

## 2022 ANNUAL REPORT

Name of Bank	:	<b>COOPERATIVE BANK OF BOHOL</b>
Address	:	0126 CPG East Avenue, Barangay Poblacion 1, Tagbilaran City
Authority to Operate	:	CB No. E- 1028 dated October 29, 1980
Contact Numbers	:	(038) 427-2116; 501-9904
E-Mail Address	:	<a href="mailto:cooperativebank_bohol@yahoo.com">cooperativebank_bohol@yahoo.com</a>
Contact Person	:	Juvie D. Calacat – President and CEO

### CORPORATE POLICY

***Vision*** : A digitalized billionaire cooperative bank with excellent customer service anchored on good governance.

***Mission*** :  
Develop a passion excellence in customer service  
Formulate sound business decisions  
Expand the bank's assets and other resources  
Keep abreast with technological innovations

***Goals*** :  
Create a customer-driven workforce  
Develop financial literacy and competence  
Promote expansion of membership and services  
Adopt advanced banking technology

***Core Values*** :

1. Honesty and Integrity
  - Speaks the truth and act truthfully.
  - Demonstrates sound moral and ethical principles at work on which member-cooperatives, co-workers, and individual clients build relationships, trust, and effective interpersonal relationships.
  - A good steward of resources and in exercising frugality that honesty is always the best policy and that trust has to be earned.
2. Reliability
  - Working as a TEAM (Together, Everyone, Achieve, More) so everything can move faster to fulfil the vision and mission of the Cooperative Bank of Bohol (CBB).
  - Worthy of trust; dependable not only in providing financial services but also in managing carefully the relationships that has been developed and demonstrating consistent behavior as consistency is key to building trust.
3. Efficiency
  - A commitment to doing great for the whole; do things well, successfully, and without waste.
  - Well organized and competent.

4. Service to others
  - To serve the member-cooperatives, co-workers, and individual clients effectively as they are our prized assets. They must be treated specially, with honesty and empathy, and with a sense of honour and respect.
  - To be responsive to the needs of the member-cooperatives, co-workers, and individual clients. To satisfy them beyond their expectation and be resourceful in providing innovative alternatives and solutions to their concerns.
  - An effort to alleviate poverty and make life better for others.
5. Open-mindedness
  - A commitment to innovation and excellence being receptive to new ideas, views and knowledge of others.

***Developmental Goal:***

A cooperative which can provide services in terms of cooperative education, accommodating deposits and loan applications of the Boholanos especially the farmers and fisher folks with the end view of uplifting the quality of life of its clients and consequently help the economy of the Province.

***Tag Line:*** Guiding You Through

- a) To be a reliable financial institution is the vision of the Cooperative Bank of Bohol. The Province of Bohol particularly in the City of Tagbilaran has a lot of commercial banks. People used to bank with them because of their popularity and that people consider them as big banks. Cooperative Bank of Bohol has upgraded its system; adopt the present technology in order to provide quality services among the **138** member-cooperatives and the general public.
- b) In addition to reliability in financial services to cooperatives and individuals, Cooperative Bank of Bohol will be guiding its clients on what kind of facility the bank can offer to him/her, how to avail and the personal guidance of the terms and conditions from our bank's personnel. Once, a client have decided to avail in any of the bank's services, processing will take only two hours for salary loans and one to two weeks for loans secured by Real Estate Mortgage. That's how Cooperative Bank of Bohol of service to the Boholano community.
- c) Crafting a business model is part of establishing a meaningful business strategy. Due to its target market and the nature of the bank's operation, our Bank uses the retail-funded business model, relying mainly on retail sources of funding, i.e., through stable sources, primarily deposits and have limited interbank activity. It generates deposits from individual and corporate clients and lends the same to the public through agricultural, agrarian, business and consumption loans.

As a financial institution, Cooperative Bank of Bohol started its operation on November 3, 1980 accepting deposits and offering loans to member-cooperatives, Samahang Nayons and the general public. Different types of loan which will fit the needs of the clients. The bank shall earn income out of the interest and service fee of the loan releases. Other income shall be generated from sale of foreclosed properties. Expenses of the bank will include interest on deposits, salaries and wages of the employees, honorarium of the

Board of Directors, taxes and licenses, supplies, light and water, fuel and lubricants, and other expenses related to bank operation. As a cooperative bank, mandatory reserves shall be allocated out of the net income. After the mandatory allocation, the remaining income will be available for dividend and patronage refund to the different stockholders. The bank aims to grow so that marketing strategies, collection, good management and innovative works to answer the present demand of the people are all the concerns made for the success of the Cooperative Bank of Bohol.

