



COOPERATIVE BANK *of* COTABATO

2024

ANNUAL REPORT

45th

**ANNUAL GENERAL
ASSEMBLY**



VISION

Cooperative Bank of Cotabato shall be strong, dynamic, socially responsive and sustainable financial service provider in the country.

It shows the Bank's real image of being strong and dynamic in changing landscape of Bank's institutional environment to strive pro-actively and be socially responsive to current and challenging needs for its members and clients' preference.

MISSION

Cooperative Bank of Cotabato is a genuine provider of socially responsive and innovative financial and non-financial products and services to enrich the socio-economic well-being of its clients and valued stakeholders.

The crafted mission statement underscores its commitment to success as conscious and deliberate translation of financial gains, resulting to provide benefits and improvement of the socio-economic well-being of members and individual clients within and outside the area of coverage as responsive financial intermediary to and social returns.

INTRODUCTION OF THE BANK'S BRAND

"The Bank with Genuine Service"

It implied that CBC employees uphold the principles of effectiveness, efficiency, transparency, confidence and commitment in "providing genuine services" to all members with the value of integrity, diversity, equal opportunity and fair treatment without sacrificing high performance in all aspects of organizational work as the catalyst of change for bank's financial growth and socio-economic development of the populace.

BUSINESS MODEL OF THE BANK

The Cooperative Bank of Cotabato as financial intermediary provides retail and institutionalized banking services, compasses of dual role: a Bank and Cooperative as well. It has specific value proposition for its institutional member-clients (the primary cooperative-affiliates) and the individual clients.

Anent to this, the Bank works to strengthen its member-affiliates based on their demonstrative bankability by offering products and services in consonance to their financial needs and organizational capacities;

And likewise, it provides affordable and flexible range, with enhanced, new products and services that have been tailored-fit to the institutional and individual needs and capacities; Also, facilitates the transfer of modern – innovative art of technologies and other financial inclusions that can help to improve member-affiliates and clients business revenue streams and efficiencies through cost reduction and managing risk in the long run.

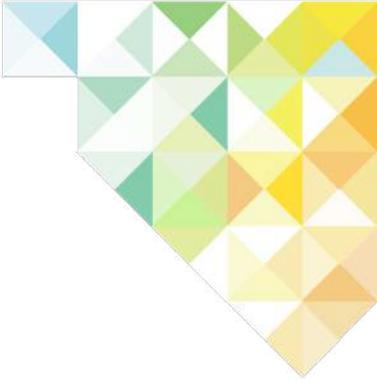


TABLE OF **contents**

4	President's Message
6	Chairman's Report
8	Committee Reports
10	Minutes of General Assembly
28	Financial Highlights
31	2025 Bank Plan and Loan Budget
36	Risk Management Framework and Anti-Money Laundering Policies
38	Corporate Governance Framework
44	List of Executive Officers & Senior Management
45	Performance Assessment Program, Orientation and Education Program, Retirement & Succession Policy, Remuneration Policy
48	Related Party Transactions
50	Self-Assessment Function (Internal Audit & Compliance)
52	Consumer Protection Practices
53	Sustainability Report
59	Audited Financial Statements
133	List of Stockholders and their Stockholdings
140	Manpower Directory
165	Organizational Structure
166	Directory of Offices & Branches / Products & Services



PRESIDENT'S MESSAGE

The year 2024 marked a period of significant transition for the Cooperative Bank of Cotabato. With the appointment of the new management leadership, we continued to take on the challenge for operational resiliency and that we have proven it can be achieved through our spirit of collaboration and teamwork.

As we reflect on our collective achievements, we are reminded that resilience is not just about surviving the storms, it is about standing firm with renewed strength and purpose, and moving forward together.

With gratitude, we are proud to present to you this 2024 annual report which outlines the bank's operational and financial performances and the progress we have made in advancing our strategic priorities. It is with great honor to share the initiatives we have made toward sustainable growth, digital innovation, and financial inclusion while continuously upholding the principles that define our cooperative values and identity.

In the year 2024, the bank's total assets continued to grow at P3.5 billion, an increase of P65 million. A decline of P287 million from the total loan portfolio at P2.651 billion is an indication of the bank's prudent credit initiations and lending practices in accordance with regulatory standards. Deposit generation has increased by P126 million, thus posted a total of P2.1 billion, an affirmation of the continuing trust and loyalty of the bank's clientele. With net income of P36 million which is 56% higher than the previous year is a manifestation of the bank's resilience, continuing growth and the ability to cope-up all challenges across all aspects of the general operations.

With the bank's continuing pursuit for excellence amidst the never-ending challenges of the banking industry, the bank was given an Excellence Award and hailed as 2nd top performing cooperative bank in the country for the year 2023 by the Cooperative Banks Federation of the Philippines (BANGKOOP). With BSP's standards, the bank has been

recognized in the top 20 for total assets and top 16 for total capital among the more than 100 active and performing cooperative banks and rural banks in the country.

Recognizing the importance of technology in modern banking, we have advanced our digital initiatives through the creation of the Digital Transformation & Initiatives Committee (DTIC) responsible to oversee and steer the bank's digital transformation efforts and journey. As such and with the approval of the Philippine Clearing House Corporation (PCHC), the bank is set to implement the direct Check clearing participation with PCHC and that this will pave a faster and convenient checking account transactions.

In our continuing efforts to expand market reach and stronger market presence, the bank has opened its 18th branch in the municipality of Glan, province of Sarangani, an affirmation of the bank's strength and resilience.

Beyond financial services and with the bank's unending commitment for genuine service provision, we remained deeply engaged in our clients and the communities we served. Anchored from our sustainable finance initiatives, we have implemented banking practices to reduce environmental footprint. We participated and supported various community development projects and activities through clean-up drives, feeding programs and food packs distribution and blood donation activities. We have also continued strengthening our customer care protection while enhancing our financial products and services tailored to the growing needs and demands of our clients. In our efforts to introduce cacao farming, the bank has partnered with Mennonite Economic Development Associates (MEDA), an international economic development organization that creates business solutions to poverty and that the bank has implemented and piloted the Cacao Farm Loan in the Davao region which seeks to build more sustainable livelihoods and profitable agri-businesses by supporting small-scale farmers, agribusinesses

and cooperatives in the cacao sector. With all of these, we believe that social responsibility is not just a commitment but a continuing reflection of our cooperative principles and identity.

Looking forward, we are optimistic that with the challenges ahead of us come opportunities. The success and achievements as well as challenges of 2024 will be our stepping stones to take the extra effort to further improve and be the best in the year 2025.

We expressed our sincere gratitude to our dear stockholders for their unwavering support, to our dedicated Board of Directors for their continuing guidance, to our valued clients for their continuing trust, and to our ever-hardworking and committed employees.

With the blessing and guidance of our God Almighty, together we will continue building a stronger, transparent, and a more inclusive Cooperative Bank of Cotabato.

Thank you for being a part of our journey.



EDELLE G. HERNANDEZ, CPA, MBA
President





CHAIRMAN'S REPORT

The International Year of Cooperatives 2025 theme is “Cooperative Build a Better World”. This theme highlights the vital role cooperatives play in fostering inclusive and sustainable development worldwide, thus emphasizes how the cooperative model is essential solution to overcome many challenges and contribute to achieving the Sustainable Development Goals. The Cooperative Bank of Cotabato being a part of the cooperative movement is being challenged of its sustainability and stability as it stands vigorous amidst the challenges.

Giving importance on the essential impact of Digitalization, at the onset, the bank created the Digital Transformation and Initiatives Committee which is responsible in overseeing and steering bank’s digital transformation journey and strategic adoption of digital/financial technologies and initiatives to effectively adapt to changing market dynamics, improve customer experience & expectation and maintain competitiveness in technological advancements. It should be emphasized that as of this time, IT plays the most significant role in the operation of the bank. Moreover, by earlier part of the year, the management recommended for the implementation of Mobile Collection Application which revolutionizes the way business conduct field collections The said collection application eased the burden of remittance of the Account Officers from field to the office.

Another significant event took place by 2nd quarter of the year wherein CBC Koronadal Branch was able to transfer to its new building giving its employees and our valued clients a comfortable and more spacious area for bank transactions. Also in terms of continued education and training, the management initiated the creation of Training of Trainers (TOT) purposely to equip trainers with the skills and knowledge to effectively deliver training programs of identified courses focus on improving the capabilities of the trainers as trainers.

As for the Board and the Stockholders, the CBC institutionalize a program for its Board of Directors/Stockholders – Goodwill Program which

is over and above other benefits that they enjoy as a social protection. The program aims to recognize their efforts and reward their selfless contribution to the efficiency, economy and improvement of the operations of cooperatives resulting to organizational productivity. It is a way of giving back to the BODs/Stockholders for all the time and sacrifices they offered in the fulfillment of their oath of office.

By the 3rd quarter of the year, the bank has distinctively made an impact on its application to join the Philippine Clearing Housing Corporation (PCHC) to align with the IT Roadmap of the Undertakings of the bank to directly participate in clearing of checks. This is one of the significant breakthrough on the operations of the Bank which is responsible for facilitating the clearing and settlement of checks.

We approved the hiring of a consultant for the conduct of the 2026-2030 Strategic Planning wherein the bank believes that external consultant/facilitator possesses broader perspective of any given industry such as the cooperative banking thus exploring external challenges and utilizing new opportunities will be considered significantly while helping determine inefficiencies or deficiencies during and after the planning process.

On the part of the Board of Directors, 2024 is the most challenging year due to sudden change of management. We believed that we, in the Board have made decision considering the circumstances and situations which have impacted the current operations of the Bank. With the support of the top management down the line, we were able to overcome the challenged and will continue to do so by and by. As policy makers, we are entrusted by the responsibility of supervising and guiding the management and that, Board of Directors is primarily responsible for approving and overseeing the implementation of the banks strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the bank. We

believed that at this point in time, we have done our part as expected of us.

Moving forward, imbued with determination and courage, we will continue to uphold the responsibilities and the challenges ahead of us. With the ever-courageous management and supportive employees and staff, we assure our dear Stockholders and valued clients of a sustainable bank operation. We will continue to uphold the spirit of cooperativism among our Stakeholders. Working together as a team in cooperative way truly can achieve more than what is expected in reaching our vision, our mission and eventually our success bounded by our core values and walk through in realizing always the bank's spirit of GENUINE SERVICE.

Truly, we will continue to DREAM BIG for the betterment of the bank and the Cooperative Movement as a whole. CBC will soar high again with the collective effort of its OFFICERS and its MANPOWER. TOGETHER WE ACHIEVE MORE!

For and in Behalf of the Board of Directors:


ERMA R. ODAL
Chairperson





CREDIT COMMITTEE REPORT

TO OUR FELLOW STOCKHOLDERS:

It is with great honor to present to the General Assembly our accomplishment report in accordance to the duties and responsibilities of the Committee. The meetings conducted by the committee through evaluation and review of loans submitted are done every second and last Wednesday of the month from January to December 31, 2024.

Loans approved and released for the year 2024 are as follows;

TYPE OF LOAN	ACTUAL NO. ACCOUNTS	ACTUAL LOAN RELEASE
Agricultural Loans		
• Supervised Credit	18	11,905,750.00
• Non-Supervised Credit	2,912	298,733,500.00
Commercial Loan	5,342	593,029,000.00
Microfinance Loans	26,192	688,049,515.00
MSME	69	337,941,000.00
Other Loans/Salary Loans	9,213	918,485,140.00
GRAND TOTAL	43,746	2,848,143,905.00

We therefore extend our deepest gratitude to the Board of Directors, Management and Staff for their unwavering support and the valued members and clients who are continuously patronizing the services of the Bank.

For the Credit Committee:


MS. MARIANITA D. SOTERNO
Committee Chairman

EDUCATION COMMITTEE REPORT

The Education Committee is one of the standing committees created by the Board of Directors in fulfilling its fiduciary oversight functions as policy makers. It is in this particular area that the arm of the bank in assisting its affiliates in providing necessary trainings/seminars required and prescribed by the Cooperative Development Authority. In like manner that the general principle of the committee is the monitoring, assisting and assessing the over-all progress and development of member affiliates thru trainings inputs for them to be competitive and productive.

It is an honor to present the 2024 highlights of the accomplishment of the Education Committee.

- A 5-day “Basic Bookkeeping Training Workshop” was conducted in partnership with the Provincial Cooperative Development Office (PCDO) thru the recognized resource speakers, Mr. Jose Alcantara and Mr. Rey R. Gauran. The objective of this training workshop is to help/assist cooperatives to have better understanding of the duties and responsibilities of being a bookkeeper, to equip members with the necessary skills and knowledge to accurately record and manage financial transactions and to achieve financial stability. It was held at CBC Training Center, Lanao, Kidapawan City and CBC Midsayap Branch last September-October 2024, for 3-batches with almost 90 participants for the whole duration of seminar.
- The Cooperative Development Officer (CODO) continuously assist Forty-Two (42) Cooperative affiliates on submitting mandatory reports using the Cooperative Assessment Information System (CAIS) for the release of the Certificate of Compliance (COC).
- There are Two (2) cooperative-applicants for membership pending for the confirmation of General Assembly namely:
 1. FONUS FEDERATION OF COOPERATIVE
 2. DAGUPAN ARB MULTI-PUROSE COOPERATIVE
- We have extended financial assistance to all active stockholders for the In-house Refresher Training Course on PMES amounting to Five Thousand Pesos (P5,000.00) each coop.
- The bank conducted a 2-day Lakbay Aral last November 29-30, 2024.

The Education Committee with the CODO and the management will assure you of continuing and upkeep support for your technical needs. Let’s all have a meaningful and productive years ahead of us.

For the Education Committee:


GIL D. PASTOLERO
Committee Chairman



MINUTES OF THE 45TH ANNUAL GENERAL ASSEMBLY AND ELECTION OF BOARD OF DIRECTORS & ELECTION OF COMMITTEE MEMBERS

28 June 2024 @ 7:00 A.M.

CBC Training Center@ the Executive Office, Brgy. Lanao, Kidapawan City

ORDER OF BUSINESS

Registration (7:00 a.m. to 9:00 a.m.)

Pre-Assembly Program:

- Arrival/Breakfast/Registration
- Invocation
- Pambansang Awit
- Cooperative Hymn
- Cooperative Pledge

GENERAL ASSEMBLY MEETING PROPER

- 1.0 Call to Order**
- 2.0 Proof of Due Notice**
- 3.0 Certification of Quorum by the Secretary**
- 4.0 Presentation of the Newly Installed President-Ms. Edelle G. Hernandez**
- 5.0 Presentation & Confirmation of New Members**
 - 5.1 MARB –Agrarian Reform Beneficiaries formerly Malasila SN MPC
 - 5.2 POLMARGEN- Polomolok Marbel General Santos Transport Multipurpose Cooperative
 - 5.3 Don Bosco Multipurpose Cooperative
 - 5.4 Paglaum Consolidated Multipurpose Cooperative
- 6.0 Adoption of House Rule**
- 7.0 Amendments/Insertion to the Proposed Agenda**
- 8.0 Reading/Corrections/ Disposition of the Minutes of the previous GA meeting dated June 29,2023 and Matters Arising from the Minutes**
- 9.0 Annual Report 2023**
 - 9.1 Report of the Chairman of the Board
 - 9.2 Report of the President and Presentation of the 2024 Bank Plan and Budget
 - 9.3 Report of the Bank’s External Auditor –QUILAB & GARSUTA CPA
- 10.0 Report of the Different Standing and Working Committees**
 - 10.1 Report of the Education Committee
 - 10.2 Report of the Credit Committee
 - 10.3 Report of the ELECOM with Amendments in the Election Primer
- 11.0 Election of Board of Directors and Members of the Election Committee**
- 12.0 New Business**
 - 12.1 Confirmation and Approval of the 2023 Summary of Approved Board Resolutions
 - 12.2 Confirmation & Approval of Board Resolution No. 165, series of 2023

- 12.3 Proposal- Additional Investment through Fresh Capital Infusion
- 12.4 Proposal- Identification of Member-Stockholders with Unpaid Subscription for Issuance of New Subscription Agreement for mandatory payment
- 12.5 Proposed Amendments on the Policies on Goodwill and Renumeration
- 12.6 Proposed Longevity Award for Dir. Ricardo M. Carmona

13.0 Awarding & Recognition

14.0 Adjournment

I. MEETING PROPER

Before the 44th Annual General Assembly was called to order by the Chairman of the Board Mr. Gil D. Pastolero, he warmly welcomes all the official delegates Member-Stockholders, bank officers, the External Auditor, guests and other visitors.

1.0 Call to Order

The Presiding Officer/Chairman of the Board Mr. Gil D. Pastolero called the meeting to order at exactly 9:0 in the morning.

2.0 Proof of Due Notice

Notices were served to all active member cooperatives/Samahang Nayons' Chairpersons and their respective representatives.

3.0 Certification of Quorum

Board Secretary Mary Grace S. Macadato called the roll of all the official delegates to the assembly. The number of the official delegates present was 69 out of the 71 active members, thus signify a quorum, to wit;

	Name of Cooperative	Name of Representative	Position
1	Berada Multipurpose Cooperative	Florencia H. Idao	Chairperson
2	Kalaisan Credit Cooperative	Willington C. Galbizo	Chairperson
3	Lanao Credit Cooperative	Carolina G. Daguman	Manager
4	Macebolig Farmers Credit Cooperative	Teofila Ramos	Chairperson
5	Mua-an Farmers Credit Cooperative	Editha A. Antipuesto	Chairperson
6	Rainbow Family Multipurpose Cooperative	Marianita D. Soterno	Chairperson
7	Sumbac Multipurpose Cooperative	Angelita Gonzales	BOD
8	Cotabato Prov'l Gov't. Employees & Retirees Cooperative	Erlinda O. Pantaleon	General Manager
9	Magpet Agro-Industrial Resource Cooperative	Alverico R. Rapacon	Chairperson
10	Bulacanon SN Credit Cooperative	Edtami P. Mansayagan	Chairperson
11	Garsika Multipurpose Cooperative	Pedro G. Cagas	Chairperson
12	Kisante Credit Cooperative	Jean Y. Meperanum	Treasurer
13	Goshen Water Service Cooperative	Joel Lariosa	Chairperson
14	Mt. Apo Ten Kilometer Radius Multipurpose Cooperative	Danilo Emba	Chairperson
15	Makilala Senior Citizen Multipurpose Cooperative	Cirila C. Palacios	Treasurer
16	Bagontapay Credit Cooperative	Cecille D. Colima	Chairperson
17	Bialong Credit Cooperative	Romeo G. Lobaton	Chairperson
18	Dugong Credit Cooperative	Elizabeth S. Nicolas	Chairperson
19	United Rice Farmers Credit Cooperative	Aylyn G. Leysa	Chairperson

20	Katipunan Farmers Credit Cooperative	Memie S. Tayco	Chairperson
21	Nuestra Señora De Salvacion Credit Cooperative	Maribel E. Nortez	Chairperson
22	Pulanglupa Farmers Cooperative	Cyrill T. Tidula	Chairman
23	Cuyapon Farmers Agri-Marketing Cooperative	Danilo B. Malangay, Sr.	Chairperson
24	Sangat Farmers Credit Cooperative	Jessie D. Castor	Chairperson
25	Katidtuan Marketing Cooperative	Samuel Aquino	Chairperson
26	Lower Paatan Multipurpose Cooperative	Crisanto P. Opiaza	Chairperson
27	Osias SN Multipurpose Cooperative	Erma R. Odal	Chairperson
28	Dagupan SN Multipurpose Cooperative	Miriam I. Espino	Treasurer
29	Cotabato Intg. Seed Producers Marketing Coop.	Lyndon Jae Valdez	Chairperson
30	Dalapitan Credit Cooperative	Loreto F. Martinez, Jr.	Chairperson
31	Estado Farmers Credit Cooperative	Jonathan M. Viajante	Chairperson
32	Kibia Rice Producers Marketing Cooperative	Danilo V. Asio, Sr.	Chairperson
33	Kibudoc Sugarcane Planters Cooperative	Jenny Flor L. Panes	Chairperson
34	Farmers of Marbel Credit Cooperative	Lorvalent Acoba	Chairperson
35	Linao Farmers Marketing Cooperative	Danilo V. Valdez	Chairperson
36	Taculen Multipurpose Cooperative	Rebecca Dumingsel	Chairperson
37	Matalam Rubber Planters Integrated Cooperative	Mercy Fe G. Dalisay	Board Secretary
38	Bobugan Consumers Cooperative	Jocelyn C. Andea	Chairperson
39	Dualing Marketing Cooperative	John Mark C. Cambel	Chairperson
40	Lawili Multipurpose Cooperative	Innocencio Cajutol, Jr.	Chairperson
41	New Leon Multipurpose Cooperative	Gil D. Pastolero	Chairperson
42	Taguan Credit Cooperative	Teresita Cagape	Chairperson
43	Nalpan Multipurpose Cooperative	Jory H. Catahum	Chairperson
44	San Mateo Consumers Cooperative	Apolinaria O. Cambel	Chairperson
45	Active & Concern Employee's Credit Cooperative	Benesson Eballes	Vice-Chairperson
46	Bagumba Credit Cooperative	Lucia T. Fernandez	Chairperson
47	Agriculture Farmers Multipurpose Cooperative	Catalino F. Fugata, Jr.	Chairperson
48	Greater Midsayap Area MPC	Mateo Jr. C. Catubig	Chairperson
49	Community Health Service Cooperative	Maximiano De Asis	BOD
50	Lagumbingan Farmers Credit Cooperative	Christopher Dacula	Chairperson
51	Lower Glad Agriculture Cooperative	Monalie Siminig	Secretary
52	Nalin Credit Cooperative	Roberto J. Eliseo, Jr.	Chairperson
53	Patindeguin Farmers Credit Cooperative	Adela G. Niedo	Chairperson
54	Rangeban Farmers Credit Cooperative	Melecio Villon	Chairperson
55	Tumbras SN Integrated Cooperative	Romulo P. Robles, Sr.	Chairperson
56	Villarica SN Multipurpose Cooperative	Ricardo M. Carmona	Chairperson
57	Sayap Multipurpose Cooperative	Danilo V. Viado	Chairperson
58	Samahang Magniniyog ng Pikit Multipurpose Coop.	Lyn Marie Flores	Treasurer
59	Pigcawaran Marketing Cooperative	Ruben J. Señerez	Chairperson
60	Libungan Marketing Cooperative	Ruben D. Pedrero	Chairperson
61	Batiocan Consumers Cooperative	Cleto P. Carbonell, Jr.	Chairperson
62	Ulamian Credit Cooperative	Jeanette B. Olveros	Chairperson

63	Bulucaon Farmers Multipurpose Cooperative	Mia Gonzaga	Chairperson
64	Malu-ao Farmers Credit Cooperative	Joemarie C. Ebido	Chairperson
65	Midpapan 1 Credit Cooperative	Christy D. Fahit	Secretary
66	Capayuran Farmers Credit Cooperative	Jelito G. Jugas	Chairperson
67	Upper Baguer SN Integrated Cooperative	Rutchell S. Omadle	Chairperson
68	Bual Sur Farmers Marketing Cooperative	Primo S. Sotomil	Chairperson
69	Lagumbingan Credit Farmers Cooperative	Rizalyn P. Sarque	Chairperson

With the aspirants/candidates for Independent Directors:

1. Mr. Herson B. Amolo
2. Mr. Felimon F. Apalit
3. Ms. Rucine Nacario
4. Ms. Alma Belle Respicio

Also acknowledged were the presence of the bank's officers and personnel, viz;

- | | | |
|-------------------------------------|---|--------------------------------------|
| 1. Edelle G. Hernandez | - | President |
| 2. Jesus S. Jaoud | - | Vice President for Admin.Services |
| 3. Defer R. Villaruz | - | Vice President for Branch Operations |
| 4. Liezl L. Magbanua | - | Vice President for Credit Management |
| 5. Marygrace S. Macadato | - | Board Secretary |
| 6. Florelyn S. Pagaduan | - | HR Manager |
| 7. Diane Jane D. Escarlan | - | Chief Compliance Officer |
| 8. Jude A. Dacutan | - | Accounting Manager |
| 9. April Marie G. Irig | - | RDM Manager |
| 10. Dexter G. Pinagayao | - | CODO |
| Master of Ceremony: Ernie L. Sescar | - | Security Officer |

4.0. Presentation of the Newly Installed Acting President Ms. Edelle G. Hernandez

The acting President Ms. Hernandez then expressed her acknowledgement on the trust and confidence bestowed upon her by the Board of Directors assuring that she will take up the challenged and will work as expected of her by the Board.

5.0 Presentation and Acceptance of New Members- MARB. POLMARGEN, Don Bosco Multipurpose Cooperative and Paglaum Consolidated Multipurpose Cooperative

Presented to the assembly the newly accepted members as of December 31, 2023 namely;

- Makilala Agrarian Reform Beneficiaries Cooperative (MARB Coop.)
- Polomolok Marbel General Santos Transport Multipurpose Cooperative (POLMARGEN)
- Don Bosco Multipurpose Cooperative
- Paglaum Consolidated Multipurpose Cooperative

Upon a motion by Catalino F. Fugata duly seconded by Dir. Jonathan M. Viajante, the presented new members were accepted and confirmed to wit;

General Assembly Resolution No. 2024-01- Resolved as it is hereby resolved to confirm the membership of MARB Coop, POLMARGEN, Don Bosco MPC and Paglaum Consolidated Cooperative. Approved unanimously.

Chairman Fugata inquires as to what will be the District representation of POLMARGEN. It was explained that said cooperative will be under District 3 which comprises the areas of South Cotabato, Bukidnon and Davao Del Sur and if the bank already recruited at least twenty (20) cooperatives within the said area of bank' coverage, that will be the composition of District 3.

6.0 Adoption of House Rules

Chairman Pastolero requested the emcee Mr. Sescar to present and read the proposed house rules. The assembly then were also informed that copies of the house rules were already been distributed ahead of time. Since there was no question, comments or objections on the presented house rule. *Chairman Rapacon requested to delete item no. 1- wearing of face mask, it was also suggested that wearing of face mask is also optional, Chairman Fugata proposed to delete item 8 and that a motion must be execute first on every agenda to be discussed; Chairman Lariosa subscribed to the deletion of item 8 with explanation.* However, Chairman Pastolero explained that item 8 was included so as to avoid monopoly of discussion. The 3-minute was also shortened to 1-2 minutes only.

On a motion duly seconded, the proposed house rule is approved except item no. 1, to wit;

General Assembly Resolution No. 2023-02-Resolved as it is hereby resolved to approve the presented House Rules. Approved unanimously.

7.0 Insertion and Amendments to the Proposed Agenda

Upon a motion by Chairman Maximiano De Asis duly seconded, the agenda presented was accepted by the assembly.

8.0 Reading, Correction and Disposition of the Minutes of the Previous Meeting dated June 29, 2023

Chairman Rapacon moved to dispense the reading of the minutes of the previous meeting and to discuss the matters arising from the previous minutes.

“Chairman Rapacon corrected the acronym of his coop- MAGIRCO instead of MAPIRCO”

Since there were no other comments, questions and objections, on a motion by Chairman Rapacon duly seconded, the minutes of the previous meeting was accepted and adopted as corrected and discussed on joint sponsorship.

Chairman Fugata made a clarification as to the discussion of agenda presented as to the sequence of the discussion whether a motion will be seek-out first before an agenda will be discussed or the agenda will be discussed first before a motion. Chairman Pastolero then requested the expertise of Chairman Samuel Aquino of Katid Tuan Marketing Cooperative to shed light on the matter. He then explained that after the acceptance of the presentation of a presenter, a motion is in order for the presentation of the report and a motion is in order for the acceptance of the report/agenda presented.

9.0 Annual Report 2023

9.1 Report of the Chairman

As for the Report of the Chairman, he mentioned that his report was already incorporated in the Annual Report. His report highlighted the following accomplishments;

- (1) Availment of the services of the Philippine Payment and Settlement System (PhilPass) – a facility payment used by Banks in settling interbank payment and/or atm transactions
- (2) Purchased of property at Don Carlos Bukidnon for expansion
- (3) Creation of the position of Cooperative Development Assistant (CODA) to assist-member cooperatives
- (4) Conduct of 3-batches of Eskwela Kooperatiba in partnership with the Provincial Cooperative Development Office
- (5) Partnership with Traxion for the availment of the Coopnet Teller Machine where we can transact our interbranch banking needs, gateway bills payment or fund transfer
- (6) geared towards our advocacy of members expansion and recruitment, four (4) new cooperative members are accepted and to be confirmed namely (1) MARB-Agrarian Reform Beneficiaries Cooperatives (2) Paglaum Consolidated Multipurpose Cooperative (3) Bon Bosco Multipurpose Cooperative (4) Polomolok Marbel General Santos (POLMARGEN)Transport Multipurpose Cooperative (7) Extending social responsibility and services offered to clients are the following;
 - a. Financial assistance to selected clients as recipients of the livelihood program which is currently implemented;

- b. Allocation of funds for the roofing of makeshift school building of New Leon High School;
- c. Granting scholarship to poor but deserving cooperative stockholders and indigent pupils.

After the presentation and on a motion by Chairman Fugata, Jr. duly seconded moved to adopt the Chairman's Report for 2023 to wit;

General Assembly Resolution No. 2024-03 - Resolved as it is hereby resolved that the Chairman's Report for 2023 was accepted and adopted as presented and discussed on joint sponsorship. Approved unanimously.

9.2 Report of the President and Presentation of the 2024 Bank Plan and Budget

President Hernandez presented the financial highlights of the bank for the year 2023 and the 2024 Annual Plan and Budget. Accordingly, the total asset of the bank for 2023 increased by 234 Million or 7.24%. As for total loan portfolio, it increased by 439 Million as of December 31, 2023. The total liquid asset decreased by 139 Million or 20%. The President emphasized that the major component of the bank's asset is the total loan portfolio which approximates 76.65% of the total assets followed by the liquid asset of more or less 600 Million and 5.4% for bank's premises, furniture and fixtures and 1.65% comprising of other assets. She also presented the breakdown of the total loan portfolio which comprises of salary loans, SME, Agricultural and Microfinance Loans. According to her, the bulk of the bank's loan portfolio is under salary and other loans with 34% followed by SME with 28.66%, Agricultural loans of 25.67% and Microfinance loans emphasizing that the big component of loans under salary are Non DepEd loans. Also she presented the total past due amount and past due ratio. The past due amount increased by 23 Million and total past due ratio decreased by 1.4%. As of December 31, 2023, the total past due ratio is 13.36%. Also presented is the total liabilities of the bank for the last 5 years and as of December 31, 2023 there is an increased of 262 Million. As for deposit liabilities, there is an increase of 270 Million as compared from 2022. The bills payable increased by 28.23% as of December 31, 2023. As for other liabilities, it decreased by 36.9 Million more or less. The bank's total liabilities with its huge component are the deposit liabilities of 72.21% followed by the bills payable. Deposit liabilities is composed of 55.50% of savings deposit, 43.54% of time deposit and .95% of demand deposit. The bank also generated a gross income of 565 Million as of December 31, 2023 with an increase of 56.10% as of 2022. The total expenses as of December 31, 2023 is 542 Million which an increased from 2022. As of December 31, 2023 the net income of the bank is 23 Million with a decreased of 14.1 Million compare to last year with emphasized on the bug component of the income which is on interest income, bank commission and other charges. She also presented the big component on the expenses of the bank which is the compensation and fringe benefit followed by provision for probable losses and administrative expenses, interest expenses on borrowings. She also presented the key financial indicators of the bank; past due ratio of the bank (13.36%) vs. industry average (9.77%); gross ratio cbc-12.16% industry ratio- 7.16%; liquidity ratio cbc-133% industry ratio -17.7%; MLR -29.29%- BSP regulations on MLR is that, the bank will not fall below 20%. As for the Capital Adequacy Ratio cbc-18.04% - BSP requirements is that, we should not fall below 10%.

The President also presented the ranking of CBC as compared to Rural and Cooperative Banks in the country. As to total asset, the bank rank # 18 out of 100 Cooperative and Rural Banks in the Philippines. Over-all ranking of the bank is at top 20 among the 100 Cooperative and Rural banks in the country. As to total capital 700 Million and the bank rank 16 and as to total deposit CBC rank 20 and total portfolio we rank 12 out of 100.

As for the 2024 Bank Plan and Budget, the Credit budget is 3.27 Billion with 45,500 accounts which is distributed out of the 18 branches of the bank with the information that CBC Glan Branch was open last March 27, 2024, Sta. Cruz last November 2023, Makilala Branch

last August 2023 and Tacurong Branch last February 2023. As for deposit portfolio, the bank targeted an increase of 210 Million for 2024 also distributed to all 18 CBC branches. The total asset will be at 3.23 Billion by 2024 and total liquid asset of 796 Million and total loan portfolio is 2.98% at the end of the year. As for past due ratio it will be at 12% at the end of the year and deposit liabilities is at 2.2 Billion. As for gross income targeted at 588 Million with a total expenses of 523 Million and a net income of 50 Million at the end of the year. Moreso, the President informed the assembly that the BSP conducted its usual General Examination and that the bank maintains is SAFR ratio of 3 meaning the bank is operating at sound and stable financial operation.

Chairman Ruben Señerez of Pigcawaran Marketing Cooperative commented on the report saying that the assembly were fully informed on the financial operation of the bank as well as he signifies his appreciation on the ranking of the bank which is # 18 in the entire Philippines. However, he also inquires as to the status of the Surallah case and his concerned on the long-extended construction of Koronadal Branch Building.

Vice President Jesus Jauod then explained that the bank already filed a criminal case of qualified theft against the persons of Ms. Marife Estelloso et al. However, the court commented that the case must be revised into an individual case and not a “group” case. Still the filing of the individual case is on –going. As for the witnesses, they were made to execute an affidavit under oath in favor of the bank. As of current status, the revision of the individual filing of the case is still on-going. Mr. Jauod also explained what had transpired on the long-extended construction of Koronadal Branch Building.

Chairman Edtami Mansayagan of Bulucaon MPC likewise expressed his appreciation on the report presented by the President. However, he mentioned that all officers who failed to do their part and responsibilities must be held liable on the long been construction of Koronadal branch building. He then inquires as to the status of the declaration of cash dividends.

President Hernandez explained that the pending declaration is for the year 2022 with the justification by the management that the bank is restricted to do so because of the status of the Bank’s Capital Adequacy Ratio (CAR). As per BSP standard and requirements, the CAR should not fall below 10%. However, as to bank’s CAR- 18.04% since as per Liquidity Risk Manual of the bank, to ensure liquidity of the bank we must maintained a CAR of 20% for smooth financial transaction. Said manual with the inclusion on the provision of CAR is approved by the Board. That if the CAR will fall below 20%, there will be some restrictions to be imposed and one of which is the declaration of cash dividends. That is why the management made pending said release since as of December 31,2023 the CAR is 18.04%.

Mr. Jude Dacutan, the bank’s Accounting Manager presented the Capital Adequacy Ratio of the bank for the last 5 years. According to him, the capital adequacy ratio determines the financial stability of the bank. During 2019 to 2021 the CAR ratio is at 20% however by 2022 it decreases to 18.02% and 2023 is 18.04%. Mr. Dacutan then explained the reasons of the decreased wherein the ratio is computed based on risk assets and loans of the banks. As for the loans, the trend is increasing since the bank’s is exposed on high risk. Also one of the reasons is the decreasing capital due to staggered booking of credit losses. According to him, its not the bank will not release the cash dividends but there is deferment on the release until such time that the CAR will be stable.

Chairman Dumingsel of Taculen Farmers Credit Cooperative then expressed her sentiment on the opening of branches wherein it entails capital with no income yet which she partly blamed the management and the Board on the result as they approved said opening. She then

suggested cost-cutting and non-opening of branch yet to avoid unnecessary expenses on the part of the bank.

Chairman Fugata on his part said that to increase the capitalization of the bank, the CAR will also be increased. He then inquires the ways and means on how to increase the CAR so that there will be no deferment of the cash dividends. The President then explained that the following are the means to increased CAR;

- Increase the net income which is why the management targeted 50Million net income by 2024
- Fresh capital infusion from the Stockholders

Chairman Fugata then proposed the following to increase CAR:

- To engage into the Koop-Kapatid Program of the CDA (ANYO) that ½ of the proceeds will be invested with CBC
- Plowback of the undivided net surplus to individual members

The management explained that the undivided net surplus is not booked as liability which has no effect as to CAR. Moreso, the declaration of cash dividends will be taken from the undivided net surplus. That is why the management proposes fresh capital infusion since its effects will be an automatic increase to CAR.

