

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

Designation of AML Compliance Officer

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

CORPORATE SOCIAL RESPONSIBILITY

Aside from its financial activities, CB Cagayan remains committed in making meaningful contributions to its shareholders, clients, and most importantly, to the community it serves. The Bank strives to create a positive social impact by promoting sustainable growth, responsible community stewardship, and initiatives that support community development.

46th GENERAL ASSEMBLY (GA) meeting of Cooperative Bank of Cagayan (CB Cagayan), with the theme “Cooperative Convergence: Inspiring Optimism for a Sustainable Future,” was successfully concluded on March 30, 2025, at Tuguegarao City, Cagayan.

Cooperative affiliates were informed through a notice letter at least 1 week before the meeting. Out of those recipients, (40) shareholders attended through their Authorized Representative.

The GA was honored by the presence of 2 guest speakers from the government Offices. Sir Christian D. Sales represented the Department of Agrarian Reform – Regional Office II (DAR-R02), while Engr. Federico B. Ordinario Jr. represented the National Irrigation Administration.

They emphasized the critical role of convergence in achieving institutional and developmental objectives, noting that several of their programs and projects are supported or co-funded by various government agencies.

Atty. Robin James A. Gunnacao, the president/CEO, emphasized that the GA serves as an essential convergence platform, facilitating constructive dialogue, addressing issues and concerns raised by member-affiliates, and promoting transparency and collaborative problem-solving.

The successful conduct of the 46th GA reaffirmed CB Cagayan’s commitment to fostering institutional partnerships and advancing cooperative principles.

Through the meaningful exchange of insights and the strengthened collaboration with government agencies, the CB Cagayan effectively aligned member-affiliates’ needs with available public sector support, further reinforcing its mission toward sustainable and inclusive development.

Part of the GA is the **COIN RECIRCULATION PROGRAM** of the bank initiated by its Compliance Department.

Employees, and shareholders were encouraged to join, in return a certificate and tokens were given.

The said program aims to ensure smooth and efficient flow of coins within the financial system, and minimizing the need for new coins production

A total of 18208 coins has been collected and deposited with the following breakdown:

Denomination	No. of pieces	Amount
20	1801	36,020.00
10	1491	14,910.00
5	5210	26,050.00
1	8093	8,093
0.25	1057	264.25
0.1	39	3.90
0.05	509	25.45
0.01	8	0.08
Total	**18,208**	**85,366.68**

CORPORATE SOCIAL RESPONSIBILITY

In celebration of its **46TH FOUNDING ANNIVERSARY** the Cooperative Bank of Cagayan organized a successful purpose-driven activity on September 6, 2025, aimed at **raising funds to support the improvement of evacuation centers in selected barangays across Tuguegarao City.**

With the theme "Run for a Cause. Fund for a Cause," the event convened fitness enthusiasts, runners, and supporters from various municipalities across Cagayan and Isabela, as well as representatives from government agencies, private organizations, and community groups, race together in pursuit of a meaningful purpose.

The run officially kicked off at exactly 05:00 in the morning at SM City Tuguegarao, featuring two distance race categories: the five-kilometer and ten-kilometer distances.

Over three hundred (300) participants—including employees of the bank, representatives from private and government agencies, and members of the local running community laced up their shoes and hit the starting line.

The event not only encouraged healthy lifestyles but also fostered a sense of community, compassion, and social responsibility among all individuals involved in the said activity.

The Cooperative Bank of Cagayan extends its heartfelt gratitude to all who participated, volunteered, and supported this cause. Proceeds from the activity will be directed toward improving facilities and ensuring safer evacuation centers for communities vulnerable to natural disasters.

The bank also set up a **COOP ASSISTANCE DESK** during the General Assembly in order to provide a single point of interaction for shareholders looking for support or assistance, and to increase satisfaction in order to improve productivity within their respective cooperatives.

By way of interview, the bank aims to provide necessary assistance in order for the cooperatives to be compliant with the reglementary requirements, especially those set forth by the Cooperative Development Authority (CDA).

There were forty (40) representatives of the cooperative that have been interviewed and given initial assistance, guidance, and information.

In times of disastrous events, the bank remains committed in supporting its client-members through its immediate assistance initiative.

After the devastation made by the typhoon Uwan, a donation program has been immediately launched to help address the immediately needs of the affected client-members.
Through this initiative, a total of 131 affected client-members received assistance, reflecting the Bank's continued dedication to the welfare and resilience of its community.

Also, through its sister cooperative bank, the Bank, together with its members and employees, also extended support in response to the earthquake that struck Cebu City, demonstrating its commitment to cooperative solidarity and its readiness to assist communities in need beyond its immediate membership.

SUSTAINABLE FINANCE FRAMEWORK

Sustainable Finance Framework: Environment and Social Risks Management System (ESRMS) Integration and Transition Report

As part of the ongoing commitment of the Bank to cooperative values, sustainable development , and responsible banking, Cooperative Bank of Cagayan has instituted its Environment and Social Risks Management System (ESRMS) Integration and Transition Plan for the year 2026.

This framework ensures that Environmental and Social (E&S) risk assessments are deeply embedded across the bank's operational strategies, governance structures, and credit portfolios.

The Bank has outlined its strategic transition timeline of multiple cross-functional departments to complete a phased-out roll out to integrate the ESRMS into the bank's corporate governance, risk management, and operational activities.

2026 Phase-by-Phase Transition Roadmap

First and Second Quarter of 2026

Phase 1. Data Gathering and Portfolio Categorization

To develop specialized tools and templates in gathering baseline E&S data which involves active coordination across various operational units to classify and segment the Bank's loan portfolio by product type, geographical risk and industry sector.

Phase 2. Risk Identification and Assessment

Evaluate sector-specific group account risk exposures focused on defining existing and emerging E&S risks while mapping out quantitative and qualitative impacts on overall operations

Third Quarter of 2026

Phase 3 – ESRMS Design and Development

In this phase, the Bank undertakes the following key considerations in designing and development of its ESRMS by:

i) defining the bank's E&S risk appetite;
ii) formulating clear procedural guidance in assessing or evaluating E&S risk within its core operations, product and service offerings, transactions, activities, and operating environment;
iii) deploying E&S risk monitoring tool aligned with sustainability-related standards, laws and regulations;
iv) providing tools in the assessment of identified E&S risk considering the aggregate risk exposure of the bank;
v) integrating E&S risk in stress testing parameters into both short-term and long-term time horizon;
vi) establishing clear lines of accountability by identifying the unit or personnel responsible for ongoing E&S oversight.

Phase 4 – Capacity Building and Information Dissemination

In this phase, the Bank through the Compliance Department shall conduct internal training and sessions to ensure that all concerned understands the sustainable finance framework.

Fourth Quarter of 2026

The Bank shall commence the full implementation of its Sustainable Finance Framework across its governance, risk management, strategic planning, lending operations, and business processes. The Compliance Department, in coordination with the concerned units, shall continuously monitor the implementation of the Framework, assess compliance with internal policies and applicable regulatory requirements, evaluate the effectiveness of sustainable finance initiatives, and recommend enhancements where necessary.

The Cooperative Bank of Cagayan continues to strengthen the implementation of its Sustainable Finance Framework by incorporating environmental, social, and governance (ESG) considerations into its operations, products, and stakeholder engagement initiatives. The Bank recognizes its role in supporting sustainable economic development while creating long-term value for its members, clients, employees, and the communities it serves.

As part of its environmental and social responsibility initiatives, the Bank continuously collaborates with government agencies, local government units, non-government organizations, and other stakeholders in implementing programs that promote environmental protection and community development. These initiatives include tree planting activities, relief operations for communities affected by natural disasters and emergencies, financial literacy activities, and other community outreach programs that contribute to environmental conservation and social well-being.

To support the transition toward a low-carbon and environmentally sustainable economy, the Bank continues to promote and market its Environmental Loan Product. The product is designed to encourage members and borrowers to finance projects and investments that generate positive environmental outcomes, including renewable energy, energy efficiency, pollution prevention, waste management, sustainable agriculture, water conservation, and other eligible green initiatives. The Bank remains committed to increasing awareness of this financing facility and encouraging greater utilization among its members and clients.

In line with its commitment to reducing the environmental impact of its own operations, the Bank is actively pursuing the acquisition and installation of a solar panel system for the Cooperative Bank of Cagayan's main office building. The project is expected to improve energy efficiency, reduce electricity consumption, lower greenhouse gas emissions associated with the Bank's operations, and demonstrate the Bank's commitment to responsible environmental stewardship.

The Bank will continue to strengthen its Sustainable Finance Framework by expanding strategic partnerships, enhancing sustainable finance products and services, promoting responsible banking practices, and integrating ESG principles into relevant business processes and decision-making. Through these initiatives, the Bank aims to contribute to sustainable development while supporting the long-term resilience of its members, clients, communities, and the environment.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

COOPERATIVE BANK OF CAGAYAN

The Bank that Farmers built . . .

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **COOPERATIVE BANK OF CAGAYAN,** (the "Bank"), is responsible for the preparation and fair presentation of financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Alas, Oplas & Co., CPAs, the independent auditor appointed by the stockholders for the years ended December 31, 2025 and 2024, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ENGR. NESTOR T. BAUTISTA
Chairman of the Board

ATTY. ROBIN JAMES A. GUNNACAO
President/CEO

STEVEN B. BAÑEZ
Treasurer

Signed this **19th** day of **March**, **2026**.

www.facebook.com/coopbank.ph (078) 844 3432 / (078) 377 051

Alas Oplas & Co., CPAs

INDEPENDENT AUDITORS' REPORT

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Makati Alabang Ortigas Paranaque Cavite
Bulacan Isabela Nueva Ecija Bacolod Iloilo
Legazpi La Union Laguna Quezon Province FCIE

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

Opinion

We have audited the financial statements of **COOPERATIVE BANK OF CAGAYAN** (the "Bank") which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of comprehensive income (loss), statements of changes in members' equity and statements of cash flows for the years then ended, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025 and 2024, and its operation and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 6.01.02 to the financial statements which describes the basis used by the Bank in setting up allowance for credit losses. As stated in BSP Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with PFRS 9 – Financial Instruments, shall, at a minimum, be subject to the regulatory guidelines in setting up allowance for credit losses prescribed under the Appendix 15 of the Manual of Regulations for Banks. Our opinion is not qualified in respect of this matter.

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 PFRS Accounting 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.

Alas Oplas & Co., CPAs

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Alas Oplas & Co., CPAs

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

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

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
CDA CEA No. 074-AF, issued on March 8, 2024; effective until March 7, 2029
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:

DANILO T. ALAS
Partner
CPA License No. 0027120
BOA Registration No. 0190/P-001, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-001-2024, issued on January 5, 2024; effective until January 4, 2027
CDA CEA No. 1788-SP, issued on March 8, 2024; effective until March 7, 2029
SEC A.N. (Individual) 27120-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 132-466-021-000
PTR No. 10767234, issued on January 5, 2026, Makati City

March 19, 2026
Makati City, Philippines

STATEMENT OF FINANCIAL CONDITION

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 and 2024
In Philippine Peso

	Notes	2025	2024 As Restated
ASSETS			
Cash and other cash items	8	**6,519,946**	1,992,342
Due from Bangko Sentral ng Pilipinas	9	**8,595,501**	8,644,779
Due from other banks	10	**107,912,593**	132,007,982
Investment securities at amortized cost	11	**15,429,979**	35,390,723
Loans and other receivables – net	12	**411,533,703**	336,767,451
Investment properties – net	13	**5,255,819**	4,978,220
Non-current assets held for sale	14	**331,723**	983,444
Bank premises, furniture, fixtures and equipment – net	15	**18,686,596**	22,193,592
Other assets	16	**9,604,166**	7,370,261
TOTAL ASSETS		**583,870,026**	550,328,794
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit liabilities	17	**432,730,649**	401,256,959
Bills payable	18	**32,452,273**	27,045,455
Accrued interest and other expenses payable	19	**7,459,614**	6,498,165
Other liabilities	20	**39,112,270**	52,678,387
TOTAL LIABILITIES		**511,754,806**	487,478,966
MEMBERS' EQUITY			
Preferred shares	21	**22,790,000**	22,790,000
Ordinary shares	21	**35,000,000**	34,311,176
Surplus free (deficit)	21	**4,722,988**	(3,047,417)
Surplus reserves	21	**9,602,232**	8,796,069
TOTAL MEMBERS' EQUITY		**72,115,220**	62,849,828
TOTAL LIABILITIES AND MEMBERS' EQUITY		**583,870,026**	550,328,794

STATEMENT OF OPERATION

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024
In Philippine Peso

	Notes	2025	2024 As Restated
INTEREST INCOME			
Due from other banks	10	**2,162,575**	1,779,790
Investment securities at amortized cost	11	**612,775**	1,556,719
Loans and other receivables	12	**72,105,191**	70,739,710
		74,880,541	74,076,219
INTEREST EXPENSE			
Deposit liabilities	17	**(13,790,855)**	(12,487,367)
Bills payable	18	**(1,675,954)**	(1,298,876)
		(15,466,809)	(13,786,243)
NET INTEREST INCOME		**59,413,732**	60,289,976
OTHER OPERATING INCOME	23	**21,282,734**	15,600,143
TOTAL OPERATING INCOME		**80,696,466**	75,890,119
OTHER OPERATING EXPENSES	24	**(69,209,910)**	(69,128,090)
NET OPERATING INCOME BEFORE PROVISION		**11,486,556**	6,762,029
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	**(2,690,350)**	(10,379,281)
PROFIT (LOSS) BEFORE INCOME TAX		**8,796,206**	(3,617,252)
INCOME TAX EXPENSE		**(20,104)**	–
NET PROFIT (LOSS)		**8,776,102**	(3,617,252)
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)		**8,776,102**	(3,617,252)