## **BUSINESS MODEL**

For the last 40 years, Cooperative Bank of Bohol is into traditional retail banking business model. It generates deposits from the banking public, in addition to its capital investments in order to lend to customers which drive profit. Management strives to provide excellent service to maintain deposits, although not all low cost, and strengthen marketing strategies to market new quality loans while monitoring and keeping those existing accounts and have to become cost efficient. Further, the bank also crafted its investment policy in order to manage well its funds and be able to earn and maximize returns.

With the evolution of banks in this technological era, and changes in the economic environment and to new rules and regulations, Cooperative Bank of Bohol also considers these things in building its strategic objectives. Nowadays, availability of variety of distribution channels such as online and mobile banking has become important. Customers become price sensitive and look for products and services that serve and satisfy their needs at the lowest possible cost. In response to this, the bank has to diversify by partnering with business leaders to offer Point of Sales (POS) terminals, domestic money transfer and remittance, and ATM terminals in order to increase profits. Among its goals for the year is to pursue its application for the direct membership with Bancnet for the bank to continue offering ATM deposit products to the public enabling our clients to conveniently access their funds and account information and receive or transfer funds 24/7. The bank is pursuing its application for additional branch in Dauis Panglao Island and a license for a Type A Electronic Payment and Financial Services (EPFS).

Cooperative Bank of Bohol is geared towards digitalization as part of its medium to long-term plans. With the current trends, new customer behaviors, the current and future regulations supporting it, and the presence of new and aggressive competitors, the bank has been more active in product innovation and providing holistic customer service in order to retain and market new customers, achieve set targets and ensure sufficient profitability to sustain operational growth.

The board of directors of Cooperative Bank of Bohol promotes a culture that fosters environmentally and socially responsible business decisions and ensures that sustainability implications are considered in the overall decision-making process. It understood its role in leading and institutionalizing the adoption of sustainability principles and also aims to inspire our clients, shareholders and other stakeholders in making the same environmentally and socially responsible decisions.

The board and senior management takes a broader view on risk management by looking beyond the traditional sources of financial risks encompassing company culture, risk management oversight, accountability, and transparency. One important viewpoint in this risks is enhancing the understanding and technical skills of bank personnel to enable them to navigate the complex aspects of sustainable finance. In addition, it also gives importance to

gender equality and women empowerment in sustainable finance where the bank crafted guidelines that aims to ensure Gender Equality and institutionalization of GAD programs and related activities to achieving the gender fairness and women empowerment accord with our constitutionally guaranteed human rights. Likewise, this guideline promotes the viability and growth of cooperatives as instruments of equality, social justice and economic development.

After conducting an assessment of its strengths, weaknesses, opportunities and threats, the bank has crafted this year's objectives and comprehensive action plans in achieving them. With the implementation of the new performance assessment tool, the Supervisory Assessment Framework (SAFr) which is forward looking, the bank laid out plans to strengthen its risk management and internal control systems, governance and oversight functions as well as effective monitoring of institutional level supports. Top Management and the Board believe that empowered employees who are highly motivated and with high level performance makes a successful business. With that, the bank also laid plans on providing them trainings, seminars and other activities to equip them with the right knowledge and skills and groom them to be well rounded and highly effective professionals and individuals.

While the business impact of this COVID 19 pandemic continues, the bank has also laid strategies as it navigates into the trends of the new normal to be able to sustain growth and profitability.

With the help of the Holy Name University Center for Community Extension, Linkages and Partnerships, the bank's directors, officers and supervisors conducted the 5 year development plan. We conducted SWOT analysis to see the current realities of the bank and evaluated if its objectives are still relevant and in line with its mission, vision and goals. Such evaluation arrived at seven (7) revised strategic directions, namely: 1) Sound asset management, 2) Prompt compliance to regulatory bodies, 3) Intensive internal control, 4) Aggressive Marketing, 5) Human Resource Management, 6) Corporate Social Responsibility and bank activities, and 7) Effective credit risk Management. We have identified the key result areas, success indicators and measures of each strategic direction and crafted the 5 year strategic plan of actions and timelines.