Ms. Diane Jane Escarlan the bank's Chief Compliance Officer then commented as to the proposal of Chairman Dumingsel to distribute the undivided net surplus to members. She then reiterates her previous explanation as to why the undivided net surplus cannot be distributed to the members as stock dividends. That out of 143 stockholders, only 71 is active on active status. According to her, the 72 inactive members whose stockholdings will be 50/50 remitted to Bureau of Treasury due to non-movement for a period of 10 years. If ever, the bank will declare 10Million stock dividends, all the 143 stockholders are to be computed with dividends and not only the 71 active members. The deterrent factor would be, the declared stock dividends will be added to the capital stock of the inactive members and the possibility of "escheat" by the government will take place. It means that, out of the declared stock dividends part of it will be deposited to the Bureau of Treasury. This is an outstanding policy of the government wherein non-moving investment will be remitted to the government.

After a thorough and lengthy presentation and discussion, on the motion of Chairman Rapacon duly seconded the report of the President was accepted and adopted as presented and discussed, to wit;

9.3 Independent Report of the External Auditor – Quilab & Garsuta CPA

With a pre-recorded report of the External Auditors from Quilab & Garsuta CPA, they presented to the assembly the report of the External Auditor the Quilab & Garsuta CPA, as they have audited the financial statements of Cooperative Bank of Cotabato (Bank), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements comprising of a summary of material accounting policy information and explanatory information, collectively referred to as 'financial statements'. In their opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cooperative Bank of Cotabato as of December 31, 2023 and 2022, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs). *Basis for Opinion* – as they conducted 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. They 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 our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. They believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. *Responsibilities of Management and Those Charged with Governance for the Financial Statements Management* is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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. The foregoing 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.

Chairman Viado on his part said to declare a certain percentage of the undivided net surplus as cash dividends to be determined by Board of Directors. The President commented saying that for the year 2022 there is a pending declaration of 8Million and for the year 2023 there is no approved yet. However, as to the request of Chairman Viado of stock dividends, it was explained by the Chief Compliance Officer the effect of declaring stock dividends which can only be ESCHEAT by the government. Since it is a stock dividend, this will be plowed back as additional investment of all members both of active and inactive. However, because of the provision of the law, this will be remitted to the government when the time comes. Meanwhile, the suggestion of Chairman Viado will be put in abeyance subject for further study by the Board and the management.

Since there were no comments and objections on a motion duly seconded, unto the report of the External Auditor, the report was accepted and adopted as presented and discussed on joint sponsorship.

10.0. Report of the Different Standing Committees

10.1 Report of the Education Committee

The Chairman of the Education Committee Ms. Erma R. Odal the Education Committee presented the following report of the Education Committee, to wit: The Education Committee conducted a 10-day Basic Cooperative Entrepreneurial Short Course dubbed as "ESKWELA KOOPERATIBA" in partnership with the Provincial Cooperative Development Office (PCDO) thru the recognized resource speaker Mr. Jose Alcantara. This was held at CBC Training Center, Lanao, Kidapawan City and CBC Midsayap Branch on August 2023 to October 2023 with 37 participants for the whole duration of seminar.

The objective of this training workshop is to help/assist cooperatives and enable them to understand the following:

1. Duties and responsibilities of being a Chairman & Manager of a cooperative
2. Development of Business Plan

3. Financial Stability and Profit Earning

The Cooperative Development Officer (CODO) continuously assisted Thirty-Two (32) Cooperative affiliates on submitting mandatory reports using the Cooperative Assessment Information System (CAIS) for the release of the Certificate of Compliance (COC). There are Four (4) cooperative-applicants for membership pending the final approval by the Board subject for the confirmation of General Assembly namely: MARB AGRARIAN REFORM COOPERATIVE, DON BOSCO MULTI-PURPOSE COOPERATIVE, POLMARGEN TRANSPORT MULTI-PURPOSE COOPERATIVE and PAGLAUM CONSOLIDATED MULTI-PURPOSE COOPERATIVE

Cooperative Development Assistant (CODA) was hired to assist affiliates. We have extended financial assistance to members who attended mandatory trainings set by the Cooperative Development Authority (CDA). The Education Committee conducted a raffle during the General Assembly Meeting for the ten (10) lucky winners of five (5) units of printer and five (5) units of personal computer.

There is significant increase in paid-up capital due to cash infusion by some active Members from 73.6 Million as of December 31, 2022 to 78.5 Million as of December 31, 2023 an increase of almost 5.78%.

The Education Committee with the CODO, CODA and the management will assure continued and upkeep support to the Stockholders.

Since there were no comments and objections on a motion duly seconded, the report of the Education Committee, the report was accepted and adopted as presented and discussed on joint sponsorship.

10.2. Report of the Credit Committee for the year ending December 31, 2023

The Committee Chairman Mr. Jelito G. Jugas presented the report of the Credit Committee for the Loans approved and released for the year 2023, viz:

TYPE OF LOAN	ACTUAL NO. ACCOUNTS	ACTUAL LOAN RELEASE
Agricultural Loans		
• Supervised Credit	30	20,847,750.00
• Non-Supervised Credit	6,032	734,905,000.00
Commercial Loan	7,479	774,032,900.00
Microfinance Loans	35,147	903,530,731.00
MSME	99	352,451,743.00
Other Loans/Salary Loans	9,908	1,046,271,707.00
GRAND TOTAL	58,694	3,832,039.831.00

Chairman Viado corrected the grand total from that of the other loans/salary loans which was then readily corrected by the presence of the VP for Credit as presented above.

Since there were no comments and objections on a motion duly seconded, unto the report of the Credit Committee, the report was accepted and adopted as presented and discussed on joint sponsorship.

10.3 Report of the Election Committee and Recommendation

Presented to the assembly was the report of the Election Committee on their sole responsibilities as stipulated under Rule 7 Sec. 4.4.4 of RA 9520, the term of office of the Elected BODs and their evaluation conducted for election.

The Election Committee as one of the standing committees mandated in accordance with Rule 7 Sec. 4.4.4 of RA 9520. As such, they have the duties and responsibilities to;

- a. Formulate election rules and guidelines and recommend to the General Assembly for approval;
- b. Implement election rules and guidelines duly approved by the General Assembly;
- c. Recommend necessary amendments to the election rules and guidelines, in consultation with the Board of Directors for the General Assembly's approval;
- d. Supervise the conduct, manner and procedure of election and other election related activities and act on the changes thereto;
- e. Canvass and certify the results of the election;
- f. Proclaim the winning candidates;
- g. Decide election and other election related cases except those involving the Election Committee members;
- h. Perform such other functions as prescribed in the By-Laws or authorized by the General Assembly.

ELECTION FOR THE REGULAR BOARD OF DIRECTORS

Term of office of elected BODs

For the regular BODs, the election for BODs will take place for District 1& 2. Two (2) Directors are to be elected for District 1 while three (3) Directors is to be elected for District 2. The elected members of the board for District 2 will serve the regular term of office of two (2) years. While one of the elected BOD for District 1 will only serve the unexpired term of the resigned Director namely Mr. Leo M. Manuel of the Cotabato Integrated Seed Producers Marketing Cooperative.

Evaluation and Selection Process for the Election of Regular Directors

With fervor and enthusiasm, in accordance with the Election Primer, the Election Committee conducted the following;

- a) Sent notices to all identified active members for evaluation;
- b) Conducted actual evaluation to those who opted to be evaluated;
- c) Sent notices of qualification/disqualification;
- d) Sent Certificate of Candidacy for evaluation of representatives or candidates to run;
- e) Final selection of official qualified candidates.

After the selection process, the following were the official qualified candidates for the two districts;

District 1:	Name	Cooperative Represented
	1. Ms. Marianita D. Soterno	Rainbow Family Multipurpose Cooperative
	2. Mr. Jonathan M. Viajante	Estado Farmers Credit Cooperative
	3. Mr. Cyrill Tidula	Pulanglupa Farmers Cooperative
District 2:		
	1. Ms. Mia R. Gonzaga	Bulucaon Farmers Multipurpose Cooperative
	2. Ms. Adela G. Niedo	Patindeguen Farmers Credit Cooperative
	3. Ms. Rizalyn P. Sarque	Lagumbingan Credit Cooperative
	4. Mr. Gil D. Pastolero	New Leon Multipurpose Cooperative
	5. Jelito G. Jugas	Capayuran Farmers Credit Cooperative
	6. Ruben J. Señerez	Pigcawaran Marketing Cooperative

ELECTION FOR INDEPENDENT DIRECTORS

The assembly shall elect two (2) Independent Directors. As the Election Committee conducted all the necessary selection and nomination process for Independent Directors, the following were the qualified candidates for election.

Male Candidates for Independent Directors:	Female Candidates for Independent Directors:
Mr. Felimon Apalit <ul style="list-style-type: none"> ▪ Former CBC Branch Manager Mr. David J. Torres <ul style="list-style-type: none"> ▪ Former CBC Human Resource Officer Mr. Herson Amolo, CPA <ul style="list-style-type: none"> ▪ Former Manager - Landbank of the Philippines 	Ms. Alma Belle Respicio, CPA <ul style="list-style-type: none"> ▪ Former DBP Employee Ms. Rucine Nacario, CPA <ul style="list-style-type: none"> ▪ Former Account Officer- Landbank of the Philippines

Term of Office of the Independent Director

The term of office of the two (2) elected Independent Director will be two (2) years. However, if the amendments to the By-Laws will not be approved by the BSP, the elected Independent Director is subject for removal of office.

Proposed Amendments to the Election Primer

1. Because of the new election fees imposed by the RBNet for the bank's e-voting or digital voting set-up and voter fee;

Election Setup Fee	Php 30,000.00
Voter's Fee	Php 10.00/voter

The committee agreed to recommend to the assembly that e-voting will be amended and MANUAL VOTING will be used because of the increasing fees. The old provision in the Election Primer would be;

Existing Provisions	Proposed Amendments
<i>The election shall be done through Digital Voting using Digital Platform. This is an electronic type of voting system using digital platform. This shall be prepared by the IT Unit in partnership with Digi Coop. A special voting space/booth shall be prepared with at least five (5) laptop to be used for casting of votes electronically. Result of which shall be automatically presented and transmitted and will be visible in full view of the assembly.</i>	The election shall be done through secret balloting. Official ballots shall be prepared and distributed by the ELECOM, viz: <ul style="list-style-type: none"> - Distribution of official ballots duly signed by the Committee Chairman; - Collection of Ballots; - Appraisal or appreciation of ballots; - Canvassing;

**If approved, this will be immediately implemented in the election proper.*

2. To include as one of the requirements to check whether a cooperative is *functional and operational* is an updated BUSINESS PERMIT by the cooperative.
3. To amend the provision on the Election Primer on the "*loan patronization of the services offered by the bank within one (1) year*" prior to the election to "*as reflected in the original Audited Financial Statement of the cooperative*".
4. To amend BSP Circular 296 to Manual of Regulations for Banks (MORB).

Chairman Señerez on his part commented on the loan availment inquires whether the provision is required by the BSP or not and/or is it really mandatory for the bank to avail loan with the bank. Chairman Pastolero explained that the loan patronization has long been requirements under the Election Primer. It was also further explained that the loan patronization has long been a requirement to check whether or not the cooperative is functional and has economic activity.

Chairman Lariosa of Goshen Water Services Cooperative subscribed to the existing policy of the Election Primer although it is not required by the BSP but it is within the internal policy under the Election Primer.

Chairman Umadle of Upper Baguer SN Integrated Cooperative commented on the loan patronization saying that the election committee should properly defined the loan patronization.

Chairman Mansayagan then on his part said that the assembly as the highest policy making body should act on the provision of the policy which is very restrictive policy- loan patronization.

Chairman Rapacon in his opinion said that it is not compulsory on the part of the cooperative to avail any loan with CBC as one of the requirements under the Election Primer.

Chairman Dumingsel explained that it should be mandatory on the part of the cooperative to avail the services of the bank as one of the requirements under the Election Primer as a mandatory requirement should be loan availment. Since there were dissenting opinions from the Stockholders, the assembly move to divide the house

On a motion by Chairman Viado duly seconded, with the approved policy is that ANY OF THE SERVICES of the bank as approved to wit;

General Assembly Resolution No. 2024-04 Resolved as it is hereby resolved to approve the report amendments under the Amended Election Primer with emphasis on the approved provision of availment of ANY OF THE SERVICES of the bank. Approved unanimously.

11.0 Election Proper

The ELECOM presented to the assembly the herein qualified candidates for election based on the qualification set under the Election Primer.

REGULAR DIRECTOR			
District	Candidate's Name	Cooperative's Represented	Position
1	Marianita D. Soterno Jonathan M. Viajante Cyrill T. Tidula	Rainbow Family Multipurpose Cooperative Estado Farmers Credit Cooperative Pulanglupa Farmers Cooperative	Chairperson Chairperson
2	Rizalyn Sarque Mia Gonzaga Adela Niedo Gil D. Pastolero Jelito G. Jugas	Lagumbingan Farmers Credit Cooperative Bulucanon Multipurpose Cooperative Patindeguin Farmers Credit Cooperative New Leon Multipurpose Cooperative Capayuran Farmers Credit Cooperative	Chairperson Chairperson Chairperson Chairperson Chairperson
INDEPENDENT DIRECTORS			
Candidate's Name		Profession and Address:	
David J. Torres		Retired Bank Employee-Brgy. Kilada, Matalam, Cotabato	
Felimon F. Apalit		Retired Bank Employee- Brgy. Poblacion, Kidapawan City	
Herson B. Amolo		Former LBP Manager- Poblacion, Kabacan, Cotabato	
Alma Belle Respicio		Retired DBP Employee- Brgy. Saguing, Makilala, Cotabato	
Rucine Nacario		Retired LBP Employee- Brgy. Amas, Kidapawan City	

The ELECOM presented to the assembly the herein qualified candidates for election based on the qualification set under the Election Primer.

PROCLAIMED WINNERS AS BOARD OF DIRECTORS – The result of the election through **Manual Voting** were as follows;

REGULAR DIRECTOR			
District	Name of Director	Number of Votes	Rank
District 1	<u>VIAJANTE, Jonathan M.</u>	57,222	1 st
	<u>SOTERNO, Marianita D.</u>	49,502	2 nd
	Tidula, Cyrill T.	8,253	3 rd
District 2	<u>SEÑEREZ, Ruben J.</u>	47,550	1 st
	<u>JUGAS, Jelito G.</u>	30,759	2 nd
	<u>PASTOLERO, Gil D.</u>	28,000	3 rd
	Sarque, Rizalyn	25,679	4 th
	Niedo, Adela	23,132	5 th
	Gonzaga, Mia	11,147	6 th
INDEPENDENT DIRECTOR			
	<u>APALIT, Felimon</u>	35,622	2 nd
	Torres, David J.	23,949	3 rd
	<u>AMOLO, Herson B.</u>	40,014	1 st
	Nacario, Rucine	12,538	4 th
	Respicio, Alma Belle	5,731	5 th

General Assembly Resolution No. 2024-05 Resolved as it is hereby resolved confirming the newly elected Regular Board of Directors namely Jonathan M. Viajante, Marianita D. Soterno, Ruben J. Señerez, Jelito G. Jugas, and Gil D. Pastolero along with the election of the Independent Directors namely Felimon F. Apalit and Herson B. Amolo. Approved unanimously.

Chairman Dumingsel on his part said that the highest vote will serve for a 1 term (2 years) while the 2nd highest vote will serve the un-expired term of Mr. Leo Manual.

The assembly likewise proceeded to the election of the members of the Election Committee by nomination The following were the nominated and winning candidates as members of the Election Committee, with their corresponding number of votes;

Name	Name of Cooperative	Number of Votes
ACOPA,Lorvalent	Farmers of Marbel Credit Cooperative	47 votes (1 st)
LOBATON,Romeo	Bialong Farmers Credit Cooperative	45 votes (2 nd)
DUMINGSSEL, Rebecca	Taculen Multipurpose Cooperative	41 votes (3 rd)

General Assembly Resolution No. 2024-06 Resolved as it is hereby resolved to confirm the new members of the Election Committee. Approved unanimously.

11.0 NEW BUSINESS

11.1 Confirmation & Approval of 2023 Summary of Approved Board Resolutions

Presented to the assembly was the summary of all the approved Board Resolutions for 2023. On a motion by Chairman De Asis duly seconded, the summary of the Board Resolution is confirmed to wit;

General Assembly Resolution No. 2024-07- Resolved as is it hereby resolved confirming BR No. 057-2022-Resolution approving the 2023 Summary of Approved Board Resolutions. Approved unanimously.

11.2 Confirmation & Approval of Board Resolution No. 165, series of 2023

Presented to the Board is Board Resolution No. 165 series of 2023- Temporary disqualification of delinquent borrowers to attend the annual general assembly as provision is specifically stated in the Article 2 Section 4 of the By-laws – It is not a delinquent in the payment of his/her obligation- one of the qualification of Members in Good Standing. Chairman Rapacon then proposed that the delinquent borrowers can attend but they cannot vote and deliberate in the discussion. Chairman Mansayagan on his part said that the bank should extend technical assistance to the delinquent cooperatives to held them alleviate their problems and not to suppress them of their rights and privileges. Chairman Fugata also commented to be considerate on the status of the cooperatives wherein past due is “one missed payment-past due”. They should be given grace period to settle their obligation and not to temporarily disqualify them to attend the assembly. Chairman Viado on his part moved to confirmed the Board Resolution. Since there were two dissenting opinion, the august body proceeded to the division of the house;

In favor for the confirmation of BR No. 165	-	4 votes
Not in favor for the confirmation of BR No. 165	-	56 votes

11.3 Proposal- Fresh Capital Infusion by the Stockholders

Presented to the assembly was the proposed fresh capital infusion by the Stockholders as this is one way to increase the bank’s Capital Adequacy Ratio (CAR). Chairman Rapacon on a motion duly seconded suggested that all capable Stockholders will infuse fresh capital for the purpose of increasing the CAR of the bank, to wit;

General Assembly Resolution No. 2024-08- Resolved as it is hereby resolved that all capable Member-Stockholders are requested to infuse fresh capital with the Cooperative Bank of Cotabato. Approved unanimously.

11.4 Proposal- Identification of Member-Stockholders with Unpaid Subscription for Issuance of New Subscription Agreement for Mandatory Payment

Presented to the assembly the proposal that all member-stockholders with unpaid subscription are requested to pay their unpaid subscription since the required subscribed capital as member with CBC is One Hundred Thousand Pesos (P100,000.00). There were some stockholders that are still below the required subscribed capital and they are requested to voluntarily pay their unpaid subscription. This is just a reminder from the bank.

11.5 Proposed Service Ring for the Board of Directors based on Length of Service

Presented to the assembly the proposed service rings for the Board of Directors based on length of service of the BODs. The p the Board plays a vital role in ensuring that the bank operates in sound

and prudent manner as shown in the financial performance of the bank, thus acknowledgement of the role of the Board by way of giving a service ring based on length of service with the following scheme;

SERVICE RING	
Based on length of service (10karat *price will depend on the prevailing price)	
10 years in service	<i>*free of charge, depend on the prevailing price</i>
7-9 years in service	<i>*30% of the prevailing price will be shouldered by the recipient</i>
5-7 years in service	<i>*50% of the prevailing price will be shouldered by the recipient</i>
1-4 years in service	<i>*70% of the prevailing price will be shouldered by the recipient</i>

Note: Availment of the service ring is only once within the tenure of the incumbent of BODs whether continuous or intermittent.

Chairman Lobaton on his part subscribed to the proposal saying that the Board should be given. Chairman Mansayagan on the other hand said that the term of the Board is fixed for 1 term (2 years) while the employees will serve until their retirement at the age of 60 years old. According to him the Board should not to be compared from that of the employees since the term of Board are fixed. Vice Chairman Odal on her part said that the ring will serve as a remembrance of the Board and that the ring will not be shouldered by the bank but by the Board. Chairman Señerez signifies his objection saying that the Board should not compete with the employees as the later will serve the bank until their retirement age. The President explained further the counterpart of the Board based on length of service. Chairman Mansayagan then emphasized that the Board are not comparable to the employees in terms of length of service. Chairman Viado on his part also suggested to consider the performance of the Board on the proposal. Chairman Espino suggested to divide the house because of the dissenting opinion:

In favor of the Proposal	-	22 votes
Not in favor of the Proposal	-	29 votes
Abstained	-	18 votes

11.6 Confirmation of the Traveling Allowance in the Remuneration Policy

Presented to the assembly the confirmation of the Travelling Allowance of the Board with the corresponding amount as to be incorporated in the Remuneration Policy. On a motion by Chairman Rapacon duly seconded. The travelling allowance of the Board within and outside of the Province is confirmed to with;

General Assembly Resolution No. 2024-9- Resolved as is it hereby resolved confirming the travelling allowance of the Board of Directors amounting to One Thousand Two Hundred (P1,200.00) within the Province of North Cotabato and Two Thousand Five Hundred (P2,500.00) outside of North Cotabato. Approved unanimously.

11.7 Confirmation of the Proposed Amendments on the Policy on Goodwill

Presented to the assembly the proposed amendments were the computation on the amendments in the policy on goodwill as follows;

<i>From:</i>	<i>To:</i>
P5,000 times no. of years in service	Prevailing amount of per diem times no. of years in service

On a motion by Chairman Fugata duly seconded, this was approved by the assembly to wit;

General Assembly Resolution No. 2024-10- Resolved as is it hereby resolved approving the new computation for the policy on goodwill of the Board of Directors. Approved unanimously.

11.8 Longevity Award

Presented to the assembly the longevity award for the unwavering services rendered by Dir. Ricardo M. Carmona for his 16 years in service since 2003. The Board then proposes that he will be given the longevity award amounting to One Thousand Pesos per no. of years in service On a motion by Chairman Fugata duly seconded, the Longevity Award is approved to wit;

General Assembly Resolution No. 2024-11- Resolved as it is hereby resolved approving the Longevity Award for Mr. Ricardo M. Carmona amounting to Fifteen Thousand Pesos (P15,000.00). Approved unanimously.

RECOGNITION AND AWARDING 2023 with Plaque of Appreciation

Presented to the assembly were the TOP 20 STOCKHOLDERS in terms of highest Stockholdings, TOP 3 in terms of DEPOSIT, TOP 3 in terms of LOAN AVAILMENT and TOP 3 in terms of Additional Capital Infusion.

TOP 20 STOCKHOLDINGS as of December 31,2024

RANK	NAME OF COOPERATIVE
1	Active & Concern Employees Cooperative
2	Estado Farmers Credit Cooperative
3	Cotabato Integrated Seed Producers Marketing Cooperative
4	Kibia Rice Producers Cooperative
5	Makilala Senior Citizen Cooperative
6	Patindeguen Farmers Credit Cooperative
7	Dugong Credit Cooperative
8	Bagontapay Credit Cooperative
9	Rainbow Family Multipurpose Cooperative
10	Agriculture Farmers Multipurpose Cooperative
11	Batiocan Consumers Cooperative
12	Bulacanon Samahang Nayon Credit Cooperative
13	Greater Midsayap Area Multipurpose Cooperative
14	Osias Samahang Nayon Multipurpose Cooperative
15	New Leon Multipurpose Cooperative
16	Lower Glad Agricultural Services Cooperative
17	Bialong Farmers Credit Cooperative
18	Pigcawaran Marketing Cooperative
19	Pulanglupa Farmers Cooperative
20	Villarica Samahang Nayon Multipurpose Cooperative

TOP 3 STOCKHOLDERS IN TERMS OF DEPOSIT

RANK	NAME OF COOPERATIVE
1	Cotabato Integrated Seed Producers & Marketing Cooperative
2	Agriculture Farmers Multipurpose Cooperative
3	Estado Farmers Credit Cooperative

TOP 3 STOCKHOLDERS IN TERMS OF ADDITIONAL CAPITAL INFUSION

RANK	NAME OF COOPERATIVE
1	Greater Midsayap Area Multipurpose Cooperative
2	Rainbow Family Multipurpose Cooperative
3	Cotabato Prov'l Gov't Employees & Retirees Cooperative

TOP 3 PATRONIZER IN TERMS OF LOAN AVAILMENT

RANK	NAME OF COOPERATIVE
1	Kibia Rice Producers Cooperative
2	Osias Samahang Nayon Multipurpose Cooperative
3	Kibudoc Sugarcane Planters Credit Cooperative

Adjournment

For there being no other matters to be discussed, the General Assembly meeting was adjourned at exactly 5:35 PM

PREPARED & CERTIFIED CORRECT BY:


MARYGRACE S. MACADATO
Board Secretary

ATTESTED BY:


GIL D PASTOLERO
Chairman

FINANCIAL HIGHLIGHTS

(In Thousands except selected ratios, per common share data)

Minimum Required Data	2024	2023	Change
PROFITABILITY			
Total Net Interest Income	335,510.00	294,013.00	14.11%
Total Non-Interest Income	116,934.00	189,670.00	-38.35%
Total Non-Interest Expense	347,395.00	342,441.00	1.45%
Pre-Provision Profit	32,405.00	18,729.00	73.02%
Provision for Probable Losses	72,645.00	122,513.00	-40.70%
Net Income	36,027.00	23,012.00	56.56%
Total Comprehensive Income	24,189.00	23,012.00	5.11%
SELECTED BALANCE SHEET DATA			
Liquid Assets	939,735.00	600,017.00	56.62%
Gross Loans	2,651,032.00	2,938,651.00	-9.79%
Total Assets	3,506,292.00	3,440,724.00	1.91%
Deposits	2,104,780.00	1,978,557.00	6.38%
Total Equity	749,401.00	700,533.00	6.98%
SELECTED RATIOS			
Return on Equity	3.49%	3.22%	
Return on Assets	0.84%	0.69%	
Net Interest Margin	10.86%	6.13%	
CAPITAL ADEQUACY RATIO			
Tier 1 Capital Ratio	18.12%	17.42%	
Capital Adequacy Ratio	18.70%	18.04%	
PER COMMON SHARE DATA			
Basic & Diluted Earnings Per Share	333	221	

CAPITAL STRUCTURE

PARTICULARS	AMOUNT
Calculation of Qualifying Capital	
Tier 1 Capital	
Common Equity Tier 1 Capital	665,929,997.19
Additional Tier 1 Capital	2,441,000.00
Tier 2 Capital	21,483,511.39
Total Qualifying Capital	639,923,996.70
Calculation of Risk-Weighted Assets	
Total Credit Risk-Weighted Assets	3,066,484,897.40
Risk-Weighted On-Balance Sheet Assets	3,066,484,897.40
Risk-Weighted Off-Balance Sheet Assets	0.00
Counterparty Risk-Weighted Assets	0.00
Total Credit Risk Weighted Assets	3,066,484,897.40
Deductions from Total Credit Risk-Weighted Assets	
General Loan Loss Provision (in excess of the amount permitted to be included in Tier 2 capital)	0.00
Unbooked allowance for credit losses and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	
Total Deductions	0.00
Total Operational Risk-Weighted Assets	622,163,712.75
Total Market Risk-Weighted Assets	0.00
Total Risk-Weighted Assets	3,688,648,610.15
Minimum Capital Ratios	
RISK-BASED CAPITAL ADEQUACY RATIO	18.70%
Common Equity Tier 1 Ratio	18.05%
Capital Conservation Buffer	12.05%
Tier 1 Capital Ratio	18.12%

CBC AT A GLANCE

19 Branches/Offices	75 Active Stockholders	Top 2 ⁽¹⁾ Cooperative Bank in the Philippines	Top 20 ⁽²⁾ as to Total Assets of Rural and Coop Banks
394 Employees	42K Borrowers	149K Depositors	Top 16 ⁽²⁾ as to Total Capital of Rural and Coop Banks

(1) It was awarded by the Cooperative Bank Federation of the Philippines (BANGKOOP) on July 2024

(2) Based on the Financial Statistics presented by Bangko Sentral ng Pilipinas as of December 2024

with <u>3.5 billion</u> Total Assets	<u>2.22 billion</u> Loan Portfolio, net	with <u>2.1 billion</u> Total Deposits
<u>749.4 billion</u> Capital	<u>36 million</u> Net Income	<u>17.96%</u> Past Due Ratio
<u>455.5 million</u> Non-Performing Loans	<u>18.70%</u> Capital Adequacy Ratio	<u>44.92%</u> Minimum Liquidity Ratio

The Bank registered its total resources into P3.5 billion from P3.44 billion, a P65.6 million or 1.91% increase from previous year. The Bank's loan portfolio, net at the end of 2024 is P2.22 billion with past due ratio of 17.96%, a decrease of P414.6 million or 15.72% from 2023's P2.64 billion. Non-performing loans is 455.5 million.

The bank's deposit portfolio is up by P126.2 million or 6.38% from 2023's P1.98 billion and be able to register a P2.1 billion at the close of the year. Demand and savings deposit grew to P1.22 billion while time deposit increased to P882.8 million – a P104.8 million or 9.38% and P21.4 million or 2.49% higher from 2023's P1.1 billion and P861.4 million, respectively.

With our strong foundation, we have been able to sustain our resiliency by having a capital of P749.4 million. The bank earned P24.2 million net income, an increase of P1.2 million from the P23 million realized during previous year.

Gross income from 2023's P565.4 million went down to 2024's P548.2 million – a decrease of P17 million or 3.03% from previous year. Revenues coming from interest income is up by P55.6 million or 14.8% while non-interest income decreased by 72.7 million or 38.35% due to lower loan releases as compared to previous years.

Bank's total expenses decreased to P512.2 million from 2023's P542.4 million, down by P30 million or 5.56% decrease from previous year. The decrease was caused primarily by decrease in the recognition of allowance for credit losses amounting to P49.9 million.

With solid capital and liquidity position, the bank's CAR and MLR is 18.70% and 44.92%, respectively, above the regulatory limit.

CREDIT BUDGET CONSOLIDATED

(For the Calendar Year 2025)

PARTICULAR	1st QUARTER		2nd QUARTER		3rd QUARTER		4th QUARTER		TOTAL		Percentage to Total
	No. of Borrowers	Amount	No. of Borrowers	Amount							
AGRICULTURAL LOANS											
A. Supervised Credit											
1. Agricultural Loan (PD717-Agra) - Member	48	8,537,000.00	53	27,050,000.00	98	13,958,000.00	233	42,503,000.00	432	92,048,000.00	
2. Agricultural Loan (PD717-Agra) - Non-Member	-	-	-	-	-	-	-	-	-	-	
Sub-total	48	8,537,000.00	53	27,050,000.00	98	13,958,000.00	233	42,503,000.00	432	92,048,000.00	2.67%
B. Non-Supervised Credit											
1. Agricultural Loan (PD717-Agra)	1,217	166,599,000.00	1,169	109,104,000.00	1,152	88,205,000.00	1,745	332,356,000.00	5,283	696,264,000.00	
2. Agricultural Loan (PLEA)	-	-	-	-	-	-	-	-	-	-	
3. Agricultural Loan (Other Agri) - Member	1	375,000.00	3	539,000.00	2	750,000.00	-	-	6	1,664,000.00	
4. Agricultural Loan (Other Agri) - Non-Member	86	16,706,000.00	91	16,603,000.00	90	16,550,000.00	19	11,913,000.00	286	61,772,000.00	
Sub-total	1,304	183,680,000.00	1,263	126,246,000.00	1,244	105,505,000.00	1,764	344,269,000.00	5,575	759,700,000.00	22.05%
TOTAL AGRICULTURAL LOANS	1,352	192,217,000.00	1,316	153,296,000.00	1,342	119,463,000.00	1,997	386,772,000.00	6,007	851,748,000.00	24.72%
COMMERCIAL LOANS											
1. Commercial Loan - Regular (Member)	-	-	-	-	-	-	-	-	-	-	
2. Commercial Loan - Regular (Non Member)	1,467	193,648,000.00	1,693	165,858,000.00	1,434	148,289,000.00	1,549	165,604,000.00	6,143	673,399,000.00	
3. Commercial Loan - IFP	-	-	1	80,000.00	-	-	-	-	1	80,000.00	
4. Commercial Loan - Back To Back	15	9,560,000.00	31	14,819,000.00	24	16,015,000.00	4	780,000.00	74	41,174,000.00	
5. Credit Line - Member	2	2,500,000.00	4	2,300,000.00	3	620,000.00	-	-	9	5,420,000.00	
6. Credit Line - Non-Member	-	-	-	-	-	-	-	-	-	-	
TOTAL	1,484	205,708,000.00	1,729	183,057,000.00	1,461	164,924,000.00	1,553	166,384,000.00	6,227	720,073,000.00	20.90%
MICRO-FINANCE LOANS											
1. Kapit Bisig	5,884	121,018,000.00	5,414	114,850,000.00	5,831	121,505,000.00	3,444	69,848,000.00	20,573	427,221,000.00	
2. MAP PSM	128	5,167,000.00	239	9,189,000.00	279	9,880,000.00	54	2,484,000.00	700	26,720,000.00	
3. Micro Negosyo	581	38,461,000.00	596	41,183,000.00	560	35,447,000.00	306	21,608,000.00	2,043	136,699,000.00	
4. Wash Loans	13	1,000,000.00	6	450,000.00	2	200,000.00	2	135,000.00	23	1,785,000.00	
TOTAL	6,606	165,646,000.00	6,255	165,672,000.00	6,672	167,032,000.00	3,806	94,075,000.00	23,339	592,425,000.00	17.20%
SME LOANS	29	29,200,000.00	18	31,570,000.00	18	33,760,000.00	57	153,900,000.00	122	248,430,000.00	7.21%
INDUSTRIAL LOANS											
OTHER LOANS AND DISCOUNTS											
1. Salary - DepEd	46	10,420,000.00	42	8,071,000.00	56	10,510,000.00	21	3,077,000.00	165	32,078,000.00	
2. Salary - Non DepEd	10	1,268,000.00	2	1,250,000.00	3	1,440,000.00	10	5,866,000.00	25	9,824,000.00	
3. CBC Employees	110	12,683,000.00	120	12,454,000.00	151	11,003,000.00	36	3,263,000.00	417	39,403,000.00	
4. Fringe Benefit	596	64,147,000.00	234	15,278,000.00	212	13,102,000.00	703	68,413,000.00	1,745	160,940,000.00	
5. Pension Loan	190	8,813,000.00	81	2,828,000.00	130	3,634,000.00	2	70,000.00	403	15,345,000.00	
6. Salary - Barangay Loan	214	8,984,000.00	171	8,234,000.00	225	5,719,000.00	131	6,491,000.00	741	29,428,000.00	
7. Multipurpose Loan-Barangay	69	2,063,000.00	292	13,544,000.00	55	1,554,000.00	60	2,939,000.00	476	20,100,000.00	
8. Multipurpose Loan-DepEd	8	5,850,000.00	8	6,510,000.00	12	8,400,000.00	1	1,000,000.00	29	21,760,000.00	
9. Multipurpose Loan - Non DepEd	4	3,100,000.00	4	3,200,000.00	8	4,770,000.00	-	-	16	11,070,000.00	
10. Show Money Loan	-	-	-	-	-	-	-	-	-	-	
11. Personal Loan	1	2,500,000.00	2	3,100,000.00	2	1,320,000.00	18	25,600,000.00	23	32,520,000.00	
12. MASA Loan	-	-	-	-	-	-	-	-	-	-	
13. Vehicle Loan	2,628	320,412,000.00	1,976	228,510,000.00	1,649	189,663,000.00	2,093	293,739,000.00	8,346	1,032,324,000.00	29.97%
13. Other Loans (specify)	12,099	913,183,000.00	11,294	762,105,000.00	11,142	674,842,000.00	9,506	1,094,870,000.00	44,041	3,445,000,000.00	100.00%
TOTAL	1,337	117,047,000.00	2,205	159,177,600.00	1,250	119,032,600.00	2,891	207,742,800.00	7,683	603,000,000.00	14.83%
GRAND TOTAL	10,316	644,077,000.00	11,761	802,509,600.00	9,923	722,207,600.00	19,390	1,896,205,800.00	51,390	4,065,000,000.00	100.00%
Loan Renewal	9,040	614,448,000.00	8,565	518,456,000.00	8,281	448,890,000.00	4,271	442,825,000.00	30,157	2,024,619,000.00	
New Loan	3,059	298,735,000.00	2,729	243,649,000.00	2,861	225,952,000.00	5,235	652,045,000.00	13,884	1,420,381,000.00	
Total Releases	12,099	913,183,000.00	11,294	762,105,000.00	11,142	674,842,000.00	9,506	1,094,870,000.00	44,041	3,445,000,000.00	

PROJECTED STATEMENT OF CONDITION

(For the Calendar Year 2025)