STATEMENT OF CHANGES IN EQUITY

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024
In Philippine Peso

	Preferred Shares (Note 21)	Ordinary Shares (Note 21)	General Reserve Fund (Note 21)	Educational & Training (Note 21)	Community & Development (Note 21)	Optional Fund (Note 21)	Retirement of Preferred Stock (Note 21)	Surplus - Free (Note 21)	Total
Balance at December 31, 2023	22,790,000	34,115,176	196,121	368,536	837,248	4,126,407	3,896,000	–	66,329,488
Comprehensive income:									
Profit, as previously reported	–	–	–	–	–	–	–	1,168,164	1,168,164
Prior period error	–	–	–	–	–	–	–	(4,785,416)	(4,785,416)
Loss, as restated	–	–	–	–	–	–	–	(3,617,252)	(3,617,252)
Transaction with members:									
Issuance of shares	–	196,000	–	–	–	–	–	–	196,000
Utilization of reserves	–	–	–	(368,536)	(551,747)	–	–	920,283	–
Appropriation for the year	–	–	116,816	58,408	35,045	81,771	–	(292,040)	–
Due to CETF	–	–	–	–	–	–	–	(58,408)	(58,408)
Total transaction with members	–	196,000	116,816	(310,128)	(516,702)	81,771	–	569,835	137,592
Balance at December 31, 2024, as restated	22,790,000	34,311,176	312,937	58,408	320,546	4,208,178	3,896,000	(3,047,417)	62,849,828
Comprehensive income:									
Profit	–	–	–	–	–	–	–	8,776,102	8,776,102
Transaction with members:									
Issuance of shares	–	688,824	–	–	–	–	–	–	688,824
Utilization of reserves				(58,408)	(133,100)	–		191,508	–
Appropriation for the year	–	–	877,610	438,805	263,283	614,327	–	(2,194,025)	–
Adjustment on allocation due to restatement	–	–	(478,542)	(239,271)	(143,562)	(334,979)	–	1,196,354	–
Due to CETF	–	–	–	–	–	–	–	(199,534)	(199,534)
Total transaction with members	–	688,824	399,068	141,126	(13,379)	279,348	–	(1,005,697)	489,290
Balance at December 31, 2025	**22,790,000**	**35,000,000**	**712,005**	**199,534**	**307,167**	**4,487,526**	**3,896,000**	**4,722,988**	**72,115,220**

STATEMENT OF CASH FLOW

COOPERATIVE BANK OF CAGAYAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024
In Philippine Peso

	Notes	2025	2024 As Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		**8,796,206**	(3,617,252)
Adjustments for:			
Interest income	10,11	**(2,775,350)**	(3,336,509)
Interest expense – lease liabilities	20	**125,983**	177,891
Gain on sale of non-financial assets	23	**(2,664,188)**	(1,280,438)
Amortization	24	**873,364**	1,358,799
Depreciation	24	**4,534,158**	4,907,389
Retirement expense	25	**1,605,502**	1,729,178
Provision for credit and impairment losses	26	**2,690,350**	10,379,281
Operating cash flow before working capital changes		**13,186,025**	10,318,339
Changes in operating assets			
Decrease (increase) in operating asset:			
Loans and other receivables		**(76,994,211)**	(55,288,397)
Other assets		**(2,605,356)**	2,895
Increase (decrease) in operating liabilities:			
Deposit liabilities		**31,473,690**	46,953,124
Accrued interest and other expenses payable		**906,938**	405,850
Other liabilities		**(15,247,279)**	(15,093,646)
Cash used in operations		**(49,280,193)**	(12,701,835)
Interest received		**2,591,136**	2,593,272
Contribution to the fund	25	**(1,037,805)**	(1,579,874)
Net cash used in operating activities		**(47,726,862)**	(11,688,437)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities at amortized cost	11	**(60,830,246)**	(35,390,723)
Proceeds from investment securities at amortized cost	11	**80,790,990**	40,428,256
Proceeds from sale of investment properties	13	**2,141,706**	1,523,106
Proceeds from sale of non-current asset held for sale	14	**181,376**	1,259,858
Acquisition of bank premises, furniture, fixtures and equipment	15	**(1,112,127)**	(4,148,795)
Proceeds from sale of bank premises, furniture, fixtures and equipment	15	**–**	433,535
Net cash generated from investing activities		**21,171,699**	4,105,237
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlements of bills payable	18	**(24,593,182)**	(24,287,031)
Availment of bills payable	18	**30,000,000**	39,968,200
Proceeds from deposit for stock subscription	20	**2,319,367**	2,576,000
Payment of lease liabilities – principal and interest	20	**(1,476,910)**	(1,436,304)
Proceeds from issuance of ordinary shares	21	**688,824**	196,000
Net cash generated from financing activities		**6,938,099**	17,016,865
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(19,617,064)**	9,433,665
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	8	**1,992,342**	2,013,156
Due from Bangko Sentral ng Pilipinas	9	**8,644,779**	8,681,958
Due from other banks	10	**132,007,982**	122,516,324
		142,645,103	133,211,438
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	8	**6,519,946**	1,992,342
Due from Bangko Sentral ng Pilipinas	9	**8,595,501**	8,644,779
Due from other banks	10	**107,912,593**	132,007,982
		123,028,040	142,645,103

COOPERATIVE BANK OF CAGAYAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
In Philippine Peso

1. GENERAL INFORMATION

COOPERATIVE BANK OF CAGAYAN (the "Bank") was organized on May 31, 1979 as a Cooperative Bank. The Bangko Sentral ng Pilipinas issued authority to operate on August 1979 with registration number 980. The Cooperative Bank has 247 common shareholders and 11,947 preferred shareholders as of December 31, 2025.

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

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

The principal office of the Bank is located at CoopBank Building, Diversion Road, San Gabriel, Tuguegarao City, Cagayan and is domiciled in the Philippines. It has also three (3) branch-lite units and three (3) 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

Branch-lite Units	Address
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 (PFRS) Accounting Standards. PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

PFRS Accounting Standards include all applicable PFRSs, Philippine Accounting Standards (PASs), and Interpretations issued by the Philippine Interpretations Committee – IFRIC as approved by the FSRSC and adopted by the SEC. All provisions and requirements of PFRSs are applied by the Bank in preparation of its financial statements except for the requirements of the standard:

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

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

2.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI).

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

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

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, 2025 and 2024, the Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as going concern.

3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

3.01 New and Amended Standards and Interpretations Effective on January 1, 2025

3.01.01 Lack of Exchangeability (Amendments to PAS 21)
The amendments specify how to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

The amendment is effective for reporting periods beginning on or after January 1, 2025.

Accordingly, this amendment had no impact on the Bank's financial statements as of the reporting date.

3.02 Standards Issued but Not Yet Effective

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

3.02.01 Standard Adopted by FRSC and Approved by the BOA

Insurance Contracts (PFRS 17 and its Amendments)
PFRS 17 sets out the requirements for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held. The standard introduces a new measurement model based on fulfilment cash flows and a contractual service margin, separates insurance service results from financial results, and requires insurance revenue to be recognized as insurance coverage is provided rather than when premiums are received. Investment components are excluded from insurance revenue and presented as settlements of liabilities.

Amendments to PFRS 17, adopted by the FSRSC on August 19, 2020, provide clarifications on specific areas of the standard, including the treatment of insurance acquisition cash flows related to renewals outside the contract boundary, accounting for reinsurance contracts held in relation to onerous contracts and contracts with direct participation features, and the recognition of the contractual service margin in profit or loss under the general model.

Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – Comparative Information introduces a transition relief option to reduce temporary accounting mismatches between insurance contract liabilities and related financial assets presented in comparative periods upon initial adoption.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. On February 14, 2025, the FSRSC approved the amendment to PFRS 17 that further defers the date of Initial application by an additional two (2) years, to annual periods beginning on or after January 1, 2027. This will provide more time for the insurance industry to fully prepare and assess the impact of adopting the said standard. All Mutual Benefits Associations (MBAs) doing business in the Philippines shall adopt PFRS 17 starting 1 January 2030. Early adoption is permitted, subject to the adoption of PFRS 9 and PFRS 15.

The Bank does not expect these amendments to have a material impact on its operations or financial statements.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7)
Targeted amendments were issued by the IASB to address recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

The Bank will apply the new standard from its mandatory effective date of January 1, 2027.

Management is currently assessing the detailed implications of applying the new standard on the Bank's financial statements.

Subsidiaries without Public Accountability: Disclosures (PFRS 19)
PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRSs to apply reduced disclosure requirements.

PFRS 19 will become effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The Bank does not expect the standard to have a material impact on its operations or financial statements.

3.02.02 Deferred

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)
The amendments clarify the accounting for the sale or contribution of assets between an investor and its associate or joint venture. Gains or losses are recognized in full when the transferred assets constitute a business, and only to the extent of the share of unrelated investors when the assets do not constitute a business.

On January 13, 2016, the FSRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. MATERIAL ACCOUNTING POLICIES

4.01 Cash and Cash Equivalents

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

4.02 Financial Assets

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

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

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

Annual Improvements to PFRS Accounting Standards – Volume 11
The IASB has issued proposed narrow-scope amendments to the PFRS Accounting Standards, along with accompanying guidance, as part of the regular maintenance and updating of the standards. A summary of improvements is set out below:

- PFRS 1 'First-time Adoption of PFRS Financial Reporting Standards' – Hedge accounting by a first-time adopter
- PFRS 7 'Financial Instruments: Disclosures' – Gain or loss on derecognition
- PFRS 7 'Financial Instruments: Disclosures' Implementation Guidance – Disclosure of differences between the fair value and the transaction price and disclosures on credit risk
- PFRS 9 'Financial Instruments' – Transaction price and lessee derecognition of lease liabilities
- PFRS 10 'Consolidated Financial Statements' – Determination of a 'de facto agent'
- PAS 7 'Statement of Cash Flows' – Cost method

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted but will need to be disclosed. Bank does not expect these amendments to have a material impact on its operations or financial statements.

Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7)
The amendments in Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7) are:

Amendments to PFRS 9 Financial Instruments

- the own-use requirements in PFRS 9 are amended to include the factors an entity is required to consider when applying PFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and
- the hedge accounting requirements in PFRS 9 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:
  - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
  - to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

Amendments to PFRS 7 Financial Instruments: Disclosures and PFRS 19 Subsidiaries without Public Accountability: Disclosures

PFRS 7 and PFRS 19 were amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted. The amendments shall be applied retrospectively; prior periods need not be restated to reflect the application of the amendments.

The Bank does not expect these amendments to have a material impact on its operations or financial statements.

Presentation and Disclosure in Financial Statements (PFRS 18)
PFRS 18 will replace PAS 1, *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statements of financial performance and providing management-defined performance measures within the financial statements.

Retrospective application is required in both annual and interim financial statements. Early application permitted.

4.02.01 Financial Assets

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

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

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

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

As of December 31, 2025 and 2024, the Bank's cash and other cash items, due from BSP, due from other banks, investment securities at amortized cost, loans and other receivables and other financial assets are classified under this category as disclosed in Notes 8, 9, 10, 11, 12 and 16.

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

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

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

Other receivables
This includes accrued interest and sales contract receivable.

Investment securities at amortized cost
Investment securities at amortized cost include non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as at amortized cost if the Bank has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Investment securities at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

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

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

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

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

As of December 31, 2025 and 2024, the Bank does not have debt instruments at FVOCI.

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

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

As of December 31, 2025 and 2024, the Bank does not have equity securities at FVOCI.

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

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

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

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

As of December 31, 2025 and 2024, the Bank does not have equity securities at FVPL.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Assets carried at amortized cost

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

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

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

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

4.03 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

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

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

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

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

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

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

4.04 Investment Properties

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

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

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

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

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

4.05 Non-Current Assets Held for Sale

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

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

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

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

4.06 Other assets

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

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

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

4.07 Impairment of Non-Financial Assets

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

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

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

4.08 Financial Liabilities and Equity Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends on equity are recognized when they are declared.

Surplus free (Deficit) represents all current and prior period results of operations as reported in the profit or loss section of the statements 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 statements of comprehensive income. They are as follows:

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

(b) *Education and Training Fund* – An amount retained by the Bank out of the mandatory allocation as stipulated in the Bank's By-laws. It shall not exceed 10% of the net surplus.

(c) *Community Development Fund* – This is computed at not less than 3% of Cooperative's net surplus. This is used for projects or activities that will benefit the community where the Bank operates.

(d) *Optional Fund* – Fund set aside from the net surplus for future use such as land and building, community developments, etc. It shall not exceed 7% of the Cooperative's net surplus.

4.09 Fair Value Measurement

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

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

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

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

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

4.10 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

4.11 Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

Recovery on charged-off assets
Income arising from collection on recoveries from impairment of previously written-off accounts are recognized in the year of recovery.