#### FINANCIAL SUMMARY / FINANCIAL HIGHLIGHTS

Minimum Required Data		Consolidated		Parent Bank (Solo)	
		Current Year	Previous Year	Current Year	Previous Year
<b>Profitability</b>					
	Total Net-Interest Income			55,324,116.00	52,921,895.00
	Total Non-Interest Income			5,430,365.00	6,858,618.00
	Total Non-Interest Expenses			58,363,627.00	58,080,479.00
	Pre-provision profit			3,021,478.00	2,495,837.00
	Allowance for credit losses			39,996,448.00	39,235,163.00
	Net Income			2,390,854.00	1,700,034.00
<b>Selected Balance Sheet Data</b>					
	Liquid Assets			160,806,464.00	226,381,887.00

	Gross Loans			340,658,022.00	332,083,381.00
	Total Assets			579,740,770.00	613,797,635.00
	Deposits			472,236,564.00	517,889,374.00
	Total Equity			62,149,049.00	60,908,151.00
<b>Selected Ratios</b>					
	Return on equity			3.89%	2.56%
	Return on assets			0.40%	0.30%
	CET 1 capital ratio (for UBs/KBs)			NA	NA
	Tier 1 capital ratio (for UBs/KBs)			NA	NA
	Capital Adequacy Ratio			11.11	12.02
<b>Per Common share data (For Ubs, KBs and publicly listed Banks)</b>					
	Net Income per share:				
	Basic			NA	NA
	Dilluted			NA	NA
	Book Value			NA	NA
<b>Others</b>					
	Cash dividends declared			585,759.23	446,258.93
	Headcount				
	Officers			13	10
	Staff			38	38

## **FINANCIAL CONDITION AND RESULTS OF OPERATION**

The President and CEO congratulates the Cooperative Bank of Bohol and its Shareholders on its 43<sup>rd</sup> General Assembly. This year's theme, "Four Decades of Banking Services," highlights how Cooperative Bank of Bohol has helped the Boholano Community by empowering small private businessmen, fisherfolks, farmers, and individuals, hence, maintaining the bank's relevance through the years by being responsive to the needs of the clients in the whole economy. She is optimistic that today's assembly will bring more success to our bank. All of us are instrumental in the implementation of the bank's well-calibrated plans.

Philippine banks have shown resilience to the COVID-19 crisis, benefiting from risk management and other regulatory reforms of the past two decades. Hopefully, we will be expecting an economic rebound after the pandemic which is why we realign our products and services to suit the needs of our clients.

Cooperative Bank of Bohol is not complacent despite the remarkable 43 years of dedicated banking but adapts to the changing times in order to stay relevant in creating and promoting financial stability among Boholanos to be headed in the right direction maintaining the risk appetite the bank can handle.

Hence, a new vision of the bank is now "A digitalized billionaire cooperative bank with excellent customer service anchored on good governance" with a new mission and goals in order to rise above challenges and advance to the next level in banking such as the full implementation of the digitalization roadmap for the next five years.

With your help along with bank's stability, we recognize the need to incorporate in our bank's policy, the sustainable finance framework of the bank to achieve a safer, more dynamic, and more inclusive financial system that is sound and resilient and be able to properly address credit risk, market risks, interest rate risks, and liquidity risk.

*To tell you something about myself, I am a morning person. Every day even on weekends, I wake up at 4:30 am or before dawn to think, organize my thoughts and plan my bank day. I found that life isn't about discovery, but it is about creation and planning instead of thinking about what is that thing that I love or I'm good at. In the process of understanding myself, the bank and its connection, I've faced my fears and encountered vulnerability but I still I am capable of producing empathy, therefore a perfect recipe for effective leadership. Apparently, this works for me because I was able to transform the management style needed for the time being.*

*However, in this line of work, I must say that, it was more than just a beginner's luck to achieve this great feat in upholding the bank's standards and credibility for the past 43 years. Thus, it can be credited to collaboration, support, and blessings from above. And to our dear Shareholders, Board of Directors, and Employees, we will continue to cooperate and collaborate in order to sustain this momentum that we have right now.*