ACCOUNTS	NOTE	BEG. BAL. (Dec 31, 2024)	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
ASSETS						
CASH & DUE FROM BANKS						
Cash on Hand	1	26,428,845.25	36,744,000.00	46,958,000.00	56,139,000.00	55,501,000.00
Checks & Other Cash Items	2	40,339,262.53	40,059,000.00	41,224,000.00	41,219,000.00	41,849,000.00
Due from BSP	3	33,043,427.49	33,043,000.00	33,043,000.00	33,043,000.00	33,043,000.00
Due from Banks	4	770,418,703.92	837,334,000.00	970,934,000.00	1,035,634,000.00	1,105,534,000.00
LOANS & DISCOUNTS	5	2,222,781,295.22	2,296,241,000.00	2,194,671,000.00	2,100,976,000.00	2,231,359,000.00
Current		2,174,945,110.84	2,346,977,000.00	2,300,718,000.00	2,246,546,000.00	2,389,111,000.00
Past Due		467,213,904.98	366,390,000.00	302,985,000.00	272,516,000.00	263,441,000.00
Items in Litigations		8,872,618.99	10,907,000.00	25,385,000.00	24,809,000.00	24,618,000.00
Less: Allowance for Probable Losses		428,250,339.59	428,033,000.00	434,417,000.00	442,895,000.00	445,811,000.00
INVESTMENTS	6	1,497,196.66	1,497,000.00	1,497,000.00	1,497,000.00	1,497,000.00
ACCRUED INTEREST RECEIVABLE		19,652,252.37	11,278,000.00	11,531,000.00	11,822,000.00	17,987,000.00
BANK PREMISES, FURNITURE, FIXTURE & EQUIPMENT (NET)	7	185,604,782.65	182,067,000.00	189,643,000.00	186,207,000.00	191,130,000.00
NCAHS	8	3,478,288.56	-	-	-	-
ROPA (NET)	9	17,406,237.55	29,116,000.00	32,424,000.00	33,036,000.00	25,410,000.00
SALES CONTRACT RECEIVABLE		14,000.00	-	-	-	-
OTHER INTANGIBLE ASSETS (NET)	10	-	-	-	-	-
DEFERRED TAX ASSET		56,804,123.41	56,805,000.00	56,805,000.00	56,805,000.00	56,805,000.00
OTHER ASSETS (NET)		128,010,200.47	116,407,000.00	125,638,000.00	136,848,000.00	144,417,000.00
DUE FROM BRANCHES						
TOTAL ASSETS		3,505,478,616.08	3,640,591,000.00	3,704,368,000.00	3,693,226,000.00	3,904,532,000.00
LIABILITIES & CAPITAL ACCOUNTS						
DEPOSIT LIABILITIES	11	2,104,780,421.36	2,173,801,000.00	2,220,339,000.00	2,271,123,000.00	2,287,481,000.00
Demand Deposits		57,129,851.55	70,329,000.00	76,705,000.00	86,997,000.00	93,500,000.00
Savings Deposits		1,164,056,206.89	1,159,791,000.00	1,178,046,000.00	1,205,988,000.00	1,241,138,000.00
Time Deposits		882,786,263.64	942,873,000.00	964,780,000.00	977,330,000.00	952,035,000.00
Other Deposits		808,099.28	808,000.00	808,000.00	808,000.00	808,000.00
BILLS PAYABLE	12	536,407,491.01	465,456,000.00	529,947,000.00	577,068,000.00	536,902,000.00
LBP		106,488,897.81	78,709,000.00	200,931,000.00	310,658,000.00	257,890,000.00
DBP		156,635,834.06	89,075,000.00	54,581,000.00	20,087,000.00	65,676,000.00
SBC		246,704,805.94	271,094,000.00	247,857,000.00	219,745,000.00	186,758,000.00
Others		26,577,953.20	26,578,000.00	26,578,000.00	26,578,000.00	26,578,000.00
OTHER LIABILITIES		97,760,178.63	120,096,000.00	128,528,000.00	138,841,000.00	152,517,000.00
DUE TO HEAD OFFICE						
TOTAL LIABILITIES		2,738,948,091.00	2,759,353,000.00	2,878,814,000.00	2,987,032,000.00	2,976,900,000.00
CAPITAL ACCOUNTS						
Common Stocks	13	79,027,000.00	79,257,000.00	79,487,000.00	79,717,000.00	79,947,000.00
Preferred Stocks	14	2,441,000.00	2,441,000.00	2,441,000.00	2,441,000.00	2,441,000.00
STOCK DIVIDEND DISTRIBUTABLE		85,158.55	85,000.00	85,000.00	85,000.00	85,000.00
UNDREALIZED GAIN/LOSS ON TRUST INVESTMENT		-	-	-	-	-
SURPLUS -FREE	15	547,504,876.95	616,610,000.00	579,880,000.00	513,344,000.00	613,711,000.00
SURPLUS -RESERVES	16	111,448,173.88	161,448,000.00	126,448,000.00	66,448,000.00	176,448,000.00
UNDIVIDED PROFIT		26,024,315.70	21,397,000.00	37,213,000.00	44,159,000.00	55,000,000.00
TOTAL CAPITAL ACCOUNTS		766,530,525.08	881,238,000.00	825,554,000.00	706,194,000.00	927,632,000.00
TOTAL LIABILITIES & CAPITAL ACCTS.		3,505,478,616.08	3,640,591,000.00	3,704,368,000.00	3,693,226,000.00	3,904,532,000.00

PROJECTED STATEMENT OF INCOME AND EXPENSES

(For the Calendar Year 2025)

ACCOUNTS	NOTE	BEG. BAL. (Dec 31, 2024)	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
INCOME							
Interest Earned -Loans	17	425,287,303.35	107,001,000.00	110,012,000.00	95,521,000.00	120,581,000.00	433,115,000.00
Interest on Deposits w/ Banks	18	5,987,141.46	523,000.00	606,000.00	650,000.00	691,000.00	2,470,000.00
Interest on Investments/SCR/AR	19	37,857.02	2,378,000.00	1,409,000.00	1,427,000.00	1,450,000.00	6,664,000.00
Bank Commission		-	-	-	-	-	-
Service Charges/Fees	20	94,677,042.70	32,774,000.00	31,122,000.00	26,539,000.00	31,068,000.00	121,503,000.00
Recovery on Charged-off Assets	21	263,773.00	819,000.00	987,000.00	1,107,000.00	1,373,000.00	4,286,000.00
Profit from Assets Sold/Exchange	22	689,155.78	619,000.00	72,000.00	3,878,000.00	6,950,000.00	11,519,000.00
Other Income	23	10,647,206.00	4,579,000.00	6,311,000.00	7,733,000.00	9,375,000.00	27,998,000.00
GROSS INCOME		537,589,479.31	148,693,000.00	150,519,000.00	136,855,000.00	171,488,000.00	607,555,000.00
EXPENSES							
Interest on Deposits	24	67,114,447.95	18,225,000.00	18,619,000.00	18,896,000.00	18,575,000.00	74,315,000.00
Interest on Borrowed Funds	25	28,063,022.99	6,925,000.00	6,530,000.00	8,634,000.00	10,359,000.00	32,448,000.00
Compensations & Fringe Benefits		199,503,531.20	43,821,000.00	57,027,000.00	50,573,000.00	72,708,000.00	224,129,000.00
Directors, Comm. & Members' Fees	26	2,878,131.35	865,000.00	1,316,000.00	1,033,000.00	1,156,000.00	4,370,000.00
General Assembly Expenses		480,886.00	-	-	500,000.00	-	500,000.00
Management & Professional Fees		2,944,653.96	719,000.00	733,000.00	752,000.00	745,000.00	2,949,000.00
Bank Charges /Fines/Supervision	27	5,914,793.18	2,201,000.00	1,658,000.00	1,749,000.00	2,069,000.00	7,677,000.00
Taxes & Licenses	28	8,133,762.79	2,818,000.00	1,918,000.00	1,927,000.00	2,102,000.00	8,765,000.00
Insurances	29	9,945,456.03	2,047,000.00	2,144,000.00	2,410,000.00	2,311,000.00	8,912,000.00
Impairment Loss		-	-	-	-	-	-
Litigations	30	124,744.02	2,218,000.00	1,295,000.00	770,000.00	957,000.00	5,240,000.00
Depreciation/Amortization		20,658,420.26	4,953,000.00	5,036,000.00	5,090,000.00	5,317,000.00	20,396,000.00
Provision for Probable Losses	31	58,015,484.00	13,431,000.00	13,802,000.00	13,183,000.00	12,686,000.00	53,102,000.00
Other Expenses		103,325,144.81	27,548,000.00	22,925,000.00	23,000,000.00	29,830,000.00	103,303,000.00
TOTAL EXPENSES		507,102,478.54	125,771,000.00	133,003,000.00	128,517,000.00	158,815,000.00	546,106,000.00
NET INCOME (LOSS) BEFORE TAX		30,487,000.77	22,922,000.00	17,516,000.00	8,338,000.00	12,673,000.00	61,449,000.00
Provision for Income Taxes		4,462,685.07	1,525,000.00	1,700,000.00	1,392,000.00	1,832,000.00	6,449,000.00
NET INCOME (LOSS)		26,024,315.70	21,397,000.00	15,816,000.00	6,946,000.00	10,841,000.00	55,000,000.00

BREAKDOWN OF OTHER ASSETS AND LIABILITIES

ACCOUNTS	BEG. BAL. (Dec 31, 2024)	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
OTHER LIABILITIES					
Due to the Treasurer of the Philippines	50,345.23	55,000.00	55,000.00	55,000.00	55,000.00
Redeemable Preferred Shares	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Accrued Interest Payable	10,005,554.52	9,015,000.00	9,297,000.00	9,589,000.00	10,060,000.00
Accrued Expenses Payable	6,471,197.01	2,800,000.00	2,063,000.00	1,595,000.00	8,711,000.00
Income Tax Payable	1,892,942.07	1,861,000.00	1,870,000.00	1,880,000.00	1,887,000.00
Documentary Tax Payable	1,663,162.08	1,336,000.00	1,461,000.00	1,550,000.00	1,746,000.00
Withholding Tax Payable	1,242,722.24	1,197,000.00	1,374,000.00	1,537,000.00	1,760,000.00
SSS, Medicare EC Premiums Payable	402,032.88	412,000.00	432,000.00	443,000.00	449,000.00
Philhealth EC Premiums Payable	91,206.94	156,500.00	173,500.00	185,500.00	196,500.00
Employees' SSS Salary Loans Payable	186,154.28	294,000.00	303,000.00	319,000.00	324,000.00
Pag-ibig Employees Premiums Payable	177,515.84	187,000.00	199,000.00	207,000.00	217,000.00
Pag-ibig Salary Loans Payable	199,223.74	233,500.00	240,500.00	251,500.00	258,500.00
Unclaimed Balances	14,629.78	15,000.00	16,000.00	15,000.00	16,000.00
Accounts Payable	911,527.70	570,000.00	580,000.00	590,000.00	600,000.00
Cash Dividend Payable	14,239,378.93	13,000,000.00	12,000,000.00	11,000,000.00	10,000,000.00
Patronage Refund Payable	104,553.22	105,000.00	105,000.00	105,000.00	105,000.00
Deposits for Cap. Stock Subs.	166.85	-	-	-	-
Overages	8,650.00	2,000.00	1,000.00	4,000.00	1,000.00
ACPC Fund Payable	18,533,821.32	18,562,000.00	18,565,000.00	18,570,000.00	18,575,000.00
Retirement Fund Payable	52,482,362.37	54,795,000.00	63,943,000.00	75,045,000.00	81,406,000.00
CETF Fund Payable	14,057,511.41	14,500,000.00	14,850,000.00	14,900,000.00	15,150,000.00
TOTAL	123,734,658.41	120,096,000.00	128,528,000.00	138,841,000.00	152,517,000.00
OTHER ASSETS					
Accounts Receivable (net)	47,827,462.17	47,065,000.00	45,809,000.00	44,444,000.00	43,074,000.00
Prepaid Expenses	8,342,973.33	6,700,000.00	6,550,000.00	6,356,000.00	6,468,000.00
Petty Cash Fund	38,000.00	38,000.00	38,000.00	38,000.00	38,000.00
Stationery and Supplies	2,035,458.24	2,993,000.00	3,157,000.00	3,716,000.00	3,892,000.00
Retirement Fund	65,041,436.71	54,886,000.00	65,359,000.00	77,569,000.00	86,220,000.00
Statutory Fund	4,424,837.42	4,425,000.00	4,425,000.00	4,425,000.00	4,425,000.00
Miscellaneous Assets	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
TOTAL	128,010,167.87	116,407,000.00	125,638,000.00	136,848,000.00	144,417,000.00

PROJECTED BREAKDOWN OF COMPENSATION/ FRINGE BENEFITS AND OTHER EXPENSES

ACCOUNTS	NOTE	BEG. BAL. (Dec 31, 2024)	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
COMPENSATIONFRINGE BENEFIT	32						
Salaries & Wages		113,144,422.17	28,025,000.00	29,182,000.00	29,619,000.00	29,619,000.00	116,445,000.00
SSS & EC Prem. - BS		9,189,006.16	2,579,000.00	2,579,000.00	2,579,000.00	2,579,000.00	10,316,000.00
Philhealth Premium -BS		2,652,013.90	731,000.00	731,000.00	731,000.00	731,000.00	2,924,000.00
Pag-ibig Premium -BS		2,325,870.27	659,000.00	659,000.00	659,000.00	659,000.00	2,636,000.00
Employess' Retirement Prem. -BS		12,572,705.00	3,454,000.00	3,454,000.00	3,454,000.00	3,454,000.00	13,816,000.00
Staff Benefits		59,501,139.05	8,373,000.00	20,422,000.00	13,531,000.00	35,666,000.00	77,992,000.00
TOTAL		199,385,156.55	43,821,000.00	57,027,000.00	50,573,000.00	72,708,000.00	224,129,000.00
OTHER EXPENSES							
Rent		4,628,648.58	1,062,000.00	1,057,000.00	1,077,000.00	1,097,000.00	4,293,000.00
Power, Light & Water		5,391,696.17	1,284,000.00	1,311,000.00	1,347,000.00	1,421,000.00	5,363,000.00
Fuel & Lubricants		3,820,498.97	966,000.00	977,000.00	1,024,000.00	1,079,000.00	4,046,000.00
Travelling expenses	33	16,572,450.42	3,527,500.00	3,523,500.00	3,538,500.00	3,795,500.00	14,385,000.00
Repairs & Maintenance		3,177,160.88	854,000.00	848,000.00	873,000.00	852,000.00	3,427,000.00
Information Technology Expense	34	10,656,257.39	7,251,000.00	2,372,000.00	2,355,000.00	2,534,000.00	14,512,000.00
Security, Mess'gerial & Jan. Serv.	35	20,916,882.17	4,720,000.00	4,877,000.00	4,585,000.00	5,057,000.00	19,239,000.00
Postage, Tel., Cables & Telgrms.	36	3,577,797.83	773,000.00	779,000.00	790,000.00	798,000.00	3,140,000.00
Stationery & Office Supplies Used	42	4,229,542.07	753,000.00	800,000.00	823,000.00	862,000.00	3,238,000.00
Periodicals & Magazines		-	3,000.00	4,000.00	3,000.00	4,000.00	14,000.00
Advertising & Publicity		8,117,299.44	620,000.00	762,000.00	902,000.00	6,562,000.00	8,846,000.00
Representation & Entertainment	37	9,966,447.23	2,244,500.00	2,365,500.00	2,271,500.00	2,642,500.00	9,524,000.00
Membership Fees & Dues		107,520.00	51,000.00	31,000.00	21,000.00	26,000.00	129,000.00
Donations & Char'ble Contributions		538,693.65	138,000.00	154,000.00	167,000.00	182,000.00	641,000.00
Training & Tuition Expenses	38	2,519,358.15	960,000.00	852,000.00	937,000.00	574,000.00	3,323,000.00
Community Dev. Expenses	39	302,455.94	-	158,000.00	158,000.00	158,000.00	474,000.00
Incentive Fees	40	8,076,529.54	2,182,000.00	1,883,000.00	1,949,000.00	1,953,000.00	7,967,000.00
Miscellaneous Expenses		725,906.38	159,000.00	171,000.00	179,000.00	233,000.00	742,000.00
TOTAL		103,325,144.81	27,548,000.00	22,925,000.00	23,000,000.00	29,830,000.00	103,303,000.00



RISK MANAGEMENT

Cooperative Bank of Cotabato in its process of financial inter-mediation adopts risk management procedures which includes plan for risk reduction, prevention, and avoidance to preempt unnecessary surprises such as unforeseen events that can threaten the bank's viability.

Risk management involves different employees of the bank, in coordination with the senior management and Board of Directors; collectively they integrate considering the importance to improve the ability to identify, measure, monitor and control the overall level of risks undertaken.

Identify, assess and prioritize risks

The risk management process begins with senior management and the Board of Directors in identifying and prioritizing the key risk, which are reviewed and approved by the board of directors. It requires the senior management and the Board of Directors to determine the degree of the risk the bank should tolerate and to conduct assessments for each risk of the potential negative impact if it is not controlled. The most significant risks faced by the bank include credit, financial, operation, market, strategic, compliance and legal risks.

Develop strategies to measure risks

The board approves policies for measuring and tracking risks and monitors the management adherence to them. Management identifies key indicators and ratios that can track and analyzed regularly to assess the bank's exposure to risk in each area of operations. Management sets the acceptable range for each indicator, outside of which would indicate excessive risk exposure. It also determines the frequency with which each indicator should be monitored and analyzed.

Design policies and procedures to mitigate risks

The Board of Directors together with the Management develops sound procedures and operational guidelines to mitigate each risk to the degree desired or is tolerable. Sound policies and procedures clearly instruct employees how to conduct transactions and incorporate effective internal control measures.

Implement controls into operations and assign responsibilities

Management implements cost-effective controls and seeks input from the operational staff on their appropriateness and assign managers to oversee implementation of the controls and to monitor them over time.

Test the effectiveness and evaluate results

The bank has set clearly defined indicators and parameters that determine when a risk is not adequately controlled. Then, the board and management review the operating results to assess whether the current policies and procedures are having the desired outcome and whether the bank is adequately managing its risks.

Revise policies and procedures as necessary

In many cases, the results will suggest a need for changes to policies and procedures and possibly identify previously unidentified risk exposures. In these cases, management designs new risk control measures and oversees their implementation. Management may determine that additional staff training is needed or decide to modify existing policies or procedures or create new ones. After the new controls are implemented, the bank tests their effectiveness and evaluates the results.

ANTI-MONEY LAUNDERING

Cooperative Bank of Cotabato supports the international drive against serious crimes, especially terrorism and proliferation financing that has led to an obligation on banks to avoid transactions of criminals in laundering the proceeds of their crime. The Bank is committed to assist authorities in identifying potential money laundering transactions.

The Bank adopted its AML Institutional Risk Assessment (IRA) Framework as approved per BOD Resolution No. 2023-113 dated May 5, 2023. In identifying and assessing indicators of ML/TF risk to which it is exposed, the bank considers a range of factors that include Products and Services, Customer Profile, Geographical Location, Delivery Channel, Volume and size of transactions and Self-assessment processes.

The purpose or goal of the assessment is:

- To review the Institutional Risk Assessment of the Bank;
- To determine the risk exposure of the Bank in terms of Anti-Money Laundering; and
- Determine if existing control measures are adequate or if more should be done.

As specified in its policy, the IRA will be reviewed and updated within the year 2025.

During the year, the bank amended its Money Laundering & Terrorist Financing Prevention Plan (MLPP) as approved per BOD Resolution No. 204-2024 dated August 15, 2024. The MLPP is designed to ensure compliance with the Anti-Money Laundering Law and its implementing rules and regulations, as well as other applicable regulations; protect the integrity and confidentiality of bank accounts and to prevent making the bank as money laundering site for the proceeds of an unlawful activity of criminals; protect life, liberty and property from acts of terrorism and reinforce the fight against terrorism by criminalizing the financing of terrorism and related offenses; and ensure that the bank's directors and employees are aware of the anti-money laundering rules and regulations and be equipped with the required knowledge necessary for the execution of their individual job functions.

The MLPP also covers strict compliance on risk-based classification of customers, monitoring, investigation and reporting of covered and/or suspicious transactions, record keeping and retention and the provision of continuous trainings to those personnel in charge in the implementation of anti-money laundering. This is aimed to support government, law enforcement agencies and international bodies in their efforts to combat the use of financial system for the laundering of the proceeds of crime. The Bank is committed to full compliance with all the applicable laws and regulations regarding anti-money laundering rules and regulations and shall strictly enforce the provisions set forth in this program in order to prevent and detect money laundering, terrorist financing and other related illegal activities.

The bank maintains a system of verifying the true identity of its customers and establishes an effective Know Your Customer policy. It establishes and records the true identity of the customers based on valid identification documents. The bank develops and implements clear and graduated acceptance policies and procedures to identify types of customers based on their likeliness to pose low, normal or high risk to the bank's operations. An interview was done by the New Accounts Clerk and employees of the bank to know more about the true identity of a client as well as the standards in applying customer due diligence.

The bank reports all covered and suspicious transactions (CT/ST) to the AMLC. If there is a reasonable basis for considering a suspicious transaction, or other unlawful activity, this shall be reported immediately. The Compliance Unit monitors all covered transactions to ensure that these were reported to the AMLC within the prescribed period. To ensure accurate information, the bank regularly updates customer identification information depending on the client's risk assessment.

The Board of Directors approves and oversees the design, enhancements and implementation of the MLPP, related standards, policies and procedures, and means to ensure compliance with said standards and/or policies as well as applicable laws and regulations. They are primarily responsible in defining the risk tolerance level, understanding the nature and degree of risks the bank will be exposed to, and ensuring that these risks are properly addressed.

The Senior Management oversees the day-to-day management of the covered person, ensures effective implementation of AML/CFT policies approved by the Board and alignment of activities with strategic objectives, risk profile and corporate values set by the Board. Senior Management is responsible in the establishment of management structure to promote accountability and transparency and approves checks and balances.

CORPORATE GOVERNANCE

OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

Corporate Governance is the system by which the Cooperative Bank of Cotabato (CBC or "Bank") is directed, managed and controlled. The Corporate governance structure specifies the distribution of rights and responsibilities among different participants in the organizations such as the Board of Directors ("Board"), Senior Management ("Management"), shareholders, regulators/supervisors, and other stakeholders, and spells out the rules and/or guidelines for making decision on corporate affairs. By doing this, it also provides the structure through which the Bank's objectives are set, and the means of attaining those objectives and monitoring performance.

SELECTION PROCESS FOR THE BOARD OF DIRECTORS

By virtue of the authority vested under Rule 7, Section 3 Paragraph 4.4 of Republic Act 9520 otherwise known as the Philippine Cooperative Code of 2008, unto the Committee on Election (ELECOM), the said Election Committee of the Cooperative Bank of Cotabato hereby promulgate and implement the ELECTION PRIMER – Policy and Guidelines for the conduct of the Election Process. The over-all selection process for the Board is conducted by the ELECTION COMMITTEE that has the following duties and responsibilities in accordance with Rule 7 Sec. 4.4.4 of Republic Act 9520;

- a. Formulate election rules and guidelines and recommend to the General Assembly for approval;
- b. Implement election rules and guidelines duly approved by the General Assembly;
- c. Recommend necessary amendments to the election rules and guidelines, in consultation with the Board of Directors for the General Assembly's approval;
- d. Supervise the conduct, manner and procedure of election and other election related activities and act on the changes thereto;
- e. Canvass and certify the results of the election;

- f. Proclaim the winning candidates;
- g. Decide election and other election related cases except those involving the Election Committee members;
- h. Perform such other functions as prescribed in the By-Laws or authorized by the General Assembly.

BOARD'S OVERALL RESPONSIBILITY

The position of the Board of Directors is a position of trust. A Director assumes certain responsibilities to different constituents or stakeholders, the bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The Board of Directors is primarily responsible for approving and overseeing the implementation of the banks strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the bank.

DESCRIPTION OF THE ROLE AND CONTRIBUTION OF EXECUTIVE, NON-EXECUTIVE, INDEPENDENT DIRECTORS AND OF THE CHAIRMAN OF THE BOARD

- ***Chairman of the Board***

The Chairman of the Board is responsible to provide leadership in the board of directors. He shall ensure effective functioning of the board, including maintaining a relationship of trust with board members. The Chairman of the Board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process.

- ***President***

The President of the Bank shall be the Chief Executive Office who shall be chosen and may remove, for cause by the Board of Directors. He has the duties and responsibilities to set the tone of good governance from the top. He is responsible to oversee the day to day management of the bank, to ensure that duties and effectively delegated to the staff and to establish a management structure that promotes accountability and transparency and above all, to promote and strengthen checks and balances systems in the bank.

- ***Independent Director***

An Independent Director shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities. An independent director shall refer to a person (1) Is not or has not been a member of the executive committee of the board of directors, an officer or employee of the bank, its subsidiaries of affiliates or related interest during the past three (3) years counted from the date of his election;(2) Is not a director or officer of the related companies of the bank's majority shareholder; (3) Is not a stockholder with shares of stock sufficient to elect one set in the board of directors of the institution, or any of its related companies or of its majority corporate shareholder (4) Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common –law of any director, officer or stockholder holding shares of stock sufficient to elect one set in the board of directors or its related companies (5) Is not acting as a nominee or representative of any director or substantial shareholder of the bank and (6) Is not retained as professional adviser, consultant, agent or counsel of the institution.

BOARD COMPOSITION, TYPE OF DIRECTORSHIP, PRINCIPAL STOCKHOLDER REPRESENTED, NO. OF YEARS SERVED AS DIRECTOR, NUMBER OF SHARES HELD AND PERCENTAGE OF SHARES HELD TO TOTAL OUTSTANDING SHARES OF THE BANK

Board Composition	Type of Directorship	Principal Stockholder Represented	No. of Years Served as Director	No. of Shares Held (As of	Percentage of Shares Held to Total Outstanding Shares of the Bank
Erma R. Odal	Chairman	Osias SN Multipurpose Cooperative	3 years & 9 months	1,729	2.20%
Gil D. Pastolero	Vice Chairman	New Leon Multipurpose Cooperative	3 years & 9 months	1,655	2.11%
Jelito G. Jugas	Director	New Leon Multipurpose Cooperative	9 years	558	0.71%
Marianita D. Soterno	Director	Rainbow Family Multipurpose Coop	2 year & 6 months	2,006	2.55%
Cecille D. Colima	Director	Bagontapay Credit Cooperative	1 year & 5 months	2,021	2.57%
Jonathan M. Viajante	Director	Estado Farmers Credit Cooperative	11 months	2,901	3.69%
Ruben J. Señerez	Director	Pigcawaran Marketing Cooperative	11 months	1,518	1.93%

Herson B. Amolo	Independent Director
Felimon F. Apalit	Independent Director

BOARD QUALIFICATION

The ELECOM shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications set forth under the ELECTION PRIMER as simplified;

- 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' experience in business;
- He must have attended special seminar on corporate governance for board of directors conducted or accredited by BSP and;
- He must be fit and proper for the position of a director of the bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge experience.

Additional Qualifications:

- That the person qualified to become a director must be the Chairman of the primary cooperative he/she represents;
- That the primary cooperative he is representing should be existing, active and have economic activity or engage in viable business enterprise;
- That the business enterprise engaged in at present should be profitable, viable and sustainable as shown in the audited financial statement;
- That the candidate or the cooperative he is representing should have no past due account at the time of the election;

- That the cooperative he is representing must have at least 5 years membership with the bank.
- The members of the Board of Directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under Subsection X-141.2 & 142.3 of the MORB and other existing applicable laws and regulations.

LIST OF BOARD LEVEL COMMITTEES INCLUDING MEMBERSHIP AND FUNCTION

Board Level Committees	Committee Members	Function
Credit Committee	Marianita D. Soterno Cecille D. Colima	The Credit Committee (CRECOM) shall be composed of two (2) members of the board of directors, one of them as Chairman and the other as member together with the President as permanent member. Its main function is to oversee and appraise credit risk inherent to the Bank's lending activities.
Bids and Awards Committee	Jelito G. Jugas Gil D. Pastolero Jonathan M. Viajante	The Bids and Awards Committee shall take charge in the preparation of bidding documents; ensure that the same property reflects the requirements of the bank and that these conform to the standards set by the Board.
Audit Committee	Herson D. Amolo Felimon F. Apalit Ruben J. Señerez	The Audit Committee shall be composed of at least three (3) members of the Board two (2) of whom shall be independent director including the Chairperson, preferably with accounting or related financial management expertise or experience. The Audit Committee provides oversight over the institution's financial reporting policies, practices and control in the internal and external audit functions.
Corporate Governance Committee	Herson D. Amolo Felimon F. Apalit Ruben J. Señerez	Corporate Governance Committee shall be composed of at least three (3) members of the board of directors two of whom shall be independent directors including the chairperson. The CGC is tasked to advise the Board of Directors on the composition, organization, effectiveness and compensation of the Board and its committees and on other issue relating to the Bank's corporate governance.
Mediation and Conciliation Committee	Alverico Rapacon Ma. Anally G. Dano Catalino F. Fugata.Jr.	The Conciliation and Mediation Committee is to provide guidelines in the conduct of a mediation and conciliation proceedings. These guidelines shall apply to all disputes among members, officers, directors and committee members, as far as practicable, be settled amicably in accordance with the conciliation of mediation mechanism, embodied in the by-laws of cooperatives and in such other applicable laws.
Education and Training Committee	Gil D. Pastolero Samuel Aquino Danilo V. Valdez	The Education Committee is to provide needed trainings/ seminars to the affiliates particularly those required and prescribed by the regulating authority. Per CDA Memorandum Circular No. 2011-27 dated December 22, 2011- to rationalize the implementation of Rule 7 of the Implementing Rules and Regulation of RA 9520, the prioritization of training courses to be taken or complied with by the officers of the cooperative bank.

Social Performance Committee	Marianita D. Soterno Jelito G. Jugas Ruben J. Señerez	The committee will oversee services offered to clients for their socio-economic growth and welfare. The Bank existence will not be considered as a guarantee, worthy and or to proclaim as its highest attainment, unless, the Bank will not extend its social responsibilities to the community through various outreach programs for under-privilege clients' customers and stockholders. The success of certain organization cannot be measured through its liquidity and profitability. It can only be gauged and determined by the social performance of member-clients socio-performance of member-clients through social impact of valued constituents, that they uplift their standard of living as result of various services extended by the bank to them.
Gender and Development Committee	Marianita D. Soterno Maximiano T. De Asis Editha A. Antipuesto	The Gender and Development Committee was created to: (1) Assist the Board of Directors in implementing mainstreaming of Gender and Development (2) Assist the Board of Directors in the formulation of strategies/programs/ activities/projects that address issues and concerns on gender and policy implementation of the bank (3) Review and evaluate mechanisms and instruments established in the cooperative that will ensure GAD mainstreaming is facilitated is facilitated, implemented and monitored (4) Assist the Board of Directors in the concern of everyone in the bank, regardless of gender. They shall ensure that everyone must have the same rights, opportunities and conditions to develop and contribute to the bank's development (5) Ensure that respect is embodied within the bank and warrant that each of the employees make the most of their competencies, experiences and values so that they can become fully developed individuals in their respective professional roles;
Election Committee	Rebecca T. Dumingsel Romeo Lobaton Lorvalent Acoba	The Election Committee shall be composed of three (3) members in good standing and elected at large during the General Assembly. They will elect from among themselves a Chairperson who shall serve for a term of at least one (1) year. All the members of the committee shall hold office for a period of one (1) year and/or until their successors have been elected. No member of the Election Committee shall hold any other position within the Cooperative Bank during his term of office. The Election Committee shall have the following duties and responsibilities in accordance with Rule 7 Sec. 4.4.4 of Republic Act 9520.
Ethics Committee	Erlinda O. Pantaleon Florentina Idao Edtami Mansayagan	The Ethics Committee was created for the following objectives (a) Develop Code of Governance and Ethical Standards to be observed by the members, officers and employees of the cooperative subject to the approval of the Board of Directors and ratification of the General/ Representative Assembly (b) Disseminate, promote and implement the approved Code of Governance and Ethical standards (c) Monitor compliance with the Code of Governance and Ethical Standards and recommend to the Board of Directors measures to address the gap, if any, (d) Conduct initial investigation or inquiry upon receipt of a complaint involving Code of Governance and Ethical Standards and submit report to the Board of Directors together with the appropriate sanctions € Recommend ethical rules and policy to the Board of Directors; (f) Perform such other functions as may be prescribed in the By-laws or authorized by the General/Representative Assembly.

DIRECTOR'S ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Regular Board Meeting	Bids and Awards Meeting	Social Performance Meeting	Education Committee Meeting	Mediation Committee Meeting	Corporate Governance Meeting	Audit Com. Meeting	Credit Com. Meeting
24 Meetings 100%	3 Meetings 100%	1 Meeting -----	2 Meeting 100%	0 Meeting 100%	0 Meetings 100%	8 Meetings 100%	24 Meetings 100%

Attendance (Regular Meetings)	No. of Meetings Attended	No. of Meetings	Percentage Rating
Erma R. Odal	24	24	100%
Gil D. Pastolero	24	24	100%
Jelito G. Jugas	24	24	100%
Marianita D. Soterno	24	24	100%
Cecille D. Colima	23	24	96%
Ruben J. Senerez	24	24	100%
Herson B. Amolo	24	24	100%
Felimon F. Apalit	23	24	96%

CHANGES IN THE BOARD OF DIRECTORS

A. For Regular Directors

As newly approved amendments in the ELECTION PRIMER is the manner of election wherein the seven (7) members of the Board are district directors representing two (2) districts divided by municipalities all throughout the Province as follows;

Election for District 1 within the areas of Kidapawan, Makilala, Mlang, Tulunan, Kabacan and Matalam with number of candidates to be elected;

District 1 - four (4) Board of Director

Election for District 2 within the areas of Pikit, Aleosan, Midsayap, Pigcawayan, Libungan and Alamada with number of candidates to be elected;

District 2 - three (3) Board of Director

Election for District 3 within the areas of South Cotabato, Sultan Kudarat, Bukidnon and other areas as target for bank's expansion.

District 3 - two (2) Board of Director

District 3 shall only be filled-up if the bank already recruited at least twenty (20) new primary cooperative members within the specified area of coverage.

B. Election for Independent Director

The manner/term/election for Independent Directors as per Manual of Regulations for Banks is already incorporated on the proposed amended By-Laws subject for approval by the Bangko Sentral ng Pilipinas and the Cooperative Development Authority.

DIVIDEND POLICY

The dividend declaration is subject to the following policy:

- The liability for dividends declared shall be taken up in the books of Cooperative Bank of Cotabato;
- Cash dividends due on delinquent stocks, if any, shall first be applied to the unpaid balance on the subscription plus costs and expenses pursuant to Section 43 of Batas Pambansa Bldg. 68;
- The dividends shall not be treated as interest expense, and;
- Payment of the cash dividends shall not be made if the same will adversely affect the bank's liquidity position.