4.12 Cost and Expense Recognition

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

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

4.13 Employee Benefits

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

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

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

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

4.14 Leases

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

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

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

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

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

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

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

Useful life considered in depreciating the right-of-use assets is the life of the asset or remaining term of the lease, whichever is shorter. Right-of-use assets are depreciated over the lease terms of the lease ranging from two (2) to six (6) years.

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

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

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

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

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

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

(1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
(2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
(3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
(4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

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

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

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

4.16 Income Tax

The Bank is a tax-exempt entity under Republic Act No. 9520, otherwise known as Philippine Cooperative Code of 2008. Under R.A. No. 9520 the Bank is exempt from the payment of tax in respect to its registered operations. However, during the year, the Bank has incurred transaction with non-members resulting to income subjected to tax as disclosed in Note 22.

The Bank identifies specific transaction with non-members and subjects the same to income tax.

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

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

4.17 Events after the Reporting Date

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

5.01 Critical Judgments in Applying Accounting Policies

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

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

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

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

As of December 31, 2025 and 2024, the Bank has no contingent liabilities to be recognized.

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

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

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

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

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

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

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

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

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

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

5.01.06 Classifying Real and Other Properties Acquired (ROPA)

The Bank acquires properties in settlement of loans through foreclosure or dation in payment. These properties are recognized in accordance with Section 382 of the MORB, as follows:

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

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

5.01.07 Determining Method of Computing ECL

As stated in Bangko Sentral ng Pilipinas (BSP) Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with PFRS 9, shall, at a minimum, be subject to regulatory guidelines in setting up allowance for credit losses prescribed under Appendix 15 of the Manual of Regulations for Banks.

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

5.02 Key Sources of Estimation Uncertainty

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

The Bank reviews its loans and other receivables and held-to-maturity investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statements 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, 2025 and 2024, the management believes that the allowance provided by the Bank is sufficient to cover BSP requirements.

As of December 31, 2025 and 2024 investment securities at amortized cost amounted to ₱15,429,979 and ₱35,390,723, respectively, as disclosed in Note 11.

As of December 31, 2025 and 2024, loans and other receivables amounted to ₱411,533,703 and ₱336,767,451, respectively, net of allowance for credit losses as disclosed in Note 12.

5.02.02 Reviewing Useful Lives and Depreciation Method of Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

The useful lives and depreciation method of the Bank premises, furniture, fixtures and equipment and investment properties 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 and investment properties 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.

5.02.03 Impairment of Assets

An assessment is made at date of the statements 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 investment properties, and concluded that as of December 31, 2025 and 2024, 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 ₱18,686,596 and ₱22,193,592, as of December 31, 2025 and 2024, respectively, as disclosed in Note 15.

The carrying values of investment properties amounted to ₱5,255,819 and ₱4,978,220, as of December 31, 2025 and 2024, respectively, as disclosed in Note 13.

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6. RISK MANAGEMENT OBJECTIVES AND POLICIES

6.01 General risk management principles

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

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

	Notes		2025		2024 As Restated
Financial assets at amortized cost:					
Cash and other cash items	8	₱	**6,519,946**	₱	1,992,342
Due from BSP	9		**8,595,501**		8,644,779
Due from other banks	10		**107,912,593**		132,007,982
Investment securities at amortized cost	11		**15,429,979**		35,390,723
Loans and other receivable – net	12		**411,533,703**		336,767,451
Other assets*	16		**5,085,364**		3,656,444
		₱	**555,077,086**	₱	518,459,721
Financial liabilities at amortized cost:					
Deposit liabilities	17	₱	**432,730,649**	₱	401,256,959
Bills payables	18		**32,452,273**		27,045,455
Accrued interest and other expenses payable	19		**7,459,614**		6,498,165
Other liabilities**	20		**20,692,680**		6,483,396
		₱	**493,335,216**	₱	441,283,975

**excluding non-financial assets amounting to ₱4,518,802 and ₱3,713,817 in 2025 and 2024, respectively, and net of allowance for credit losses amounting to ₱2,914,872 and ₱2,975,736 in 2025 and 2024, respectively.*
***excluding non-financial liabilities and government payables amounting to ₱18,419,590 and ₱46,194,991 in 2025 and 2024, respectively.*

6.01.01 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	2025	2024 As Restated
Cash and other cash items*	8	₱ **135,154**	₱ –
Due from BSP	9	**8,595,501**	8,644,779
Due from other banks	10	**107,912,593**	132,007,982
Investment securities at amortized cost	11	**15,429,979**	35,390,723
Loans and other receivables**	12	**491,115,293**	417,165,605
Other assets***	16	**8,000,236**	6,632,180
		₱ **631,188,756**	₱ 599,841,269

*excludes cash on hand and on ATM amounting to ₱6,384,792 and ₱1,992,342 in 2025 and 2024, respectively.
**gross of allowance for credit losses amounting to ₱79,851,590 and ₱80,398,154 in 2025 and 2024, respectively, and net of unamortized discount amounting to ₱10,062,082 and ₱8,690,047, in 2025 and 2024, respectively.
***gross of allowance for credit losses amounting to ₱2,914,872 and ₱2,975,736 in 2025 and 2024, respectively, and excluding non-financial assets totalling ₱4,518,802 and ₱3,713,817 in 2025 and 2024, respectively.

Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2025 and 2024.

2025	**Neither Past Due nor Impaired**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and other cash items	6,519,946	–	–	6,519,946
Due from BSP	8,595,501	–	–	8,595,501
Due from other banks	107,912,593	–	–	107,912,593
Investment securities at amortized cost	15,429,979	–	–	15,429,979
Loans and other receivables*	404,208,326	11,933,621	74,973,346	491,115,293
Other assets**	8,000,236	–	–	8,000,236
	550,666,581	**11,933,621**	**74,973,346**	**637,573,548**

*gross of allowance for credit losses amounting to ₱79,581,590 and net of unamortized discount of ₱10,062,082.
**gross of allowance for credit losses amounting to ₱2,914,872 and excluding non-financial assets totalling ₱4,518,802.

2024	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items	1,992,342	–	–	1,992,342
Due from BSP	8,644,779	–	–	8,644,779
Due from other banks	132,007,982	–	–	132,007,982
Investment securities at amortized cost	35,390,723	–	–	35,390,723
Loans and other receivables*	321,942,205	24,018,881	71,204,519	417,165,605
Other assets**	6,632,180	–	–	6,632,180
	506,610,211	24,018,881	71,204,519	601,833,611

*gross of allowance for credit losses amounting to ₱80,398,154, and net of unamortized discount of ₱8,690,047.
**gross of allowance for credit losses amounting to ₱2,975,736 and excluding non-financial assets totalling ₱3,713,817.

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, 2025 and 2024 are as follows:

	2025	2024 As Restated
Outstanding receivables:		
Current accounts	₱ **404,208,326**	₱ 321,942,205
Past due accounts:		
1 – 30 days past due	**6,359,800**	12,698,146
31 – 60 days past due	**3,414,550**	4,719,030
61 – 90 days past due	**6,099,062**	1,418,039
over 90 days past due	**71,033,555**	76,388,185
	₱ **491,115,293**	₱ 417,165,605

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

6.01.02 Measurement of ACL

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

Individually Assessed Loans and Other Credit Exposures

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

For unsecured loans and other credit exposures:

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

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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.

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

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

3. Unsecured loans and other credit accommodations classified as "Substandard" in the last two (2) internal credit reviews which have been continuously renewed/extended without reduction in principal and is not in process of collection, shall be downgraded to "Doubtful" classification and provided with a fifty percent (50%) allowance for credit losses.

4. Loans and other credit accommodations under litigation which have been classified as "Pass" prior to the litigation process shall be classified as "Substandard" and provided with twenty-five percent (25%) allowance for credit losses.

5. Loans and other credit accommodations that were previously classified as "Pass" but were subsequently restructured shall have a minimum classification of EM and provided with a five percent (5%) allowance for credit losses, except for loans which are considered non-risk under existing laws, rules and regulations.

6. Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be fully repaid.

Collectively Assessed Loans and Other Credit Exposure

1. Current "Pass" loans and other credit accommodations should be provided with a reasonable level of collective allowance, using historical loss experience adjusted for current conditions.

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2. Loans and other credit exposures with unpaid principal and/ or interest shall be classified and provided with ACL based on the number of days of missed payments, as follows:

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/1st restructuring	Substandard	25%	2 or 3
61 – 90 days	Doubtful	50%	3
91 days and over/2nd restructuring	Loss	100%	3

**PAR for microfinance loans*

For secured loans and other credit accommodations:

No. of days unpaid/with missed payments*	Classification	ACL (%)		Stage
		Other types of collateral	Secured 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.

6.01.03 Liquidity risk

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

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

As of December 31, 2025 and 2024, minimum liquidity ratio of the Bank is 31.94% and 45.76%, respectively.

In Philippine Peso

The table below summarizes maturity profile of the Bank's financial assets and liabilities as of December 31, 2025 and 2024 based on undiscounted contractual cash flows.

2025

	On Demand	Due within 1 year	Due beyond 1 year but not more than 5 years	Due beyond 5 years	Total
Financial Assets					
Cash and other cash items	₱ 6,519,946	₱ –	₱ –	₱ –	₱ 6,519,946
Due from BSP	8,595,501	–	–	–	8,595,501
Due from other banks	69,184,635	38,727,958	–	–	107,912,593
Investment securities at amortized cost	–	15,429,979	–	–	15,429,979
Loans and other receivables*	88,458,613	157,991,917	184,171,538	60,493,225	491,115,293
Other assets**	8,000,236	–	–	–	8,000,236
	₱ **180,758,931**	₱ **212,149,854**	₱ **184,171,538**	₱ **60,493,225**	₱ **637,573,548**
Financial Liabilities					
Deposit liabilities	₱ 145,687,880	₱ 68,917,537	₱ 218,125,232	₱ –	₱ 432,730,649
Bills payable	826,545	24,681,182	6,944,546	–	32,452,273
Accrued interest and other expenses payable	2,001,202	5,063,961	394,451	–	7,459,614
Other liabilities***	19,433,214	1,040,462	219,004	–	20,692,680
	₱ **167,948,841**	₱ **99,703,142**	₱ **225,683,233**	₱ **–**	₱ **493,335,216**

**gross of allowance for credit losses of ₱79,581,590 and net unamortized discounts of ₱10,062,082.*
***gross of allowance for credit losses amounting to ₱2,914,872 and excluding non-financial assets of ₱4,518,803.*
****excluding non-financial liabilities and government payables amounting to ₱18,419,590.*

In Philippine Peso

2024

	On Demand	Due within 1 year	Due beyond 1 year but not more than 5 years	Due beyond 5 years	Total
Financial Assets					
Cash and other cash items	₱ 1,992,342	₱ –	₱ –	₱ –	₱ 1,992,342
Due from BSP	8,644,779	–	–	–	8,644,779
Due from other banks	104,065,823	27,942,159	–	–	132,007,982
Investment securities at amortized cost	–	35,390,723	–	–	35,390,723
Loans and other receivables*	74,576,122	132,439,801	164,737,822	45,411,860	417,165,605
Other assets**	6,632,180	–	–	–	6,632,180
	₱ 195,911,246	₱ 195,772,683	₱ 164,737,822	₱ 45,411,860	₱ 601,833,611
Financial Liabilities					
Deposit liabilities	₱ 116,171,985	₱ 78,348,586	₱ 206,736,388	₱ –	₱ 401,256,959
Bills payable	–	15,422,728	11,622,727	–	27,045,455
Accrued interest and other expenses payable	6,498,165	–	–	–	6,498,165
Other liabilities***	3,873,003	1,350,927	1,259,466	–	6,483,396
	₱ 126,543,153	₱ 95,122,241	₱ 219,618,581	₱ –	₱ 441,283,975

*gross of allowance for credit losses of ₱80,398,154 and net unamortized discounts of ₱8,690,047.
**gross of allowance for credit losses amounting to ₱2,975,736 and excluding non-financial assets of ₱3,713,817.
***excluding non-financial liabilities and government payables amounting to ₱46,191,323.

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

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

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

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

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

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

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

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

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

In Philippine Peso

7. FAIR VALUE MEASUREMENT

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

7.01 Fair Value Hierarchy

The following table presents a comparison by category of carrying amounts and estimate fair value of the Bank's financial instruments as of December 31, 2025 and 2024:

	Carrying Value	Fair Value			
2025		**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
ASSETS					
Investment securities at amortized cost	15,429,979	–	15,429,979	–	15,429,979
Loans and other receivables – net	411,533,703	–	411,533,703	–	411,533,703
	426,963,682	**–**	**426,963,682**	**–**	**426,963,682**
LIABILITIES					
Deposit liabilities	432,730,649	–	432,730,649	–	432,730,649
Bills payable	32,452,273	–	32,452,273	–	32,452,273
	465,182,922	**–**	**465,182,922**	**–**	**465,182,922**

	Carrying Value	Fair Value			
2024		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
ASSETS					
Investment securities at amortized cost	35,390,723	–	35,390,723	–	35,390,723
Loans and other receivables – net	336,767,451	–	336,767,451	–	336,767,451
	372,158,174	–	372,158,174	–	372,158,174
LIABILITIES					
Deposit liabilities	401,256,959	–	401,256,959	–	401,256,959
Bills payable	27,045,455	–	27,045,455	–	27,045,455
	428,302,414	–	428,302,414	–	428,302,414

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

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, 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

7.02 Fair Value Determination

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

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

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

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

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

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

Fair Value Measurement for Non-financial Assets
The fair value of the Bank's land classified under Investment Properties account, as disclosed in Note 13, is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of unimpaired investment property with carrying amount of ₱5,255,819 and ₱4,978,220 as of December 31, 2025 and 2024, respectively amounting to ₱11,301,346 and ₱11,225,197, is currently categorized within Level 2. No impaired investment property as of December 31, 2025 and 2024. 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.