*I am proud to say that we are still included in the BSP top 100 ranking for rural and cooperative banks nationwide both for the loans and receivables category and deposit liabilities category. We are no. 79 for loans and receivables with a cut-off period of March 31, 2022, and no. 70 for deposit liabilities with the same reference period. And hopefully, before the year ends, we will successfully display our own ATM terminal.*

*Aside from that, after 17 years of operating with 3 branches only, it brings me great pride and honor to say that we will be opening our 4<sup>th</sup> branch this coming April 20, 2023. Indeed, it was once a dream that has now become a reality!*

### **Financial Highlights**

The role of the BSP in the economy *is* through its three pillars of central banking: price stability, financial stability, and efficient payments and settlements system. With the Philippine recovery underway, the Bangko Sentral ng Pilipinas (BSP) has implemented game-changing reforms in these pillars that will stimulate the economy. In the next paragraphs, I will be presenting how these reforms affected the operation of the Cooperative Bank of Bohol one way or another, putting into consideration some other factors: like the negative impact of the pandemic, the devastation left by Super typhoon Odette, including our cut-throat competition.

Cooperative Bank of Bohol is in full continuity mode in serving the public needs of its clientele and shareholders. With its vision to become a digitalized billionaire Cooperative Bank, consolidation of data bank-wide has successfully started and implemented in the year 2022 resulting in a centralized Core Banking System.

Moreover, additional products such as Digital Document Management System (DDMS) and Check Warehousing were also installed in the bank's Core Banking System to comply with the BSP requirement and to ease the workload of the employees. As CBB embarks new journey, it has been part of the long-term plan of the bank to open an additional branch, and after conducting

assessments and complying with the pre-requisites, the bank was able to secure a license or authority to establish a new branch in Daus-Panglao Island.

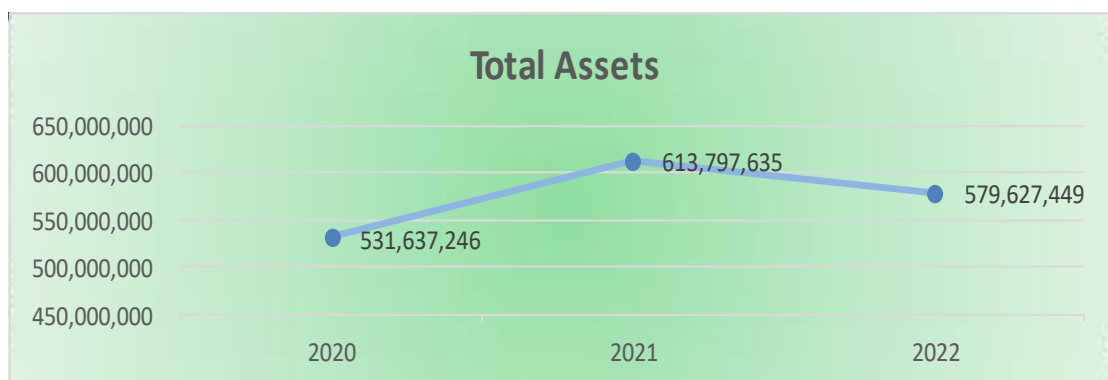
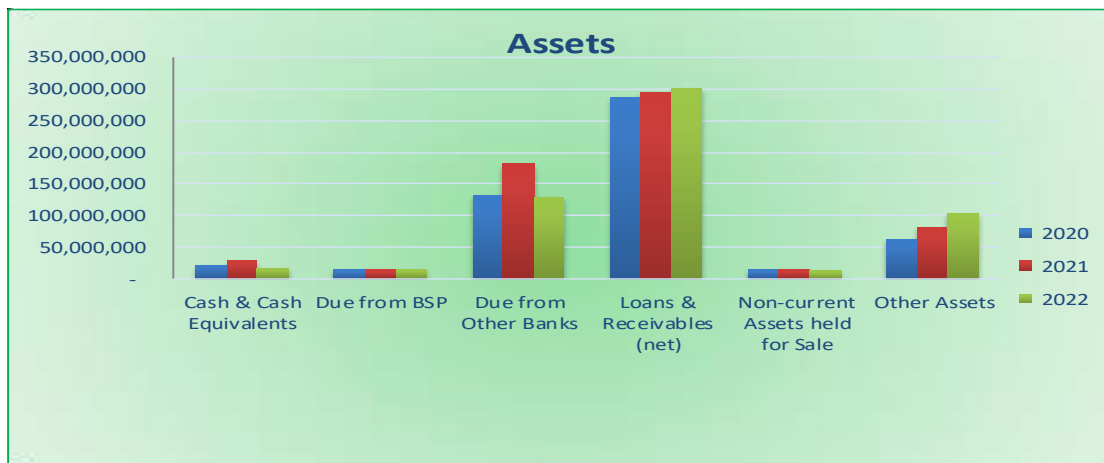
Below are the snapshots of the bank’s financial health, giving insight into its performance and operations.