LIST OF EXECUTIVE OFFICERS/SENIOR MANAGEMENT

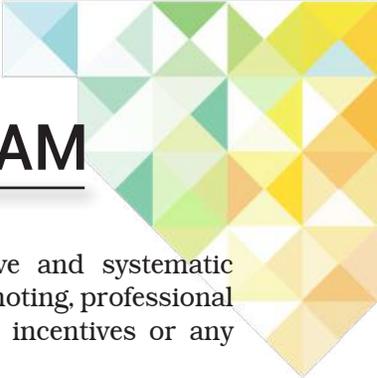
A. Board of Directors

- | | |
|------------------------------|----------------------|
| 1. Erma R. Odal | Chairman |
| 2. Gil D. Pastolero | Vice-Chairman |
| 3. Jelito G. Jugas | Regular Director |
| 4. Marianita D. Soterno | Regular Director |
| 5. Cecille D. Colima | Regular Director |
| 6. Ruben J. Señerez | Regular Director |
| 7. Jonathan M. Viajante | Regular Director |
| 8. Felimon F. Apalit | Independent Director |
| 9. Herson B. Amolo, CPA, MBA | Independent Director |
| 10. Mary Grace S. Macadato | Board Secretary |

B. Key Officers

- | | |
|---------------------------------------|--|
| 1. Edelle G. Hernandez, CPA, MBA | President |
| 2. Defer R. Villaruz, MBA | Vice President for Branch Operations |
| 3. Liezl L. Magbanua, MBA | Vice President for Credit Management |
| 4. Hermelita O. De Vera | Vice President for Finance |
| 5. Jesus S. Jauod | Vice President for Administrative Services |
| 6. Rhea May O. Oswa | Credit Manager |
| 7. Janifer A. Masanit | Credit Manager |
| 8. Jefferson M. Madrid | Credit Manager |
| 9. Beneson S. Eballes | Credit Manager |
| 10. Myrna R. Cantoja | Manager, Head Office |
| 11. Juan B. Pama | Branch Manager, Midsayap |
| 12. Edgardo V. Baria, Jr. | Branch Manager, Mlang |
| 13. Genalyn C. Tuban | Branch Manager, Pigcawayan |
| 14. Jackshon B. Sedano | Branch Manager, Antipas |
| 15. Arlene Joy P. Porras | Branch Manager, Kabacan |
| 16. Lloyd Dex S. Cordero | Branch Manager, Isulan |
| 17. Charlemagne V. Rodriguez | Branch Manager, Koronadal |
| 18. Ace Aries R. Respicio | OIC Manager, Bansalan |
| 19. Leah C. Eugenio | Branch Manager, Polomolok |
| 20. Allan A. Aquino | Branch Manager, Surallah |
| 21. Marvin Glenn B. David | Branch Manager, Lebak |
| 22. Rosebel C. Jerez | OIC Branch Manager, Don Carlos |
| 23. John Elmer P. Morales, MBA | Branch Manager, Sulop |
| 24. Ername T. Cariño | Branch Manager, Tacurong |
| 25. Alvudhor S. Cusain | OIC Branch Lite In-Charge, Makilala |
| 26. Glenn O. Parreño | Branch Manager, Sta. Cruz |
| 27. Merben J. Baring | OIC Manager, Glan |
| 28. Atty. Dionesio T. Alave, Jr., MBA | Legal Officer Concurrent Planning Officer |
| 29. Jude A. Dacutan, CPA, MBA | Accounting Manager |
| 30. John Mark R. Doronila | Acting Internal Auditor |
| 31. Diane Jane D. Escarlan, CPA, MBA | Chief Compliance Officer |
| 32. Florelyn S. Pagaduan | HR Manager |
| 33. April Marie G. Irig | RDM Manager |
| 34. Ernie L. Sescar | Acting Chief Security Officer |

PERFORMANCE ASSESSMENT PROGRAM



The Cooperative Bank of Cotabato provides a competency-based comprehensive and systematic Performance Appraisal System (PAS). It serves as a source and reference document in promoting, professional advancement, training, transferring, demoting or dismissing employees, performance incentives or any other Human Resource (HR) action that pertains to the employees' performance.

The appraisal tool can be used as frequently as decided by the management. Simultaneously the supervisor (rater) and the supervisee (ratee) accomplish the appraisal tool. Once completed, the supervisor will schedule the one-on-one session with the supervisee. They, together shall discuss the evaluation and the supervisor makes the final rating for submission to the HR Unit. The supervisor shall discuss with the ratee his rating, providing positive reinforcement for his strength and stressing corrective actions for areas that need improvements. Unsatisfactory ratings, both the rater and the ratee shall identify ways and means for corrective measures to improve performance.

The President will be rated by the Board of Directors, the Vice-Presidents will be rated by the President. For the Branch Managers & Unit Managers, they will be rated by their concerned Vice-Presidents. The performance evaluation will be done once every six months, one in July to cover the period of January to June, and one in January of the coming year to cover the period July to December. The performance evaluation system has 4 sections; Section I: Performance based on Result (Work Plan, Objectives and Key result areas (KRAs) 60% of the overall weight; Section II: Performance based on Competency 40% of the overall weight; Section III: Comments regarding staff overall performance and Part IV: Decision/Personnel Actions. The KRAs and specific targets are based on job function and the Bank's annual target. Each target/deliverable are rated as follows: 5-Exceeded Target (more than 100% Achievement), 4- On Target (100% Achievement), 3-Below Target (85%-99% Achievement), 2-Way Below the Target (75%-84% Achievement) and 1-Unsatisfactory (less than 75% Achievement). On the employee performance based on competency, each attribute and work-related behavior is evaluated in the following scale: 5-Outstanding, 4-Exceeds Expectation, 3-Meet Expectation, 2-Below Expectation, 1-Unsatisfactory. To get the overall rating, add the score in Section 1 and Section II. The values for the overall rating are as follows: Outstanding, Very Satisfactory, Satisfactory, Pass, Needs Improvement and Unsatisfactory/Poor. After generating the over-all rating, the rater shall provide comments regarding staff overall performance, decision/personnel action and signature to make the evaluation official. The completed performance evaluation will be submitted to the Human Resource Unit for acceptance, execution of appropriate action and 201 filing.

For the Board of Directors and Committees, there is an established annual performance evaluation to be administered by the Corporate Governance Committee which is designed to assess their effectiveness. The tool takes the form of a series of assertions which should be awarded a rating on a scale of 1 to 3 by individual directors or by the Board as a whole. A space has been provided after each question for any specific comments that they may have, once complete, the matters should be discussed at a Board Meeting.

ORIENTATION AND EDUCATION PROGRAM

An orientation of the newly-hired employee shall be the joint responsibility of Administrative Services Department Head-HR Unit and the Concerned Department Manager where he/she will be assigned.

The immediate supervisor shall conduct subsequent follow-ups on the new employee/s to answer further questions and in coordination with the Manager. The Admin. Services-HR Unit will check the success of an initial job placement during the probationary period of employment.

In addition to the abovementioned orientation program, personnel who are accepted or promoted to higher supervisory or management positions should undergo a training program prior to undertaking an actual work assignment. This training program will be prepared and coordinated with the concerned Vice Presidents & Area Managers.

The CCOT prepares an Annual Training Plan which shall become the guide for training, education and development for its senior management and other employees. Upon assumption of office of the Board of Director and Senior Management, they are required to attend the Corporate Governance and Risk Management Seminar. Other training is stipulated in the annual training plan of the Bank. The Education Committee also prepares a training plan matrix for all active Member-Stockholders including the Board of Directors.

All Branch Managers and Vice-Presidents are subject to regular rotation to broaden their knowledge and expertise to other functions of other departments/branches, develop a wider range of work experience and maximize exposure to customers.

The Bank also adapts the following training methodologies; a. In-house training, wherein the training is held in the company premise and the trainers are competent Managers of the bank to conduct orientation on new policies/regulations and refresher course on the existing policies & procedures. The Bank also taps a variety of specialized trainers to educate, develop, improve the employee's skills, behavior and knowledge; b. External Trainings, wherein employees will be sent to trainings outside the company premise to learn from other industry experts or run by training organizations.

RETIREMENT & SUCCESSION POLICY

The Bank hereby establishes a retirement plan known to be as "Cooperative Bank of Cotabato Employees Retirement Fund". It is created to provide a retirement fund for employees who have rendered continuous services and loyalty to the bank as payment of retirement, disability, death, separation benefits to its concerned employees or beneficiaries as the case may be, subject to the conditions and limitations as set forth hereof.

That all employees of the bank are automatically a member of the plan from the date of his regular status of employment. Each member-employee can retire automatically upon reaching the age of sixty (60) as "Compulsory Retirement", provided he/she has rendered at least five (5) years of continuous service with the bank. He/she has an option to avail an "Early Retirement" upon completion of at least twenty (20) years in the service or upon reaching the age fifty (50) to fifty nine (59) years old whichever comes first.

In like manner, any employee can avail "Involuntary Separation" who suffers from a disease and his/her continued employment is prohibited by law or prejudicial to health of his/her co-employees or terminated beyond his/her control due to installation of labor-savings devices, redundancy, retrenchment program initiated by the employer as a result of merger and prevent losses of other similar causes.

As per qualification set forth under the CCOT Election primer, the term of office of a Director elect is two (2) years or until their successors have been elected and qualified. There is no retirement age as long as they fall under the category set under qualification for a Board of Director under the Manual of Regulations for Banks.

SUCCESSION PLAN

The Bank dreams to foster, promote and inculcate continual development of its employees to ensure that "Key Positions" shall maintain some measures of stability in achieving the purpose. It recognizes that some jobs are the lifeblood of the organization and it's too critical to leave vacant or fill-up by most qualified persons. This plan has a vital role at times of untoward incidents to officers or leaders and rank and file employees even if natural or normal vacancies may arise in the institution.

It is a systematic replacement approach to establish a leadership pipeline or talent pool; develop potential successors and identify access – employees Knowledge, Attitude, Skill, Habit & Experiences (KASHE); and ensure a continuous supply of talent by helping employees to enhance their potentials as successor of key detrimental positions or to replace needed job positions due to sickness, accident, unplanned leaves, disability, deaths, retirements and other unexpected losses. Other consideration on succession plan, viz.:

A.) Employee's reshuffling is inevitable and becomes a habit of the organization. However, reshuffling has always a good or valid reason. No reshuffle should ever take place simply because, it is assumed that there should be one!

B.) Job Rotation as a management strategy in which an employee is taken in from one department to another, over a period which has been trained on different aspects of the job to gain exposure to different roles and functions. This involves an employee changing position away from boredom. It is a designed technique in which an employee is moved between or more jobs in a planned manner purposely to: reduce monotony, create the right employee to fit job exposing workers to all vertical skills and competencies; and develop a wide range of employee-work experience.

RENUMERATION POLICY

The Cooperative Bank of Cotabato (CBC) Salary Structure is based on the revised CBC's rationalized organizational structure. The current salary levels adopted, minimum wage, market rate, taking into consideration the rates of existing Cooperatives and Cooperative Banks with similar size as that of CBC. This has been revised to standardize basic salary among staff and reduce disparity and distortion in the intra- and inter job levels/categories.

The senior management officers of the bank are the President, Vice-Presidents and Managers. Their remuneration includes basic pay and other benefits such as representation & travelling allowance, rice allowance and medical allowance approved by the Board of Directors in line with the policy.

The Board of Directors and members of different committees are entitled to honoraria/per diem based on their attendance during meetings. The amount is approved by the General Assembly.

SELECTION PROCESS FOR SENIOR MANAGEMENT

Candidates for President and Vice-Presidents will undergo an in-depth evaluation and screening. They must possess the established qualification standard of the position such as educational attainment, work experience, applicable attributes and skills. He has at least Average performance in his last two ratings and maintained such level of performance up to the date of promotion. He has no record of disciplinary action in the form of suspension or graver penalty at least one year prior to the expected date of promotion. Has no pending case or any violation on the Banks Code of Conduct warranting suspension. Candidates will undergo psychological examination designed to measure the supervisory/management skills, work-related attitudes & values and overall personality strengths and weaknesses. Candidates who passed the psychological examination will be scheduled for a Panel Interview. It will be composed of 6 members, 3 from the Board of Directors, incumbent President, VP for Admin Services and Human Resource Manager. Each member of the panel will rate the candidates using the approved Interview Rating Sheet. Ratings will be gathered, computed and tabulated; members of the panel will discuss their ratings and decide who will be hired for the position.

RELATED PARTY TRANSACTIONS (RPT)

Cooperative Bank of Cotabato has approved and adopted guidelines on Related Party Transactions (RPT) pursuant to BSP Circular No. 895. The bank recognizes the significance of exercising appropriate oversight and implements effective control systems for managing related party transactions as these may potentially lead to abuses that are detrimental to the bank and its depositors, creditors and stakeholders. The policy defines and widely includes transactions entered into by the bank with related parties and outstanding transactions dealt with unrelated parties that subsequently become a related party.

The RPT policy specifically covers the roles and responsibilities of the Board of Directors and Senior Management. It also includes materiality thresholds and limits as well as exclusions from transactions considered as related party. Appropriate reporting and disclosure are also emphasized to comply with regulatory standards. The policy emphasizes and restricts that any member of the approving authorities such as the Board and related committees to inhibit and not to participate in discussion and or approval of any related party transactions.

The Board of Directors are responsible in observing good governance and approve an overarching policy on handling RPTs and ensures that there is effective compliance with existing laws, rules and regulations at all times and that RPTs are conducted in a regular course of business and not undertaken on favorable economic terms.

They shall approve all material RPTs, those that cross the materiality threshold and write-off of material exposures to related parties and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. The Board delegates to appropriate management committee the approval of RPTs that is below the materiality threshold, subject to confirmation by the board of directors and maintain adequate capital against risks associated with exposures to related parties.

Senior Management implements appropriate controls to effectively manage and monitor RPTs on per transaction and aggregate basis. Exposures to related parties are monitored on an ongoing basis to ensure compliance with the bank's policy and BSP's regulations. For the year 2024, the bank has accommodated and approved a total of P13,724,000.00 material related party transactions which consisted of 10 member-cooperatives who are stockholders of the bank as outlined in the table below. These transactions were reported to the BSP accordingly.

Transaction Date	Related Party	Relationship between the Parties	Type of Transaction	Amount/ Contract Price	Terms
February 20, 2024	TACULEN FARMERS MULTIPURPOSE COOPERATIVE	Stockholder	Availment of Credit Line	P 1,000,000.00	Payable in 720 days, with interest at 12% per annum, plus service charge of 2%
February 20, 2024	OSIAS SN MULTIPURPOSE COOPERATIVE	Stockholder	Availment of Credit Line	1,500,000.00	Payable in 720 days, with interest at 12% per annum, plus service charge of 2%
April 5, 2024	PATINDEGUEN FARMERS CREDIT COOPERATIVE	Stockholder	Availment of Supervised Agricultural Loan	1,062,000.00	Payable in 180 days, with interest at 16% per annum, plus service charge of 4%

April 15, 2024	LAGUMBINGAN CREDIT COOPERATIVE	Stockholder	Availment of Supervised Agricultural Loan	1,062,000.00	Payable in 180 days, with interest at 16% per annum, plus service charge of 4%
April 30, 2024	RAINBOW FAMILY MULTIPURPOSE COOPERATIVE	Stockholder	Availment of Credit Line	1,000,000.00	Payable in 720 days, with interest at 12% per annum, plus service charge of 2%
June 18, 2024	ESTADO FARMERS CREDIT COOPERATIVE	Stockholder	Availment of Supervised Agricultural Loan	1,725,000.00	Payable in 180 days, with interest at 16% per annum, plus service charge of 4%
June 18, 2024	KIBUDOC SUGARCANE PLANTERS CREDIT COOPERATIVE	Stockholder	Availment of Supervised Agricultural Loan	3,000,000.00	Payable in 180 days, with interest at 16% per annum, plus service charge of 4%
July 15, 2024	AGRICULTURE FARMERS MULTIPURPOSE COOPERATIVE	Stockholder	Availment of Supervised Agricultural Loan	1,025,000.00	Payable in 180 days, with interest at 16% per annum, plus service charge of 4%
December 12, 2024	RAINBOW FAMILY MULTIPURPOSE COOPERATIVE	Stockholder	Availment of Credit Line	1,000,000.00	Payable in 720 days, with interest at 12% per annum, plus service charge of 2%
December 23, 2024	KIBIA RICE PRODUCERS MARKETING COOPERATIVE	Stockholder	Availment of Supervised Agricultural Loan	1,350,000.00	Payable in 180 days, with interest at 16% per annum, plus service charge of 4%
TOTAL				P 13,724,000.00	

The Internal Audit Unit and Compliance Unit conducts a periodic formal review of the effectiveness of the bank's system and internal controls governing RPTs to assess consistency with board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, are communicated directly to the Audit Committee and/or Board of Directors.

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



SELF ASSESSMENT FUNCTION

Structure of the internal audit and compliance functions including its role, mandate/authority, and reporting process

The Internal Audit Unit and Compliance Unit are considered as independent units from the management functions. Since both functions are considered to be independent, both are administratively reporting to the President.

The Internal audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of risk management, internal control, and governance processes of an organization. It is a vital component of the management of the bank. The mission of the Internal Audit Unit is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It assists the organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

- Provide a wide range of quality independent internal auditing services for the bank and consulting services for Management;
- Perform independent assessments of the systems of risk management, internal controls and operating efficiency, guided by professional standards and using innovative approaches;
- Support the organization's efforts to achieve their objectives through effective independent auditing services and consulting services; and

The Internal Auditor:

- ✓ is in charge of overseeing the internal audit unit
- ✓ takes the lead in developing short and long term audit strategies and systems in accordance with the strategic direction of the organization
- ✓ provides thorough examination, analysis, and verification of compliance for all offices
- ✓ provides management and board with objective assessment of the institution's internal control mechanisms

The Chief Compliance Officer:

- ✓ is responsible in leading the Compliance Unit
- ✓ is providing strategic direction and focus and the development of a bank-wide compliance coverage plans
- ✓ should establish and continuously improve a consistent operating framework for the identification, management, monitoring and reporting of compliance risks and issues
- ✓ is also responsible in providing an effective compliance risk management framework and appropriately resourced specialized regulatory compliance support to the bank

The Internal Audit and Compliance noted exceptions were discussed with the management for validation and verification. Any significant violations found, the management can dispute the findings or provide additional insight into the employee of unit/department performance. This is also to ensure that noted exceptions will be minimizing the sooner and to avoid additional exceptions and error in the subsequent transactions or activities. At the end of the meeting and discussion, a final report will be issued.

The Chief Compliance Officer shall submit periodic reports, at least quarterly, to the Board of Directors on violations noted, the actions taken by the management to correct said violations and appropriate recommendations for expeditious resolution of issues.

On the other hand, results of the conducted examination of the Internal Audit unit, noted exceptions or findings that have an effect on the bank's compliance system and operations, were directly reported to the Audit Committee. The latter then will report and discuss to the board the noted exceptions by the Internal Audit Unit. Results were also provided to the management for reference of compliance and proper action.

The Chairman of the Board shall inform the President in writing detailing the violations noted during the examination. A written report and discussion during board meeting will be required from the Management for the action taken and plan of action to correct the noted exceptions.

Review process adopted by the board to ensure effectiveness and adequacy of the internal control system

The board of directors is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the bank. In order to effectively carry-out its oversight functions, the bank's Board of Directors (BODs) conducts its regular meeting at least twice in a month (every second Thursday and fourth Wednesday of the month). The BODs monitored the reports of the management represented by the President during Board meeting. There then discussed the issues affecting the bank's interest and other related issues that may directly or indirectly affect the bank. Any discussion resulting to further clarification is discussed with the President then the latter has the prerogative to call for the attention of the concerned personnel for reference, if any.

The bank being under the supervision of the BSP and CDA, it is required to establish certain committees in order to effectively manage its operations including the Audit Committee.

The audit committee shall be composed of members of the Board of Directors, at least two (2) of whom shall be independent directors, including the Chairman, preferably with accounting, auditing, or related financial management expertise or experience. The Board of Directors shall appoint the committee members and the committee chair. The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. The committee will meet at least six (6) times a year, every third week of the odd month, with authority to convene additional meetings, as circumstances require at the bank's Executive Office at Lanao, Kidapawan City or to any branch offices agreed by the members.

The audit committee is monitoring the reports of the internal audit unit represented by the Internal Auditor during audit committee meeting. There then discussed the issues and concerns brought by the exceptions noted by the internal audit unit from the examination conducted. Any discussion resulting to further clarification and follow-up to management will be part of the agenda of the audit committee during the board meeting. Further updates on the noted exceptions by the Internal Audit unit and Compliance unit are discussed by the board of directors together with the President, then the latter has the prerogative to call the attention of the concerned personnel for follow-up and provide insight in the employee/department/unit's performance. The Chairman of the Board shall inform the President detailing the exceptions noted during the examination. A written report will be required from the Management for the action taken and plan of action to correct the noted exceptions.



CONSUMER PROTECTION PRACTICES

Cooperative Bank of Cotabato acknowledges the role of financial consumers in bringing about a strong and stable financial system, their right to be protected in all stages of their transactions with the bank, and be given an avenue to air out their feedbacks or grievances with the bank.

On September 24, 2015, the bank approved and adopted a Consumer Assistance Management System (CAMS) policy in accordance with the guidelines of BSP Circular No. 857; on regulations to Financial Consumer Protection.

The Board of Directors is responsible for the delivery of effective recourse to the bank's consumers. Pursuant thereto, the Board designs and approves the consumer assistance policies and procedures, approves risk assessment strategies relating to effective recourse by the consumer, ensures compliance with consumer assistance policies and procedures, provides adequate resources devoted thereto, and reviews the Consumer Assistance policies at least annually.

Bank's Senior Management is responsible in the implementation of the Consumer Assistance policies and procedures.

The bank's Head Office/Branch Managers act as the Consumer Assistance Officer of the office or branch. They are incharge in the handling of customer feedbacks or complaints. They are responsible to receive and acknowledge consumer concerns or complaints and record the same in a register. They shall conduct initial review and investigation, process those concerns and shall provide official reply to the consumer within specified timeframe and that customer shall be requested of his feedback on the bank's reply. A report of which will then be submitted to the Head of Consumer Assistance Group who is the Vice – President for Branch Operations.

The Vice-President for Branch Operations as the Head of Consumer Assistance Group is responsible to monitor consumer assistance process; keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence; report to senior management the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence, and suggestions for process or personnel competency needing improvement; and to ensure immediate escalation of any significant complaint to the concerned unit of the bank.

Consumer Assistance Channels of the bank include:

- walk-in or personal visit through the bank's offices/branches,
- letters,
- bank's proprietary electronic mails,
- telephones, facsimile, mobile phones,
- client feedback through provision of suggestion/feedback boxes and online google forms
- Facebook Page

For the year 2022, the bank was able to report consumer complaints through the Compliance Unit to Bangko Sentral ng Pilipinas per Memorandum No. M-2018-017 dated May 10, 2018. Complaints were assessed by the Chief Compliance Officer as to product/service, channel, standard of conduct, volume of transactions and its resolution.

Hereunder are bank's standard timeline for processing client's complaints/request;

	SIMPLE*	COMPLEX*
Acknowledgement	Within 2 banking days	Within 2 banking days
Processing and resolution (assess, investigate, and resolve)	Within 7 banking days	Within 45 banking days
Communication of resolution	Within 9 banking days	Within 47 banking days

* All periods are reckoned from receipt of complaint/request.

SUSTAINABILITY REPORT

The banking sector plays a significant role in the economic growth and development of any country. While banks' fundamental role as a facilitator of economic progress and prosperity is apparent, taking into account the consequences of its operational activities and its influence on the environment and community is the most important step toward achieving sustainability as it can impact a banking system's overall performance, competitiveness, and benefit.

Achieving sustainability requires concerted efforts from all sectors of society. By understanding current challenges, celebrating progress, and implementing effective strategies, we can work towards a more sustainable and equitable future for all.

Environmental Impact

The bank is dedicated to reducing its environmental footprint by implementing sustainable practices across its operations.

- Office equipment and gadgets must be switched off when not in use and upon leaving the office/branches.
- Employees shall throw their garbage separately --- "Biodegradable", "Non-Biodegradable" and "Recyclable"
- Single-use plastic containers and utensils are discouraged.
- Paper waste reduction and recycling must be observed.
- Think before printing or photocopying to avoid waste.
- Adjust the margins to fit more on each page or reduce the size of the copier. Print on both sides of the paper. If possible, keep all records such as memos, advisories and other files in digital format to reduce paper usage.
- Instead of burning, the bank implement shredding of documents qualified for disposal.

Installation of Solar Panels

The bank conducted the ceremonial switch-on of solar panels installed in Executive Office on January 5, 2024. Generating clean energy from the sun can significantly aid in the carbon footprint reduction. This shift towards sustainable energy sources brings a multitude of benefits that positively impact both the environment and the businesses. One of the most compelling reasons is the potential for substantial cost savings in energy bills. Over time, these savings can offset the initial investment in solar technology, eventually resulting in net positive financial gains.



White Christmas Lantern Making Activity

The bank participated in the White Christmas Lantern Making activity as part of the City Government of Kidapawan with the theme "Luntian Kidapawan: Malinis na Kapitaligiran, Gobyernong Maasahan, Disiplinadong Mamayan"

The lantern entry was made of environmentally friendly materials and highlighted the bank's endeavors for sustainable finance and development as we believe that through green banking, the community can save nature and finances at once. This is also in recognition to the significance of

strong partnership with the Local Government Unit (LGU) in restoring the environment, alleviating the lives, and sustaining the economy and community in general.

Clean Up Drive

In coordination with respective Local Government Units, branches of the bank conducted clean up drive activities.

Clean-up drives are not only pivotal in reducing immediate pollution but also in shaping a more informed and proactive community. Its influence extends beyond the immediate environment, promoting a culture of sustainability that can lead to lasting positive change.



Social Impact on the Community

Community engagement is at the heart of the bank's CSR strategy. By fostering strong community relationships, the bank aims to contribute positively to the social fabric of the areas it serves.



Grocery and Food Packs Donation

The bank in partnership with the Provincial Cooperative Development Council conducted a community outreach program in Brgy. Kisupaan, President Roxas. The activity accommodated more than a hundred recipients of 5 kilo sack of rice, grocery set, and packed lunch. This was part of the Cooperative Month Celebration.

Blood Donation Drives

“People live when people give...”

To make a positive impact on the community and support public health initiatives, the bank is proud to organize a life-saving event which is the regular blood donation drives. These events not only benefit those in need of blood transfusions but also foster a spirit of unity and altruism among our employees. The blood donation drive was conducted as part of the activities of foundation anniversary of the bank. Red Cross Cotabato Chapter assisted the bank in this endeavor. A total of 56 bags of blood were donated.





Moreover, the bank joins the blood donation activity facilitated during the celebration of the Cooperative Month. Blood donation is a great act of humanity.

Feeding and Socialization Program

Children are the future of any nation, and ensuring their well-being is crucial for sustainable development.

The bank during its anniversary in April 2024, conducted a feeding and socialization program for the 50 pre-school students of the Day Care Center in Kalasuyan, Kidapawan City and 350 elementary students of Pandanon Elementary School in the Municipality of Magpet. We have availed of the products and services of McDonalds in the realization of the said program. It is very overwhelming to see the smiles and the joy of every student as they participate in the parlor games, as they receive their McDonalds meals with toys, and as they dance with the mascots. Almost all of the kids, experienced McDonalds meals and mascots for the first time.

Socialization is a vital part of a child’s development, helping them to learn communication skills, empathy, and cooperation. Moreover, through executing a charitable event which includes provision of meals to kids, we can make a significant difference in their lives and foster a sense of community and compassion.

Ethical Business Practices

The bank is committed to maintaining the highest standards of ethical conduct. This includes transparent financial reporting, responsible lending practices, and ensuring that all operations comply with relevant regulations.

Banks have a responsibility to ensure their lending practices are ethical and transparent. This involves conducting thorough due diligence to avoid financing projects that may harm the environment or society. By prioritizing ethical lending, banks contribute to responsible investments and foster trust among their stakeholders.

Financial Inclusion

Promoting financial inclusion is a key aspect of the bank’s CSR efforts. The bank strives to make financial services accessible to underserved populations, including low-income individuals and small businesses. The bank helps empower people to improve their financial well-being. The provision of loans to far-flung areas can lead to significant improvements in living standards and economic resilience.

For the year 2024, the bank has offered Microfinance program to 26,000 clients with an aggregate amount of P688 Million.

Financial Consumer Protection

Our customers are the driving force of our business. As such, upholding their rights and safeguarding their data and privacy are central to our goal of becoming a sustainable business. Consumer rights

contribute to a fairer, safer and healthier society, and a more equitable and efficient economy.

The bank adheres to the five principles of Financial Consumer Protection as BSP Circular 1160: Disclosure and Transparency, Protection of Client Information, Effective Recourse, Fair Treatment, and Financial Education and Awareness.

These principles are duly emphasized during employees' orientation.

Credit Due Diligence Process

The bank is a provider of financial services for diverse clients with the aim of alleviating the socio-economic lives of the people. The business decisions of the bank and those of its customers have the potential to impact communities and the environment. It is necessary that for certain industries and activities, the bank must consider the environmental, social, and human rights impacts of its lending and investments along with the traditional financial risk. Recognizing the impact of its lending activities on communities and the environment, the bank places strategic importance on the intended use of loan proceeds. All credit exposures are reviewed not only for financial viability but also for their environmental and social relevance.

In compliance with Bangko Sentral ng Pilipinas (BSP) Circular No. 1128, the bank has adopted and implemented the Environmental and Social Risk Management System (ESRMS). This system is designed to integrate Environmental and Social (E&S) considerations of the bank's credit operations.

Credit proposals shall go through E&S risk and impact assessment and shall be screened using the applicable tools which shall be in adherence to applicable National and International laws. Only activities or projects which pass the said assessment shall be eligible for financing. E&S Due Diligence (ESDD) process shall be imposed in the approval of loans in accordance to the applicable categorization and procedures.

Loans are carefully categorized as part of either the Eligible Green Portfolio which support initiative such as climate-resilient agriculture or the Eligible Social Portfolio which includes projects that promote inclusive development, such as micro and small entrepreneurship, access to education, gender-focused lending and hygiene and sanitation.

SFF Compliance	No. of Accounts	Amount
Eligible Green Portfolio	9,476	543,836,783.13
Eligible Social Portfolio	20,189	1,011,701,492.65
Grand Total	29,655	1,555,538,275.78

The bank's efforts in advancing sustainable finance go beyond regulatory compliance. It has proactively partnered with respected international development organizations and non-profit institutions to amplify its environmental and social impact. Among its key collaborators are:

- Water.org, which supports access to safe water and sanitation through microfinance solutions, helping communities address WASH (Water, Sanitation, and Hygiene) needs in a sustainable and affordable manner.
- MEDA-RIISA (Mennonite Economic Development Associates – Resilience and Inclusion through Investment for Sustainable Agriculture), which promotes sustainable agriculture, organic farming and value chain development for smallholder farmers and vulnerable groups.

These partnerships have enabled the bank to introduce innovative, mission-aligned credit products and implement community-based environmental initiatives. Its commitment to compliance and sustainability will be further reinforced through continued investments in green and social finance products, employee training and borrower awareness programs.

Employees' Well-being

The bank recognizes that its employees are its greatest asset, and it is committed to promoting their well-being. This includes offering competitive benefits, fostering a diverse and inclusive workplace, and providing opportunities for professional development. The bank also supports a work-life balance to ensure that employees can thrive both personally and professionally.

Comprehensive Health Benefits

In addition to the HMO provided to all employees, the bank offers supplementary support through our CBC Health Care Program. This program provides financial assistance during hospitalization by reimbursing 60% of the hospital bill after PhilHealth benefits and HMO insurance have been applied. It also covers 60% of the total cost of medicines purchased outside the hospital during confinement, as well as 60% of necessary maintenance medicines for up to seven days post-confinement. This ensures our employees receive comprehensive care without undue financial burden. In 2024, 24 employees benefited from this program, receiving a total of P250,993.79 in reimbursements.

The bank also covers comprehensive Annual Physical Examinations (APE) to all regular employees, reflecting our commitment to their well-being. This program is key for proactive health management, allowing for the early detection of potential health issues, including chronic diseases. Early intervention, through lifestyle changes or treatment, significantly improves health outcomes and quality of life.

Beyond individual health, the APE program also helps ensure workplace safety. By identifying health conditions that could pose risks, we can implement measures to keep our safety protocols effective and prevent work-related illnesses.

In 2024, 329 employees benefited from this program, highlighting the bank's dedication to a healthy, safe, and productive workforce.

Employee Health & Wellness

At our bank, we believe in nurturing every aspect of our employees' well-being, from spiritual growth to physical vitality and professional development.

Our commitment begins each morning with a dedicated prayer session held across all branches and offices. This isn't merely a routine; it's a program designed to empower every employee with the opportunity to lead the prayer, read a scripture from the Bible, and share a personal reflection. This practice serves a vital dual purpose: it significantly contributes to spiritual development and plays a key role in building the self-confidence of our team members.

Beyond spiritual, our health and wellness program encourage regular physical activity, with all branches and offices holding 10–15-minute physical fitness workouts twice weekly on Wednesdays and Fridays. Additionally, employees have the option to view online sessions covering proper diet, nutrition, stress management, and illness prevention.

Demonstrating our commitment to mental well-being, the bank held a Mental Health Awareness Webinar in October 2024, engaging 401 participants bank-wide.

To foster a culture of professional growth and enhance collaborative spirit, the bank organized a comprehensive 2-day Teambuilding and Retreat. This impactful program, held in 6 batches from June to September 2024, engaged all 396 employees. It provided valuable refreshers and new insights into essential skills such as creative problem-solving, interpersonal relationships, teamwork, and servant leadership.

Fair Labor Practices & Safe Working Conditions

The bank firmly believes in providing our employees with equal employment, growth, and opportunities within the organization. We are dedicated to fostering an inclusive workplace where every individual can thrive.

The Bank upholds a strict non-discrimination policy, ensuring that employees and applicants are

considered solely on their qualifications and ability to meet job requirements, regardless of religious belief, sex, color, age, or tribe/ethnic origin. We proudly adhere to all labor laws that promotes diversity and inclusion, actively cultivating a safe and healthy work environment for everyone.

We are committed to the financial well-being of our team. The Cooperative Bank of Cotabato pays its employees above the legal minimum wage, ensuring they earn enough to comfortably meet their basic needs for housing, food, healthcare, and education.

The bank utilizes a standardized salary structure benchmarked against comparable banks and cooperatives. This structure ensures fairness and reduces pay disparities across all job levels and categories. It also serves as our guide for future salary reviews, placements, and promotions.

Beyond competitive wages, the bank provides a comprehensive benefits package designed to support our employees at every stage of life. This includes: Health Insurance, Life Insurance, Annual Physical Examinations, Paid Time Off: (vacation, sick leave, accidental leave, parental leave, birthday leave, bereavement leave, force leave, holidays, etc.), Rice Allowance, Death Aid, Retirement Plans, Housing Allowance (for those assigned to branches away from their residence), Meal Allowance (for field staff) and Fuel Subsidy.

Occupational Health & Safety

The Cooperative Bank of Cotabato is committed to providing a healthy and safe working environment for all employees. We actively develop, organize, and maintain occupational health and safety services tailored to our operations. Our goal is to promote overall well-being and protect every employee from injury, sickness, or death, thereby enabling them to reach their full potential in their roles.

To achieve this, the Bank has organized a Health and Safety Committee. This committee is responsible for formulating health and safety guidelines and developing necessary strategies to manage, control, and prevent their occurrence in the bank's daily operations.

Further strengthening our emergency response capabilities, on November 18-19, 2024, Occupational First Aid and Basic Life Support-Cardiopulmonary Resuscitation (CPR) with Automated External Defibrillator (AED) Operation Training was provided. This crucial training was delivered to 57 selected employees, representing each branch/office and appointed as members of the Bank's Health and Safety Committee.

The bank regularly conducts Disaster Preparedness Training, including Earthquake Safety Management, Fire Fighting/Prevention, and Proper Evacuation Drills, for all employees. For 2024, these essential drills were conducted per branch/office from March to May, with a total of 397 participants.

AUDITED FINANCIAL STATEMENTS



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURNS

The management of Cooperative Bank of Cotabato is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value-added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

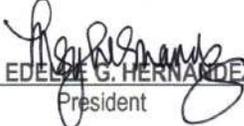
In this regard, management affirms that the attached audited financial statements for the year ended December 31, 2024, and the accompanying Annual Income Tax Return are in accordance with the books and records of Cooperative Bank of Cotabato, complete and correct in all material respects.

Management likewise affirms that:

- a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules have been reported as reconciling items and maintained in the Bank's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances;
- c) The Cooperative Bank of Cotabato has filed all applicable returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Maharlika Highway, Lanao, Kidapawan City, North Cotabato


ERMA R. ODAL
Chairman, Board of Directors


EDELMA G. HERNANDEZ
President


HERMELITA O. DE VERA
Vice President for Finance



**QUILAB &
GARSUTA**

Certified Public Accountants

Contact Information

2F, Executive Centrum Building, J.R. Borja Street
Cagayan de Oro City, Philippines, 9000
(063) 88-856-4401, 0917-7121352
quilabgarsuta.com

Current Accreditations

BOA, BIR, SEC, BSP, IC
CDA, NEA, MISEREOR, KNH

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY INCOME TAX RETURNS

The Board of Directors
Cooperative Bank of Cotabato
Maharlika Highway, Lanao, Kidapawan City,
North Cotabato

We have audited the financial statements of Cooperative Bank of Cotabato. as of and for the year ended December 31, 2024, on which we have rendered the attached report, dated March 31, 2025.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the Chairman of the Board, President or principal stockholders of the Bank.