In Philippine Peso

8. CASH AND OTHER CASH ITEMS

The account consists of the following:

		2025		2024
Cash on hand	₱	**6,378,792**	₱	1,986,342
Cash on ATM		**6,000**		6,000
Checks and other cash items		**135,154**		–
	₱	**6,519,946**	₱	1,992,342

9. DUE FROM BANGKO SENTRAL NG PILIPINAS

		2025		2024
Due from Bangko Sentral ng Pilipinas	₱	**8,595,501**	₱	8,644,779

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. 1201 Series of 2024, reserves against deposit liabilities for cooperative banks are reduced to zero percent (0%) for savings, time, and demand deposits. The Bank has satisfactorily complied with the reserve requirements of the BSP as of December 31, 2025 and 2024.

10. DUE FROM OTHER BANKS

		2025		2024
Agribusiness Rural Bank Inc	₱	**25,682,537**	₱	15,599,780
Land Bank of the Philippines		**24,282,084**		60,341,200
Philippine Business Bank		**19,378,915**		14,480,770
Cooperative Bank of Cotabato		**11,222,380**		10,571,839
East West Bank		**7,939,298**		8,535,562
Metropolitan Bank & Trust Company		**5,989,033**		8,818,839
Banco De Oro		**5,468,854**		1,895,976
Development Bank of the Philippines		**2,817,312**		4,879,430
Bank of the Philippine Islands		**1,982,533**		2,820,638
Philippine National Bank		**1,462,169**		1,938,508
Rural Bank of Rizal		**1,102,500**		1,050,000
RCBC Savings Bank		**462,991**		462,991
Philippine Resources Savings Banking Corporation		**91,154**		91,155
Rural Bank of Gattaran		**30,833**		521,294
	₱	**107,912,593**	₱	132,007,982

Interest income amounted to ₱2,162,575 and ₱1,779,790 in 2025 and 2024, respectively, and is presented as part of interest income in the statements of comprehensive income.

In Philippine Peso

11. INVESTMENT SECURITIES AT AMORTIZED COST

The Bank has retail treasury bonds classified as investment securities at amortized cost in 2025 and 2024.

Movements of the account are as follows:

		2025		2024
At January 1	₱	**35,390,723**	₱	40,428,256
Acquisition		**60,830,246**		35,390,723
Proceeds from maturity/redemption		**(80,790,990)**		(40,428,256)
At December 31	₱	**15,429,979**	₱	35,390,723

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

The interest rate is 5.60% per annum with maturity of less than one (1) year.

Interest income recognized in 2025 and 2024 amounted to ₱612,775 and ₱1,556,719, respectively, and is presented as part of interest income in the statements of operation.

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

12. LOANS AND OTHER RECEIVABLES – net

The account consists of the following:

		2025		2024 As Restated
Current loans	₱	**398,921,056**	₱	321,545,585
Past due loans		**45,744,253**		58,222,912
Under litigation		**41,171,518**		34,002,122
Total loans receivables		**485,836,827**		413,770,619
Unamortized discounts		**(10,062,082)**		(8,690,047)
Total loans receivables, net of discounts		**475,774,745**		405,080,572
Accrued interest receivables		**3,312,358**		3,128,144
Sales contract receivables		**12,028,190**		8,956,889
Total loans and other receivables		**491,115,293**		417,165,605
Allowance for credit losses:				
Loans receivables (Note 26)		**(78,883,269)**		(79,904,638)
Sales contract receivables (Note 26)		**(611,611)**		(493,516)
Accrued interest receivables (Note 26)		**(86,710)**		–
Total allowance for credit losses		**(79,581,590)**		(80,398,154)
Total loans and other receivables – net	₱	**411,533,703**	₱	336,767,451

Loans receivables earn interest income at interest rates ranging from 6% to 30% and 6% to 40% in 2025 and 2024, respectively. Total earned interest amounted to ₱72,105,191 and ₱70,739,710 for 2025 and 2024, respectively.

As of December 31, 2025 and 2024, bills payable amounting to ₱32,452,273 and ₱27,045,455, respectively, are secured by pledge of loans receivable with outstanding balance of ₱32,452,273 and ₱27,045,455, respectively, as disclose in Note 18.

In Philippine Peso

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

		2025		2024 As Restated
Balance at beginning of year	₱	**79,904,638**	₱	74,400,593
Provision for credit losses		**2,440,381**		10,303,235
Write-off		**(3,413,571)**		(2,850,090)
Reversal		**(48,179)**		(1,949,100)
	₱	**78,883,269**	₱	79,904,638

Allowance for credit losses for loans receivables consists of:

		2025		2024
Specific	₱	**75,261,249**	₱	76,897,068
General		**3,622,020**		3,007,570
	₱	**78,883,269**	₱	79,904,638

Sales contract receivables represent contractual commitments of buyers in the acquisition of foreclosed properties of the Bank.

The breakdown of sales contract receivable is as follows:

		2025		2024
Performing	₱	**8,048,543**	₱	5,931,048
Non-performing		**3,979,647**		3,025,841
Total		**12,028,190**		8,956,889
Allowance for credit losses		**(611,611)**		(493,516)
Sales contract receivable – net	₱	**11,416,579**	₱	8,463,373

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

		2025		2024
Balance at beginning of year	₱	**493,516**	₱	485,559
Provision for credit losses		**163,259**		62,198
Reversal		**(45,164)**		(54,241)
	₱	**611,611**	₱	493,516

Typhoon Relief

On March 10, 2025 and April 25, 2025, the Bank submitted its application on staggered booking (accounts adversely affected by Typhoon) amounting to ₱828,427 annually in five (5) years from 2025 to 2029. The BSP approved the staggered booking of allowance for credit losses (ACL) on loans to borrowers affected by Typhoons Julian, Kristine, and Ofel on July 9, 2025 amounting to ₱828,427 over period of five years and to be booked on an annual basis, covering 37 loan accounts. As of December 31, 2025, the balance of allowance related to staggered booking amounting to ₱456,813.

12.01 Past Due Loans

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

In Philippine Peso

BSP Manual of Regulations for Banks, Section 304, defined the classification of past due loans as follows:

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

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

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

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

12.02 Non-Performing Loans

Breakdown of NPLs based on days outstanding are as follows:

		2025		2024
Past due accounts:				
Less than 30 days	₱	**2,145,987**	₱	135,077
31 – 90 days		**665,357**		867,481
91 – 180 days		**5,058,580**		5,881,301
Over 180 days		**71,173,258**		69,843,921
	₱	**79,043,182**	₱	76,727,780

As of December 31, 2025 and 2024, NPLs not fully covered by allowance for credit losses are as follows:

		2025		2024
Total non-performing loans	₱	**79,043,182**	₱	76,727,780
Non-performing loans covered by allowance for credit losses		**(74,234,448)**		(70,740,534)
	₱	**4,808,734**	₱	5,987,246

Section 304 of the MORB defined non-performing loans (NPLs) as follows:

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

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

In Philippine Peso

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

		2025		2024 As Restated
Total NPLs at gross	₱	**79,043,182**	₱	76,727,780
Total NPLs at net	₱	**4,808,734**	₱	5,987,246
Ratio of gross NPLs to gross TLP		**16.61%**		18.94%
Ratio of net NPLs to gross TLP		**1.01%**		1.48%
Ratio of total allowance to gross NPLs		**99.80%**		104.14%
Ratio of specific allowance on the gross TLP to gross NPLs		**95.22%**		100.22%

13. INVESTMENT PROPERTIES – net

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

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

2025		Land		Building		Total
Cost:						
Balance, January 1	₱	4,466,380	₱	619,968	₱	5,086,348
Additions/transfers		4,255,954		1,860,150		6,116,104
Disposals		(3,862,483)		(1,805,586)		(5,668,069)
Reclassification to NCAFS (Note 14)		(135,577)		–		(135,577)
Balance, December 31		**4,724,274**		**674,532**		**5,398,806**
Accumulated depreciation:						
Balance, January 1		–		(108,128)		(108,128)
Depreciation expense (Note 24)		–		(59,117)		(59,117)
Disposal		–		24,258		24,258
Balance, December 31		–		**(142,987)**		**(142,987)**
Carrying amount	₱	**4,724,274**	₱	**531,545**	₱	**5,255,819**

2024		Land		Building		Total
Cost:						
Balance, January 1	₱	5,097,856	₱	269,862	₱	5,367,718
Additions/transfers		2,012,917		350,106		2,363,023
Disposals		(2,644,393)		–		(2,644,393)
Balance, December 31		4,466,380		619,968		5,086,348
Accumulated depreciation:						
Balance, January 1		–		(60,719)		(60,719)
Depreciation expense (Note 24)		–		(47,409)		(47,409)
Balance, December 31		–		(108,128)		(108,128)
Carrying amount	₱	4,466,380	₱	511,840	₱	4,978,220

In 2025, the Bank dispose certain investment properties with net carrying amount of ₱360,000 for a consideration of ₱440,326, realizing a gain on sale of ₱80,326 as disclosed in Note 23. Also, certain investment properties with carrying amount of ₱5,283,811, were sold through sales contract at selling price of ₱7,518,452 realizing a gain of ₱2,234,641, as disclosed in Note 23. Sales contract receivable amounting ₱1,701,380. were collected in 2025.

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In 2024, the Bank dispose certain investment properties with net carrying amount of ₱649,614 for a consideration of ₱950,000, realizing a gain on sale of ₱300,386 as disclosed in Note 23. Also, certain investment properties with carrying amount of ₱1,994,779, were sold through sales contract at selling price of ₱2,417,505 realizing a gain of ₱422,726, as disclosed in Note 23. Sales contract receivable amounting ₱573,106 were collected in 2024.

The Bank acquired its investment from foreclosure of properties. In 2025 and 2024, transaction costs amounting to ₱455,635 and ₱273,806, respectively, were incurred in relation to foreclosure of properties.

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

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is no indication that an impairment loss has occurred on its investment properties. Fair values of the Bank's investment properties amounted to ₱11,301,346 and ₱11,225,197 as of December 31, 2025 and 2024, respectively, and currently categorized within Level 2. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

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

14. NON-CURRENT ASSETS HELD FOR SALE

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

		2025		2024
Cost:				
Balance, January 1	₱	**1,398,951**	₱	1,906,610
Additions		**494,700**		817,905
Disposal		**(818,494)**		(1,325,564)
Reclassification to BPFFE (Note 15)		**(346,400)**		–
Reclassification from investment property (Note 13)		**135,577**		–
Balance, December 31		**864,334**		1,398,951
Accumulated depreciation:				
Balance, January 1		**(399,470)**		(361,545)
Depreciation expense (Note 24)		**(377,937)**		(372,242)
Disposal		**260,833**		334,317
Balance, December 31		**(516,574)**		(399,470)
Allowance for losses:				
Balance, January 1		**(16,037)**		(45,888)
Reversal		**–**		29,851
Balance, December 31		**(16,037)**		(16,037)
Carrying amount	₱	**331,723**	₱	983,444

In 2025, the Bank dispose certain non-current asset held for sale with carrying amount of ₱557,661, were sold through sales contract at selling price of ₱906,880 realizing a gain of

₱349,221, as disclosed in Note 23. Sales contract receivable amounting ₱181,376 were collected in 2025.

In 2024, the Bank dispose certain non-current asset held for sale with net carrying amount of ₱256,545 for a consideration of ₱349,871, realizing a gain on sale of ₱63,475 and recovery on reversal of impairment loss of ₱29,851, as disclosed in Note 23. Also, certain non-current asset held for sale with carrying amount of ₱704,851, were sold through sales contract at selling price of ₱909,987 realizing a gain of ₱205,136, as disclosed in Note 23. Sales contract receivable amounting ₱909,987 were collected in 2024.