*Note: Figures for 2022 are based on the Audited Financial Statements (AFS)*

**1.) As to the Financial Position**

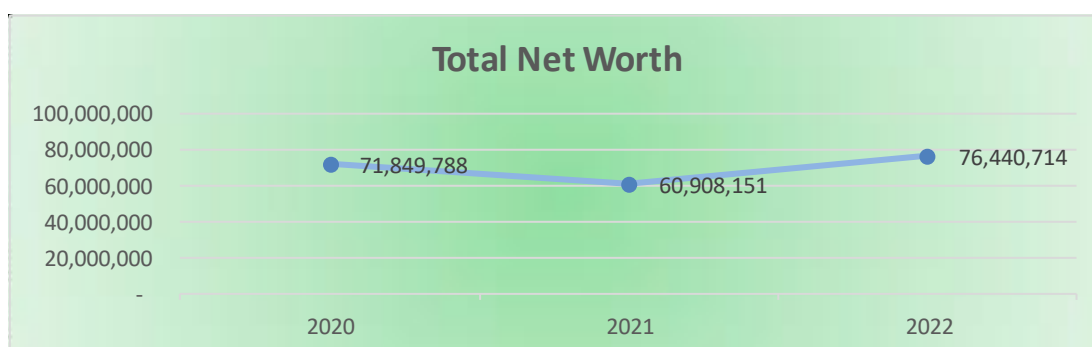
**a. Assets**

Particulars	2022	2021	2020
Cash & Cash Equivalents	16,264,926.00	29,085,103.00	21,421,579.00
Due from BSP	14,769,825.00	14,895,944.00	14,350,398.00
Due from Other Banks	130,067,286.00	182,044,045.00	131,333,425.00
Loans & Receivables (net)	301,589,071.00	293,831,629.00	287,183,510.00
Non-current Assets held for Sale	12,307,058.00	13,951,921.00	15,221,428.00
Other Assets	104,629,283.00	79,988,993.00	62,126,906.00
<b>Total Assets</b>	<b>579,627,449.00</b>	<b>613,797,635.00</b>	<b>531,637,246.00</b>



## b. Liabilities & Net Worth

Particulars	2022	2021	2020
Total Liabilities	517,566,042.00	552,889,484.00	459,787,458.00
Net Worth (Assets Minus Liabilities)	62,061,407.00	60,908,151.00	71,849,788.00



Based on the figures presented above, bank's assets as of December 31, 2022 are made up of 52.03% total loans and receivables, 27.80% cash and cash equivalents (including deposit from banks and Demand Deposit), 2.12% ROPA, and 18.05% other assets. Additionally, as of December 31, 2022, the primary sources of funding for the bank's total assets were 81.47% of its deposit liabilities and 7.92% of its paid-up capital, indicating that the bank is financing a large percentage of its assets with liabilities.

Moreover, for the year 2022, the Board of Directors and the Management consistently maintain the bank's good financial standing by lowering its debt-to-equity ratio without affecting the compliance of the Minimum Liquidity Ratio since it is more advantageous to finance a bank's assets with equity although liabilities may not always be bad as this can help finance the bank's growth. Comparing the total Assets of the bank for the past 3 years, it decreased to P579.3M as of December 31, 2022, as funds deposited in other banks decreased due to significant transactions such as paying its bills payable and other liabilities made during the year. Thus, in year 2022, the bank's debt-to-equity ratio decreased by 1, from ratio of 9 to 8.