QUILAB & GARSUTA, CPAs
By:

RICCIO P. QUILAB

Engagement Partner

CPA Cert. No. 46034

TIN No. 129-040-841

PRC/BOA Cert. No. 7787, 2023-2026

BIR No. 16-007506-001-2022, 2022-2024

CDA CEA No. 1898, 2024-2028

46034-SEC Group B, 2020-2024

46034-BSP Group B, 2020-2024

46034-IC Group A, 2020-2024

PTR No. 6133947 A

January 2, 2025

Cagayan de Oro City

March 31, 2025
Cagayan de Oro City, Philippines

REPORT OF INDEPENDENT AUDITORS

Contact Information

2F, Executive Centrum Building, J.R. Borja Street
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CDA, NEA, MISEREOR, KNH

The Board of Directors
Cooperative Bank of Cotabato
Maharlika Highway, Lanao, Kidapawan City, North Cotabato

Report on the Financial Statements

Opinion

We have audited the financial statements of Cooperative Bank of Cotabato, which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements comprising of a summary of material accounting policy information and other explanatory notes, collectively referred to as 'financial statements.'

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cooperative Bank of Cotabato as of December 31, 2024 and 2023, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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 our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

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 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 audits. 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 audits.

Report on the Supplementary Information Required by Supervising Agencies of the Bank

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplementary information are presented as compliance to the requirements by the corresponding supervising Government agencies in the prudential reporting of the Bank and are not required parts of the basic financial statements.

<i>Supervising Government</i>	<i>Nature of Information</i>	<i>Presented in</i>
CDA	Supplementary Information Required By The CDA	Note 15
BIR Revenue Regulation 15-2010	Supplementary Information on Taxes, Licenses and Fees	Note 26
BSP Circular No.1074	Supplementary Information Required By The BSP	Annex I

Such information is the responsibility of management. The foregoing 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.

QUILAB & GARSUTA, CPAs

By:



RICO R. QUILAB

Engagement Partner

CPA Cert. No. 46034

TIN No. 129-040-841

PRC/BOA Cert. No. 7787, 2023-2026

BIR No. 16-007506-001-2022, 2022-2024

CDA CEA No. 1898, 2024-2028

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46034-IC Group A, 2020-2024

PTR No. 6133947 A

January 2, 2025

Cagayan de Oro City

March 31, 2025

Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Cooperative Bank of Cotabato

December 31,	2024	2023
ASSETS		
Cash and Cash Equivalents (Note 5)	₱939,734,513	₱600,016,648
Loans and Receivables – Net (Note 6)	2,275,645,418	2,579,452,471
Bank Premises, Furniture, Fixtures and Equipment – Net (Note 7)	185,604,783	185,858,163
Right-of-Use Assets – Net (Note 8)	9,903,087	5,258,135
Investment Properties – Net (Note 9)	18,335,332	2,760,796
Other Assets (Note 10)	77,068,690	67,378,122
	₱3,506,291,823	₱3,440,724,335
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Deposit liabilities (Note 11)	₱2,104,780,422	₱1,978,557,254
Bills payable (Note 12)	509,829,538	640,949,546
Other liabilities (Note 13)	132,053,538	115,157,480
Lease liabilities (Note 8)	10,227,003	5,527,493
Total Liabilities	2,756,890,501	2,740,191,773
Members' Equity		
Share capital (Note 15)	82,468,000	82,033,000
Statutory reserves (Note 16)	101,719,133	94,125,913
Revaluation reserves (Note 14)	(11,838,031)	–
Reserve for retirement of preferred shares (Note 15)	3,441,000	3,441,000
Undivided surplus (Note 16)	573,611,220	520,932,649
Total Members' Equity	749,401,322	700,532,562
	₱3,506,291,823	₱3,440,724,335

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Cooperative Bank of Cotabato

Years Ended December 31,	2024	2023
INTEREST INCOME		
Loans and receivables (Note 6)	P425,325,160	P374,455,228
Bank deposits (Note 5)	5,987,141	1,242,386
Total	431,312,301	375,697,614
INTEREST EXPENSE		
Deposit liabilities (Note 11)	67,114,448	59,298,644
Bills payable (Note 12)	28,063,022	22,109,371
Lease liabilities (Note 8)	624,475	276,340
Total	95,801,945	81,684,355
NET INTEREST INCOME	335,510,356	294,013,259
LESS PROVISION FOR EXPECTED CREDIT LOSSES (ECL) (Note 6)	72,645,076	122,513,112
INTEREST INCOME AFTER PROVISION FOR ECL	262,865,280	171,500,147
SERVICE FEES AND OTHER INCOME (Note 17)	116,934,316	189,670,076
NET SURPLUS BEFORE OPERATING EXPENSES	379,799,596	361,170,223
OPERATING EXPENSES (Note 18)	(347,394,576)	(342,441,136)
NET SURPLUS BEFORE INCOME TAX EXPENSE	32,405,020	18,729,087
INCOME TAX EXPENSE (Note 19)		
Current	(4,467,125)	(4,275,415)
Deferred	8,088,906	8,558,450
Net	3,621,781	4,283,035
NET SURPLUS FOR THE YEAR	36,026,801	23,012,122
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Remeasurements of post-employment defined benefit obligation (Note 14)	(15,784,042)	-
Deferred Tax Income (Expense) (Note 19)	3,946,011	-
Other Comprehensive Income (Loss) - net of tax	(11,838,031)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	P24,188,770	P23,012,122

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Cooperative Bank of Cotabato

December 31,	2024	2023
SHARE CAPITAL		
Ordinary (Common) Shares – ₱1,000 par value (Note 15)		
Opening balances	₱78,592,000	₱73,714,159
Additional shares issued during the year	435,000	4,877,841
Closing balances	79,027,000	78,592,000
Preferred Shares (Note 15)	3,441,000	3,441,000
Total Share Capital	82,468,000	82,033,000
STATUTORY RESERVES (Note 16)		
Opening balances	94,125,913	154,774,000
Allocation from net surplus during the year	8,101,255	4,682,272
Charges/adjustments during the year	(508,035)	(65,330,359)
Closing balances	101,719,133	94,125,913
RESERVE FOR RETIREMENT OF PREFERRED SHARES (Note 15)	3,441,000	3,441,000
REVALUATION RESERVES (Note 14)		
Opening balances	–	(8,881,722)
Remeasurement on post-employment DBO (Note 14)	(11,838,031)	–
Transfer from Optional Fund (Note 16)	–	8,881,722
Closing balances	(11,838,031)	–
UNDIVIDED SURPLUS		
Opening balances	520,932,649	503,539,253
Allocation from net surplus during the year (Note 16)	26,305,295	17,393,396
Reversal of previous incentives charges (Note 16)	26,373,276	–
Closing balances	573,611,220	520,932,649
	₱749,401,322	₱700,532,562

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Cooperative Bank of Cotabato

Years Ended December 31,	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year before income tax expense	₱32,405,020	₱18,729,087
Add (deduct) adjustments for:		
Depreciation and amortization (Notes 7 and 9)	20,786,286	18,050,888
Depreciation on right-of-use assets (Note 8)	3,959,318	2,903,101
Provision for expected credit losses (Note 6)	72,645,076	122,513,112
Provision for retirement benefit obligation (Note 14)	6,717,464	3,973,941
Operating surplus before changes in working capital	136,513,164	166,170,129
Add (deduct) changes in working capital, excluding cash and cash equivalents:		
Increase in loans and receivables (Note 6)	238,738,723	(439,332,259)
Increase in other assets (Note 10)	16,682,708	(11,122,827)
Increase in deposit liabilities (Note 11)	126,223,168	270,513,195
Increase (decrease) in other liabilities (Note 13)	23,502,772	(27,564,493)
Net cash used for operations	541,660,535	(41,336,255)
Income taxes paid (Note 19)	(4,642,638)	(4,669,637)
Net Cash Used for Operating Activities	537,017,897	(46,005,892)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to bank premises, furniture, fixtures and equipment (Note 7)	(20,352,835)	(59,309,704)
Additions to investment properties (Note 9)	(16,796,794)	-
Disposal of bank premises, furniture, fixtures and equipment (Note 7)	52,205	3,258,304
Disposal of Investment property (Note 9)	1,094,392	1,416,410
Net Cash Used for Investing Activities	(36,003,032)	(54,634,990)
CASH FLOWS FOR FINANCING ACTIVITIES		
Proceeds from bills payable availed of during the year (Note 12)	320,875,384	737,631,230
Repayment of bills payable (Note 12)	(451,995,393)	(709,410,723)
Cash dividends paid / adjustment (Note 13)	(390,523)	(13,429,992)
Disbursements from statutory funds (Note 16)	(508,035)	(56,448,637)
Additional issuance of shares (Note 15)	435,000	4,877,841
Contribution to plan assets (Note 14)	(16,741,307)	(339,015)
Retirement benefits paid (Note 14)	(8,299,784)	(10,668,958)
Payment of lease principal and interest (Note 8)	(4,672,342)	(2,995,349)
Net Cash Used for Financing Activities	(161,297,000)	(50,783,603)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	339,717,865	(151,424,485)
OPENING CASH AND CASH EQUIVALENTS	600,016,648	751,441,133
CLOSING CASH AND CASH EQUIVALENTS (Note 5)	₱939,734,513	₱600,016,648

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Cooperative Bank of Cotabato

As of and for the Years Ended December 31, 2024 and 2023

Note 1

General Information

Organization

The Cooperative Bank of Cotabato (referred to as 'Bank' in the following sections) was organized and registered with the Cooperative Development Authority (CDA) on April 18, 1979, under Registration No. F-127CB-02-DVO in accordance with the provision of Republic Act (R.A.) No. 6938, otherwise known as the Cooperative Code of the Philippines. The Bank was re-registered with the CDA under Registration No. 9520-12005732 on January 7, 2010 to carry on the business of a rural bank in accordance with the provisions of R.A. No. 7353 (Rural Banks Act of 1992) and R.A. No. 9520 (Philippine Cooperative Code of 2008).

The Bank was granted Certificate of Authority by the Bangko Sentral Ng Pilipinas (BSP) under the provisions of Republic Act No. 720, as amended. The Bank officially started operations by April 18, 1979.

As of December 31, 2024, the Bank has a total of 124 shareholders (active and inactive) on record.

Addresses of Head Office and Branches

The registered office address of the Bank is at Maharlika Highway, Lanao, Kidapawan City, North Cotabato. The Bank operates within the Provinces of North Cotabato, Sultan Kudarat, South Cotabato, Davao Del Sur, and Bukidnon. It has existing branches and microbanking office in the following areas:

Branches

- Kidapawan, at Jose Abad Santos St., Kidapawan City, North Cotabato
- Midsayap, at Sto. Niño St., Poblacion 1, Midsayap, North Cotabato
- M'lang, at George Gauran Sr. St., M'lang, North Cotabato
- Pigcawayan, at Corner Roxas & Sinsuat Sts., Poblacion 2, Pigcawayan North Cotabato
- Antipas, at Public Terminal, Poblacion, Antipas, North Cotabato
- Kabacan, at Roxas St., Poblacion (Public Market), Kabacan, North Cotabato
- Isulan, at National Highway, Kalawag III, Isulan, Sultan Kudarat
- Koronadal, at Jose Abad Santos St., Brgy Zone 3, Poblacion, Koronadal City, South Cotabato
- Bansalan, at Viacrusis St., Poblacion 2, Bansalan, Davao Del Sur
- Surallah, at R.N. Estanislao Bldg., Camia St., Surallah, South Cotabato
- Polomolok, at Corner Cannery Road and Meleguas Road, Poblacion, Polomolok, South Cotabato
- Lebak, at Poblacion 1, Lebak, Sultan Kudarat
- Don Carlos, at Cor Rizal and Diego Silang Sts., P-6, Poblacion Sur, Don Carlos, Bukidnon
- Sulop, at Purok 5, Poblacion, Sulop, Davao Del Sur
- Tacurong, at Magsaysay Avenue, Tacurong, Sultan Kudarat
- Santa Cruz, at National Highway, Zone 3, Sta Cruz, Davao Del Sur.
- Glan, at Sta. Catalina Avenue, Glan, Sarangani

MicroBanking Office

- Makilala, at 893 Crossing, Poblacion, Makilala, North Cotabato

Tax Exemption

The Bank serves both members and non-members. Since the Bank's accumulated reserves and undivided net savings exceeds the ₱10 million threshold for tax exemption, the Bank's transactions with non-members are subject to the following taxes:

- 1) Business transactions with members shall be exempt from all national internal revenue taxes;
- 2) Business transactions with non-members shall be taxed in full rate as follows:
 - (a) Income tax on the amount allocated for interest on share capital of non-members;
 - (b) Value-Added Tax (VAT) under Section 109 pars. (r), (s), (t) and (u) of the Tax Code of 1997; except those falling under pars. (L), (M) and (N), as amended by R.A. 9337;
 - (c) Percentage Tax on all sales of goods and/or services to non-members, except sales made to producers, marketing or service cooperatives;
 - (d) All other internal revenue taxes unless otherwise provided by the law.
 - (e) Limited or full deductibility of donations to duly accredited charitable, research and educational institutions, and reinvestment to socio-economic projects within the area of operation of the cooperative; and
 - (f) Exemption from all taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 7.5% final income tax on interest income derived from a depository bank under the expanded foreign currency deposit system.

Notwithstanding the foregoing, all income of the Bank not related to the main/principal business/es under its Articles of Cooperation shall be subject to all the appropriate taxes under the NIRC, as amended.

Note 2

Statement of Compliance with Philippine Financial Reporting Standards (PFRSs)

Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations-IFRIC.

PFRSs include statements named PFRSs and Philippine Accounting Standards (PAS/IAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) of the Philippine Board of Accountancy (BOA) from the pronouncements issued by the International Accounting Standards Board and approved by BOA and adopted by the Securities and Exchange Commission (SEC).

Prudential Reporting Requirements of BSP and CDA and PFRSs

Because the Bank is a supervised financial institution (BSFI) by the Bangko Sentral ng Pilipinas (BSP), it also abides by the prudential regulations of BSP particularly those that are set forth in the Manual of Regulations for Banks (MORB), and all applicable BSP Circulars and accounting requirements. These regulations and requirements are substantially compliant with PFRSs.

In its Circular No. 494 dated September 20, 2005, BSP emphasized that, as a general rule, BSFIs shall comply in all respect with the provisions of PFRSs in preparing both their audited financial statements and the financial statements for prudential reporting. In its Circular No. 915 dated 05 July 2016 BSP clarified that deviations between local and international accounting standards only apply to the preparation of prudential reports to the BSP. The accounting treatment for prudential reporting aims to ensure that the financial statements provide a suitable basis for measuring risks and ratios of BSFIs.

The preparation of the Bank's financial statements took into considerations deviations from PFRSs that are allowed by BSP for prudential reporting purposes but are incorporated in these financial reporting as explained in the following paragraphs. The Bank prepares only a single set of audited financial statements for general use and for submission to BSP.

- Consolidation of Financial Statements
Under PAS/IAS 27, all bank/quasi-bank subsidiaries, regardless of type, are consolidated on a line-by-line basis. For prudential reporting purposes, however, financial allied subsidiaries, except insurance companies, are consolidated with the financial statements of the parent bank on a line-by-line basis. Non-financial allied subsidiaries and insurance subsidiaries, on the other hand, are accounted for using the equity method. This requirement has no impact on the Bank as it has no subsidiaries.
- Provisioning Requirement
In preparing general purpose audited financial statements, BSFIs adopt the provisions of PFRSs in booking provisions for credit losses. For prudential reporting purposes, however, BSFIs are required to adopt the expected credit loss model in measuring credit impairment in accordance with the provisions of PFRS 9. BSFIs are also required to set up a general loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. BSFIs are not required to provide a 1 percent (1%) GLLP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments. Allowance for credit losses for Stages 1, 2 and 3 accounts are recognized in the profit or loss statement. In cases where the computed allowance for credit losses on Stage 1 accounts is less than the 1 percent GLLP required, the deficiency shall be recognized by appropriating the Retained Earnings (RE) account.

The Bank generally follows the foregoing provisioning requirements for loans and discounts and adopted the provisions of PFRSs for the provisioning requirements of other financial instruments.
- Deemed Cost of ROPA in Settlement of Loans
In computing the deemed cost of real and other properties acquired (ROPA), BSFIs are required to value the property at initial recognition based on the carrying amount of the asset given up in the exchange, i.e., carrying amount of the loan, instead of the fair value of the real and other property acquired. The Bank values its ROPA in accordance with this requirement; however, it has subjected the ROPA to impairment testing and disclosed their fair market values at the reporting date.
- Accrual of Interest Income on Non-Performing Loans
Interest income is allowed to be recognized on non-performing exposures for the purposes of preparing the general-purpose financial statements. For prudential reporting purposes, however, BSFIs are not allowed to recognize interest income on non-performing exposures, except when payment is received. The Bank follows this requirement in preparing these financial statements as dictated by prudence and conservatism.

The Bank is also supervised by the CDA. It has generally complied with the requirements of the Cooperative Code of the Philippines particularly in the aspects of its members' equity. In the distribution of net surplus at the end of the year, however, the Bank follows the rules and regulations of Section 124 of the MORB which prohibits banks to declare dividends unless it has complied with all the requirements imposed by BSP.

New and Amended IFRS Accounting Standards that are Effective for the Current Year

In the current year, the Bank has applied a number of amendments to PFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the FSRSC (as Philippine Financial Reporting Standards) that are mandatorily effective for an accounting period that begins on or after January 1, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to PAS/IAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements

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

The amendments contain specific transition provisions for the first annual reporting period in which the Bank applies the amendments. Under the transitional provisions an entity is not required to disclose:

- Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments
- The information otherwise required by PAS/IAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Bank has no supplier finance arrangements.

Amendments to PAS/IAS 1 Classification of Liabilities as Current or Non-current

The Bank has adopted the amendments to PAS/IAS 1, published in January 2020, for the first time in the current year. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

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

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

The Bank has adopted the amendments to PAS/IAS 1, published in November 2022, for the first time in the current year. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

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

The Bank has no non-current liabilities with covenants.

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

The Bank has adopted the amendments to PFRS 16 for the first time in the current year. The amendments to

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

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

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

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

The Bank has no lease liability in a sale and leaseback arrangement.

New and Revised IFRS Accounting Standards in Issue But Not Yet Effective

At the date of authorization of these financial statements, the Bank has not applied the following new and revised IFRS Accounting Standards (which will become PFRS Accounting Standards) that have been issued but are not yet effective and in some cases had not yet been adopted by the FSRSC.

- PFRS 17 *Insurance Contracts* (including the June 2020 and December 2021 amendments to IFRS 17)
- Amendments to PAS 7 *Statement of Cash Flows* and PFRS 7 *Financial Instruments: Disclosures* titled *Supplier Finance Arrangements*
- Amendments to IAS 21 *Lack of Exchangeability*
- IFRS 18 *Presentation and Disclosures in Financial Statements*
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The Board of Directors does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Bank in future periods, except if indicated below, when applicable.

PFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—*Comparative Information (Amendment to IFRS 17)* to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The FSRSC adopted the amendments to IFRS 17 on December 15, 2021 (and identified the standard as PFRS 17) and amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

The Bank is aware that the new standard applies to any insurance contract regardless of who issued it. The Bank, however, has determined that it has no contracts or arrangements containing insurance risks. The Bank has not issued any financial guarantees; it has no credit card contracts, nor it engages in derivatives. It has also not engaged in issuing deposit accounts bundled with insurance. The Board of Directors has determined that PFRS 17, when effective by January 1, 2025, will have no significant impact on the Bank's operations.

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

The FSRSC has adopted the amendments to IAS 7 and IFRS 7 on June 19, 2023, to be effective beginning January 1, 2025. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments contain specific transition provisions for the first annual reporting period in which the Bank applies the amendments. Under the transitional provisions an entity is not required to disclose:

- Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments
- The information otherwise required by PAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Bank has no supplier finance arrangements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative

delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency. The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:

- A spot exchange rate for a purpose other than that for which an entity assesses exchangeability
- The first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented. In addition, the IASB made consequential amendments to IFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The Board of Directors of the Bank anticipates that the application of these amendments may not have any impact on the Bank's financial statements in future periods.

IFRS 18 Presentation and Disclosures in Financial Statements

The FSRSC has adopted PFRS 18 on October 10, 2024, to be effective beginning January 1, 2027. PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some PAS 1 paragraphs have been moved to PAS 8 and PFRS 7. Furthermore, minor amendments were made to PAS 7 and PAS 33 *Earnings per Share*.

PFRS 18 introduces new requirements to: (1) present specified categories and defined subtotals in the statement of profit or loss, (2) provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements, and (3) improve aggregation and disaggregation.

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

The Board of Directors of the Bank anticipates that the application of these amendments may have an impact on the Bank's financial statements in future periods.

PFRS 19 Subsidiaries without Public Accountability: Disclosures

The FSRSC has adopted PFRS 19 on July 12, 2024, to be effective beginning January 1, 2027. PFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying PFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards. PFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply PFRS 19 if, at the end of the reporting period: (1) it is a subsidiary (this includes an intermediate parent), (2) it does not have public accountability, and (3) its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

A subsidiary has public accountability if: (1) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or (2) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

The Board of Directors of the Bank does not anticipate that IFRS 19 (to become PFRS 19 in the Philippines) will be applicable to the financial statements of the Bank.

Note 3

Summary of Material Accounting Policy Information

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The Bank's management expects these policies to influence the decisions of users of the financial statements. Accounting policies related to immaterial transactions or events were no longer disclosed.

Going Concern

The Board of Directors has at the time of approving the financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing financial statements.

Basis of Preparation

The financial statements have been prepared using a historical cost basis, except for financial instruments that are measured at fair values at the end of the year, as explained in the following accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are within the scope of PFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS/IAS 2 or value in use in PAS/IAS 36.

The financial statements are presented in Philippine peso, which is the Bank's functional and presentation currency, and all values are recorded to the nearest peso except when otherwise indicated.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at reporting date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at statement of financial position date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Presentation of Financial Statements

The Bank's statements of financial position are presented broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) are disclosed in Note 23. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

Financial assets and financial liabilities are recognized in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade and other receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank accounts for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, or if the valuation technique includes unobservable inputs and those unobservable inputs are insignificant relative to their contribution to the difference between the fair valuation and the transaction price, then the difference is recognized in profit or loss on initial recognition (i.e., day 1 profit or loss)
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e., day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a systematic and rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Although the Bank does not have all of the following financial instruments in its financial statements, the policies governing the accounting of these financial instruments are discussed in detail to allow for the proper understanding of the policies governing such financial instruments.

Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. For all financial assets, the amount presented in the statement of financial position includes all amounts receivable, including accrued interest.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): (a) 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 (b) 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. By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset: (a) the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 *Business Combinations* applies in OCI, (b) the Cooperative may irrevocably designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Bank has applied the fair value option and so has designated debt instruments that meet the amortized cost or FVTOCI criteria as measured at FVTPL because doing so significantly reduced an accounting mismatch.

Fair value is determined in the manner described in the preceding paragraphs.

Business Models

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business models do not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. The Bank's business models reflect how the Bank manages its financial assets in order to generate cash flows and determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as: (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel, (b) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed, and (c) how managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses its business models each reporting period to determine whether the business models have changed since the prior reporting period. For the current and prior reporting period, the Bank has not identified any changes in its business models.

SPPI Test

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs and a profit margin.

The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The business model reflects how groups of financial assets are managed together to achieve a business objective and does not depend on management's intention for individual financial assets. A change in business model will occur only when the Bank begins or ceases to perform an activity that is significant to its operations. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no significant change in the Bank's operation. As a result, there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made.

Amortized Cost and Effective Interest Method

An effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Bank recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to a gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

The Bank's financial assets at amortized costs include cash and cash equivalents and loans and discounts and investments in treasury bonds.

◦ Cash and Cash Equivalents

In the statement of financial position, cash and cash equivalents are comprised of cash (i.e. cash on hand and on-demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Deposits with Bangko Sentral ng Pilipinas (BSP) or other financial institution counterparties that are subject to third party contractual restrictions are included as part of cash unless the restrictions result in a deposit no longer meeting the definition of cash. Where the deposit does not meet the definition of cash, depending on the extent of the restriction, it may be a cash equivalent. Presently, there are no contractual restrictions affecting use of deposits.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Bank's cash management. Such overdrafts, if any, are presented as short-term borrowings in the statement of financial position.

◦ Loans and Other Receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise with the Bank providing money, goods and services directly to the debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers, sales contract receivables and all receivables from customers and other banks (due from other banks). They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Bank's loan receivables represent the amounts granted to borrowers with interest charged at the prevailing lending rate approved by the Bank's Board of Directors. The loan policies followed by the Bank hew closely to the policies allowed by the Bangko Sentral ng Pilipinas (BSP).

Loans are particularly monitored for impairment in accordance with Appendix 15 of the MORB.

Individually significant other receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Debt Instruments at Amortized Cost or at FVTOCI

Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment. The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That

principal amount may change over the life of the financial asset (e.g., if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs and a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt Instruments Classified as at FVTOCI

Debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments had been measured at amortized cost. All other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Equity Instruments Designated as at FVTOCI

On initial recognition, the Bank may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive incomes and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with PFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

A financial asset is held for trading if: (1) it has been acquired principally for the purpose of selling it in the near term; (2) on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or (3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI [see (i) to (iii) above] are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Bank designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition [see (iii) above].
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria [see (i) and (ii) above] are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such

designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Bank has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (the Bank has no hedge investments). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other services and other income' line item. Fair value is determined in the manner described the Bank's material accounting policy information.

Impairment of Financial Assets

The Bank recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI for the following financial assets: (a) loans and receivables that are measured at amortized cost; (b) investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income (FVOCI), and (c) credit commitments and financial guarantee contracts that are not measured at fair value through profit or loss (FVTPL). No impairment loss is recognized on investments in equity securities.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate.

ECLs are required to be measured through a loss allowance at an amount equal to: (a) 12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage 1) and (b) full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

Stage 1 impairment is characterized by credit exposures that are considered 'performing' and with no significant increase in credit risk since initial recognition or with low credit risk. The time horizon in measuring ECL is twelve (12) months.

Stage 2 impairment is characterized by credit exposures that are considered 'under-performing' or not yet non-performing but with significant increase in credit risk since initial recognition. The time horizon in measuring ECL is lifetime.

Stage 3 impairment happens when credit exposures are considered 'under-performing' or not yet non-performing but with significant increase in credit risk since initial recognition. ECL provision is lifetime.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Measurement and Recognition of Expected Credit Losses (ECL) of Loans and Receivables

The expected credit losses on loans and receivables are estimated using a provision matrix based on the Bank's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Bank considers reasonable and supportable information, including forward-looking information that affect credit risk in estimating the twelve (12)-month ECL. The Bank exercises experienced credit judgment and considers both qualitative and quantitative information that may affect the assessment.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate (EIR), regardless of whether it is measured on an individual basis or a collective basis.

The Bank evaluates the change in the risk of default occurring over the expected life of the exposures in assessing whether these are moved to a lifetime ECL measure. Although collateral will be used to measure the loss given a default, this should not be primarily used in measuring risk of a default or in transferring to different stages. The Bank measures lifetime ECL of the following: (a) exposures that have significantly increased their credit risk from origination (Stage 2); and (b) non-performing exposures (Stage 3).

The Bank treats Stage 1 provisions for loan accounts as General Provision (GP), while Stages 2 and 3 provisions are treated as Specific Provisions (SP).

The Bank sets up general loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. The Bank is not required to provide a 1 percent (1%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments.

The allowance for credit losses for Stages 1, 2 and 3 accounts are recognized in the profit or loss statement. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1 percent GP required, the deficiency is recognized by appropriating the Retained Earnings account. The GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in RE are considered as Tier 2 capital subject to the limit provided under the Capital Adequacy Ratio (CAR) framework.

The Bank transfers credit exposures from Stage 1 to Stage 2 if there is significant increase in credit risk from initial recognition. The Bank establishes well-defined criteria on what constitutes significant increase in credit risk. The Bank considers a wide range of information, which includes, among others, information on macroeconomic conditions, economic sector and the geographical region relevant to the borrower, and other factors that are borrower-specific.

The Bank classifies exposures to Stage 2 if the exposures have potential weaknesses, based on current and/or forward-looking information, that warrant management's close attention. Said weaknesses, if left uncorrected, may affect the repayment of these exposures. The Bank also classifies exposures Stage 2 if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Bank transfers the exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is

sufficient evidence to support their full collection. Exposures should exhibit both the quantitative and qualitative indicators of probable collection prior their transfer. The quantitative indicator is characterized by payments made within an observation period (e.g., regularly pays during the minimum observation period). The qualitative indicator pertains to the results of assessment of the borrower's financial capacity (e.g., improvement in counterparty's situation). As a general rule, full collection is probable when payments of interest and/or principal are received for at least six (6) months.

The Bank observes the following guidelines for exposures that were restructured:

- a) Non-performing restructured exposures that have exhibited improvement in creditworthiness of the counterparty may only be transferred from Stage 3 to Stage 1 after a total of one (1) year probation period [i.e., six (6) months in Stage 3 before transferring to Stage 2, and another six (6) months in Stage 2 before transferring to Stage 1; or directly from Stage 3 to Stage 1, without passing through Stage 2, after twelve (12) months]; and
- b) Restructured accounts classified as 'performing' prior to restructuring are initially classified under Stage 2. The transfer from Stage 2 to Stage 1 will follow the six (6)-month rule mentioned in Item a) above.

In measuring the ECL to multiple exposures to a single counterparty or multiple exposures to counterparties belonging to a group of related entities, the following apply:

- Exposures to non-retail counterparties.
The Bank measures ECL at the counterparty level. In particular, the Bank considers all exposures to a counterparty as subject to lifetime ECL when any of its material exposure is subjected to lifetime ECL;
- Exposures to a retail counterparty.
The Bank measures ECL at the transaction level. In particular, the Bank classifies one transaction under Stage 1 and another transaction under Stage 3. However, the Bank is not precluded from taking into account the potential of cross default, such that if one exposure is classified under Stage 3 all the other exposures may be classified under Stage 3; and
- Exposures to counterparties belonging to a group of related entities.
The Bank measures ECL at the counterparty level (per entity). The Bank likewise considers the status of the other counterparties belonging to the same group in determining the stage under which the exposures shall be classified.

Significant Increase in Credit Risk

The Bank monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank measures the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Bank's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Bank's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet his debt obligations.

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Bank has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (1) the financial instrument has a low risk of default; (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Bank regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of Default

The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL and the identification of a significant increase in credit risk. The Bank considers the following as constituting an event of default: (a) the borrower is past due more than 90 days on any material credit obligation to the Bank, and (b) the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting and internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit-impaired financial assets below, default is evidence that an asset is credit-impaired. Therefore, credit-impaired assets will include defaulted assets, but will also include other non-defaulted assets given the definition of credit-impaired is broader than the definition of default.

Irrespective of the above analysis, the Bank considers that default has occurred when a financial asset is more than 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event; (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see above) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

Modification and Derecognition of Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g., a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for all borrowers.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially

different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- 1) Qualitative factors, such as contractual cash flows after modification are no longer SPPI (or vice versa), change in currency of the asset or expiry of rights to cash flows between the original counterparties because a new debtor replaces the original debtor (unless both debtors are under common control). If these do not clearly indicate a substantial modification, then
- 2) A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original EIR. If the difference in present value is greater than 10 per cent the Bank deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing: (a) the remaining lifetime probability of default (PD) estimated based on data at initial recognition and the original contractual terms; with, and (b) the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, and various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit-impaired due to the existence of evidence of credit-impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in profit or loss in 'Losses on modification of financial assets'. Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of the equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g., when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Write-Off Policy

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition of Financial Assets

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.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Bank has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the assets
- For debt instruments measured at FVTOCI, no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve in the equity portion of the statement of financial position.

Financial Liabilities and Equity

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs. Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Bank, are measured in accordance with the specific accounting policies set out below.

Financial liabilities, which include deposit liabilities, bills payable and accrued expenses and other liabilities (excluding tax-related payables), are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the caption Interest Expense in the statement of profit or loss.

Deposit liabilities are recorded or stated at amounts in which they are to be paid.

Bills payables are recognized initially at fair value, which is equivalent to the proceeds of the loan (fair value of consideration received). Bills payables are subsequently stated at amortized cost; any difference between the proceeds, net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Accrued expenses and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost less settlement payments. Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders and the BSP.

Financial Liabilities Measured Subsequently at Amortized Cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of Financial Liabilities

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

When the Bank exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Bank currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future events. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instrument

Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment, except for land, are carried at acquisition cost or construction cost less subsequent depreciation and amortization and any impairment losses. Land held for administration is stated at cost less any impairment losses.

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 while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

- Buildings and improvement 20 to 25 years
- Transportation equipment 8 to 10 years
- Furniture, fixtures and equipment 2 to 5 years
- Information technology equipment 2 to 5 years

Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements of two years, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes the costs of construction and other direct costs. The account is not depreciated until such a time that the assets are completed and available for use.

Fully-depreciated and fully-amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets. The estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying values of bank premises, furniture, fixtures and equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of bank premises, furniture, fixtures and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Investment Properties

Investment properties include parcels of land acquired by the Bank from defaulting borrowers that are not expected to be sold within the next 12 months. These are initially measured at acquisition cost, which comprises the carrying amount of the related loan after adjustments for unamortized premium or discount less allowance for credit losses plus accrued interest and directly attributable costs. Investment properties also include building and improvements with currently undetermined use. Subsequently, investment properties are stated at cost less accumulated depreciation (except for land) and any impairment in value.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

ROPAs are booked initially at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less allowance for credit losses computed based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property). If the carrying amount of ROPA exceeds ₱5.0 million, the appraisal of the foreclosed/purchased asset is to be conducted by an independent appraiser acceptable to the BSP.

The carrying amount of ROPA are allocated to land, building, other non-financial assets and financial assets (e.g., receivables from third party or equity interest in an entity) based on their fair values, which allocated carrying amounts shall become their initial costs.

The non-financial assets portion of ROPA shall remain in ROPA and shall be accounted for as follows:

- (1) Land and buildings are accounted for using the cost model under PAS/IAS 40 *Investment Property*;
- (2) Other non-financial assets are accounted for using the cost model under PAS/IAS 16 *Property Plant and Equipment*;

- (3) Buildings and other non-financial assets are depreciated over the remaining useful life of the assets, which shall not exceed twenty-five (25) years and ten (10) years from the date of acquisition, respectively; and
- (4) Land, buildings and other non-financial assets are subject to the impairment provisions of PAS/IAS 36 *Impairment of Assets*.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance, security maintenance and other holding costs are normally charged to income in the period in which the costs are incurred.

Investment properties are derecognized when they have either been disposed of or when investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on derecognition of an investment property is recognized in the statement of income in the year of derecognition.

Prepayments and Other Resources

Prepayments and other resources pertain to other resources controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. 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.

Intangible Asset

Intangible asset (presented as part of Prepayments and Other Resources in the statements of financial position) pertains to an acquired computer software license used in the performance of financial services and administration, which is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up acquiring an asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of two years as the lives of the intangible asset is considered finite.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Non-Financial Assets

The Bank's bank premises, furniture, fixtures and equipment and investment properties are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Bank's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined

individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the assets or cash-generating unit's recoverable amount exceeds its carrying amount.

Share Capital and Other Equity Accounts

Share capital, which consists of common and preferred shares, represents the nominal value of shares that have been issued.

Reserve for retirement of preferred shares was established by the Bank to comply with the requirements of BSP as reserves for the retirement of preferred shares. Allocation to this fund is an appropriation from net profit, as authorized by the Bank's BOD.

Revaluation reserves comprise gains and losses on remeasurements of post-employment defined benefit assets or obligation.

Surplus and statutory reserves include all distributions of net surplus from current and prior period results, net of interest on share capital and patronage refunds, as reported in the statement of profit or loss, reduced by the amounts of dividends declared and any disbursements from the statutory reserves.

Statutory Funds

The Bank establishes statutory funds in accordance with the provisions of R.A. No. 9520, An Act Amending the Cooperative Code of the Philippines to be Known as the "Philippine Cooperative Code of 2008".

The following are the nature of these funds:

a) General Reserve Fund (GRF)

The General Reserve Fund, which receives 10% allocation every year from the net surplus of the Bank, is intended for the stability of the Bank and to meet losses in its operations. The General Assembly may decrease the amount allocated to the Fund when the Fund already exceeds the authorized share capital. Such sum of the reserve fund in excess of the share capital may be used at any time for any project that would expand the operations of the Bank upon the resolution of the General Assembly. Any sum recovered on items previously charged to the reserve fund shall be credited to such fund.