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

In Philippine Peso

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

A reconciliation of the carrying amounts at the beginning and end of years 2025 and 2024, and the gross carrying amounts and accumulated depreciation of bank premises, furniture, fixtures and equipment are shown below:

2025

	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Information technology	Leasehold improvement	Right-of-use Asset	Total
Cost:								
At January 1	2,080,455	21,752,614	7,496,891	14,734,318	10,406,945	1,526,778	4,411,491	62,409,492
Additions	–	–	345,068	282,567	484,492	–	–	1,112,127
Reclassification to NCAHS	–	–	–	346,400	–	–	–	346,400
Write-off	–	–	–	–	–	–	(141,581)	(141,581)
At December 31	2,080,455	21,752,614	7,841,959	15,363,285	10,891,437	1,526,778	4,269,910	63,726,438
Accumulated Depreciation:								
At January 1	–	(11,313,149)	(6,583,054)	(9,537,281)	(9,336,237)	(1,473,094)	(1,973,085)	(40,215,900)
Depreciation (Note 24)	–	(884,011)	(347,188)	(2,119,764)	(695,353)	(50,788)	–	(4,097,104)
Amortization (Note 24)	–	–	–	–	–	–	(868,419)	(868,419)
Write-off	–	–	–	–	–	–	141,581	141,581
At December 31	–	(12,197,160)	(6,930,242)	(11,657,045)	(10,031,590)	(1,523,882)	(2,699,923)	(45,039,842)
Net carrying amount	**2,080,455**	**9,555,454**	**911,717**	**3,706,240**	**859,847**	**2,896**	**1,569,987**	**18,686,596**

In Philippine Peso

2024	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Information technology	Leasehold improvement	Right-of-use Asset	Total
Cost:								
At January 1	2,080,455	20,759,524	7,006,483	14,685,800	9,967,948	1,526,778	4,179,260	60,206,248
Additions	–	993,090	490,408	2,226,300	438,997	–	–	4,148,795
Additions (PFRS 16)	–	–	–	–	–	–	862,158	862,158
Disposal	–	–	–	(2,177,782)	–	–	–	(2,177,782)
Derecognition (PFRS 16)	–	–	–	–	–	–	(629,927)	(629,927)
At December 31	2,080,455	21,752,614	7,496,891	14,734,318	10,406,945	1,526,778	4,411,491	62,409,492
Accumulated Depreciation:								
At January 1	–	(10,433,800)	(6,170,603)	(9,366,875)	(8,406,121)	(1,410,640)	(1,294,583)	(37,082,622)
Depreciation (Note 24)	–	(879,349)	(412,451)	(2,203,368)	(930,116)	(62,454)	–	(4,487,738)
Amortization (Note 24)	–	–	–	–	–	–	(1,308,429)	(1,308,429)
Disposal	–	–	–	2,032,962	–	–	–	2,032,962
Derecognition (PFRS 16)	–	–	–	–	–	–	629,927	629,927
At December 31	–	(11,313,149)	(6,583,054)	(9,537,281)	(9,336,237)	(1,473,094)	(1,973,085)	(40,215,900)
Net carrying amount	2,080,455	10,439,465	913,837	5,197,037	1,070,708	53,684	2,438,406	22,193,592

In Philippine Peso

Management believes that there are no indications of impairment in the value of its bank premises, furniture, fixtures and equipment as of December 31, 2025 and 2024.

Depreciation expense is shown as separate components of operating expenses in the statements of comprehensive income in 2025 and 2024, respectively, as disclosed in Note 24.

All additions were paid in cash.

In 2025, the Bank did not sell any bank premises, furniture, fixtures and equipment and, accordingly, no gain on sale was recognized during the year.

In 2024, the Bank dispose certain transportation equipment with net book value of ₱144,820 sold for ₱433,535, resulting to a gain on sale of ₱288,715 as disclosed in Note 23.

No bank premises, furniture, fixtures and equipment were used as collateral for liabilities as of December 31, 2025 and 2024.

As of December 31, 2025 and 2024, the Bank has no commitment to purchase bank premises, furniture, fixtures and equipment.

Fully depreciated assets still in use are retained in the financial statements amounting to ₱20,937,671 and ₱15,020,844 as of December 31, 2025 and 2024, respectively.

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, 2025 and 2024, the Bank has satisfactorily complied with such regulation.

16. OTHER ASSETS

This account consists of the following:

		2025		2024
Sinking fund	₱	**5,855,580**	₱	5,622,194
Security deposit		**2,142,773**		2,142,773
Accounts receivables		**1,652,420**		548,480
Prepaid expenses		**1,187,538**		532,822
Stationeries and supplies		**560,826**		405,612
Other investment		**461,006**		461,006
Prepaid income tax		**31,230**		–
Petty cash		**30,000**		30,000
Intangible assets – net		**1**		4,946
Cash shortage		**–**		500
Miscellaneous assets		**597,664**		597,664
Total		**12,519,038**		10,345,997
Allowance for credit losses (Note 26)		**(2,914,872)**		(2,975,736)
	₱	**9,604,166**	₱	7,370,261

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

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

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

In Philippine Peso

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

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

		2025		2024
Balance at beginning of year	₱	**2,975,736**	₱	2,986,022
Provision for credit losses		**–**		13,848
Reversal		**(60,864)**		(24,134)
	₱	**2,914,872**	₱	2,975,736

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

		2025		2024
Cost:				
Balance, December 31	₱	**1,013,000**	₱	1,013,000
Accumulated amortization:				
Beginning		**(1,008,054)**		(957,684)
Amortization (Note 24)		**(4,945)**		(50,370)
Balance, December 31		**(1,012,999)**		(1,008,054)
Carrying amount, December 31	₱	**1**	₱	4,946

17. DEPOSIT LIABILITIES

This account consists of the following:

		2025		2024
Time certificate of deposits	₱	**299,280,428**	₱	285,084,974
Savings		**133,450,221**		116,171,985
Total	₱	**432,730,649**	₱	401,256,959

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 2025 and 2024 amounted to ₱13,790,855 and ₱12,487,367, respectively, and is presented as part of interest expense in the statements of comprehensive income.

In Philippine Peso

18. BILLS PAYABLE

Movement of the account are as follows:

		2025		2024
At January 1	₱	**27,045,455**	₱	11,364,286
Proceeds from availments		**30,000,000**		39,968,200
Payments		**(24,593,182)**		(24,287,031)
At December 31	₱	**32,452,273**	₱	27,045,455

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

		2025		2024
On demand	₱	**826,545**	₱	–
Within one year		**24,681,182**		15,422,728
Beyond one year but within five years		**6,944,546**		11,622,727
Total	₱	**32,452,273**	₱	27,045,455

Interest rate on bills payable from LBP ranges from 6.13% to 7% and 6.13% to 7% in 2025 and 2024, respectively. Interest expense incurred in 2025 and 2024 amounted to ₱1,675,954 and ₱1,298,876, respectively, and is presented as part of interest expense in the statement of comprehensive income.

As of December 31, 2025 and 2024, bills payable amounting to ₱32,452,273 and ₱27,045,455, respectively, are secured by pledge of loans receivable with outstanding balance of ₱32,452,273 and ₱27,045,455, respectively, as disclosed in Note 12.

19. ACCRUED INTEREST AND OTHER EXPENSES PAYABLE

This account consists of:

		2025		2024
Accrued interest payable	₱	**6,746,972**	₱	5,840,034
Accrued other expenses payable		**712,642**		658,131
	₱	**7,459,614**	₱	6,498,165

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.

In Philippine Peso

20. OTHER LIABILITIES

This account consists of:

	Note		2025		2024
Accounts payable		₱	**19,233,680**	₱	3,814,595
Deposit for stock subscription			**17,020,416**		14,701,049
Lease liabilities			**1,259,466**		2,610,393
Retirement benefit obligation	25		**717,001**		149,304
Government contribution and payables			**680,237**		623,940
Due to Union/ CETF			**199,534**		58,408
ACPC fund payable			**–**		30,720,473
Other liabilities			**1,936**		225
		₱	**39,112,270**	₱	52,678,387

The movements in deposit for stock subscription are as follows:

		2025		2024
At January 1	₱	**14,701,049**	₱	12,125,049
Additional deposit		**2,319,367**		2,576,000
At December 31	₱	**17,020,416**	₱	14,701,049

The Bank recognized deposit for stock subscription under liabilities in the statements of financial position since the requirements under Section 123 of the Manual of Regulations for Banks were not met for it to be recognized as an equity.

Accounts payable represents various liabilities incurred by the Bank for its own account and the third parties arising from short term indebtedness/obligations still outstanding as of the cut-off/reporting date.

Payables to ACPC amounting to nil and ₱30,720,473 in 2025 and 2024, respectively, pertains to fund from ACPC intended for releasing loans related to DA-ACPC. Starting 2024, loans extended from ACPC fund were maintained off books.

Other liabilities represent various banks liabilities and/or credit accounts temporarily lodged to said account, pending management resolution and/or settlement thereof.

The details of the Bank's lease liabilities and their carrying amounts as of December 31, 2025 and 2024 are as follows:

	Note		2025		2024
Beginning balance		₱	**2,610,393**	₱	3,006,648
Additions			**–**		862,158
Interest	24		**125,983**		177,891
Payments			**(1,476,910)**		(1,436,304)
		₱	**1,259,466**	₱	2,610,393

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

		2025		2024
Current	₱	**1,040,462**	₱	1,350,927
Non-current		**219,004**		1,259,466
Total	₱	**1,259,466**	₱	2,610,393

In Philippine Peso

The maturity analysis of lease liabilities as at December 31, 2025 is as follows:

		Lease Payments		Finance Charges		Net Present Values
Within 1 year	₱	1,083,312	₱	42,850	₱	1,040,462
1 – 2 years		225,000		5,996		219,004
2 – 3 years		–		–		–
Total	₱	**1,308,312**	₱	**48,846**	₱	**1,259,466**

The maturity analysis of lease liabilities as at December 31, 2024 is as follows:

		Lease Payments		Finance Charges		Net Present Values
Within 1 year	₱	1,476,910	₱	125,983	₱	1,350,927
1 – 2 years		1,083,312		42,850		1,040,462
2 – 3 years		225,000		5,996		219,004
Total	₱	2,785,222	₱	174,829	₱	2,610,393

21. MEMBERS' EQUITY

21.01 Preferred Shares

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

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

	2025			2024		
	Shares		**Amount**	Shares		Amount
Authorized at ₱1,000 par value						
Government preferred share	**2,500**	₱	**2,500,000**	2,500	₱	2,500,000
Juridical preferred share	**6,250**		**6,250,000**	6,250		6,250,000
Natural preferred share	**16,250**		**16,250,000**	16,250		16,250,000
	25,000	₱	**25,000,000**	25,000	₱	25,000,000
Issued and fully paid at ₱1,000 par value						
Balance, January 1	**22,790**	₱	**22,790,000**	22,790	₱	22,790,000
Balance, December 31	**22,790**	₱	**22,790,000**	22,790	₱	22,790,000

In Philippine Peso

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.

21.02 Ordinary Shares

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

Shown below are the details on the movements of ordinary shares:

	2025			2024		
	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	**34,311**		**34,311,176**	34,115		34,115,176
Issuances	**689**		**688,824**	196		196,000
Balance, December 31	**35,000**	**₱**	**35,000,000**	34,311	₱	34,311,176

In Philippine Peso

21.03 Surplus – Free (Deficit)

Movement of this account is as follows:

		2025		2024 As Restated
Beginning balance	₱	**(3,047,417)**	₱	–
Net profit (loss) for the year		**8,776,102**		(3,617,252)
Appropriations during the year		**(2,194,025)**		(292,040)
Adjustment on allocation due to restatement		**1,196,354**		–
Utilization of reserves		**191,508**		920,283
Due to CETF		**(199,534)**		(58,408)
	₱	**4,722,988**	₱	(3,047,417)

21.04 Surplus Reserves/Statutory Funds

This account consists of:

		2025		2024
Optional fund	₱	**4,487,526**	₱	4,208,178
Retirement of preferred stock – BANGKOOP		**1,600,000**		1,600,000
Retirement of preferred stock – LBP		**1,000,000**		1,000,000
Retirement of preferred stock – DBP		**653,000**		653,000
Retirement of preferred stock – CDA		**643,000**		643,000
General reserve fund		**712,005**		312,937
Community & development		**307,167**		320,546
Education & training		**199,534**		58,408
	₱	**9,602,232**	₱	8,796,069

The movements in statutory reserves are as follows:

		2025		2024
Surplus reserves, beginning	₱	**8,796,069**	₱	9,424,312
Appropriations during the year		**2,194,025**		292,040
Adjustment on allocation due to restatement		**(1,196,354)**		–
Utilization of reserves		**(191,508)**		(920,283)
	₱	**9,602,232**	₱	8,796,069

In Philippine Peso

The movements per class of reserves are as follows:

2025	**General reserve fund**	**Education & training**	**Community & development**	**Optional fund**	**Retirement of preferred stock**	**Total**
At January 1	312,937	58,408	320,546	4,208,178	3,896,000	8,796,069
Allocation	877,610	438,805	263,283	614,327	–	2,194,025
Utilization of reserves	–	(58,408)	(133,100)	–	–	(191,508)
Adjustment on allocation due to restatement	(478,542)	(239,271)	(143,562)	(334,979)	–	(1,196,354)
	712,005	**199,534**	**307,167**	**4,487,526**	**3,896,000**	**9,602,232**

2024	General reserve fund	Education & training	Community & development	Optional fund	Retirement of preferred stock	Total
At January 1	196,121	368,536	837,248	4,126,407	3,896,000	9,424,312
Allocation	116,816	58,408	35,045	81,771	–	292,040
Utilization of reserves	–	(368,536)	(551,747)	–	–	(920,283)
	312,937	58,408	320,546	4,208,178	3,896,000	8,796,069

Capital Management

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

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

Appendix 62 of the MORB, as amended by BSP Circular Nos. 1079 and 1084, discusses the guidelines implementing the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks.

The minimum capital ratios shall be expressed as a percentage of capital to risk-weighted assets as shown below:

Minimum Capital Ratio	Capital	% of Risk-Weighted Assets
Common Equity Tier 1 (CET1) Ratio	CET1	at least 6.0%
Tier 1 Ratio	Tier 1	at least 7.5%
Capital Adequacy Ratio (CAR)	Qualifying Capital	at least 10.0%

A capital conservation buffer (CCB) of two and a half percent (2.5%), comprised of CET1 capital, shall likewise be imposed.