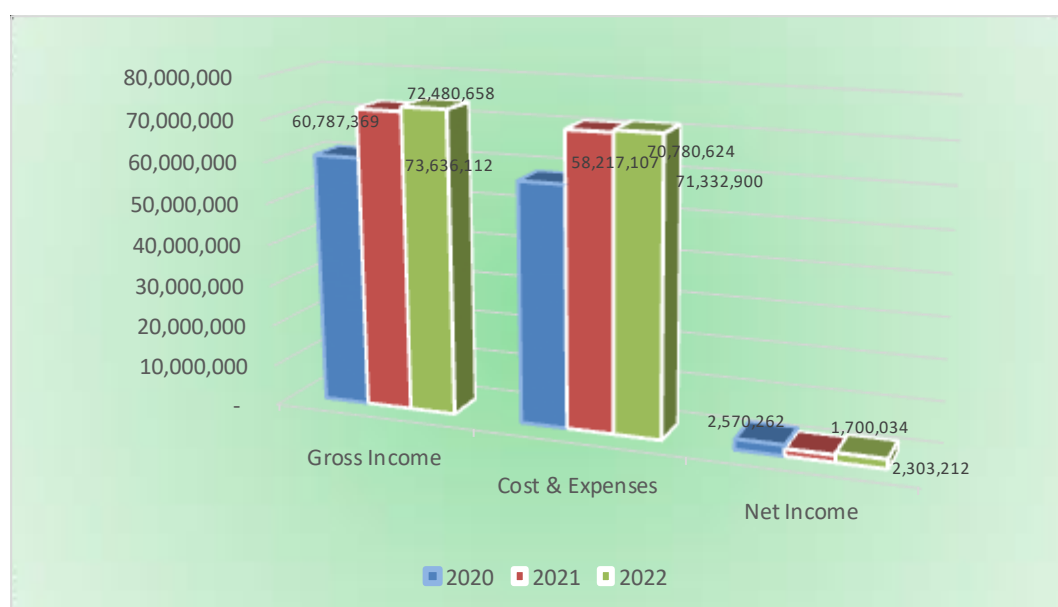


To maintain a good debt-to-equity ratio, increasing the bank's capital is one of the major activities that the bank is promoting because it will not only help to increase liquidity but will also help to increase capital adequacy ratio.

**2.) As to the Results of Operations-** The summary of the cumulative impact of revenue, gain, expense, and loss transactions for a given period.

**a.) Profitability**

Particulars	2022	2021	2020
Gross Income	73,636,112.00	72,480,658.00	60,787,369.00
Cost & Expenses	71,332,900.00	70,780,624.00	58,217,107.00
Net Income	2,303,212.00	1,700,034.00	2,570,262.00



**b.) Net Income Margin**

Particulars	2022	2021	2020
Net Income Margin (Net Income/Gross Revenue)	3.13%	2.35%	4.23%

A high Net Income margin is often an indicator of efficient operation management, low expenses, and efficient pricing strategies. For the year 2022, Percentage of Revenue remaining after all operating and non-operating expenses have been deducted from the total revenue increases by 0.78%, from 2.35% to 3.13%.

**3. Membership**

The bank provides a reasonable and realistic member capital build-up program to allow the continuing growth of shareholders', investments as their economic conditions continue to improve.

Further, the bank made concrete and definite capital planning to preserve capital and build sufficient buffers in times of uncertainty to be always above the industry benchmark and the capital

requirement set by Bangko Sentral Ng Pilipinas known as the capital adequacy ratio. Additionally, the bank aims to source and infuse additional capital promptly should the capital adequacy ratio (CAR) fall below the required minimum.

Thus, the bank increases its authorized capital to two hundred million Pesos (P 200,000,000.00) upon approval of amended AOC and By-laws and for the year 2023, the bank projected an increase of P 3,318,000.00 for Common Shares and P 436,000.00 for preferred shares resulting to a total projected Capital of 49,520,000 at the end of the year 2023.