The Fund shall not be utilized for investments other than those allowed by the Cooperative Code. Upon the dissolution of the Bank, the General Reserve Fund shall not be distributed to members. However, the General Assembly may resolve to establish a usufructuary trust fund for the benefit of any federation or union to which the Bank is affiliated, or to donate, contribute, or otherwise dispose of the amount for the benefit of the community where the Bank operates. If the General Assembly cannot decide upon the disposal of the Fund, the same shall go to the federation or union to which the Bank is affiliated.

b) Cooperative Education and Training Fund (CETF)

The Cooperative Education and Training Fund, which also receives 10% allocation from the net surplus of the Bank every year, is intended for the education and training and other purposes of the Bank's members. Half of the allocation to the Fund is remitted to the Cooperative Education and Training Fund of the federation or union to which the Bank is affiliated. Upon the dissolution of the Bank, the unspent balance of the Fund shall be credited to the Cooperative Education and Training Fund of the federation or union to which the Bank is affiliated.

- c) Community Development Fund (CDF)
The CDF receives 3% allocation from the net surplus of the Bank every year and is intended to be used for projects or activities that will benefit the community where the Bank operates.
- d) Optional Fund
The Optional Fund is intended either for land and building or any purposes. It receives 7% allocation from the net surplus of the Bank every year.

Revenue and Cost Recognition

The Bank's revenue is derived substantially from banking business and related activities and comprises net interest income and non-interest income. Income is recognized on an accrual basis in the period in which it accrues. Management has determined that the revenue from interest on loans and receivables are within the scope of PFRS 9 while the income from non-interest related activities are within the scope of PFRS 15. The following specific criteria are the bases used in recognizing revenue:

Under PFRS 9

- (a) Interest income and interest expenses are recognized in the statement of income for all financial assets or liabilities using the effective interest method on the basis of the cost of the individual financial instrument. The effective interest method is a method of calculating the amortized costs of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

- (b) Interest expense on deposit liabilities are recognized based on the accrual method of accounting, using the effective interest method which is the rate that exactly discounts estimated future cash flows through the expected life of the interest-bearing financial instruments to the net carrying amount of the financial liability.
- (c) Income from investments in debt securities held to collect contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes) are recognized at amortized cost, with interest income recognized at the effective interest rate.

Under PFRS 15

The Bank earns service fees and commissions on various banking services, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15. The Bank has evaluated that these revenues are within the scope of PFRS 15, based on the following gating criteria:

For each contract with a customer, the Bank:

- (1) Identifies the contract with a customer;
- (2) Identifies the performance obligations in the contract;
- (3) Determines the transaction price which takes into account estimates of variable consideration and the time value of money;

- (4) Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- (5) Recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

The Bank recognizes income from other sources as follows:

- (d) Service charges, loan fees and commissions are generally recognized when earned over the term of the credit lines granted to each borrower. Other non-finance charges on loans and penalties on delinquent accounts are recognized as the related services are performed.
- (e) Income from assets sold or exchanged is recognized when the title to the assets is transferred to the buyer or when collectability of the entire sales price is reasonably assured. This is included in the statement of income as part of Service Fees and Other Income.
- (f) Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statements of profit or loss under other income.

Cost and Expenses

Costs and expenses are recognized in the statement of income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen, which can be measured reliably. Costs and expenses are recognized in the statement of income: i) on the basis of a direct association between the cost incurred and the earnings of specific items of income; ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

- (g) Administrative and other operating expenses include the costs directly associated with the generation of revenue and cost of administering the business, and these are expensed as incurred.

Compensation and Fringe Benefits Expense

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees or for the termination of their employment in the Bank. The Bank recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the Bank consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The following represent the accounting followed by the Bank for all types of employee benefits, except share-based payment, to which there is none:

- a) Short-Term Employees' Benefits

Short-term employees' benefits are those expected to be settled wholly before twelve months after the

end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries, profit-sharing and bonuses (if there are any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service. The benefits also include compensated absences, which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Bank expects to pay as a result of unused entitlements at the end of the period.

The amounts recognized are included in the Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

b) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines the amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of postemployment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's post-employment defined benefit plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at least every two years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of either Interest Expense or Interest Income in the statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

c) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity, such as the Social Security System. The Bank has no legal or constructive obligation to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

Leases – The Bank as Lessee

The Bank's leases substantially involve the use of office spaces that are used for its branch offices. The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these low value leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on Government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Bank and the lease does not benefit from a guarantee from the Bank. For the purpose of discounting, the Bank is using the average borrowing rate of its bills payable and time deposits.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS/IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Bank applies PAS/IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the bank premises, furniture, fixtures and office equipment policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Rent' in the statement of profit or loss.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components and instead accounts for any lease and associated non-lease components as a single arrangement. The Bank has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Leases – The Bank as Lessor

The Bank is not a lessor of properties.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, which are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Bank has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

Earnings per Share

Basic earnings per share (EPS) is computed by dividing the net surplus for the year attributable to common shareholders (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net surplus for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Distribution of Net Surplus

In accordance with the provisions of Republic Act 9520, otherwise known as the Philippine Cooperative Code of 2008, the Bank distributes its net surplus as follows:

- (1) At least ten percent (10%) is set aside as General Reserve Fund (GRF), to provide for the stability of the Bank and to absorb losses in its operations, if any;
- (2) Not more than ten percent (10%) is set aside for Cooperative education and training, with half of the amount to be used for the Bank's own education and training activities and the other half to be remitted to the Cooperative Education and Training Fund (CETF) of the federation or union to which the Bank is affiliated;
- (3) Not more than seven percent (7%) is set aside as Land and Building Fund, which is optional; and
- (4) At least three percent (3%) is set aside for the Community Development Fund.

The remainder is allocated for interest on share capital and/or patronage refund as determined by the Board of Directors, provided that the interest on capital shall not exceed the normal rate of return on investments prescribed by CDA.

Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless of 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; (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; and (d) the Bank's funded retirement plan. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Contingencies

A contingency arises when there is a situation for which the outcome is uncertain, and which should be resolved in the future, possibly creating a loss. The accounting for a contingency is essentially to recognize only those losses that are probable and for which a loss amount can be reasonably estimated. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized either, but these are generally disclosed unless the possibility of an outflow of resources is remote.

Provisions and Contingent Liabilities

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of 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 reporting date, 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 the effect of the time value of money is material). 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.

Events After Reporting Date

Post year-end events that provide additional information about the Bank's position at statement of financial position date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 4

Significant Accounting Judgment and Key Sources of Estimation Uncertainty

In applying the Bank's accounting policies, which are described in Note 3, *Summary of Material Accounting Policy Information*, the management of the Bank are required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Critical Judgments in Applying the Bank's Accounting Policies

The following are the critical judgments, apart from those involving estimations (which are presented separately below), that the management of the Bank have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the

reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model or a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant Increase in Credit Risk

Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Determination of Lease Term of Contract with Renewal Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options are only included in the lease term if the lease is reasonably certain to be extended.

The renewal options are subject to mutual agreement of the lessor and lessee. The Bank did not include the renewal periods as part of the lease term for its leases since the renewal options are not enforceable considering that both parties still need to agree to renew, including the terms of the renewal, even if both parties have historically always come to a mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

Distinction between Investment Properties and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the Bank's operations

Classification and Determination of Fair Value of Acquired Properties

The Bank classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Investment Properties if held for rental or for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets in accordance with PFRS 9. At initial recognition, the Bank determines the fair value of acquired properties through internal and external appraisal depending on the Bank's threshold policy. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

Estimation of Allowance for ECL

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring

ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment

The Bank reviews annually the estimated useful lives of its bank premises, furniture, fixture and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

Determination of Realizable Amount of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Impairment of Non-Financial Assets

The Bank assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific asset, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Bank is required to make estimates and assumptions that can materially affect the Bank's financial statements.

Fair Value Measurement for Financial Assets

The Bank carries financial asset at fair value which requires judgment and use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques. The amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in fair value of the financial asset would affect other comprehensive income.

Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

Determination of Fair Value of Investment Properties

Investment Properties are measured using the cost model. The fair values that are disclosed in the financial statements are determined by the Bank based on the appraisal reports of a professional and independent appraiser. The fair values are determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such an amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

Valuation of Post-employment Defined Benefit Asset or Obligation

The determination of the Bank's asset or obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by independent actuaries engaged by the Bank in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 3.

Note 5

Cash and Cash Equivalents

This account consists of the following:

<i>December 31,</i>	2024	2023
Due from other banks	₱839,884,978	₱509,989,695
Cash and other cash items	66,806,108	56,365,826
Due from Bangko Sentral ng Pilipinas	33,043,427	33,661,127
	₱939,734,513	₱600,016,648

The due from other banks represents restricted and unrestricted cash and earns interest at prevailing market rates. Interest income from bank deposits amounted to ₱5,987,141 and ₱1,242,386 in 2024 and 2023, respectively, which is presented as interest income on deposits with other banks in the statements of profit or loss.

Cash on hand represents the daily minimum cash balance in the vault of the Bank for a certain percentage of the deposit liabilities required by BSP to be retained. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches after the Bank's clearing cut-off time until the close of the regular banking hours.

Due from Bangko Sentral ng Pilipinas represents the Bank's demand deposit with the BSP in compliance with BSP's reserve requirements. The Bank has satisfactorily complied with the reserve requirements of the BSP. The deposit does not earn interest.

Note 6

Loans and Receivables

The loans and receivables from the Bank's customers are categorized as follows:

<i>December 31,</i>	2024	%	2023	%
Loans receivable	₱2,651,031,635	97.50	₱2,938,650,785	99.36
Accrued interest receivable	19,652,252	0.72	18,129,762	0.61
Accounts receivables	48,176,346	1.77	729,409	0.02
Sales contract receivable	14,000	0.01	103,000	0.01
Total	2,718,874,233	100.00	2,957,612,956	100.00
Less allowance for expected credit losses	443,228,815	16.30	378,160,485	12.79
Net	₱2,275,645,418	83.70	₱2,579,452,471	87.21

Breakdown of Loans Receivable

<u>December 31,</u>	2024	%	2023	%
Loans receivable:				
Individual consumption	₱988,103,715	37.27	₱1,028,813,098	35.01
Agricultural	527,814,434	19.91	754,454,379	25.67
Commercial	850,449,981	32.08	355,861,888	12.11
Others	284,663,505	10.74	799,521,420	27.21
Total	2,651,031,635	100.00	2,938,650,785	100.00
Less allowance for expected credit losses	442,683,408	16.70	377,615,498	12.85
Net	₱2,208,348,227	83.30	₱2,561,035,287	87.15

Maturity Profile

<u>December 31,</u>	2024	%	2023	%
Due within 12 months	₱1,530,095,726	57.72	₱1,080,619,482	36.77
Due more than 12 months	1,120,935,909	42.28	1,858,031,303	63.23
Total loans and receivables	₱2,651,031,635	100.00	₱2,938,650,785	100.00

Breakdown of Accrued Interest Receivable

<u>December 31,</u>	2024	%	2023	%
Accrued interest receivable:	₱19,652,252	100	₱18,129,762	100
Allowance for expected credit losses	(196,523)	1	(181,298)	1
	₱19,455,729	99	₱17,948,464	99

Breakdown of Accounts Receivable

<u>December 31,</u>	2024	%	2023	%
Accounts receivable:	₱48,176,346	100	₱729,409	100
Allowance for expected credit losses	(348,884)	60	(363,689)	50
	₱47,827,462	40	₱365,720	50

Loans receivable bear interest rates ranging from 6% to 30% per annum collectible over a period of 1 month to 10 years. Income on loans recognized in the statements of profit or loss amounted to ₱425,325,160 in 2024 and ₱374,455,228 in 2023.

Loan servicing fees amounted to ₱94,677,043 in 2024 and ₱124,587,358 in 2023. (See Note 17.)

The Cooperative bank assigned its loans amounting to ₱500,621,696 in 2024 and ₱502,967,286 in 2023 to secure the bills payable under rediscounting lines with the following banks.

<u>December 31,</u>	2024	2023
Small Business Corp. (SBGFC)	₱246,704,806	₱319,776,163
Land Bank of the Philippines (LBP)	125,281,056	145,493,010
Development Bank of the Philippines (DBP)	128,635,834	37,698,113
	₱500,621,696	₱502,967,286

Loans to Directors, Officers, Stockholders and Related Interests (DOSRI) amounted to ₱22,522,009 in 2024 and ₱29,360,354 in 2023 representing 0.85% and 1.0% of the total loan portfolio, respectively.

Other loans mainly pertain to salary loan releases, the proceeds of which are being used by the borrowers in

different industries. Accounts receivable represents amounts due from members, employees and other parties, which is due and demandable within one year.

Breakdown by Concentration of Credit

<u>December 31,</u>	2024	%	2023	%
Agriculture, forestry and fishing	₱648,001,743	24.44	₱971,930,533	33.07
Wholesale and retail trade	966,883,006	36.47	791,074,782	26.92
Information and communication	309,468,106	11.67	450,997,612	15.35
Human health and social work activities	78,666,525	2.97	144,141,405	4.91
Real estate activities	26,617,680	1.00	12,113,777	0.41
Accommodation and food storage	64,485,956	2.43	63,243,831	2.15
Financial and insurance activities	9,115,510	0.34	35,213,211	1.20
Construction	31,979,343	1.21	50,307,097	1.71
Manufacturing	38,927,528	1.48	95,786,621	3.26
Transportation and storage	27,472,875	1.04	19,061,889	0.65
Other service activities	449,413,363	16.95	304,780,027	10.37
	₱2,651,031,635	100.00	₱2,938,650,785	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30% of total loan portfolio.

Breakdown by Type of Security

<u>December 31,</u>	2024	%	2023	%
Secured by real estate	₱566,082,265	21.35	₱519,358,794	17.67
Secured by chattel	21,045,896	0.79	13,882,439	0.47
Other security	53,132,173	2.00	51,652,079	1.76
Secured loans	640,260,334	24.15	584,893,312	19.90
Unsecured loans	2,010,771,301	75.85	2,353,757,473	80.10
Total loans	₱2,651,031,635	100.00	₱2,938,650,785	100.00

Breakdown by Age of Accounts

<u>December 31, 2024</u>	<u>Current</u>	<u>Past Due</u>	<u>In Litigation</u>	Total
Individual consumption	₱777,182,312	₱207,860,590	₱3,060,813	₱988,103,715
Agricultural	467,774,034	59,572,193	468,208	527,814,435
Commercial	241,254,723	94,430,555	753,527	336,438,805
Others	688,734,043	105,350,566	4,590,071	798,674,680
	₱2,174,945,112	₱467,213,904	₱8,872,619	₱2,651,031,635
	82.04%	17.62%	0.34%	100.00%
<u>December 31, 2023</u>				
Individual consumption	₱833,357,568	₱194,275,271	₱1,180,259	₱1,028,813,098
Agricultural	704,361,190	49,829,981	263,208	754,454,379
Commercial	280,774,215	74,587,698	499,975	355,861,888
Others	727,536,676	71,984,744	–	799,521,420
	₱2,546,029,649	₱390,677,694	₱1,943,442	₱2,938,650,785
	86.64%	13.29%	0.07%	100.00%

Breakdown as to Status of Loans

<i>December 31, 2024</i>	<i>Performing</i>	<i>%</i>	<i>Non-Performing</i>	<i>%</i>	Total	%
Individual consumption	₱786,209,350	36	₱201,894,366	44	₱988,103,716	37
Agricultural	479,333,418	22	48,481,015	11	527,814,433	20
Commercial	241,254,723	11	95,184,082	21	336,438,805	13
Others	688,734,043	31	109,940,638	24	798,674,681	30
	₱2,195,531,534	100	₱455,500,101	100	₱2,651,031,635	100
<i>December 31, 2023</i>						
Individual consumption	₱846,906,749	33	₱181,906,349	49	₱1,028,813,098	35
Agricultural	708,613,680	28	45,840,698	12	754,454,378	26
Commercial	280,774,215	11	75,087,673	20	355,861,888	12
Others	727,536,676	28	71,984,745	19	799,521,421	27
	₱2,563,831,320	100	₱374,819,465	100	₱2,938,650,785	100

Non-Performing Loans

The non-performing loans as defined under Section 304 of the MORB amounted to ₱455,500,101 in 2024 and ₱374,819,465 in 2023. Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. 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.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written off. The Bank reported no restructured loans in 2024 and in 2023.

Interest income recognized on impaired loans and receivables amounted to ₱27,662,206 and ₱39,983,416 in 2024 and 2023, respectively.

Allowance for Expected Credit Losses (ECL) – Loans

The accounts were subjected to impairment testing using the loan loss estimation methodology, provisioning and allowance for credit losses prescribed by the Bangko Sentral ng Pilipinas (BSP). The Bank has determined that after the provision of additional expected credit losses, the level of its allowance for expected credit losses approximates the requirements of the BSP and PFRS 9.

Roll-Forward Analysis of the Allowance for ECL

<i>December 31,</i>	2024	2023
Opening balances	₱378,160,485	₱271,681,198
Additional provisions for the year (Note 16)	72,645,076	122,513,112
Recoveries	(30,290)	–
Transfer to ROPA	(5,858,786)	–
Written-off accounts	(1,687,670)	(16,033,825)
Closing balances	₱443,228,815	₱378,160,485

The provisions for ECL allocated to non-members for income tax purposes amounted to ₱29,493,901 in 2024 and ₱40,306,814 in 2023, representing 70% of the total provisions. Written-off accounts allocated to non-members for income tax purposes amounted to ₱685,194 in 2024 and ₱5,275,128 in 2023. (See Note 19.)

Note 7

Bank Premises, Furniture, Fixtures and Equipment – At Cost

This account consists of the following:

<i>December 31,</i>	2024	2023
Land	₱66,707,245	₱60,285,562
Buildings	108,808,893	90,514,178
Furniture, fixtures, and office equipment	42,027,786	37,667,565
Transportation equipment	40,780,456	33,589,509
Information technology equipment	33,777,437	31,480,806
Construction in Progress	52,000	13,516,342
Leasehold Improvement	15,195,893	19,942,913
Total	307,349,710	286,996,875
Less accumulated depreciation	121,744,927	101,138,712
Net Book Value	₱185,604,783	₱185,858,163

Reconciliation of the Movements of the Accounts

<i>December 31, 2024</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirement/Reclass</i>	<i>Closing Balances</i>
<u>Cost</u>				
Land	₱60,285,562	₱6,421,683	₱–	₱66,707,245
Buildings	90,514,178	8,334,492	9,960,223	108,808,893
Furniture, fixtures, & office equip't	37,667,565	4,260,435	99,786	42,027,786
Transportation equipment	33,589,509	8,777,852	(1,586,905)	40,780,456
Information technology equipment	31,480,806	2,400,515	(103,884)	33,777,437
Construction in progress	13,516,342	102,403	(13,566,745)	52,000
Leasehold improvements	19,942,913	106,145	(4,853,165)	15,195,893
Total	286,996,875	30,403,525	(10,050,690)	307,349,710
<u>Less accumulated depreciation</u>				
Building	31,960,591	4,402,600	944,938	37,308,129
Furniture, fixtures, & office equip't	27,229,177	5,392,127	(78,840)	32,542,464
Transportation equipment	13,954,328	3,987,235	(2,007,969)	15,933,594
Information technology equipment	23,782,320	5,285,839	(72,210)	28,995,949
Leasehold improvements	4,212,296	1,590,619	1,161,876	6,964,791
Total	101,138,712	20,658,420	(52,205)	121,744,927
Net Book Value	₱185,858,163	₱9,745,105	(₱9,998,485)	₱185,604,783

December 31, 2023

<u>Cost</u>				
Land	₱44,780,235	₱15,505,327	₱–	₱60,285,562
Buildings	83,945,801	6,568,377		90,514,178
Furniture, fixtures, & office equip't	31,027,519	6,640,046		37,667,565
Transportation equipment	25,324,218	10,654,009	(2,388,718)	33,589,509
Information technology equipment	28,360,207	3,215,796	(95,197)	31,480,806
Construction in progress	8,400,588	5,115,754		13,516,342
Leasehold improvements	9,508,342	11,610,395	(1,175,824)	19,942,913
Total	231,346,910	59,309,704	(3,659,739)	286,996,875

(Carried Forward.)

(Brought Forward.)
December 31, 2023

	Opening Balances	Additions	Retirement/Reclass	Closing Balances
<u>Less accumulated depreciation</u>				
Buildings	27,240,427	4,720,164		31,960,591
Furniture, fixtures, & office equip't	23,019,198	4,215,888	(5,909)	27,229,177
Transportation equipment	12,829,356	3,201,543	(2,076,571)	13,954,328
Information technology equipment	18,900,306	4,882,014		23,782,320
Leasehold improvements	4,459,149	928,971	(1,175,824)	4,212,296
Total	86,448,436	17,948,580	(3,258,304)	101,138,712
Net Book Value	₱144,898,474	₱41,361,124	(₱401,435)	₱185,858,163

In 2024 and 2023, the Bank recognized gain on retirement of bank premises, furniture, fixtures and equipment amounting to ₱492,415 and ₱371,163, respectively. The amount is presented as part of Other Operating Income in the statements of profit or loss. (See Note 17.)

Details of Depreciation Expense

Depreciation as presented in profit or loss consisted of the following:

December 31,	2024	2023
Depreciation on bank premises, furniture, fixture and equipment (Note 7)	₱20,658,420	₱16,060,047
Depreciation on right-of-use assets (Note 8)	3,959,318	2,903,102
Investment property (Note 9)	127,866	102,308
	₱24,745,604	₱19,065,457

Note 8

Right-of-Use Asset

This account consists of the following:

December 31,	2024	2023
Right-of-use assets	₱20,638,920	₱11,990,957
Accumulated depreciation	(10,735,833)	(6,732,822)
Net Book Value	₱9,903,087	₱5,258,135

The Bank has leases for buildings and spaces occupied by its branches dispersed in strategic locations within Mindanao. With the exception of short-term leases and leases of low value assets, the leases are reflected on the statement of financial position collectively as right-of-use assets and lease liabilities. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liabilities and assets.

The Bank discounted the future lease payments at 2.879% per annum, the incremental borrowing rate (IBR) based on the average borrowing rate of the Bank's existing loans payable to a Government banks. (See Note 13.). The observable rate was no longer adjusted for credit risk and other factors as management determined that any adjustments are immaterial. The Bank applied a single discount rate to the portfolio of leases as it considers the leases similar in class of underlying assets in a similar economic environment.

During 2024, the Bank recognized its right-of-use assets at ₱8,647,963 and lease liability at ₱8,647,963, interest expense of ₱624,475 and depreciation expense of ₱3,959,318.

Total lease payments (including interest) amounted to ₱4,672,342 in 2024 and ₱2,995,349 in 2023. Deductible rent expense allocated to non-members for income tax purposes amounted to ₱1,896,972 in 2024 and ₱985,470 in 2023.

Reconciliation of Carrying Amounts

<i>December 31, 2024</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Disposal/Adjustment</i>	<i>Closing Balances</i>
Right-of-use assets	₱11,990,957	₱8,647,963	₱–	₱20,638,920
Less accumulated depreciation	6,732,822	3,959,318	43,693	10,735,833
Net Book Value	₱5,258,135	₱4,688,645	(₱43,693)	₱9,903,087
<i>December 31, 2023</i>				
Right-of-use assets	₱8,743,908	₱3,247,049	₱–	₱11,990,957
Less accumulated depreciation	3,829,721	2,903,101	–	6,732,822
Net Book Value	₱4,914,187	₱343,948	₱–	₱5,258,135

Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

<i>December 31,</i>	2024	2023
Current	₱3,084,797	₱2,425,107
Non-current	7,142,206	3,102,386
	₱10,227,003	₱5,527,493

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Bank is prohibited from selling or pledging the underlying leased assets as security and must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must incur maintenance fees on the leased assets in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2024 are as follows:

<i>December 31, 2024</i>	<i>Within one year</i>	<i>1 to 2 years</i>	<i>2 to 5 years</i>	Total
Lease payments	₱3,510,224	₱2,783,746	₱5,505,917	₱11,799,887
Finance Charges	(425,426)	(317,096)	(830,362)	(1,572,884)
Net present values	₱3,084,798	₱2,466,650	₱4,675,555	₱10,227,003
<i>December 31, 2023</i>				
Lease payments	₱2,608,789	₱1,665,225	₱1,580,163	₱5,854,177
Finance Charges	(183,683)	(97,167)	(45,834)	(326,684)
Net present values	₱2,425,106	₱1,568,058	₱1,534,329	₱5,527,493

Lease Payments Not Recognized as Liabilities

The Bank has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The rent payments amounted to ₱0 in 2024 and ₱1,653,336 in 2023 presented as part of Other Operating Expense in the statement of profit of loss. (See Note 18.)

Note 9
Investment Properties

This account consists of land and real properties acquired in settlement of loans, which are held for capital appreciation. In 2020, certain land and buildings that are no longer used in operations were transferred to noncurrent assets held for sale from bank premises, furniture, fixtures and equipment. Investment properties are carried at cost less accumulated depreciation and allowance for impairment.

<i>December 31,</i>	2024	2023
Cost	₱20,921,087	₱5,218,685
Accumulated depreciation	(2,549,195)	(2,421,329)
Allowance for impairment	(36,560)	(36,560)
Net carrying amount	₱18,335,332	₱2,760,796

Reconciliation of the Carrying Amount of Investment Properties

<i>December 31,</i>	2024	2023
Opening balances	₱2,760,796	₱4,159,255
Additions	16,796,794	-
Disposal	(1,094,392)	(1,416,410)
Depreciation	(127,866)	(102,308)
Reversal of impairment	-	120,259
Closing balances	₱18,335,332	₱2,760,796

Income from disposed-off investment properties amounted to ₱196,741 in 2024 and ₱120,259 in 2023. The fair market value of assets disposed amounted to ₱2,193,613. (See Note 17).

Note 10
Details of Other Assets

<i>December 31,</i>	2024	2023
Deferred tax assets (Note 19)	₱64,893,029	₱56,804,123
Prepayments	8,342,973	6,553,871
Stationery and supplies on hand	2,335,491	2,430,785
Financial asset at FVOCI	1,150,733	1,156,263
Financial asset at amortized cost	346,464	433,080
	₱77,068,690	₱67,378,122

This account consists of the following: (a) prepayments pertain to advance payments of insurance expenses covering Bank premises, furniture, fixtures and equipment, money securities and payroll; (b) financial asset at fair value thru other comprehensive income consists of investment in Cooperative Insurance System of the Philippines (CISP), Metro South Cooperative, BANGKOOP and DIGICOOP, and (c) financial asset at amortized cost consists of the investments in bonds of Land Bank of the Philippines.

The Bank has determined that its other assets have not been impaired at the end of the year.

Note 11
Deposit Liabilities

This account is composed of the following: (Please see table next page.)

<i>December 31,</i>	2024	2023
Savings deposits	₱1,164,864,306	₱1,098,476,220
Time deposits	882,786,264	861,358,837
Demand deposits	57,129,852	18,722,197
	₱2,104,780,422	₱1,978,557,254

Maturity Analysis of Time Deposits

<i>December 31,</i>	2024	2023
12 months and below	₱617,950,385	₱675,590,450
Over 12 months to five years	264,835,879	185,768,387
	₱882,786,264	₱861,358,837

The deposit liabilities earn annual fixed interest of 1% for savings deposits, and from 1% to 12% for time deposits.

Total interest incurred amounted to ₱67,114,448 in 2024 and ₱59,298,644 in 2023. Deposits of Directors, Officers, Stockholders and Related Interests (DOSRI) amounted to ₱33,704,739 in 2024 and ₱14,242,865 in 2023, representing 1.60% of the total depository balance as at those dates, respectively.

Note 12
Bills Payable

This consists of the following:

<i>December 31,</i>	2024	2023
Land Bank of the Philippines (LBP)	₱106,488,898	₱301,678,605
Development Bank of the Philippines (DBP)	156,635,834	196,645,358
SB-Guarantee Finance Corporation (SB-GFC)	246,704,806	137,955,123
Rizal Commercial Banking Corporation (RCBC)	–	4,670,460
	₱509,829,538	₱640,949,546

Maturity Profile

<i>December 31,</i>	2024	2023
One year and below	₱5,685,616	₱99,225,138
More than one year	504,143,922	541,724,408
	₱509,829,538	₱640,949,546

Loans amounting to ₱125,281,056 in 2024 and ₱145,493,010 in 2023 are assigned to secure the bills payable to LBP under the Coop Bank's rediscounting lines with LBP.

The bills payable to DBP bears interest of 2.76% per annum and is collateralized by assigning the Bank's promissory notes amounting to ₱128,635,834 in 2024 and ₱37,698,113 in 2023.

The bills payable to SBGFC bear an interest rate of 2.00% to 8.00% per annum with two years term and payable quarterly. (See Note 6.)

Interest incurred on bills payable amounted to ₱28,063,022 in 2024 and ₱22,109,371 in 2023. Accrued interest payable at the end of the year amounted to ₱10,314,929 in 2024 and ₱9,215,806 in 2023.

Accounting of the Movements During the Year:

<u>December 31,</u>	2024	2023
Opening balances	₱640,949,546	₱612,729,039
Additional loans availed during the year	320,875,384	737,631,230
Payments of principal amortizations during the year	(451,995,392)	(709,410,723)
Closing balances	₱509,829,538	₱640,949,546

Note 13

Other Liabilities

This consists of the following:

<u>December 31,</u>	2024	2023
Retirement fund payable (Note 14)	₱59,858,276	₱50,036,399
Cash dividend payable (See table below.)	14,239,379	14,629,902
Due to CETF	12,615,189	11,124,699
Accrued interest payable (Note 12)	10,314,929	9,215,806
Accrued expenses (See paragraph below.)	8,530,718	17,725,694
Income tax payable (Note 19)	1,907,576	2,083,090
Documentary stamp tax (DST) payable	1,663,162	5,162,090
Withholding tax payable	1,244,482	903,624
Accounts payable	911,528	63,464
Others	20,768,299	4,212,712
	₱132,053,538	₱115,157,480

Cash Dividends Payable

The accounting of the movements of the Account during the year follows:

<u>December 31,</u>	2024	2023
Opening balances	₱14,629,902	₱28,059,894
Adjustments	(390,523)	-
Dividend declared (Note 16)	-	-
Cash dividends paid during the year	-	(13,429,992)
Closing balances	₱14,239,379	₱14,629,902

Accrued and Other Liability Accounts

Accrued expenses represent payables to various suppliers that remain unpaid at the end of the year that are expected to be settled within 12 months from the end of the reporting period. CETF payable refers to the amount for remittance to the apex organization of which the Bank is a member.

Note 14

Post-employment Defined Benefit Obligation

The Bank's employees are provided with separation benefits at retirement in accordance with the provisions of R.A. 7641. The Bank maintains a partially funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by trustee banks that are legally separated from the Bank.

The post-employment plan covers all regular full-time employees. Normal retirement benefit is equivalent to 125% of the employee's final monthly covered compensation (average monthly basic salary during the last 12

months of credit service), plus one twelfth (1/12) of the 13th month pay, and cash equivalent of not more than five (5) days of service incentive leaves, multiplied by the number of years of service. A fraction of six (6) months is considered as one whole year. A fraction of one (1) month is considered six (6) months.

The Bank's retirement benefits obligation as of the year end were established based on actuarial valuations as required under PAS/IAS 19 Employee Benefits and PAS/IAS 26, Accounting and Reporting by Retirement Benefit Plans.

The computed retirement benefits obligation approximates the recorded retirement liability, thereby stating fairly the Bank's retirement benefits liability at the end of the year. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary with a valuation dated December 31, 2024.

Components of Post-Employment Defined Benefit Asset

<u>December 31,</u>	2024	2023
Fair value of plan assets	(P67,310,410)	(P58,868,887)
Present value of the obligation	59,858,276	50,036,399
Net Obligation/ (Asset)	(P7,452,134)	(P8,832,488)

Movements in the Present Value of Post-Employment Defined Benefit Obligation

<u>December 31,</u>	2024	2023
Balance at beginning of year	P50,036,399	P57,630,392
Actuarial losses (gains)	11,404,197	-
Current service cost	2,994,756	3,973,941
Net Interest expense (income)	3,722,708	(898,976)
Benefits paid	(8,299,784)	(10,668,958)
Balance at end of year	P59,858,276	P50,036,399

Movements in the Present Value of Plan Assets

<u>December 31,</u>	2024	2023
Balance at beginning of year	P58,868,887	P69,198,830
Actual contribution	46,741,307	39,397,400
Withdrawals	(30,000,000)	(39,058,385)
Benefits paid	(8,299,784)	(10,668,958)
Interest income	-	-
Return on plan assets (excluding amounts included in net interest)	-	-
Balance at end of year	P67,310,410	P58,868,887

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

As Reported in Profit or Loss

<u>Years Ended December 31,</u>	2024	2023
Current service cost	P2,994,756	P3,973,941
Net interest expense (income)	(657,137)	(898,976)
	P2,337,619	P3,074,965

The non-deductible retirement expense, for income tax purposes representing 70% of the total retirement expense amounted to P4,242,228 in 2024 and P2,152,476 in 2023. (See Note 19.)

As Reported in Other Comprehensive Income

<i>Years Ended December 31,</i>	2024	2023
Actuarial (gains) losses arising from:		
Change in financial assumptions	(P11,404,197)	P-
Due to Experience	-	-
Return on plan assets (excluding amount included in net interest)	(4,379,845)	-
Total	(15,784,042)	-
Deferred tax (asset)/liability	3,946,011	-
Remeasurement gain (loss) – net of tax	(P11,838,031)	P-

Movement in the Net Liability/(Asset) Recognized in the Balance Sheet

<i>December 31,</i>	2024	2023
Opening Net Liability/ (Asset)	(P8,832,488)	(P11,568,438)
Amount to be Recognized in Profit or Loss	2,337,619	3,074,965
Amount to be Recognized in OCI	15,784,042	-
Actual contributions	(16,741,307)	(339,015)
Liability/(asset) to be recognized at the end of the year	(P7,452,134)	(P8,832,488)

Movement in the Revaluation Surplus Recognized in the Statement of Financial Position

<i>December 31,</i>	2024	2023
Opening Balance	P-	(P8,881,722)
Transfer from Optional Fund (Note 16)	-	8,881,722
Amount to be Recognized in OCI	(11,838,031)	-
Deferred Tax Asset	-	-
Revaluation Surplus at the end of the year	(P11,838,031)	P-

In determining the amounts of the defined benefit post-employment obligation, the significant actuarial assumptions used in both years are: (a) discount rates, 7.44% and expected rate of salary increases, 1.00%.

Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2024 and 2023:

Impact on post-employment defined benefit obligation:

<i>December 31, 2024</i>	<i>Change in assumption</i>	<i>Increase in assumption</i>	<i>Decrease in assumption</i>
Discount rate	+/- 1.00%	(3,760,899)	4,710,388
Salary increase rate	+/- 1.00%	4,808,871	(3,889,091)
<i>December 31, 2023</i>			
Discount rate	+/- 1.00%	(2,274,145)	2,837,081
Salary increase rate	+/- 1.00%	2,937,836	(2,378,329)

Funding Arrangements and Expected Contributions

The plan is currently overfunded by P7.4 Million based on the latest actuarial valuation. The Bank does not expect to make contribution to the plan during the next financial year. The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

There were no significant changes in the retirement profile, demographic and financial assumptions and other circumstances that could materially impact the valuation and remeasurements of the Bank's post-employment

defined benefit obligation as of December 31, 2024, from the assumptions and circumstances as of December 31, 2024.

<i>December 31,</i>	2024	2023
Within one year	₱241,781	₱6,130,728
More than one year to five years	11,038,614	13,709,529
More than five years to ten years	10,165,162	13,217,595
More than ten years to fifteen years	48,074,014	43,191,494
More than 15 years to 20 years	63,978,016	36,360,044
More than 20 years	422,930,603	376,258,992
	₱556,428,190	₱488,868,382

Note 15
Share Capital

This account consists of the following:

<i>December 31,</i>	2024	2023
<u>Ordinary (Common) Shares</u>		
Authorized – 164,000 shares, ₱1000 par value		
Issued and outstanding shares: 79,027 in 2024 and 78,592 in 2023	₱79,027,000	₱78,592,000
<u>Preference (Preferred) Shares “A”</u>		
Non-Voting and Convertible, Authorized – 1,000 shares, ₱1000 par value		
Issued and outstanding – 1000 shares	1,000,000	1,000,000
<u>Preference (Preferred) Shares “B”</u>		
Non-Voting and Convertible, Authorized – 5,000 shares, ₱1000 par value		
Issued and outstanding – 0 shares	-	-
<u>Preference (Preferred) Shares “C”</u>		
Non-Voting and Convertible, Authorized – 30,000 shares, ₱1000 par value		
Issued and outstanding – 2,441 shares	2,441,000	2,441,000
	₱82,468,000	₱82,033,000

Nature of Capital

Preference (preferred) shares ‘A’ are issued only against investments of the Development Bank of the Philippines (DBP) 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. However, in case of sale of the Development Bank of the Philippines of its preferred shares to those qualified to be members of the Bank, such shares shall automatically become common shares with voting rights, thereby reducing the number of outstanding preferred shares ‘A’ and increasing the number of outstanding common shares. When preferred shares ‘A’ of the Bank have been sold to member-cooperatives, the Articles of Cooperation of the Bank shall be amended to reflect the conversion of preferred shares into common shares. These shares are entitled to a maximum of two percent (2%) interest on share capital, subject to the declaration of interest on common shares.