The minimum capital ratios based on the new compositions and the CCB shall take effect starting January 1, 2023

Qualifying capital consists of the following elements, net of required deductions:

a) Tier 1 Capital, which is composed of:
   i. CET1 Capital; and
   ii. Additional Tier 1 (AT1) Capital

b) Tier 2 Capital

CET1 Capital consists of:

a) paid up common stock;
b) surplus;

Subject to deductions for:
i. Other intangible assets, and
ii. Defined benefit pension asset (liabilities).

Additional Tier 1 (AT1) Capital consist of:
a) Paid up perpetual and non-cumulative preferred stock

Tier 2 Capital includes:
a) Paid up perpetual and cumulative preferred stock; and
b) general loan loss provision;

Subject to deductions for:
i. sinking fund for redemption of limited life redeemable preferred stock.

In Philippine Peso

Additionally, CCB is meant to promote the conservation of capital and build-up of adequate cushion above the minimum level that can be drawn down by banks to absorb losses during periods of financial and economic stress. The buffer is on top of the minimum capital requirements. The capital must first be used to meet the minimum CET1 ratio before the remainder can contribute to the CCB.

Where a bank does not have positive earnings, has CET1 ratio of lower than eight and a half percent (8.5%) [CET1 ratio of six percent (6%) plus conservation buffer of two and a half percent (2.5%)], and has not complied with other minimum capital ratios, the Bank would then be restricted from making distribution of earnings.

Information regarding the Bank's qualifying capital as of December 31, 2025 and 2024 is shown below:

		2025		2024 As Restated
CET1 Capital	₱	**50,042,220**	₱	40,204,186
AT1 Capital		**21,790,000**		21,790,000
Tier 1 Capital		**71,832,220**		61,994,186
Tier 2 Capital		**(1,233,560)**		(1,614,624)
Qualifying capital	₱	**70,598,660**	₱	60,379,562
Total risk-weighted assets	₱	**593,175,746**	₱	530,478,271
CET1 Ratio		**8.44%**		7.58%
CCB		**2.44%**		1.58%
Tier 1 capital		**12.11%**		11.69%
Total CAR		**11.90%**		11.38%

The Bank's leverage ratio, computed as total capital over total assets, is 12.35% and 11.42%, as of December 31, 2025 and 2024, respectively.

22. INCOME TAXES

The Cooperative transacts with members and non-members.

a. Business transactions with members - Business activities engaged in by such cooperatives with its members where said cooperative generates revenues shall be exempt from all national internal revenue taxes for which it is liable as enumerated in Section 7 of Joint Rules and Regulations.

b. Business transactions with non-members - Cooperatives with accumulated reserves and undivided net savings of more than Php10,000,000.00 which transact with non-members shall pay the following taxes at the full rate:

   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.

In Philippine Peso

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.

22.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

		2025		2024
Income tax expense – current	₱	20,104	₱	–

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2025 and 2024 is as follows:

		2025		2024
Accounting profit	₱	8,796,206	₱	1,168,164
Tax expense at 25%		2,199,052		292,041
Tax effect of:				
Income exempted from tax		(2,371,237)		(1,064,911)
Provision for credit losses		672,588		1,398,466
Interest income exempted from tax		(540,644)		(444,948)
Limitation on interest expense		173,459		208,532
Income subject to final tax		(153,194)		(389,180)
MCIT		20,104		–
NOLCO		19,976		–
	₱	20,104	₱	–

22.02 Net Operating Loss Carry Over (NOLCO)

Under Section 34(D)(3) of the National Internal Revenue Code (NIRC) of 1997, as amended, 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 (3) consecutive taxable years immediately following the year of such loss.

Details of the Bank's NOLCO which can be claimed as deductions against future taxable income are as follows:

Year incurred		Amount		Expired		Applied in Current Year		Balance	Date of expiry
2025	₱	79,905	₱	–	₱	–	₱	79,905	2028

In Philippine Peso

22.03 Minimum Corporate Income Tax (MCIT)

Section 27(E) of the National Internal Revenue Code (NIRC) of 1997, as amended, 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. The Bank was incorporated in July 1992; thus, the Bank is subject to MCIT.

Details of the Bank's MCIT is as follows:

Year incurred	Amount	Expired	Applied in Current Year	Balance	Date of expiry
2025	₱ 20,104	₱ –	₱ –	₱ 20,104	2028

22.02 Revenue Regulations (RR) No. 34-2021 – Related Party Transaction (RPT) Form and Transfer Pricing Documentation

The Bureau of Internal Revenue, in its Revenue Regulation No. 34-2020, requires taxpayers to submit BIR Form No. 1709 (RPT Form) to allow the BIR to verify that taxpayers are reporting their related party transactions at arm's length prices. It is also intended to improve and strengthen the Bureau's transfer pricing risk assessment and audit functions. Most importantly, the information that will be gathered from the RPT Form and its attachments will be used by the BIR during the transfer pricing risk assessment to determine whether or not to conduct a thorough review/audit of a particular entity or transaction.

Under the said RR, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

1. Large taxpayers;
2. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
3. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
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.

In Philippine Peso

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

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

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

Under the bill, the regular corporate income tax (RCIT) will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding ₱100 million, excluding land, and total net taxable income of not more than ₱5 million. The corporate income tax of all other corporations, meanwhile, will be lowered to 25%.

23. OTHER OPERATING INCOME

This account consists of the following:

		2025		2024
Filing fee	₱	**7,858,653**	₱	6,651,935
Income from insurance		**3,784,729**		3,271,911
Service charges		**3,123,040**		62,891
Gain on sale of non-financial assets		**2,664,188**		1,280,438
Recovery on charged-off assets		**1,571,333**		2,886,994
Interest income – other investment		**381,893**		291,763
Inspection fee		**188,500**		163,500
Other income		**1,710,398**		990,711
	₱	**21,282,734**	₱	15,600,143

Recovery on charged-off assets pertains to the collections of accounts or recovery from impairment of items previously written-off/provided with allowance for credit losses.

Breakdown of this account is as follows:

		2025		2024
Recovery on reversal of allowance for credit losses and impairment losses	₱	**108,995**	₱	2,057,326
Recovery on collections of written-off accounts		**1,462,338**		829,668
	₱	**1,571,333**	₱	2,886,994

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

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

	Notes		2025		2024
Investment properties	13	₱	**2,314,967**	₱	723,112
Non-current asset held for sale	14		**349,221**		268,611
Bank premises, furniture, fixtures and equipment	15		–		288,715
		₱	**2,664,188**	₱	1,280,438

In Philippine Peso

24. OTHER OPERATING EXPENSES

Other operating expense consists of:

		2025		2024
Personnel costs	₱	**43,486,259**	₱	40,016,334
Depreciation		**4,534,158**		4,907,389
Travelling expense		**3,796,517**		4,112,435
Security, messenger and janitorial services		**2,340,605**		3,744,993
Fuel, oil and lubricants		**2,042,879**		2,227,164
Insurance expenses		**2,452,319**		1,496,076
Power, light and water		**1,107,051**		1,211,269
Postage, telephone and telegram		**1,125,642**		1,131,403
Repairs and maintenance		**1,109,043**		1,090,746
Amortization		**873,364**		1,358,799
Information technology expenses		**760,670**		782,366
Stationeries and supplies used		**669,569**		532,857
Litigation/assets acquired expenses		**455,635**		258,644
Representation and entertainment		**402,000**		397,071
Rent		**223,894**		181,638
Donations and charitable contributions		**223,100**		539,000
Management and other professional fees		**193,648**		191,408
Taxes and licenses		**168,169**		148,464
Interest expense – lease liabilities		**125,983**		177,891
Supervision fees		**95,665**		89,040
Membership fees and dues		**56,560**		36,870
Fines and penalties		**18,270**		647,415
Periodicals and magazines		**6,542**		11,676
Advertising and publicity		**2,670**		126,000
Miscellaneous		**2,939,698**		3,711,142
	₱	**69,209,910**	₱	69,128,090

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:

		2025		2024
Salaries and wages	₱	**25,651,357**	₱	24,400,104
Fringe benefits-officers and employees		**9,149,547**		8,472,100
SSS, Pag-ibig, Philhealth contribution		**4,027,891**		3,603,082
Retirement expense (Note 25)		**1,605,502**		1,729,178
Directors fee		**1,050,000**		964,000
Medical, dental & hospitalization		**1,014,004**		1,770
Fringe benefits-directors		**987,958**		846,100
	₱	**43,486,259**	₱	40,016,334

Depreciation expense consists of:

	Notes		2025		2024
Investment properties	13	₱	**59,117**	₱	47,409
Non-current asset held for sale	14		**377,937**		372,242
Bank premises, furniture, fixtures and equipment	15		**4,097,104**		4,487,738
		₱	**4,534,158**	₱	4,907,389

In Philippine Peso

Amortization consists of:

	Notes		2025		2024
Right of use asset	15	₱	**868,419**	₱	1,308,429
Intangible asset	16		**4,945**		50,370
		₱	**873,364**	₱	1,358,799

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. 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, 2025 and 2024, the accumulated balance of retirement benefit obligation amounted to ₱717,001 and ₱149,304, respectively and is presented under other liabilities as disclosed in Note 20. The Bank maintains an off-books retirement fund.

The amount of retirement benefit obligation as of December 31, 2025 and 2024 are determined as follows:

		2025		2024
Retirement benefit obligation	₱	**9,048,329**	₱	7,442,827
Retirement fund		**(8,331,328)**		(7,293,523)
	₱	**717,001**	₱	149,304

Movement of retirement benefit obligation is as follows:

	Note		2025		2024
Beginning balance		₱	**7,442,827**	₱	5,996,815
Retirement expense	24		**1,605,502**		1,729,178
Retirement benefits paid			**–**		(283,166)
		₱	**9,048,329**	₱	7,442,827

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

		2025		2024
Beginning balance	₱	**7,293,523**	₱	5,996,815
Contributions		**1,037,805**		1,579,874
Retirement benefits paid		–		(283,166)
	₱	**8,331,328**	₱	7,293,523

In Philippine Peso

26. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

The movement of this account follows:

	Notes		2025		2024
Balance at January 1					
Loans receivable	12	₱	**79,904,638**	₱	74,400,593
Sales contract receivable	12		**493,516**		485,559
Non-current asset held for sale	14		**16,037**		45,888
Other assets	16		**2,975,736**		2,986,022
			83,389,927		77,918,062
Provision for credit and impairment losses					
Loans receivable	12		**2,440,381**		10,303,235
Sales contract receivable	12		**163,259**		62,198
Accrued interest receivables	12		**86,710**		–
Other assets	16		**–**		13,848
			2,690,350		10,379,281
Write-off					
Loans receivable	12		**(3,413,571)**		(2,850,090)
Other assets	16		–		–
			(3,413,571)		(2,850,090)
Reversal					
Loans receivable	12		**(48,179)**		(1,949,100)
Sales contract receivable	12		**(45,164)**		(54,241)
Non-current asset held for sale	14		**–**		(29,851)
Other assets	16		**(60,864)**		(24,134)
			(154,207)		(2,057,326)
Balance at December 31					
Loans receivable	12		**78,883,269**		79,904,638
Sales contract receivables	12		**611,611**		493,516
Accrued interest receivable	12		**86,710**		–
Non-current asset held for sale	14		**16,037**		16,037
Other assets	16		**2,914,872**		2,975,736
		₱	**82,512,499**	₱	83,389,927

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.

In Philippine Peso

27.01 DOSRI Loans

The summary of Bank significant transactions with its related parties as of and for the years ended December 31, 2025 and 2024.

2025

Category		Amount of Transactions		Outstanding Balance	Terms	Conditions
DOSRI loans	₱	466,667	₱	756,000	Payable on lumpsum, interest-bearing, cash-settled	Secured

2024

Category		Amount of Transactions		Outstanding Balance	Terms	Conditions
DOSRI loans	₱	(335,561)	₱	289,333	Payable on lumpsum, interest-bearing, cash-settled	Secured

In 2025, transactions related to the granting and repayment of DOSRI loans during the year amounted to ₱756,000 and ₱289,333, respectively.

In 2024, transactions related to the granting and repayment of DOSRI loans during the year amounted to ₱356,000 and ₱691,561, respectively.

Total allowance for credit losses recognized as of December 31, 2025 and 2024 amounted to ₱7,560 and ₱2,560. In 2025 and 2024, the Bank recognized provision for credit losses pertain to general loan loss provision.

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

a) The individual ceiling for credit accommodation of a rural bank to each of its DOSRI shall be equivalent to his outstanding deposits and book value of his paid-in capital in the lending bank. The unsecured credit accommodation to each of the Bank's DOSRI shall not exceed thirty percent (30%) of his total credit accommodations.
b) The aggregate ceiling for credit accommodation whether direct or indirect, to DOSRI of a cooperative bank shall not exceed fifteen percent (15%) of the total loan portfolio of the Bank or tis combined capital accounts net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of DOSRI shall not exceed thirty percent (30%) of the aggregate ceiling or outstanding direct/indirect credit accommodation thereto, whichever is lower.