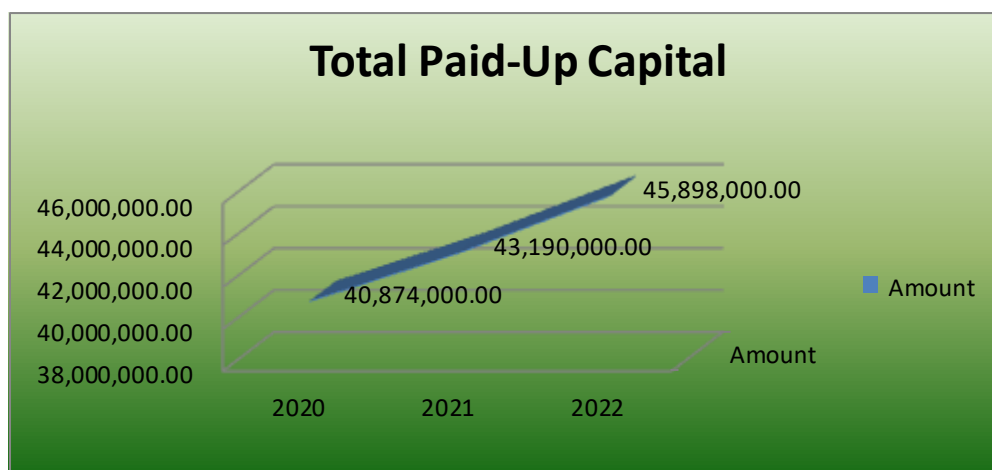
In 2022, the bank conducted a series of Information drives explaining to the shareholders their importance in the bank. The first leg was held at Tagbilaran City last January 18, 2022, which was followed by the second leg on February 18, 2022, at Inabanga Branch. Finally, the last leg was done at Candijay Branch last March 11, 2022. Below is the list of common shareholders who paid for additional capital for the year 2022.

<b>Name of MPC</b>	<b>Fresh Capital (Including Patronage Refund)</b>
1. 1CISP Total	1,000,000.00
2. Abachanan MPC Total	1,000.00
3. Alturas MPC Total	75,000.00
4. Ati Bohol MPC Total	100,000.00
5. BADOTSCO MPC Total	24,000.00
6. Bagtic Masagana MPC Total	26,000.00
7. Bagumbayan MPC Total	3,000.00
8. Bahian MPC Total	3,000.00
9. BIT IC Credit Cooperative Total	35,000.00
10. Bohol Center MPC Total	16,000.00
11. Bohol DILG Employees MPC Total	200,000.00
12. Bohol Island Operators & Drivers MPC Total	18,000.00
13. Bol-anon M P C - T A C E C C O Total	20,000.00
14. BOPE Cooperative Total	18,000.00
15. Bohol PCA Employees MPC Total	50,000.00
16. BPSTE MPC Total	10,000.00
17. Calape Community MPC Total	2,000.00
18. Calinginan Norte Primary MPC Total	2,000.00
19. Calunasan Sur MPC/Loboc SN Coop/Gon-ob Total	1,000.00
20. Cansubayon SN MPC Total	1,000.00
21. Cansumbol MPC Total	28,000.00
22. Carmen SN MPC Total	150,000.00
23. CEV Credit Cooperative Total	25,000.00
24. Clarin District Teacher & Employees MPC Total	30,000.00
25. Crystal Dream Credit Cooperative Total	13,000.00
26. Darussalam Bohol MPC Total	4,000.00
27. Daus CC Total	2,000.00
28. Daus Panglao Island MPC Total	50,000.00
29. Dimiao Parish MPC Total	5,000.00

30. Holy Spirit School MPC Total	9,000.00
31. Loboc Community MPC Total	95,000.00
32. Loon Service Providers MPC Total	100,000.00
33. Manga MPC Total	34,000.00
34. Quinoguitan MPC Total	1,000.00
35. Rural MPC Total	7,000.00
36. San Pascual Bulilis MPC Total	1,000.00
37. Tabuan MPC Garcia Hernandez Total	4,000.00
38. Talibon Credit Cooperative Total	166,000.00
39. Tinago Daus SN CC Total	1,000.00
40. Treasure Island Credit Cooperative Total	10,000.00
41. Tubigon Public School Teachers and Employees Total	100,000.00
42. Tubod MPC Total	1,000.00
43. Valencia Cansibao MPC Total	100,000.00
<b>Grand Total</b>	<b>P2,541,000.00</b>

**a.) Total Paid-Up Capital**

Particulars	2022	2021	2020
Total Paid-Up Capital	45,898,000.00	43,190,000.00	40,874,000.00



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**op 10 Member Cooperatives**

*As of December 31, 2022:*

	Name of Cooperative	Amount
1	Valencia Cansibao CC	2,600,000.00
2	B O P E Cooperative	2,454,000.00
3	BADOTSCO	2,449,000.00
4	Bagtic Masagana M P C	2,231,000.00
5	1CISP	2,077,000.00