Preference (preferred) shares “B” shall be issued only to cover investments of the Land Bank of the Philippines 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. These shares are entitled to preference as to profits before any cash/stock dividends are declared and paid out to holders/owners of the common shares. It shall earn non-cumulative cash dividend at the following rates:

- a) Four percent (4%) per annum if redeemed within the first two (2) years from issuance of the shares;
- b) Six Percent (6%) per annum if redeemed within the 3rd to the 4th year from issuance of the shares;
- c) Eight percent (8%) per annum if redeemed within the 5th to the 6th year from issuance of the shares;
- d) Ten percent (10%) per annum if redeemed within the 7th to the 8th year from issuance of the shares;
- e) Twelve percent (12%) per annum if redeemed within the 9th to the 10th year from issuance of the shares.

Preference (preferred) shares “B” are convertible into common shares after the tenth year at the same par value as before conversion. Preference (preferred) shares “C” shall be issued only to cover the investment of qualified non-cooperative institutions, private persons and individuals and shall have preference over the common stock as to assets in case of dissolution. These shares are entitled to a maximum of 2.00% interest.

Reserve for Retirement of Preferred Shares

Reserve for retirement of preferred shares amounting to ₱3,441,000 in 2024 and 2023 was established by the Bank to comply with the requirements of BSP as reserves for the retirement of preferred shares. Allocation to this fund is an appropriation from net profit, as authorized by the Bank’s BOD.

Compliance with Minimum Capital Required

In accordance with Section 121 *Minimum Required Capital* of the MORB, the Bank’s minimum capital is pegged at ₱50 million. As of 2024, the Bank has complied with this capitalization requirement.

Compliance with Regulatory Requirements

Under existing BSP regulations, the determination of the Bank’s compliance with regulatory requirements and ratios is based on the amount of the Bank’s unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRSs in some aspect. The BSP determines the minimum level of capital to be held by the Bank against its market risks, in addition to its credit risk. Appendix 62 of the MORB defines risk-based capital adequacy ratio as a percentage of qualifying capital to risk-weighted assets which shall not be less ten percent (10.00%). Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptance under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board.

As at December 31, 2024, the Bank is in compliance with the minimum capital-to-risk ratio. Please see significant ratios in the following section.

Significant Financial Ratios

The financial ratios of the Bank for the years 2024 and 2023 are as follows:

<u>December 31,</u>	<u>2024</u>	<u>2023</u>
Return on Average Equity	4.97%	3.22%
Return on Average Assets	1.04%	0.69%
Net Interest Margin	8.35%	6.13%
Capital-to-Risk-Assets	20.32%	19.80%
Tier 1 Capital (in thousands)	₱668,371	₱614,639
Tier 2 Capital (in thousands)	₱21,484	₱25,283
CET 1 Capital (in thousands)	₱743,051	₱612,198
Total Qualifying Capital (in thousands)	₱689,855	₱639,924
Total Risk-Weighted Assets (in thousands)	₱3,066,485	₱3,551,162
Tier 1 Ratio	21.80%	17.42%
CET 1 Ratio	24.23%	17.24%
Risk-Based Capital Adequacy Ratio	22.50%	18.04%
Minimum Liquidity Ratio	44.92%	29.89%

Debt to Equity Ratio

<u>December 31,</u>	2024	2023
Total Liabilities	₱2,756,890,501	₱2,740,191,773
Total Equity	749,401,322	700,532,562
Overall financing	₱3,506,291,823	₱3,440,724,335
Debt-to-Equity Ratio	3.68	3.91

Declaration and Accrual of Dividends to Members

No dividend was declared in 2024. On June 29, 2022, the Cooperative Bank's Board of Directors approved the declaration of dividends to common shareholders amounting to ₱17,097,558 and dividends to Class C preferred shares amounting to ₱6,596. Outstanding dividend payable at the end of the year amounted to 14,239,379 in 2024 and ₱14,629,902 in 2023. (See Note 13.)

Capital Management Objectives, Policies and Procedures

BSP, as the Bank's lead regulator, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. The Bank's policy is to maintain a strong capital base to maintain stockholders, creditors and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excluding: (a) unbooked valuation reserves and other capital adjustments may be required by the BSP; (b) total outstanding unsecured credit accommodations to DOSRI; (c) deferred tax asset or liability; (d) sinking fund for redemption of redeemable preferred shares; and (e) other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP. The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Supplementary Information Required By The CDA

The financial ratios of the Bank for the periods December 31, 2024 and 2023, are as follows:

<u>Years Ended December 31,</u>	2024	2023
<u>Liquidity Ratios</u>		
Quick ratios (cash + receivables / current liabilities)	1.57	1.77
Current ratios (current assets / current liabilities)	0.88	0.96
<u>Profitability Ratios</u>		
Gross income margin (gross income / gross revenue)	77.79%	78.26%
Net surplus margin (net surplus for the year / gross revenue)	8.35%	6.13%
Return on equity (net surplus after reserves / ave. share capital)	4.97%	3.22%
Return on fixed assets (net surplus for the year / ave. fixed assets)	19.40%	13.91%
Over-all profitability (net surplus for the year / gross income)	10.74%	7.83%

(Carried Forward.)

(Brought Forward.)

Years Ended December 31, 2024 2023

Solvency Ratios

Debt to total assets ratio (total liabilities / total assets)	0.79	0.80
Debt to equity ratio (total liabilities / ave. share capital)	3.68	3.91

Note 16

Statutory Funds

This account consists of the following:

December 31,	2024	2023
General Reserve Fund	P81,610,135	P83,197,271
Cooperative Education and Training Fund	5,439,369	897,782
Community Development Fund	12,401,278	9,070,076
Optional Fund	2,268,351	960,784
	P101,719,133	P94,125,913

The funds are not available for distribution to members but are used only for specific purposes for which they are recognized, as may be approved by the BOD and the General Assembly.

Accounting of the Movements of the Accounts

December 31, 2024	Opening Balances	Dist. of Net Profit	Charges-net	Closing Balances
General Reserve Fund	P83,197,271	P3,240,502	(P4,827,638)	P81,610,135
Coop. Education & Training Fund	897,782	1,620,251	2,921,336	5,439,369
Community Development Fund	9,070,076	972,151	2,359,051	12,401,278
Optional Fund	960,784	2,268,351	(960,784)	2,268,351
	P94,125,913	P8,101,255	(P508,035)	P101,719,133
<hr/>				
<u>December 31, 2023</u>				
General Reserve Fund	P81,324,362	P1,872,909	P-	P83,197,271
Coop. Education & Training Fund	1,205,437	936,454	(1,244,109)	897,782
Community Development Fund	9,556,164	561,873	(1,047,961)	9,070,076
Optional Fund	62,688,037	1,311,036	(63,038,289)	960,784
	P154,774,000	P4,682,272	(P65,330,359)	P94,125,913

Details of the Movements of the Statutory Funds

December 31, 2024 2023

Utilization of General Reserve Funds:

Restitution of previously booked employee benefits as directed by the BSP	P5,282,269	P-
Various external auditor adjustments	(109,907)	-
Booking of provision for ECL	(10,000,000)	-
	(4,827,638)	P-

Utilization of Coop. Education and Training Funds:

Restitution of previously booked employee benefits as directed by the BSP	2,358,865	-
Disbursements for various trainings, seminars and scholarship programs	(2,393,865)	(1,244,109)
Refund from federation to subsidize bank's training expenses	3,309,693	-
Various external auditor adjustments	(353,357)	-
	2,921,336	(1,244,109)

(Carried Forward.)

(Brought Forward.)
December 31,

	2024	2023
<u>Utilization of Community Development Funds:</u>		
Restitution of previously booked employee benefits as directed by the BSP	1,415,320	-
Disbursements for outreach programs and community extensions	293,382	(1,047,961)
Various external auditor adjustments	650,349	-
	2,359,051	(1,047,961)
<u>Utilization of Optional Funds:</u>		
Restitution of previously booked employee benefits as directed by the BSP	3,302,411	-
Booking of Additional ACL	-	(53,000,000)
Reclassification of Unrealized Loss from Revaluation Surplus	-	(8,881,722)
To utilize depreciation of buildings	(3,768,495)	(1,156,567)
Various external auditor adjustments	(494,700)	-
	(960,784)	(63,038,289)
Total Application of Statutory Funds	(P508,035)	(P65,330,359)

Provision for Expected Credit Losses (ECL) from Optional Fund

The Bank recognized provision for ECL in 2024 amounting to P72,645,076 of which P10 million was charged against the General Reserve Fund. Likewise, the Bank recognized provision for ECL in 2023 amounting to P122,513,112 of which P53 million was charged against the Optional Fund. The Bank's Board of Directors approved both charges. The direct charges to Statutory Funds were reflected as Subsidy Income and shown as part of Loan Servicing Fees as other income. (See Note 17.)

Transfer from Optional Fund to Revaluation Surplus

To offset the accumulated unrealized loss amounting to P8,881,722, the Bank transferred fund in 2023 from Optional Reserve to Revaluation Reserve due to adjustments based on actuarial valuation. (See Note 14.)

Reversal of Previous Year's Incentives

The Bank recognized reversal entries on incentives provided to its employees which was charged to undivided surplus. The Bank complied with the BSP's directives to return the incentives provided to its employees on a staggered basis subjected to salary deduction. The Bank recognized the refund as Receivable from Employee amounting to P26,373,276.

Distribution of Net Surplus for the Year

The distribution of net surplus for the years ended December 31, 2024 and 2023 is presented below.

Years Ended December 31,	2024	2023
General Reserve Fund (10%)	P3,240,502	P1,872,909
Cooperative Education and Training Fund (5%)	1,620,251	936,454
Community Development Fund (3%)	972,151	561,873
Optional Fund (7%)	2,268,351	1,311,036
Total for Statutory Reserves	8,101,255	4,682,272
CETF payable (5%)	1,620,251	936,454
Interest on share capital and patronage refund (70%)	26,305,295	17,393,396
	P36,026,801	P23,012,122

Note 17

Details of Loan Servicing Fees and Other Income

<i>Years Ended December 31,</i>	2024	2023
Fees and collection income (Note 6)	₱94,677,043	₱124,587,358
Subsidy income from Statutory Funds (Note 16)	10,000,000	53,000,000
Excess notarial	1,805,269	2,420,309
Gain on sale/derecognition (Note 7 and 9)	689,156	491,423
Interest income on post-employment benefit (Note 14)	657,137	898,976
Recovery on charged-off assets	301,273	781,366
Others	8,804,438	7,490,644
	₱116,934,316	₱189,670,076

Note 18

Details of Other Operating Expenses

<i>Years Ended December 31,</i>	2024	2023
Compensation and fringe benefits (See table below.)	₱196,408,045	₱203,912,682
Depreciation (Note 7, 8, 9)	24,745,604	19,065,457
Security, messengerial and janitorial services	20,916,882	17,113,032
Travel and transportation	16,572,451	16,114,645
Insurance	9,945,456	10,665,471
Representation	9,966,447	10,018,795
Promotions	8,117,299	9,819,070
Taxes, licenses and fees (Note 26)	8,133,763	9,034,969
Communication, light and water	8,969,495	8,998,885
Banking fees and charges	5,294,849	7,589,824
Management and other professional fees	2,944,654	5,226,692
Stationery and supplies used	4,229,543	5,215,839
Fuel, oil and lubricants	3,820,499	3,662,465
Repairs and maintenance	3,177,161	2,622,549
Rent (Note 8)	–	1,653,336
Other operating expenses	24,152,428	11,727,425
	₱347,394,576	₱342,441,136

Details of Compensation and Fringe Benefits

<i>Years Ended December 31,</i>	2024	2023
Salaries, wages and bonuses	₱113,144,421	₱104,410,747
Employees benefits	62,379,270	83,005,657
SSS, HDMF, Philhealth Premium Expense, Pag-Ibig Contribution	14,166,890	12,522,337
Retirement benefits (Note 14)	6,717,464	3,973,941
	₱196,408,045	₱203,912,682

Note 19

Income Tax

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

The income tax expense for 2024 was computed based on the provisions of Revenue Regulations No. 5-2021, 'Corporate Recovery and Tax Incentives for Enterprises Act' (CREATE), Which Further Amended the National

Internal Revenue Code (NIRC) of 1997. Provisions under the CREATE Act include reductions in RCIT rate from 30% to 25% for large corporations and 20% for small and medium corporations with net taxable income not exceeding ₱5,000,000 and total assets not exceeding ₱100,000,000 (excluding land) effective July 1, 2020.

As Reported in Profit or Loss

<i>Years Ended December 31,</i>	2024	2023
Regular corporate income tax	₱5,670,878	₱3,277,590
Tax effects of:		
Non-taxable transactions with members and statutory reserves	(2,333,468)	(2,022,326)
Non-taxable income	(3,620,527)	(5,911,854)
Non-deductible expense	607,347	373,555
Origination and reversal of temporary differences	4,142,895	8,558,450
Current Tax Expense	₱4,467,125	₱4,275,415

Regular Corporate Income Tax (RCIT)

<i>Years Ended December 31,</i>	2024	2023
Net surplus for distribution	₱32,405,020	₱18,729,087
Surplus allocated to statutory reserves (<i>Note 16</i>)		
General reserve fund	(3,240,502)	(1,872,909)
Cooperative education and training fund & CETF Payable	(3,240,502)	(1,872,909)
Optional fund	(2,268,351)	(1,311,036)
Community development fund	(972,151)	(561,873)
Interest on share capital and patronage refund (<i>Note 16</i>)	22,683,514	13,110,360
Add/(deduct) reconciling items		
Allocated for interest on share capital to members	(9,333,878)	(8,089,303)
Interest income from deposits with other banks	(12,510)	(2,927)
Interest income from investments	(2,430,779)	(242,798)
Nontaxable subsidy income from Optional fund	–	(17,437,000)
Nontaxable subsidy income from General Reserve fund	(4,060,000)	–
Non-deductible interest expense (tax arbitrage)	610,821	61,431
Non-deductible representation expense	1,818,563	1,432,789
Nontaxable interest income on loans (accruals)	(7,978,814)	(5,964,692)
Non-deductible provision for probable losses (<i>Note 6</i>)	29,493,901	40,306,814
Write off of allowance for ECL (<i>Note 6</i>)	(685,194)	(5,275,128)
Non-deductible depreciation on ROU asset	1,625,221	955,121
Non-deductible interest expense on lease liability	253,536	90,916
Deductible rental payments for finance leases (<i>Note 8</i>)	(1,896,972)	(985,470)
Non-deductible retirement expense (<i>Note 14</i>)	4,242,228	2,152,476
Deductible contributions to plan asset	(11,718,915)	(237,311)
Deductible amortization of excess of contribution over CSC	(4,742,222)	(2,773,618)
Total Taxable Income	17,868,500	17,101,660
Tax Rate	25%	25%
Tax Due	₱4,467,125	₱4,275,415

Income Tax on Business Transactions with Non-Members

The Bank having accumulated reserves and undivided surplus of more than ₱10 million are taxed on transactions with non-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 statutory reserves as provided for in the Cooperative Code and Joint Rules and Regulation Implementing Articles 60,61 and 144 of RA 9520. Following tables show the computation of the Cooperative's income tax due:

Income Tax Payable

<i>Years Ended December 31,</i>	2024	2023
Tax Due at RCIT	₱4,467,125	₱4,275,415
Tax due at MCIT	₱1,841,855	₱1,236,027
Tax due (higher of RCIT or MCIT)	₱4,467,125	₱4,275,415
Taxes paid (1 st , 2 nd , and 3 rd quarters)	2,559,549	2,192,325
Income Tax Payable (Note 13)	₱1,907,576	₱2,083,090

The disproportionate relationships between the profit (loss) before income tax expense and the income tax expense – current is due mainly to interest income from bank deposits which was deducted from net income before tax since this was already subjected to the final tax of 20%. The disproportionate relationships between the income tax due and the income tax payable represent the application of the deferred tax assets (derived from written-off loans and receivables) to the amount of tax due.

Also, the income tax payable was reduced by the amount of quarterly income tax payments and the application of prior year's MCIT. Also, the portion of interest expense not allowed as a deduction, and the provisions for expected credit losses and provisions for retirement benefits which are non-cash items are added back to the profit (loss) for the year per statement of profit of loss to arrive at the taxable income for the year.

Deferred Tax Assets

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are 25% of deductible temporary difference for the year 2024 and 25% for the year 2023. Deferred tax asset is the amount of income taxes recoverable in future periods in respect of deductible temporary differences netted by income taxes payable in future periods in respect of taxable temporary differences. With corresponding income tax rates of 25% for 2024 and 2023, its reconciliation follows:

Movements of Deferred Tax Assets

<i>Years Ended December 31,</i>	2024	2023
Opening balances	₱56,804,123	₱48,245,673
Origination of temporary differences arising from:		
Non-deductible provision for probable losses (Note 6)	7,373,475	10,076,703
Write-off of allowance for expected credit losses (Note 6)	(171,299)	(1,318,782)
Retirement benefits temporary differences (Note 14)	(3,054,728)	(214,613)
PFRS 16 temporary differences (Note 8)	(4,553)	15,142
Remeasurement gain/loss on retirement obligation (Note 14)	3,946,011	–
Net	8,088,906	8,558,450
Closing balances	₱64,893,029	₱56,804,123

Note 20

Earnings Per Share

<i>Years Ended December 31,</i>	2024	2023
Interest on share capital and patronage refund attributable to		
Common and preferred shares	₱26,305,295	₱17,393,396
Preferred shares	–	–
Net Available for Common Shares	26,305,295	17,393,396
Weighted Average Number of Ordinary Shares	79,027	78,592
Basic Earnings per Share	₱333	₱221

As of December 31, 2024 and 2023, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

Note 21
Related Party Transactions

In the ordinary course of trade or business, the Bank has transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The significant related party transactions are summarized as follows:

- (a) In the ordinary course of business, the Bank has loan transactions with DOSRI. Under the Bank's policy, these loans and other transactions are to be made substantially on the same terms and conditions as with other individuals and businesses of comparable risks. Under the General Banking Act and BSP regulations, the aggregate amount of loans to directors, officers, stockholders and related interest (DOSRI) should not exceed the total capital funds or 15% of the total loan portfolio of the Bank, whichever is lower. In addition, the amount of direct credit accommodation to DOSRI, of which 70% must be secured, should not exceed the amount of their respective regular and/or quasi-deposits and book value of their respective investments in the Bank.

At the end of 2024 and 2023, the following are the information related to DOSRI:

<i>December 31,</i>	2024	2023
Total Outstanding DOSRI loans (<i>Note 6</i>)	₱22,522,009	₱29,360,354
Percent of DOSRI loans to total loans	0.85%	0.99%
Percent of unsecured DOSRI loans to total DOSRI loans	85.50%	84.19%
Percent of past-due DOSRI loans to total DOSRI loans	7.33%	4.69%
Percent of non-performing DOSRI loans to total DOSRI loans	7.33%	4.69%
Total Outstanding loans to related parties other than DOSRI loans	₱25,304,384	₱38,889,877
Percent of other related party (ORP) loans to total loans	0.95%	1.32%
Percent of unsecured ORP loans to total ORP loans	85.50%	87.72%
Percent of non-performing ORP loans to total ORP loans	7.33%	2.31%
Total Outstanding DOSRI deposits (<i>Note 11</i>)	₱33,704,739	₱14,242,865
Percent of DOSRI deposit to total savings deposits	1.60%	1.30%

- (b) The key management compensation consists of the following:

<i>Years Ended December 31,</i>	2024	2023
Salaries and wages	₱17,175,551	₱19,105,280
Employees' benefits	13,974,381	13,733,045
	₱31,149,932	₱32,838,325

Note 22
Fair Value Measurements

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The following table summarizes the fair value hierarchy of the Bank's financial assets liabilities which are not measured at fair value in the 2024 and 2023 statements of financial position but for which fair value is disclosed. (See table next page.)

<i>December 31, 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Financial assets</i>				
Cash and cash equivalents (Note 5)	₱939,734,513	₱–	₱–	₱939,734,513
Loans and receivables (Note 6)	–	–	2,275,645,418	2,275,645,418
FA at FVOCI (Note 10)	1,150,733	–	–	1,150,733
FA at Amortized Cost (Note 10)	346,464	–	–	346,464
	₱941,231,710	₱–	₱2,275,645,418	₱3,216,877,128
<i>Financial liabilities</i>				
Deposit liabilities (Note 11)	₱–	₱–	₱2,104,780,422	₱2,104,780,422
Bills payable (Note 12)	–	509,829,538	–	509,829,538
Other liabilities (Note 13)	–	–	132,053,538	132,053,538
	₱–	₱509,829,538	₱2,236,833,960	₱2,746,663,498
<i>December 31, 2023</i>				
<i>Financial assets</i>				
Cash and cash equivalents (Note 5)	₱600,016,648	₱–	₱–	₱600,016,648
Loans and receivables (Note 6)	–	–	2,579,452,471	2,579,452,471
FA at FVOCI (Note 10)	1,156,263	–	–	1,156,263
FA at Amortized Cost (Note 10)	433,080	–	–	433,080
	₱601,605,991	₱–	₱2,579,452,471	₱3,181,058,462
<i>Financial liabilities</i>				
Deposit liabilities (Note 11)	₱–	₱–	₱1,978,557,254	₱1,978,557,254
Bills payable (Note 12)	–	640,949,546	–	640,949,546
Other liabilities (Note 13)	–	–	115,157,480	115,157,480
	₱–	₱640,949,546	₱2,093,714,734	₱2,734,664,280

For financial assets with fair values included in Level 1, management considers that the carrying amounts of financial instruments approximate their fair values. The fair values of the financial assets and liabilities included in Level 3 above which are not traded in an active market are determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

Fair Value Disclosures for Investment Properties Carried at Cost

The fair value of investment properties, which consist of parcels of land, amounted to ₱48,819,675 and ₱8,403,491 as of December 31, 2024, and 2023, respectively. The fair values were determined through appraisals, which were conducted by an in-house appraiser of the Bank, except for the appraisals of investment properties with carrying amount exceeding ₱5,000,000, which was conducted by an independent appraiser acceptable to the BSP. The fair value disclosed for the Bank's investment properties is under Level 2. The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

Note 23

Risk Management Objectives and Policies

The Bank is exposed to various risks in relation to financial instruments. The Bank's principal financial instruments are its cash and cash equivalents (Note 5), loans and receivables (Note 6), financial asset at FVOCI restricted funds and some items of its other assets (Note 10), deposit liabilities (Note 11), bills payable (Note 12), and other liabilities (Note 13). The main types of risks are credit and concentration risks, investments

risks, market risk and liquidity risk. The Bank is not exposed to foreign currency risk since it has no foreign currency deposits and foreign transactions. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Bank's financial performance and financial position. The Bank actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

Risk Management Structure

The Board of Directors has overall responsibilities for the Bank's financial risk management, which includes the establishment and approval of risk strategies, policies and limits. The main objective of the financial risk management of the Bank is to minimize the adverse impact of financial risks on the Bank's financial performance and financial position.

Credit and Concentration Risks/Investment Risk

Credit risk refers to the risk that the counterparty will default and/or not honor its financial or contractual obligations resulting in financial losses to the Bank. The Bank is exposed to credit risk from financial assets including its cash held in banks, loans and discounts and investments in financial instruments. The credit risk in respect of cash balances held with other banks are managed via diversification of bank deposits and are only with major reputable financial institutions and are regularly monitored. For loans and discounts, the Bank manages the level of credit risk by actively monitoring its portfolio to avoid significant concentrations of credit. The Bank manages the level of credit risk by actively monitoring all its receivables to avoid significant delinquency.

The investment risk related to investments in financial instruments (or capital-loss risk) represents the exposure to loss of all or part of the capital invested resulting from cash flows from invested assets being less than the cash flows required to meet the obligations of maturing deposits and the necessary return on investments. To maintain an adequate yield to match the interest necessary to support future policy liabilities, the Board of Directors is investing mostly on Government financial instruments which are fairly safe investments.

The Bank deals only with creditworthy counterparties duly approved by the Board of Directors. Its maximum exposure to credit risk for the components of the statements of financial position is the carrying amounts as shown in the following table:

<i>December 31,</i>	2024	2023
Cash and cash equivalents (Note 5)	₱939,734,513	₱600,016,648
Loans and receivables (Note 6)	2,275,645,418	2,579,452,471
FA at FVOCI (Note 10)	1,150,733	1,156,263
FA at Amortized Cost (Note 10)	346,464	433,080
	₱3,216,877,128	₱3,181,058,462

Loans and Receivables

In respect of loans and receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about customer default rates, management considers the credit quality of loans and receivables that are not past due or impaired to be good.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees. With respect to foreclosed collaterals, these are normally actively disposed of by the Bank.

The Bank's loans are actively monitored to avoid significant concentrations of credit risk in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of persons in excess of 25.00% of the Bank's net worth.

The table below shows exposure to credit risk of loans and receivables (gross) based on the Bank's rating system as of December 31, 2024 and 2023 and the related allowance for impairment.

<i>December 31, 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Pass	₱2,148,351,139	₱-	₱-	₱2,148,351,139
Especially Mentioned		35,421,507		35,421,507
Substandard		12,517,917	11,387,712	23,905,629
Doubtful			36,101,169	36,101,169
Loss			407,252,191	407,252,191
Total	2,148,351,139	47,939,424	454,741,072	2,651,031,635
Allowance for impairment	(20,354,112)	(17,246,727)	(405,082,569)	(442,683,408)
Carrying Amount	₱2,127,997,027	₱30,692,697	₱49,658,503	₱2,208,348,227
<i>December 31, 2023</i>				
Unclassified	₱2,291,469,219	₱-	₱-	₱2,291,469,219
Especially Mentioned		382,595,925		382,595,925
Substandard		16,859,999	25,436,210	42,296,209
Doubtful			54,702,070	54,702,070
Loss			167,587,362	167,587,362
Total	₱2,291,469,219	399,455,924	247,725,642	2,938,650,785
Allowance for impairment	(28,141,764)	(101,748,092)	(247,725,642)	(377,615,498)
Carrying Amount	₱2,263,327,455	₱297,707,832	₱-	₱2,561,035,287

The credit grades used by the Bank in evaluating the credit quality of its loans and receivables are the following:

(a) Current/Unclassified

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(b) Loans Especially Mentioned

It is an adverse classification of loans/accounts that have potential weaknesses and deserves management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Bank.

(c) Substandard

Accounts classified as "Substandard" are individual credits or portions thereof, that have well-defined weakness(es) that may jeopardize Payment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.

(d) Doubtful

Accounts classified as 'Doubtful' are individual credits or portions thereof which exhibit more severe weaknesses than those classified as "Substandard" whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors, which may strengthen the assets.

(e) Loss

Accounts classified as "Loss" are individual credits or portions thereof, which are considered uncollectible or worthless, and of such little value that their continuance as bankable assets is not warranted although

the loans may have some recovery or salvage value. This shall be viewed as a transitional category for loans and other credit accommodations, which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

The Bank holds collateral against loans and receivables from borrowers in order to mitigate risk. The collateral is usually in the form of a real estate mortgage. The Bank's manner of disposing of the collateral for impaired loans and other receivables is normally through the sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

The Bank writes off loans and receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include cessation of enforcement activity and where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of loans and receivables to be written off. The Bank still has, however, enforceable the right to receive payment even if the loans and receivables have been written off.

Operations Risks

Operations risks are risks arising from the potential inadequate information systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls and fraud or unforeseen catastrophes that may result in unexpected loss. Operations risks include the risk of loss arising from various types of human or technical error, settlement or payment failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately. The Bank has established measures to mitigate the effects of risks related to operations through its senior management. At year-end, the Bank also ensures that disclosures are made in the financial statements for any significant accounts, if any, which may have been affected by such risks.

Market Risks

Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates. Market risk is also the possibility that changes in equity prices or interest rates will adversely affect the value of the Bank's assets, liabilities or expected future cash flows. The Bank has no exposure arising from complex investments since it is not engaging in high-risk investments, forward contracts, hedging, and the like, whether local or foreign transactions.

Liquidity Risks

The liquidity risk is that the Bank might be unable to meet its obligations as they become due without incurring unacceptable losses or costs. The Bank's objectives to manage its liquidity profile are a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost. The Bank manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis in the following table. Net cash requirements are compared to available cash position in order to determine headroom or any shortfalls. This analysis shows that the available cash position is expected to be sufficient over the lookout period.

The Bank considers its expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and loans and discounts. The Bank's existing cash resources and receivables (see tables below) significantly exceed the current cash outflow requirements. Cash flows from loans and discounts are all generally contractually due within six months to one year and those exceeding this period are expected to not materially affect its cash position.

Maturity Analysis of Assets and Liabilities

<i>December 31, 2024</i>	<i>Within One Year</i>	<i>Beyond One Year</i>	<i>Beyond five years</i>	<i>Total</i>
<u>Financial Assets</u>				
Cash and cash equivalents (Note 5)	₱939,734,513	₱-	₱-	₱939,734,513
Loans and receivables (Note 6)	870,962,940	1,384,775,133	19,907,345	2,275,645,418
FA at FVOCI (Note 10)		1,150,733		1,150,733
FA at Amortized Cost (Note 10)		346,464		346,464
	1,810,697,453	1,386,272,330	19,907,345	3,216,877,128
<u>Financial Liabilities</u>				
Deposit liabilities (Note 11)	1,841,802,177	197,472,635	65,505,610	2,104,780,422
Bills payable (Note 12)	78,926,502	424,468,974	6,434,062	509,829,538
Other liabilities (Note 13)	132,053,538			132,053,538
	₱2,052,782,217	₱621,941,609	₱71,939,672	₱2,746,663,498
<u>December 31, 2023</u>				
<u>Financial Assets</u>				
Cash and cash equivalents (Note 5)	₱600,016,648	₱-	₱-	₱600,016,648
Loans and receivables – net (Note 6)	987,239,703	1,569,647,719	22,565,049	2,579,452,471
FA at FVOCI (Note 10)		1,156,263		1,156,263
FA at Amortized Cost (Note 10)		433,080		433,080
	1,587,256,351	1,571,237,062	22,565,049	3,181,058,462
<u>Financial Liabilities</u>				
Deposit liabilities (Note 11)	1,731,349,750	185,630,249	61,577,255	1,978,557,254
Bills payable (Note 12)	99,225,137	533,635,609	8,088,800	640,949,546
Other liabilities (Note 13)	115,157,480			115,157,480
	₱1,945,732,367	₱719,265,858	₱69,666,055	₱2,734,664,280

Note 24

Commitments and Contingencies

There are recognized provisions in the statements of financial position that arise in the normal course of business operations. There may also have been commitments and contingencies that arose in the normal course of business that were not reflected in the Bank's financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies, and these losses, if any, will not materially affect its financial statements.

During 2024 and 2023, there were no contingencies and commitments arising from off-balance sheet items that were recognized by the Bank.

Note 25

Authorization of Financial Statements

The Bank's financial statements as of and for the year ended December 31, 2024, were presented to the Board of Directors on March 31, 2025 and subsequently approved by the Executive Committee of the Board of Directors on March 31, 2025. The audited financial statements were authorized for issue by the Executive Committee of the Board of Directors on March 31, 2025.

Note 26

Supplementary Information required by Revenue Regulations (RR) No.15-2010

Below is the additional information required by RR No. 15-0210; this information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

a. Withholding Tax

<i>Years Ended December 31,</i>	2024	2023
Final withholding tax on Interest	₱8,199,585	₱6,464,340
Compensation	3,067,205	3,309,631
Expanded	1,917,615	2,143,924
Total	₱13,184,405	₱11,917,895

b. Documentary Stamp Tax

The DST shouldered by the Bank amounted to ₱119,425 in 2024 and ₱869,134 in 2023 and included in the taxes and licenses account under Other Expense in the 2024 and 2023 statement of profit or loss.

c. All other local and national taxes

<i>Years Ended December 31,</i>	2024	2023
Gross Receipt Tax	₱6,393,397	₱6,323,221
Real Property Tax	818,822	713,408
Municipal permits and licenses	544,531	630,343
Miscellaneous	257,588	498,863
Total	₱8,014,338	₱8,165,835

d. Tax Cases

The Bank has no outstanding tax cases in any other court, as of December 2024.

SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP AND CDA

Cooperative bank of Cotabato

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

<u>Years Ended December 31,</u>	2024	2023
<u>Return on average equity*</u> (Net surplus/Average total capital accounts)	4.97%	3.22%
<u>Return on average assets*:</u> (Net surplus/Average total resources)	1.04%	0.69%
<u>Net interest margin*:</u> (Net interest income/Average interest earning resources)	8.35%	6.13%
<u>Risk-Based Capital Adequacy Ratio</u>	22.50%	18.04%

* Average asset, capital, and interest-earning assets are computed as the simple average of outstanding balance of assets, capital, and interest-earning assets at December 31, 2024 and December 31, 2023. (2 data points)

(b) Capital Instruments Issued

As of December 31, 2024 and 2023, the Bank has only two classes of share capital, which are ordinary (common) and preference (preferred) shares.

<u>December 31,</u>	2024	2023
Common share	₱79,027,000	₱78,592,000
Preferred share	3,441,000	3,441,000
	₱82,468,000	₱82,033,000

(c) Significant Credit Exposures for Loans

The Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL below are disclosed in Note 6.

<u>December 31,</u>	2024	%	2023	%
Agriculture, forestry and fishing	₱648,001,743	24.44	₱971,930,533	33.07
Wholesale and retail trade	966,883,006	36.47	791,074,782	26.92
Information and communication	309,468,106	11.67	450,997,612	15.35
Human health and social work activities	78,666,525	2.97	144,141,405	4.91
Real estate activities	26,617,680	1.00	12,113,777	0.41
Accommodation and food storage	64,485,956	2.43	63,243,831	2.15
Financial and insurance activities	9,115,510	0.34	35,213,211	1.20
Construction	31,979,343	1.21	50,307,097	1.71
Manufacturing	38,927,528	1.48	95,786,621	3.26
Transportation and storage	27,472,875	1.04	19,061,889	0.65
Other service activities	449,413,363	16.95	304,780,027	10.37
	₱2,651,031,635	100.00	₱2,938,650,785	100.00

(d) Breakdown of Loans

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

Breakdown by Type of Security

December 31,	2024	%	2023	%
Secured by real estate	₱566,082,265	21.35	₱519,358,794	17.67
Secured by chattel	21,045,896	0.79	13,882,439	0.47
Other security	53,132,173	2.00	51,652,079	1.76
	640,260,334	24.15	584,893,312	19.90
Unsecured loans	2,010,771,301	75.85	2,353,757,473	80.10
	₱2,651,031,635	100.00	₱2,938,650,785	100.00

Breakdown As to Status of Loans

December 31, 2024	Performing	%	Non-Performing	%	Total	%
Individual consumption	₱786,209,350	36	₱201,894,366	44	₱988,103,716	37
Agricultural	479,333,418	22	48,481,015	11	527,814,433	20
Commercial	241,254,723	11	95,184,082	21	336,438,805	13
Others	688,734,043	31	109,940,638	24	798,674,681	30
	₱2,195,531,534	100	₱455,500,101	100	₱2,651,031,635	100
<i>December 31, 2023</i>						
Individual consumption	₱846,906,749	33	₱181,906,349	49	₱1,028,813,098	35
Agricultural	708,613,680	28	45,840,698	12	754,454,378	26
Commercial	280,774,215	11	75,087,673	20	355,861,888	12
Others	727,536,676	28	71,984,745	19	799,521,421	27
	₱2,563,831,320	100	₱374,819,465	100	₱2,938,650,785	100

The non-performing loans as defined under Section 304 of the MORB amounted to ₱455,500,101 in 2024 and ₱374,819,465 in 2023.

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. 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.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written off.

The Bank reported no restructured loans in 2024 and in 2023.

Interest income recognized on impaired loans and receivables amounted to ₱27,662,206 and ₱39,983,416 in 2024 and 2023, respectively.

(e) Information on Related Party Loans

In the ordinary course of business, the Bank has loan transactions with certain directors, officers, stockholders and related interests (DOSRI) based on BSP Circular No. 423 dated March 15, 2004, as amended. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of the respective total loan portfolio, whichever is lower, of the Bank.