2025		DOSRI Loans		Related Party Loans (Inclusive of DOSRI Loans)
Total outstanding DOSRI Loans	₱	756,000	₱	756,000
Percent of DOSRI accounts to total loans		0.16%		0.16%
Percent of unsecured DOSRI accounts to DOSRI accounts		0.00%		0.00%
Percent of past due DOSRI accounts to total DOSRI accounts		0.00%		0.00%
Percent of nonperforming DOSRI accounts to total DOSRI accounts		0.00%		0.00%

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2024		DOSRI Loans		Related Party Loans (Inclusive of DOSRI Loans)
Total outstanding DOSRI Loans	₱	289,333	₱	289,333
Percent of DOSRI accounts to total loans		0.07%		0.07%
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:

		2025		2024
Savings deposit	₱	**2,615,961**	₱	1,295,469
Time deposit		**5,937,310**		3,363,427
	₱	**8,553,271**	₱	4,658,896

27.03 Remuneration of Key Management Personnel

The remuneration of key management consists of:

		2025		2024
Short-term employee benefits	₱	**8,242,660**	₱	9,592,220
Post-employment benefits		**674,905**		695,088
	₱	**8,917,565**	₱	10,287,308

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

In Philippine Peso

28. NOTES TO STATEMENTS 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, 2025 and 2024:

2025	**December 31, 2024**	**Cash flows**	**Non-cash changes**	**December 31, 2025**
Bills payable	27,045,455	5,406,818	–	32,452,273
Lease liabilities	2,610,393	(1,476,910)	125,983	1,259,466
Deposit for stock subscription	14,701,049	91,100	–	14,792,149
	44,356,897	**4,021,008**	**125,983**	**48,503,888**

2024	December 31, 2023	Cash flows	Non-cash changes	December 31, 2024
Bills payable	11,364,286	15,681,169	–	27,045,455
Lease liabilities	3,006,648	(1,436,304)	1,040,049	2,610,393
Deposit for stock subscription	12,125,049	2,576,000	–	14,701,049
	26,495,983	16,820,865	1,040,049	44,356,897

In 2025, cash flows related to bills payable is net of cash inflow amounting to ₱30,000,000 and cash outflow amounting to ₱24,593,182.

In 2024, cash flows related to bills payable is net of cash inflow amounting to ₱39,968,200 and cash outflow amounting to ₱24,287,031.

29. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

a.) The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against its delinquent borrowers. The final decision of which cannot be determined at present. The amount of loans receivable under litigation amounted to ₱41,171,518 and ₱34,002,122 as of December 31, 2025 and 2024, respectively, as disclose in Note 12.
b.) The Bank has no pending legal cases arising from its normal operation that will put the Bank as defendant as a result of violation of transactions against its clients/ depositors.
c.) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the Bank into obligation in case of non-compliance by the buyer.
d.) The Bank had no outstanding outward and inward bills for collection at the end of the year.

Aside from stated above, the Bank has no other contingent accounts as of December 31, 2025 and 2024.

In Philippine Peso

30. RESTATEMENT OF PRIOR PERIOD ERROR

In 2025, the Bank restated its financial statements to reflect certain prior period adjustments pertaining to provision for credit losses that should have been recognized in 2024.

The analysis of the affected line items in the statement of financial position of the Bank as of 2024 is shown below:

		As previously reported		Adjustments		As restated
Change in asset						
Loans and other receivables – net[a]	₱	341,552,867	₱	(4,785,416)	₱	336,767,451
Decrease in total assets			₱	**(4,785,416)**		
Change in equity						
Surplus free[b]		1,737,999		(4,785,416)		(3,047,417)
Decrease in total equity			₱	**(4,785,416)**		

The analysis of the affected line items in the statement of comprehensive income of the Bank for the year ended December 31, 2024 is shown below:

		As previously reported		Adjustments		As restated
Provision for credit and impairment losses[c]	₱	(5,593,865)	₱	(4,785,416)	₱	(10,379,281)
Decrease in total comprehensive income			₱	**(4,785,416)**		

(a) Restatement of loans and other receivables – net pertains to the recognition of allowance for credit losses.
(b) Restatement of surplus pertains to the effect of recognition of provision for credit losses.
(c) Restatement of provision for credit and impairment losses pertains to adjustment on additional allowance for credit losses.

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

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 19, 2026.

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

Revenue Regulation (RR) No. 21–2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under (PFRS) Accounting Standards and such other standards and/or conventions.

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Below are the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

33.01 Gross receipts tax (GRT)

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

33.02 All other national and local taxes

All other local and national taxes paid by the Bank and presented as part of other operating expenses for the two periods ended December 31, 2025 and 2024 consist of:

		2025		2024
Local taxes				
Business permit	₱	**141,451**	₱	122,388
LTO registration		**24,903**		21,514
Others		**1,815**		4,562
	₱	**168,169**	₱	148,464

33.03 Withholding taxes

2025		**Paid**		**Accrued**		**Total**
Expanded withholding tax	₱	70,729	₱	25,134	₱	95,863
Withholding tax on compensation		199,081		11,036		210,117
Withholding tax on deposit		66,308		18,257		84,565
	₱	**336,118**	₱	**54,427**	₱	**390,545**

2024		Paid		Accrued		Total
Expanded withholding tax	₱	66,741	₱	23,560	₱	90,301
Withholding tax on compensation		250,734		40,029		290,763
Withholding tax on deposit		60,058		19,526		79,584
	₱	377,533	₱	83,115	₱	460,648

33.04 Tax assessments

The Bank has no outstanding tax assessments as of December 31, 2025 and 2024.

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, 2025 and 2024.

34. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 8, 2020, the Monetary Board of the Bangko Sentral ng Pilipinas issued BSP circular 1074, *Amendments to the Regulation on the Financial Audits of Banks*, which requires Banks to include the following additional information:

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34.01 Basic Quantitative Indicators of Financial Performance

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

	2025	2024 As Restated
Return on average equity	**13.00%**	-5.60%
Return on average assets	**1.55%**	-0.69%
Net interest margin	**9.96%**	10.86%

34.02 Significant Credit Exposures

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

	2025			2024		
	Peso Amount	**% as to industry**	**% to Tier 1**	Peso Amount	% as to industry	% to Tier1
Agriculture, forestry and fishing	₱ **139,194,477**	**29.26%**	**195.73%**	₱ 130,354,132	32.18%	210.27%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	**155,400,937**	**32.66%**	**218.52%**	117,520,510	29.01%	189.57%
Real estate activities	**75,403,160**	**15.85%**	**106.03%**	56,910,438	14.05%	91.80%
Wholesale and retail trade, repair of motor vehicles and motorcycles	**70,982,510**	**14.92%**	**99.81%**	63,138,232	15.59%	101.85%
Other service activities	**34,793,661**	**7.31%**	**48.93%**	37,157,260	9.17%	59.94%
	₱ **475,774,745**	**100.00%**		₱ 405,080,572	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 ₱7,183,222 and ₱6,199,419, as of December 31, 2025 and 2024, respectively.

In 2025, the Bank is exposed to credit risk concentration on activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use amounting to more than 30% of the total loan portfolio. In 2024, the Bank is exposed to credit risk concentration on agriculture, forestry and fishing.

In 2025 and 2024, 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.

In Philippine Peso

34.03 Breakdown of Total Loans

34.03.01 As to Security

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

	2025	%	2024	%
Secured loans:				
Real estate mortgage	₱ 191,283,018	40.21%	₱ 144,133,071	35.58%
Chattel mortgage	13,248,883	2.78%	18,141,725	4.48%
Back-to-back	1,577,933	0.33%	990,808	0.24%
Other collateral	753,311	0.16%	1,493,902	0.37%
Total secured	206,863,145	43.48%	164,759,506	40.67%
Unsecured	268,911,600	56.52%	240,321,066	59.33%
Total loans	₱ 475,774,745	100.00%	₱ 405,080,572	100.00%

34.03.02 As to Status

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

2025	Performing	Non-performing	Total
Other agricultural credit loans	₱ 103,111,747	₱ 15,988,827	₱ 119,100,574
Consumption purposes	99,967,968	17,998,656	117,966,624
Small medium enterprise loan	50,518,286	4,406,793	54,925,079
Fringe loan	10,703,123	–	10,703,123
Micro finance loan	4,724,157	11,333,273	16,057,430
Agrarian reform loans	–	20,093,903	20,093,903
Development incentive loan	–	–	–
Others	127,706,282	9,221,730	136,928,012
	₱ 396,731,563	₱ 79,043,182	₱ 475,774,745

2024	Performing	Non-performing	Total
Other agricultural credit loans	₱ 95,351,678	₱ 13,368,113	₱ 108,719,791
Consumption purposes	83,782,189	16,050,269	99,832,458
Small medium enterprise loan	26,880,398	4,283,091	31,163,489
Fringe loan	14,298,281	33,333	14,331,614
Micro finance loan	7,474,285	11,646,978	19,121,263
Agrarian reform loans	–	21,634,340	21,634,340
Development incentive loan	–	–	–
Others	100,565,961	9,711,656	110,277,617
	₱ 328,352,792	₱ 76,727,780	₱ 405,080,572

34.04 Information on Related Party Loans

Information on related party loans is disclosed in Note 27.

34.05 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2025 and 2024, bills payable amounting to ₱32,452,274 and ₱27,045,455, respectively, are secured by pledge of loans receivable with outstanding balance of ₱32,452,274 and ₱27,045,455, respectively.

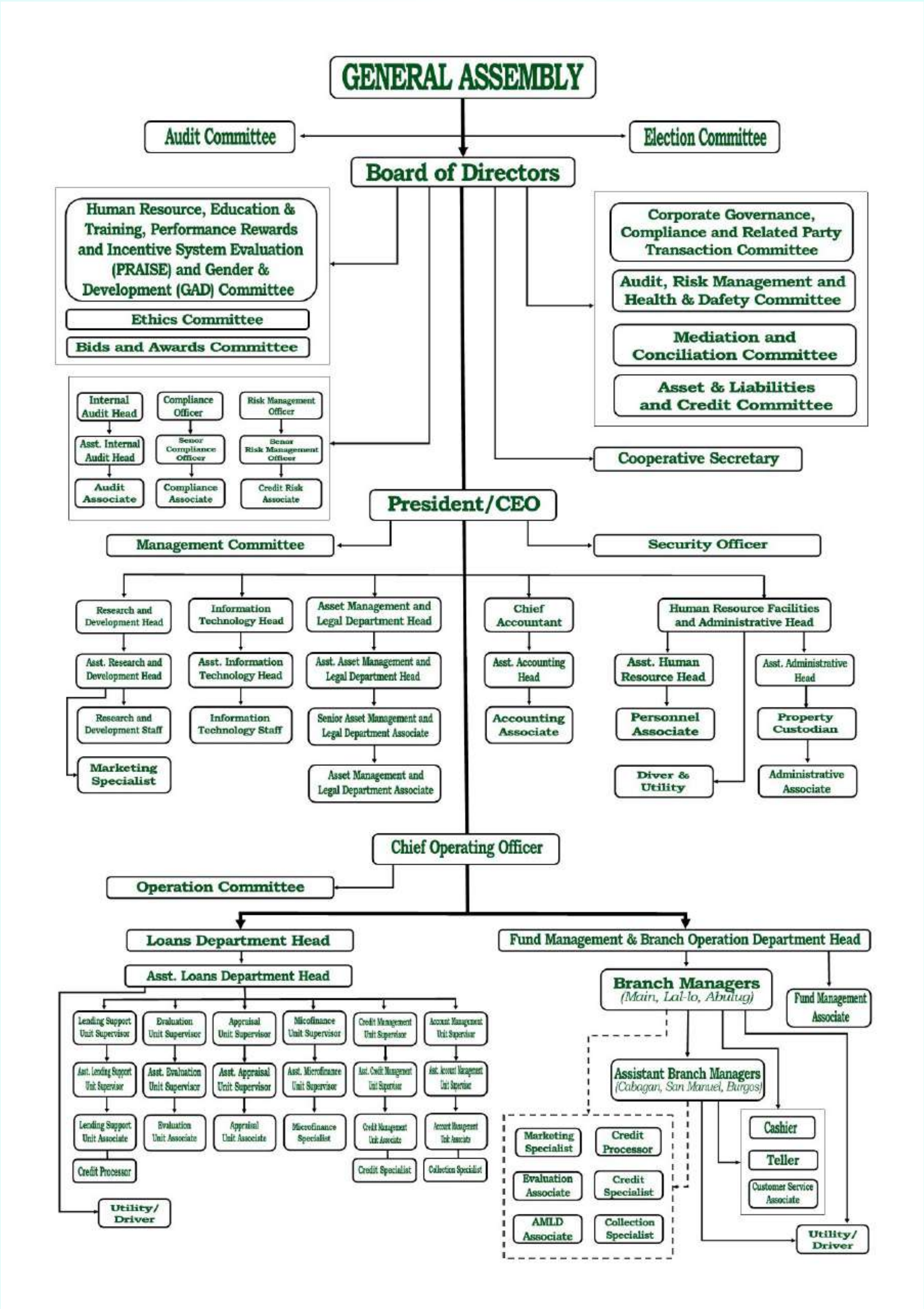
34.06 Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2025 and 2024, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular No.1074.