The following table shows information on related party loans as reported to the BSP:

<i>December 31,</i>	2024	2023
Total Outstanding DOSRI loans <i>(Note 6)</i>	₱22,522,009	₱29,360,354
Percent of DOSRI loans to total loans	0.85%	0.99%
Percent of unsecured DOSRI loans to total DOSRI loans	85.50%	84.19%
Percent of past-due DOSRI loans to total DOSRI loans	7.33%	4.69%
Percent of non-performing DOSRI loans to total DOSRI loans	7.33%	4.69%
Total Outstanding loans to related parties other than DOSRI loans	₱25,304,384	₱38,889,877
Percent of other related party (ORP) loans to total loans	0.95%	1.32%
Percent of unsecured ORP loans to total ORP loans	85.50%	87.72%
Percent of non-performing ORP loans to total ORP loans	7.33%	2.31%
Total Outstanding DOSRI deposits <i>(Note 11)</i>	₱33,704,739	₱14,242,865
Percent of DOSRI deposit to total savings deposits	1.60%	1.30%

(f) Secured Liabilities and Assets Pledged as Security

Assets pledged by the Bank as security for liabilities are shown below.

<i>Years Ended December 31,</i>	2024	2023
Aggregate amount of secured liabilities	₱481,829,538	₱207,312,037
Aggregate amount of resources pledged as security	₱500,621,696	₱345,520,062

(g) Contingencies and Commitments Arising from Off-balance Sheet Items

During 2024 and 2023, there were no contingencies and commitments arising from off-balance sheet items that were recognized by the Bank.

CONSOLIDATED LIST OF STOCKHOLDERS AND THEIR STOCKHOLDINGS

As of December 31, 2024

	Name of Stockholder	Type of Share	Citizen-ship	No. of Shares Subscribe	No. of Shares Paid	Paid-in Capital	Subscription Receivable	Amount Subscribed	Ratio of Paid-in Capital to Total Amount Subscribed
	DISTRICT 1								
	ARAKAN								
1	Arakan Valley Marketing Cooperative	Common	Filipino	52	34	34,000.00	18,000.00	52,000.00	0.04%
2	Meocan Marketing Cooperative	Common	Filipino	116	74	74,000.00	42,000.00	116,000.00	0.09%
3	Malibatuan Farmers Credit Cooperative	Common	Filipino	183	183	183,000.00	0.00	183,000.00	0.23%
	TOTAL			351	291	291,000.00	60,000.00	351,000.00	0.37%
	KIDAPAWAN								
4	Berada MPC	Common	Filipino	563	563	563,000.00	0.00	563,000.00	0.71%
5	Cotabato Federation of Cooperative (COFECO)	Common	Filipino	94	94	94,000.00	0.00	94,000.00	0.12%
6	Cotabato Davao Del Sur Federation of Coops	Common	Filipino	30	30	30,000.00	0.00	30,000.00	0.04%
7	Kalaisan Marketing Cooperative	Common	Filipino	1,248	1,106	1,106,000.00	142,000.00	1,248,000.00	1.40%
8	Kidapawan FICI	Common	Filipino	88	88	88,000.00	0.00	88,000.00	0.11%
9	Kidapawan Mega Market MPC	Common	Filipino	53	53	53,000.00	0.00	53,000.00	0.07%
10	Kidapawan Rubber Growers MPC	Common	Filipino	185	126	126,000.00	59,000.00	185,000.00	0.16%
11	Macebolig Farmers Credit Cooperative	Common	Filipino	175	133	133,000.00	42,000.00	175,000.00	0.17%
12	Lanao Credit Cooperative	Common	Filipino	533	533	533,000.00	0.00	533,000.00	0.67%
13	Mt. Apo Broadcasting Coop	Common	Filipino	30	30	30,000.00	0.00	30,000.00	0.04%
14	Mt. Apo Ten Kilometer Radius MultiPurpose Cooperative	Common	Filipino	200	200	200,000.00	0.00	200,000.00	0.25%
15	Manongol Credit Cooperative	Common	Filipino	1,258	790	790,000.00	468,000.00	1,258,000.00	1.00%
16	Mua-an Farmers Credit Cooperative	Common	Filipino	294	273	273,000.00	21,000.00	294,000.00	0.35%
17	New Bohol Credit Cooperative	Common	Filipino	365	230	230,000.00	135,000.00	365,000.00	0.29%
18	Rainbow Family MPC	Common	Filipino	2,118	2,056	2,056,000.00	62,000.00	2,118,000.00	2.60%
19	Sagip Pilipinas MPC	Common	Filipino	30	30	30,000.00	0.00	30,000.00	0.04%
20	San Roque SN MPC	Common	Filipino	62	62	62,000.00	0.00	62,000.00	0.08%
21	Sibawan SN MPC	Common	Filipino	327	210	210,000.00	117,000.00	327,000.00	0.27%
22	Sikitan SN MPC	Common	Filipino	174	174	174,000.00	0.00	174,000.00	0.22%
23	Sumbac MPC	Common	Filipino	441	387	387,000.00	54,000.00	441,000.00	0.49%
24	SLB Credit Cooperative	Common	Filipino	602	602	602,000.00	0.00	602,000.00	0.76%

	Name of Stockholder	Type of Share	Citizen-ship	No. of Shares Sub-cribe	No. of Shares Paid	Paid-in Capital	Subscription Receivable	Amount Subscribed	Ratio of Paid-in Capital to Total Amount Subscribed
25	Cotabato Provincial Government Employees & Retirees MPC	Common	Filipino	55	55	55,000.00	0.00	55,000.00	0.07%
	TOTAL			8925	7,825	7,825,000.00	1,100,000.00	8,925,000.00	9.90%
	MAGPET								
26	Cotabato-Agri Industrial Machinery Coop	Common	Filipino	58	37	37,000.00	21,000.00	58,000.00	0.05%
27	Magpet Agro Industrial Resource Coop(MAGIRCO)	Common	Filipino	1,267	1,051	1,051,000.00	216,000.00	1,267,000.00	1.33%
28	Tagbak Credit Cooperative	Common	Filipino	148	94	94,000.00	54,000.00	148,000.00	0.12%
	TOTAL			1473	1,182	1,182,000.00	291,000.00	1,473,000.00	1.50%
	MAKILALA								
29	Batasan MPC	Common	Filipino	54	54	54,000.00	0.00	54,000.00	0.07%
30	Bulacanon Samahang Nayon Credit Cooperative	Common	Filipino	2,244	1,899	1,899,000.00	345,000.00	2,244,000.00	2.40%
31	Garsika MPC	Common	Filipino	307	265	265,000.00	42,000.00	307,000.00	0.34%
32	Prime Saguing Credit Cooperative	Common	Filipino	479	336	336,000.00	143,000.00	479,000.00	0.43%
33	Kisante Credit Cooperative	Common	Filipino	164	122	122,000.00	42,000.00	164,000.00	0.15%
34	Goshen Water Service Cooperative	Common	Filipino	765	663	663,000.00	102,000.00	765,000.00	0.84%
35	Makilala People`s Cooperative (MAPECO)	Common	Filipino	69	69	69,000.00	0.00	69,000.00	0.09%
36	San Vicente Farmer's MPC	Common	Filipino	743	545	545,000.00	198,000.00	743,000.00	0.69%
37	Makilala Senior Citizen Cooperative	Common	Filipino	2,374	2,374	2,374,000.00	0.00	2,374,000.00	3.00%
38	MARB Agrarian Reform Cooperative	Common	Filipino	25	25	25,000.00	0.00	25,000.00	0.03%
	TOTAL			7,224	6,352	6,352,000.00	872,000.00	7,224,000.00	8.04%
	PRES. ROXAS								
39	Arakan MPC	Common	Filipino	125	125	125,000.00	0.00	125,000.00	0.16%
40	Kamarahan Credit Cooperative	Common	Filipino	38	38	38,000.00	0.00	38,000.00	0.05%
41	Sagkungan Farmers Dev. Coop (SAFADECO)	Common	Filipino	25	25	25,000.00	0.00	25,000.00	0.03%
	TOTAL			188	188	188,000.00	0.00	188,000.00	0.24%
	DISTRICT 2								
	M'LANG								
42	Bialong Farmers Credit Cooperative	Common	Filipino	1,832	1,568	1,568,000.00	264,000.00	1,832,000.00	1.98%

Name of Stockholder	Type of Share	Citizen-ship	No. of Shares Subscribe	No. of Shares Paid	Paid-in Capital	Subscription Receivable	Amount Subscribed	Ratio of Paid-in Capital to Total Amount Subscribed
43 United Small Rice Farmers Credit Cooperative	Common	Filipino	121	121	121,000.00	0.00	121,000.00	0.15%
44 Nuestra Senora De Salvacion Credit Coop	Common	Filipino	1,075	839	839,000.00	236,000.00	1,075,000.00	1.06%
45 Dugong Credit Cooperative	Common	Filipino	2,664	2,232	2,232,000.00	432,000.00	2,664,000.00	2.82%
46 Dugong-Buayan Integrated Group Cooperative	Common	Filipino	26	26	26,000.00	0.00	26,000.00	0.03%
47 Katipunan Farmers Credit Cooperative	Common	Filipino	188	140	140,000.00	48,000.00	188,000.00	0.18%
48 Luz Village Credit Cooperative	Common	Filipino	380	218	218,000.00	162,000.00	380,000.00	0.28%
49 M'lang Federation of Cooperatives	Common	Filipino	63	63	63,000.00	0.00	63,000.00	0.08%
50 M'lang FICI	Common	Filipino	105	105	105,000.00	0.00	105,000.00	0.13%
51 Pulang Lupa Farmers Cooperative	Common	Filipino	1,603	1,363	1,363,000.00	240,000.00	1,603,000.00	1.72%
52 Sangat SN MPC	Common	Filipino	1,090	1,090	1,090,000.00	0.00	1,090,000.00	1.38%
53 Bagontapay Credit Cooperative	Common	Filipino	2,536	2,041	2,041,000.00	495,000.00	2,536,000.00	2.58%
54 Manna Farmers Agriculture Cooperative	Common	Filipino	100	100	100,000.00	0.00	100,000.00	0.13%
TOTAL			11,783	9,906	9,906,000.00	1,877,000.00	11,783,000.00	12.53%
TULUNAN								
55 Legendary Credit Cooperative of Bagumbayan	Common	Filipino	26	21	21,000.00	5,000.00	26,000.00	0.03%
56 F. Cajelo Farmers Credit Cooperative	Common	Filipino	320	206	206,000.00	114,000.00	320,000.00	0.26%
57 Tulunan Marketing Cooperative	Common	Filipino	737	413	413,000.00	324,000.00	737,000.00	0.52%
58 New Culasi Farmers Credit Cooperative	Common	Filipino	1,400	884	884,000.00	516,000.00	1,400,000.00	1.12%
59 New Panay Farmers Credit Cooperative	Common	Filipino	170	107	107,000.00	63,000.00	170,000.00	0.14%
TOTAL			2,653	1,631	1,631,000.00	1,022,000.00	2,653,000.00	2.06%
District 3								
KABACAN								
60 Aringay Farmers Credit Cooperative	Common	Filipino	902	819	819,000.00	83,000.00	902,000.00	1.04%
61 Cuyapon Farmers Agri-Marketing Coop	Common	Filipino	428	428	428,000.00	0.00	428,000.00	0.54%
62 Dagupan SN MPC	Common	Filipino	620	485	485,000.00	135,000.00	620,000.00	0.61%
63 Federation of Kabacan Farmers Coop	Common	Filipino	31	31	31,000.00	0.00	31,000.00	0.04%
64 Katiduan Marketing Cooperative	Common	Filipino	1,037	1,005	1,005,000.00	32,000.00	1,037,000.00	1.27%
65 Lower Paatan MPC	Common	Filipino	963	842	842,000.00	121,000.00	963,000.00	1.07%

	Name of Stockholder	Type of Share	Citizen-ship	No. of Shares Subscribe	No. of Shares Paid	Paid-in Capital	Subscription Receivable	Amount Subscribed	Ratio of Paid-in Capital to Total Amount Subscribed
66	Osias SN MPC	Common	Filipino	2,033	1,733	1,733,000.00	300,000.00	2,033,000.00	2.19%
	TOTAL			6,014	5,343	5,343,000.00	671,000.00	6,014,000.00	6.76%
	MATALAM								
67	Cotabato Integrated Seeds Producers & Mktg. Coop	Common	Filipino	2,655	2,655	2,655,000.00	0.00	2,655,000.00	3.36%
68	Dalapitan Credit Cooperative	Common	Filipino	1,249	1,018	1,018,000.00	231,000.00	1,249,000.00	1.29%
69	Estado Farmers Credit Cooperative	Common	Filipino	3,031	3,031	3,031,000.00	0.00	3,031,000.00	3.84%
70	Kibia Rice Producers Cooperative	Common	Filipino	2,812	2,404	2,404,000.00	408,000.00	2,812,000.00	3.04%
71	Kibudoc Sugarcane Planters Credit Cooperative	Common	Filipino	859	718	718,000.00	141,000.00	859,000.00	0.91%
72	Farmers of Marbel Credit Cooperative	Common	Filipino	1,487	1,286	1,286,000.00	201,000.00	1,487,000.00	1.63%
73	Matalam Rubber Planters Integrated Cooperative (MARPICO)	Common	Filipino	286	244	244,000.00	42,000.00	286,000.00	0.31%
74	Taculen Farmers Credit Cooperative	Common	Filipino	375	375	375,000.00	0.00	375,000.00	0.47%
75	Linao Farmers Marketing Cooperative	Common	Filipino	169	169	169,000.00	0.00	169,000.00	0.21%
	TOTAL			12,923	11,900	11,900,000.00	1,023,000.00	12,923,000.00	15.06%
	DISTRICT 4								
	ALEOSAN								
76	Dualing MPC	Common	Filipino	472	381	381,000.00	91,000.00	472,000.00	0.48%
77	Lawili MPC	Common	Filipino	464	400	400,000.00	64,000.00	464,000.00	0.51%
78	Nalpan MPC	Common	Filipino	113	74	74,000.00	39,000.00	113,000.00	0.09%
79	New Leon MPC	Common	Filipino	1,959	1,659	1,659,000.00	300,000.00	1,959,000.00	2.10%
80	San Mateo Consumers Cooperative	Common	Filipino	275	217	217,000.00	58,000.00	275,000.00	0.27%
81	Taguan Credit Cooperative	Common	Filipino	51	48	48,000.00	3,000.00	51,000.00	0.06%
82	Bobugan Consumers Cooperative	Common	Filipino	69	63	63,000.00	6,000.00	69,000.00	0.08%
	TOTAL			3,403	2,842	2,842,000.00	561,000.00	3,403,000.00	3.60%
	MIDSAYAP								
83	Abalos Estate Agricultural Credit Cooperative	Common	Filipino	787	520	520,000.00	267,000.00	787,000.00	0.66%
84	Active & Concern Employees (ACE)	Common	Filipino	3,017	3,017	3,017,000.00	0.00	3,017,000.00	3.82%
85	Agriculture MPC	Common	Filipino	33	33	33,000.00	0.00	33,000.00	0.04%
86	Agriculture Farmers Multipurpose Cooperative	Common	Filipino	2,401	2,065	2,065,000.00	336,000.00	2,401,000.00	2.61%
87	Bagumba Credit Cooperative	Common	Filipino	218	208	208,000.00	10,000.00	218,000.00	0.26%

	Name of Stockholder	Type of Share	Citizen-ship	No. of Shares Subscribe	No. of Shares Paid	Paid-in Capital	Subscription Receivable	Amount Subscribed	Ratio of Paid-in Capital to Total Amount Subscribed
88	Bual Norte Farmers Credit Cooperative	Common	Filipino	790	496	496,000.00	294,000.00	790,000.00	0.63%
89	Bual Sur Credit Cooperative	Common	Filipino	1,239	792	792,000.00	447,000.00	1,239,000.00	1.00%
90	Central Glad MPC	Common	Filipino	1,064	668	668,000.00	396,000.00	1,064,000.00	0.85%
91	Community Health Service Cooperative (COHESCO)	Common	Filipino	357	320	320,000.00	37,000.00	357,000.00	0.40%
92	Greater Midsayap SN Integrated Credit Coop	Common	Filipino	22	22	22,000.00	0.00	22,000.00	0.03%
93	Lagumbingan Credit Cooperative	Common	Filipino	1,319	1,142	1,142,000.00	177,000.00	1,319,000.00	1.45%
94	Lower Glad Agricultural Services Cooperative	Common	Filipino	1,893	1,602	1,602,000.00	291,000.00	1,893,000.00	2.03%
95	Greater Midsayap Area MPC	Common	Filipino	1,781	1,781	1,781,000.00	0.00	1,781,000.00	2.25%
96	Nalin Credit Cooperative	Common	Filipino	1,267	940	940,000.00	327,000.00	1,267,000.00	1.19%
97	Patindeguen Farmers Credit Cooperative	Common	Filipino	3,032	2,348	2,348,000.00	684,000.00	3,032,000.00	2.97%
98	Poblacion 8 MPC	Common	Filipino	247	247	247,000.00	0.00	247,000.00	0.31%
99	Rangebana Farmers Credit Cooperative	Common	Filipino	860	860	860,000.00	0.00	860,000.00	1.09%
100	Salunayan Marketing Cooperative	Common	Filipino	1,304	1,304	1,304,000.00	0.00	1,304,000.00	1.65%
101	San Isidro Farmers Credit Cooperative	Common	Filipino	849	552	552,000.00	297,000.00	849,000.00	0.70%
102	Tumbras SN Integrated Coop	Common	Filipino	1,420	945	945,000.00	475,000.00	1,420,000.00	1.20%
103	Deles Farmers Credit Cooperative	Common	Filipino	202	202	202,000.00	0.00	202,000.00	0.26%
104	Villarica SN MPC	Common	Filipino	1,584	1,353	1,353,000.00	231,000.00	1,584,000.00	1.71%
105	Sayap Multipurpose Cooperative	Common	Filipino	25	25	25,000.00	0.00	25,000.00	0.03%
106	Cotabato Agricultural Allied Services Cooperative	Common	Filipino	25	25	25,000.00	0.00	25,000.00	0.03%
	TOTAL			25,736	21,467	21,467,000.00	4,269,000.00	25,736,000.00	27.16%
	PIKIT								
107	Samahang Magniniyog ng Pikit Coop	Common	Filipino	144	131	131,000.00	13,000.00	144,000.00	0.17%
	DISTRICT 5								
	ALAMADA								
108	Lower Dado Credit Cooperative	Common	Filipino	1,384	868	868,000.00	516,000.00	1,384,000.00	1.10%
109	Pigcawaran Marketing Cooperative	Common	Filipino	1,568	1,568	1,568,000.00	0.00	1,568,000.00	1.98%
110	San IsidroTabara Producers Cooperative	Common	Filipino	52	34	34,000.00	18,000.00	52,000.00	0.04%
	TOTAL			3,004	2,470	2,470,000.00	534,000.00	3,004,000.00	3.13%

Name of Stockholder		Type of Share	Citizen-ship	No. of Shares Subscribe	No. of Shares Paid	Paid-in Capital	Subscription Receivable	Amount Subscribed	Ratio of Paid-in Capital to Total Amount Subscribed
LIBUNGAN									
111	Batiocan Consumers Cooperative	Common	Filipino	2,361	1,922	1,922,000.00	439,000.00	2,361,000.00	2.43%
112	Cabpangi Credit Cooperative	Common	Filipino	456	366	366,000.00	90,000.00	456,000.00	0.46%
113	Cotabato Worksmen Integrated Service Coop	Common	Filipino	31	31	31,000.00	0.00	31,000.00	0.04%
114	Cotabato Midsayap Operator & Drivers Coop	Common	Filipino	51	51	51,000.00	0.00	51,000.00	0.06%
115	Gumaga MPC	Common	Filipino	454	454	454,000.00	0.00	454,000.00	0.57%
116	Baguer Credit Cooperative	Common	Filipino	333	237	237,000.00	96,000.00	333,000.00	0.30%
117	ND Libungan Parish MPC	Common	Filipino	107	102	102,000.00	5,000.00	107,000.00	0.13%
118	Ulamian Credit Cooperative	Common	Filipino	512	392	392,000.00	120,000.00	512,000.00	0.50%
119	Libungan Marketing Coop	Common	Filipino	400	400	400,000.00	0.00	400,000.00	0.51%
	TOTAL			4,705	3,955	3,955,000.00	750,000.00	4,705,000.00	5.00%
PIGCAWAYAN									
120	Bulucaon Farmers MPC	Common	Filipino	1,178	986	986,000.00	192,000.00	1,178,000.00	1.25%
121	Capayuran Farmers Credit Cooperative	Common	Filipino	669	608	608,000.00	61,000.00	669,000.00	0.77%
122	Malu-ao Farmers Credit Cooperative	Common	Filipino	254	227	227,000.00	27,000.00	254,000.00	0.29%
123	Midpapan 1 Credit Cooperative	Common	Filipino	510	411	411,000.00	99,000.00	510,000.00	0.52%
124	Poblacion 2 SN	Common	Filipino	9	9	9,000.00	0.00	9,000.00	0.01%
125	Pigcawayan Agro-Economic Dev't Coop	Common	Filipino	23	23	23,000.00	0.00	23,000.00	0.03%
126	Pigcawaran Market Vendors Assoc.	Common	Filipino	28	28	28,000.00	0.00	28,000.00	0.04%
127	Upper Baguer SN Integrated Coop	Common	Filipino	1,378	1,177	1,177,000.00	201,000.00	1,378,000.00	1.49%
128	POLMARGEN Transport MPC	Common	Filipino	25	25	25,000.00	0.00	25,000.00	0.03%
129	Don Bosco Multipurpose Cooperative	Common	Filipino	25	25	25,000.00	0.00	25,000.00	0.03%
130	PAGLAUM Cooperative	Common	Filipino	25	25	25,000.00	0.00	25,000.00	0.03%
	TOTAL			4,124	3,544	3,544,000.00	580,000.00	4,124,000.00	4.48%
	TOTAL COMMON SHARES			92,650	79,027	79,027,000.00	13,623,000.00	92,650,000.00	100.00%
	PREFERRED SHARES "A"								
	"A" Development Bank of the Philippines	Preferred							0.00%
	PREFERRED SHARES "C"								
1	Inac SN	Preferred	Filipino	37	37	37,000.00		37,000.00	1.52%
2	Concepcion SN	Preferred	Filipino	33	33	33,000.00		33,000.00	1.35%
3	Malabuan SN	Preferred	Filipino	9	9	9,000.00		9,000.00	0.37%

	Name of Stockholder	Type of Share	Citizen-ship	No. of Shares Subscribe	No. of Shares Paid	Paid-in Capital	Subscription Receivable	Amount Subscribed	Ratio of Paid-in Capital to Total Amount Subscribed
4	Del Carmen SN	Preferred	Filipino	21	21	21,000.00		21,000.00	0.86%
5	Manna Farmers Agriculture Cooperative	Preferred	Filipino	32	32	32,000.00		32,000.00	1.31%
6	Libo-o SN	Preferred	Filipino	33	33	33,000.00		33,000.00	1.35%
7	New Antique SN	Preferred	Filipino	10	10	10,000.00		10,000.00	0.41%
8	Bangilan SN	Preferred	Filipino	251	251	251,000.00		251,000.00	10.28%
9	Lower Malamote SN	Preferred	Filipino	672	672	672,000.00		672,000.00	27.53%
10	Lower Paatan SN	Preferred	Filipino	84	84	84,000.00		84,000.00	3.44%
11	Poblacion SN	Preferred	Filipino	46	46	46,000.00		46,000.00	1.88%
12	Katidtuan Marketing Cooperative	Preferred	Filipino	74	74	74,000.00		74,000.00	3.03%
13	Upper Paatan SN	Preferred	Filipino	865	865	865,000.00		865,000.00	35.44%
14	Central Katingawan SN	Preferred	Filipino	33	33	33,000.00		33,000.00	1.35%
15	Sinawingan Credit Cooperative	Preferred	Filipino	161	161	161,000.00		161,000.00	6.60%
16	Manuangan SN	Preferred	Filipino	11	11	11,000.00		11,000.00	0.45%
17	Tigbawan SN	Preferred	Filipino	22	22	22,000.00		22,000.00	0.90%
18	Tubon SN	Preferred	Filipino	22	22	22,000.00		22,000.00	0.90%
19	Engr. Teodorico Junio	Preferred	Filipino	25	25	25,000.00	-	25,000.00	1.02%
	TOTAL PREFERRED SHARES "C"			2,441	2,441	2,441,000.00		2,441,000.00	100.00%
	TOTAL PREFERRED SHARES			2,441	2,441	2,441,000.00		2,441,000.00	100.00%

BOARD OF DIRECTORS



Erma R. Odal - Chairman
Gil D. Pastolero - Vice Chairman
Cecille D. Colima - Director
Mary Grace S. Macadato - Board Secretary



Martanita D. Soterno - Director
Felimon F. Apalit - Independent Director
Herson B. Amolo, CPA, MBA



Jelito G. Jugas - Director
Ruben J. Señerez - Director
Jonathan M. Viajante - Director



SENIOR MANAGEMENT



*Edelle G. Hernandez, CPA, MBA - President
Jesus S. Jauad - Vice President for Administrative Services
Lizeil L. Magbanua, MBA - Vice President for Credit Management*

*Hermelita O. De Vera - Vice President for Finance
Dejfer R. Villanuz, MBA - Vice President for Branch Operations*

BRANCH MANAGERS



*Merben J. Baring - OIC Manager, Glan
Genalyn C. Tuban - Branch Manager, Pigcawayan
Myrna R. Cantoja - Branch Manager, Head Office
Leah C. Eugenio - Branch Manager, Polomolok*

*Juan B. Pama - Branch Manager, Midsayap
Jackshon B. Sedano - Branch Manager, Artipas
Charlemagne V. Rodriguez - Branch Manager, Koronadal
Edgar V. Baria, Jr. - Branch Manager, Mlang*

BRANCH MANAGERS



*John Elmer P. Morales, MBA - Branch Manager, Sulop
Glenn O. Parreno - Branch Manager, Sta. Cruz
Allan A. Aquino - Branch Manager, Surallah
Ace Artes R. Respicio - OIC Manager, Bansalan*

*Martin Glenn B. David - Branch Manager, Lebak
Rosebel C. Jerez - Branch Manager, Don Carlos
Errame T. Carino - Branch Manager, Tacurong*

CREDIT MANAGERS



*Jefferson M. Madrid - Credit Manager
Beneson S. Eballes - Credit Manager
Rhea May O. Osuva - Credit Manager
Janifer A. Masanit - Credit Manager*

UNIT MANAGERS



Diane Jane D. Escarlán, CPA, MBA - Chief Compliance Officer

John Mark R. Doronila - Acting Internal Auditor

Ernie L. Seseac, MBA, CSP, CSMS - Acting Chief Security Officer

Jude A. Daoutan, CPA, MBA - Accounting Manager

April Marie G. Irig - RDM Manager

EXECUTIVE OFFICE



HEAD OFFICE



MIDSAYAP BRANCH



MLANG BRANCH



PIGCWAYAN BRANCH



ANTIPAS BRANCH



KABACAN BRANCH



ISULAN BRANCH



KORONADAL BRANCH



BANSALAN BRANCH



SURALLAH BRANCH



POLOMOLOK BRANCH



LEBAK BRANCH



DON CARLOS BRANCH



SULOP BRANCH



TACURONG BRANCH



MAKILALA BRANCH - LITE



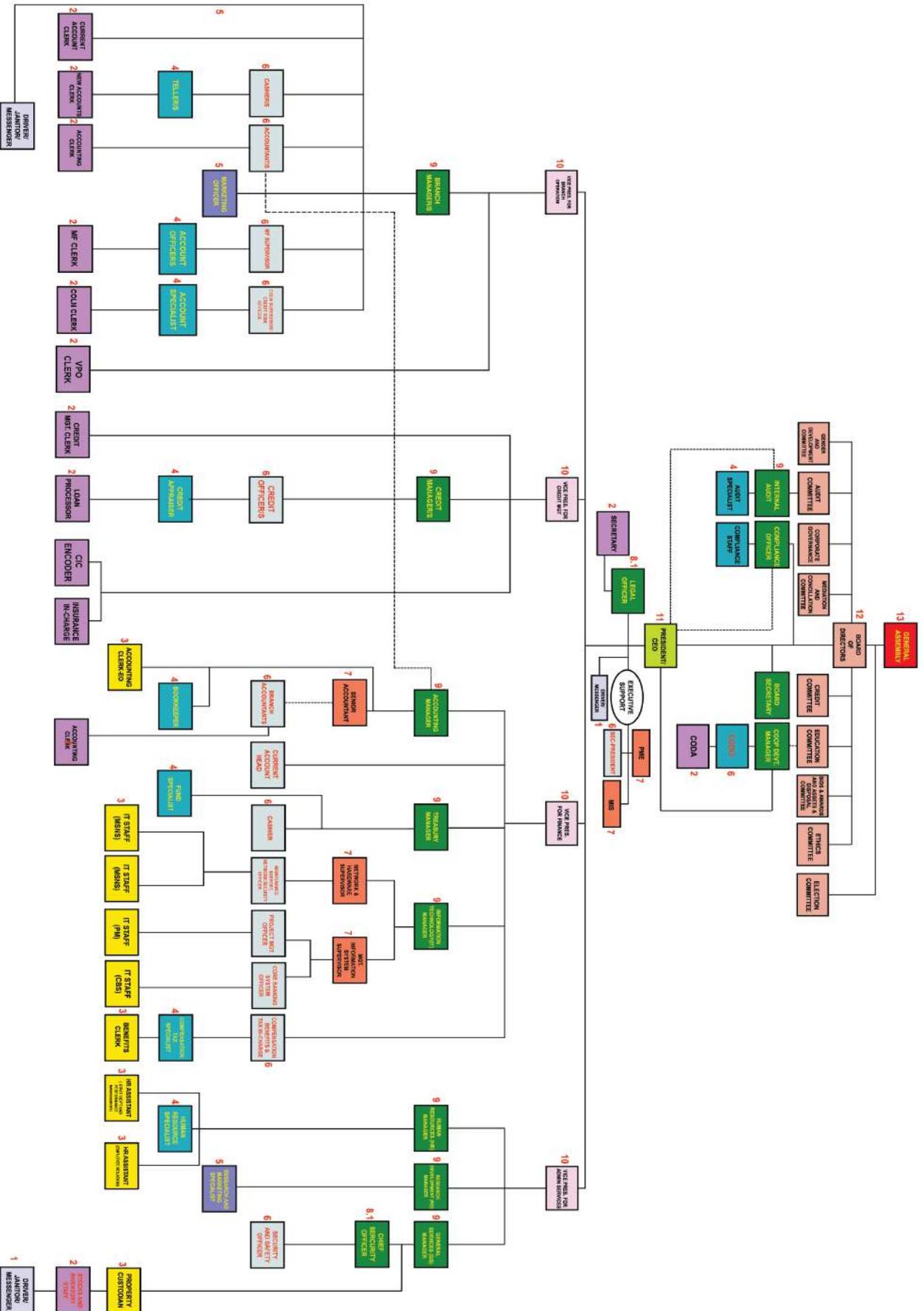
SANTA CRUZ BRANCH



GLAN BRANCH



CBC ORGANIZATIONAL STRUCTURE





COOPERATIVE BANK of COTABATO

BRANCHES / OFFICES

CBC EXECUTIVE OFFICE

CBC Corporate Building
Lanao, Kidapawan City
Tel No.: (064) 572-1592
Mobile No.: 09694510586

CBC HEAD OFFICE

Jose Abad, Santos St., Kidapawan City
Tel No.: (064) 428-1290
Mobile No.: 09283817881, 09090815397

CBC MIDSAYAP BRANCH

Sto. Niño St., Pob. 1, Midsayap, Cotabato
Telefax No.: (064) 521-4235
Tel No.: (064) 572-1220
Mobile No.: 09517889506, 09854218413

CBC ANTIPAS BRANCH

Public Terminal, Poblacion,
Antipas, Cotabato
Tel No.: (064) 523-0023
Mobile No.: 09109990740

CBC KORONADAL BRANCH

Jose Abad Santos St., Barangay
Zone 4, Koronadal City
Telefax No.: (083) 878-4574
Mobile No.: 09702459913, 09091313586

CBC POLOMOLOK BRANCH

Corner Cannery Road & Melaguas Road
Polomolok, South Cotabato
Tel No. (083) 310-8649
Mobile No.: 09108551152, 09383483304

CBC SULOP BRANCH

National Highway, Purok 5,
Brgy. Poblacion, Sulop, Davao Del Sur
Tel No. (082) 272-0799
Mobile No.: 09955767508, 09811068753

CBC SANTA CRUZ BRANCH

National Highway, Zone 3, Poblacion,
Santa Cruz, Davao del Sur
Mobile No.: 09667543910, 09094375727

CBC MLANG BRANCH

George Gauran Sr. St. M'lang, Cotabato
Telefax No.: (064) 428-1659
Tel No.: (064) 572-0034
Mobile No.: 09127066570

CBC KABACAN BRANCH

Roxas St. Poblacion, Kabacan, Cotabato
Telefax No.: (064) 572-2416
Tel No.: (064) 572-0633
Mobile No.: 09124396008, 09703723258

CBC BANSALAN BRANCH

Viacrusis St., Poblacion Dos,
Bansalan, Davao del Sur
Telefax: (082) 272-3629
Mobile No.: 09300744766, 09126403383

CBC LEBAK BRANCH

Poblacion 1,
Lebak, Sultan Kudarat
Mobile No.: 09161764202,
09120815398, 09853380867

CBC TACURONG BRANCH

Magsaysay Ave., Barangay Poblacion,
Tacurong, Sultan Kudarat
Tel No. (064) 471-0632
Mobile No.: 09603173983,

CBC GLAN BRANCH

Sta. Catalina Avenue, Glan, Sarangani
Mobile No.: 09530659284, 09124607409

CBC PIGCAWAYAN BRANCH

Corner Roxas & Sinsuat Sts.,
Pob. 2, Pigcawayan, Cotabato
Tel No.: (064) 521-3001
Mobile No.: 09173190570, 09484634896

CBC ISULAN BRANCH

National Highway, Kalawag III,
Isulan, Sultan Kudarat
Telefax No. (064) 471-0180
Tel No. (064) 201-5309
Mobile No.: 09125420058, 09090640927

CBC SURALLAH BRANCH

R.N. Estanislao Bldg.,
Camia St., Surallah, South Cotabato
Tel No.. (083) 887-7916
Mobile No.: 09690773592

CBC DON CARLOS BRANCH

Corner Rizal and Diego Silang
Sreets, Barangay Poblacion,
Don Carlos, Bukidnon
Mobile No.: 09706105559

CBC MAKILALA BRANCH – LITE

National Highway, Barangay Poblacion,
Makilala, Cotabato
Mobile No.: 09090626811, 09668915015

PRODUCTS AND SERVICES

DEPOSITS:

1. Basic Deposit
2. Regular Savings Deposit
3. Time Deposit
4. Special Savings Deposit
5. Kiddie Savers
6. Youth Savers
7. Demand Deposit

LOANING PROGRAMS:

1. Agricultural Loan
2. Credit Line
3. Commercial Loan
4. Small Medium Enterprise (SME) Loan
5. Back to Back Loans
6. Industrial Loans
7. Salary Loans
8. Pension Loan
9. Multi-Purpose Loan
10. Vehicle Loan
11. Personal Loan
12. Microfinance Loan
13. Show Money Loan
14. WASH Loan

MEMBER

Philippine Deposit Insurance Corporation (PDIC) • Cooperative Banks Federation of the Philippines (BANGKOOP)
Rural Bankers Association of the Philippines (RBAP) • Mindanao Federation of Cooperative Banks (MFCB)
Mindanao Microfinance Council (MMC)

We acknowledge with gratitude all our contributors, officers and staff who in one way or the other extended their support in making this 2024 Annual Report completed on time and a reality. For our errors either by commission or omission, our sincerest apology.

The Annual Report Committee

Hermelita O. De Vera, April Marie G. Irig, Jesus S. Jaoud, Defer R. Villaruz, Liezl L. Magbanua, Jude A. Dacutan,
Mary Grace S. Macadato, Florelyn S. Pagaduan, Diane Jane D. Escarlan, John Mark R. Doronila, Nelepol B. Mata,
Reynaldo O. Panaligan, Jr., Ernie L. Sescar, Elbert P. Balonebro, Dexter G. Pinagayao, Jessie T. Ybañez