TOP 20 SHAREHOLDERS

Rank	Common Shareholder	Voting Rights	Citizenship	Subscribed	Paid In	No. of Shares	Percentage Of Ownership
1	Cagayan Cooperative Bank Employees MPC	Active	Filipino	6,186,000.00	6,185,010.06	6,185	16.61%
2	Cagayan Valley Development Cooperative	Active	Filipino	5,560,000.00	5,559,617.46	5,559	14.93%
3	Primemovers Marketing Cooperative	Active	Filipino	1,800,000.00	1,790,882.22	1,790	4.81%
4	Hacienda Intal Credit Cooperative	Active	Filipino	1,480,000.00	1,466,018.91	1,466	3.94%
5	Sta. Cruz Sn Mpci	Active	Filipino	1,080,000.00	1,065,950.00	1,065	2.86%
6	Primemovers Service Cooperative	Active	Filipino	840,000.00	840,000.00	840	2.26%
7	Western Solana Women's Cooperative	Active	Filipino	720,000.00	715,660.16	715	1.92%
8	Western Alcala Farmers Irrigators Cooperative	Active	Filipino	640,000.00	600,269.51	600	1.61%
9	Nanguilatan Farmers Marketing Cooperative	Active	Filipino	600,000.00	594,083.34	594	1.60%
10	Bagunot Marketing Cooperative	Active	Filipino	600,000.00	577,581.14	577	1.55%
11	Cagayan Seed Producers Cooperative	Active	Filipino	560,000.00	536,670.24	536	1.44%
12	Norphil Farmers MPC (Norfarco)	Active	Filipino	560,000.00	533,114.25	533	1.43%
13	MSRT Culung Credit Cooperative	Active	Filipino	560,000.00	532,620.24	532	1.43%
14	Assassi Multi-Purpose Coop	Active	Filipino	520,000.00	495,864.41	495	1.33%
15	Pamplona Women's Coop	Active	Filipino	480,000.00	472,375.00	472	1.27%
16	SIS Credit Cooperative	Active	Filipino	440,000.00	424,339.41	424	1.14%
17	Malaueg Farmers Mpc	Active	Filipino	440,000.00	413,561.75	413	1.11%
18	Ugac Farmers Marketing Cooperative	Active	Filipino	400,000.00	399,723.54	399	1.07%
19	Wellspring MPCI	Active	Filipino	400,000.00	388,325.16	400	1.04%
20	Timpuyog Cooperative of Bicok	Active	Filipino	400,000.00	381,895.97	400	1.03%

ORGANIZATIONAL STRUCTURE



DEPOSITS

Time
Deposit with fixed term and interest rate depending on the amount placed.

Regular Savings
A savings account with an opening amount of Php1,000.00

Kiddie and Teens Savings Deposit
Offered to individuals from 1 to 19 years old.

Buhay Savings Deposit
Savings deposit with free Personal Accident and/ or Basic Life Insurance

BINHI (Baryang Inimpok Nagbibigay sa Hinaharap ng Ikagiginhawa
This microfinance savings product is tailored for micro entrepreneurs and low income individuals which aims to promote the habit of saving, providing them with a safe and accessible way to save and manage their finances.

LOANS

Agri Agra Loan
These comprise the Agrarian Reform Loans (ARL), Other Agricultural Credit Loans (OACL) and NAMNAMA Loan that aims to finance Agri-related activities

Development Incentive Loan
These comprise the Agrarian Reform Loans (ARL), Other Agricultural Credit Loans (OACL) and NAMNAMA Loan that aims to finance Agri-related activities

Microfinance Loan
1. Loan extended to the poor and low-income household for their microenterprises and small business so as to enable them raise their income levels and improve their living standards.
2. MFL (BR No. 2024-081) These ladderized microenterprise loans are offered to micro entrepreneurs within the area of operation to cater their social and economic needs.
   - PAG-AHON (Puhunan At Gabay – Agarang Hatid Oportunidad para sa mga Negosyo)
   - ASENSO (Alok Sa Eksaktong Negosyo at Sapat na Oportunidad)
   - MEGA (Micro Enterprise Growth and Advancement)

Small Medium Enterprise (SME) Loan
Offered to any business engaged in any industry, agribusiness and/or services, whether single proprietorship, partnership or corporation provided that the total asset of the borrower shall be above 3million to

Consumer / Personal Loan
Loan offered to individuals for personal purposes, these are: Vehicle, Appliance, Multi-purpose Loan, Financial Upliftment and Economic Loan for Barangay Officials (FUEL), and Wander Loan.

Loans for Individual for Other Purpose
Loans includes Salary, Housing, Lot Purchase, OFW Loan, STUDENT, Environmental and others.

Other Services of the Bank includes, SALE OF ROPA, CAGELCO BILLS PAYMENT and DORMITORY-TYPE ROOMS & TRAINING HALL RENTALS

DIRECTORY

Corporate Office

Address :2nd Floor, CBC Bldg. Diversion Road, San Gabriel, Tuguegarao City, Cagayan
Email Add. :cbcagayan@gmail.com/ coop.bank.cagayan.corporate@gmail.com
Contact no. : (078) 844-3432 / (078) 377-0511 / 0953 4168 693

Main Branch

Address : 1st Floor, CBC Bldg., Diversion Road, San Gabriel, Tuguegarao City, Cagayan
Email Add. : coop.bank.cagayan.mainbranch@gmail.com
Contact no. : (078) 844-0651 / 0917 307 9931

Lal-lo Branch

Address : Public Market, Bagumbayan Lal-lo, Cagayan
Email Add. : coop.bank.cagayan.lallobranch2019@ gmail.com
Contact no. : (078) 377-0496

Abulug Branch

Address : Calog Sur, Abulug, Cagayan
Email Add. : coop.bank.cagayan.abulugbranch@gmail.com
Contact no. : 0917 574 5126 / 0917 530 9243

Cabagan Branch Lite Unit

Address : Masigan Bldg., Maharlika Highway, Ugad, Cabagan, Isabela
Email Add. : coopbankcagayan.cabagan@gmail.com
Contact no. : (078) 682-0992

Burgos Branch Lite Unit

Address : White Rock Restaurant Compound, Poblacion, Burgos, Ilocos Norte
Email Add : coopbankcagayan.burgos@gmail.com
Contact no. : 0936 102 0791 / 0927 479 6037

San Manuel Branch Lite Unit

Address : Purok Saranay, District 3, San Manuel, Isabela
Email Add. : coopbankcagayan.sanmanuel@gmail.com
Contact no. : (078) 305-9701 / 0936 760 1820

SOCIAL MEDIA SITES AND PAGES

https://www.cbcagayan.com

https://www.facebook.com/cbcagayan.ph

https://www.youtube.com/@cooperativebankofcagayan3482

From Left to Right

Standing: Geril Villarosa (Audit Associate), **Mark Dave Siniguian** (Cooperative Secretary), **Maynard Corpuz** (IT Head), **Jhon Czery Alina** (Chief Accountant), **Atty. Robin James Gunnacao** (President/CEO), **Jade Calagui** (OIC Internal Audit Head), **Joel Bugaring** (Risk Management Officer), **Reynaldo Corpuz** (Driver & Utility), **Mark Anthony Fieldad** (Property Custodian), **Ju-Ean Santos** (IT Staff)

Sitting: Unice Palilio (Compliance Associate), **Arjane Addatu** (R&D Staff), **Frances Corpuz** (Compliance Associate), **Karina Bunagan** (HR Head), **Kristine Pasicolan** (Chief Compliance Officer), **Marilyn Sagala** (Chief Operating Officer), **Rizza Sulla** (R&D Head), **Kristine Joyce Agustin-Pascual** (Asst. AMLD Head), **Mayolyn Magulod** (Personnel Associate), **Judy Ann Columna** (Administrative Associate), **Glecy Jane Bundoc** (Asst. R&D Head), **Fatima Abella** (Audit Associate)

From Left to Right

Standing: Roderick Guzman (AMLD Staff), **Delius Palais** (Driver & Utility), **Joan Bunagan** (Accounting Associate), **Jomar Domingo** (Assistant Accounting Head), **Melice Jane Udaundo** (Accounting Associate), **Jomar Bautista** (Driver & Utility), **Melchor Gomez** (Risk Driver & Utility), **Jay Israel Calderon** (AMLD Staff)

Sitting: Claudelyn Manicap (Accounting Associate), **Jhon Czery Alina** (Chief Accountant), **Venessa Telan** (Accounting Associate),

LOANS DEPARTMENT—Credit Management Unit, Account Management Unit, Microfinance Unit

From Left to Right

Standing: Leo Dabban (Microfinance Staff), **Mark Daryll Barangan** (Microfinance Staff), **Darwin Manuel** (Collection Specialist), **Rammy Fernandez** (Credit Specialist), **Vincent Lumido** (Collection Specialist), **Arnel Salagan** (Credit Specialist)

Sitting: Kaepee Corpuz (Credit Management Unit Supervisor), **Jenalyn Maribbay** (Account Management Staff), **Janice Ulep** (Account Management Unit Supervisor), **Jitko Tayawa** (Loans Department Head), **Sheryl Pamittan** (Asst. Loans Head), **Marjorie Balisi** (Credit Management Staff), **Ricky Mabborang** (Microfinance Unit Supervisor), **Gerald Tuliao** (Asst. Microfinance Supervisor). *Not in the Picture* **Emil Pagunuran** (Credit Specialist)

LOANS DEPARTMENT—Lending Support Unit, Evaluation Unit, Appraisal Unit

From Left to Right

Standing: Richie Canapi (OIC Appraisal Unit Supervisor), **Roldan Apacible** (Evaluation Unit Supervisor), **Jay-Ar Mateo** (Credit Processor), **Ronnie Fernandez** (Evaluation Staff), **Gerard Andy Pascual** (Asst. Evaluation Unit Supervisor), **Richard Ballesta** (Evaluation Staff), **Randy Calayan** (Evaluation Staff), **Leo Paul Gacias** (Evaluation Staff)

Sitting: Rychel Recopero (Credit Processor), **Linden Mauanay** (Lending Support Unit Supervisor), **Jitko Tayawa** (Loans Department Head), **Sheryl Pamittan** (Asst. Loans Head), **Keith Andrea Maguddayao** (Lending Support Staff), **Heidi Molina** (Credit Processor). *Not in the Picture* **Charmaine Concepcion** (Lending Support Staff)

FUND MANAGEMENT AND BRANCH OPERATION (FMBO) DEPARTMENT

Main Branch

From Left to Right

Standing: John Aedolf Macabangun (Marketing Specialist), **Steven Bańez** (FMBO Head), **Jessie Concepcion** (Driver & Utility)

Sitting: Irish Ajido (Customer Service Associate), **Rodalyn Addun** (FMBO Staff), **Maricel Lazaro** (FMBO Staff), **Melody Faith Macababbad** (Branch Manager), **Lovely Ann Jane Mordeno** (Teller), **Judy Ann Doca** (Cashier/Teller)

Lal-lo Branch

From Left to Right

Standing: Chris Jhon Vinagrera (AMLD Staff), **Marlon Joshua Guzman** (Evaluation Staff), **Nelson Vincent Galleta** (Driver & Utility), **Jermeeh Pastoral** (Marketing Specialist), **Carlo L. Abiog** (Collection Specialist)

Sitting: Dranreb Dominic De Ramos (Collection Specialist), **Rochelle Adviento** (Customer Service Associate), **Joan T. Soriano** (Branch Manager), **Rachelyn Piano** (Teller), **Bon Bryan Unipa** (Credit Specialist)

Abulug Branch

From Left to Right

Standing: Stanford Rante (Collection Specialist), **Jonathan Baluscang** (Evaluation Staff), **Dominic Tangonan** (Credit Specialist)**, Jonel Guimmayen** (Driver & Utility), **Roniel Jay Callo** (Marketing Specialist), **Kervin James Estrada** (Credit Specialist)

Sitting: Vina Marcos (Teller), **Bernadette Flores** (Credit Processor), **Robin T. Cajio** (Branch Manager), **Melbourn Juan** (Customer Service Associate). *Not in the Picture* **Bernadette Pablo** (Evaluation Staff)

Cabagan Branch Lite Unit

From Left to Right

Standing: Emerson Annang (Driver & Utility), **Jan Lester Bacuyag** (Marketing Specialist), **Jaypee Agsunod** (Credit Specialist), **Romart Miranda** (Evaluation Staff)

Sitting: Rhea Datul (Teller), **Bobby Martinez**(Assistant Branch Manager), **Valorie Taguiam** (Customer Service Associate)

San Manuel Branch Lite Unit

From Left to Right

Standing: Keorvin Limon (Driver & Utility), **Joseph Espiritu** (Credit Specialist)

Sitting: Princess Agbayani (Teller), **Earl Donn Aganon** (Assistant Branch Manager), **Florida Limon** (Customer Service Associate). *Not in the Picture* **Romyl John Flores** (Evaluation Staff)

Burgos Branch Lite Unit

From Left to Right

Standing: Edante Baniaga (Evaluation Staff), **Khevin Jay Balanay** (Marketing Specialist), **Leimar Matias** (Credit Specialist)

Sitting: Janet Baliscao (Customer Service Associate), **Joel Tabangay** (Assistant Branch Manager), **Rochelle Kate Guloy** (Teller). *Not in the Picture* **Mark Anthony Villa** (Driver & Utility)

This 2025 Annual Report is Produced by:

COOPERATIVE BANK OF CAGAYAN

Institutional Support

Office of the President

Office of the Chief Operating Officer

Fund Management and Branch Operation Department

Loans Department

Compliance Department

Internal Audit Department

Risk Management Office

Asset Management and Legal Department

Human Resources and Admin. Department

Information Technology Department

Research and Development Department

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