6	B I T I/C Credit Coop	1,850,000.00
7	Loboc Comm. CC	1,570,000.00
8	Bohol Community Mpc	1,325,000.00
9	Bohol Island Operators & Drivers	1,110,000.00
10	Mpc Carmen S N M P C	634,000.00

### **Operational Highlights**

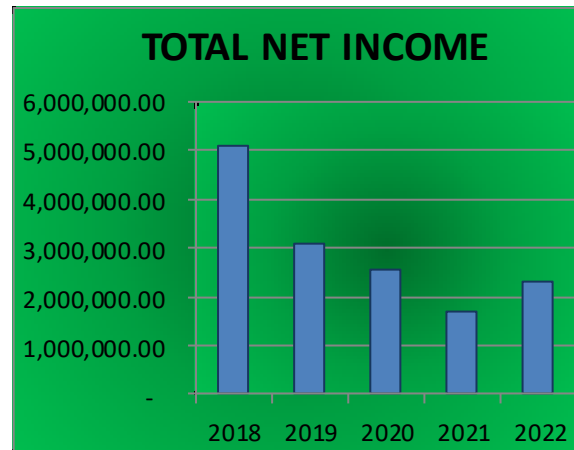
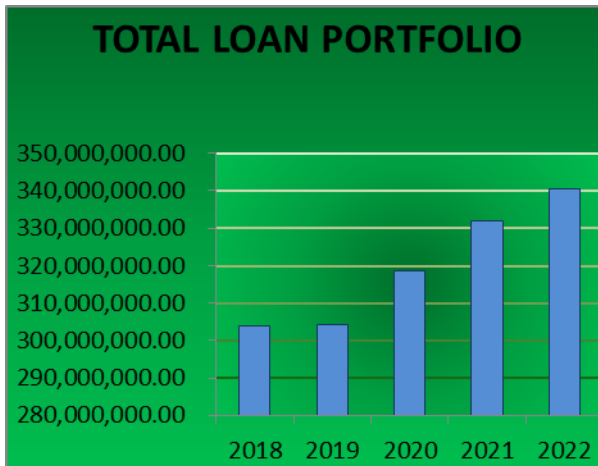
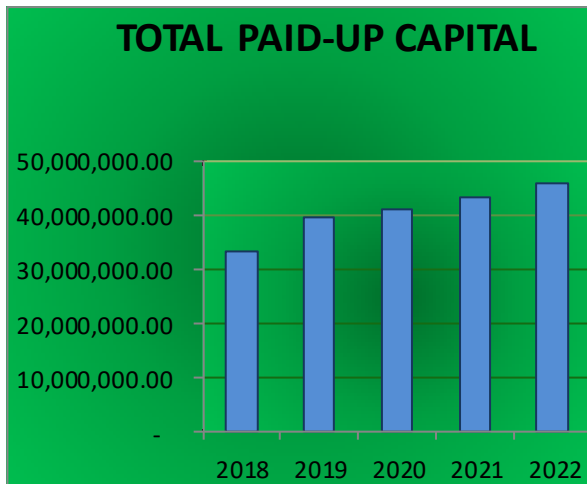
#### **A. Target vs. Actual 2022**

Except for the Collection targets, the bank was able to meet all of its 2022 targets. However, with the new organizational structure implemented by management in 2023, all loan accounts are equally divided among all Account Officers, enabling them to closely monitor their assigned accounts, particularly those with higher provision, and meet their respective targets.

<b>PARICULARS</b>	<b>ACTUAL 2022</b>	<b>TARGET 2022</b>	<b>VARIANCE OVER ACTUAL</b>
Total Net Income	3,131,737.51	3,082,622.13	49,115.38
Loan Releases	285,715,222.50	285,633,845.00	81,377.50
Collection	279,705,310.09	332,176,104.55	(52,470,794.46)

#### **B. 5-Year Significant Accounts**

<b>PARTICULARS</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Paid-Up Capital	45,898,000.00	43,190,000.00	40,874,000.00	39,419,000.00	33,324,000.00
Total Assets	579,627,449.00	613,797,635.00	531,637,246.00	487,791,993.00	466,963,607.00
Loan Portfolio	340,512,024.62	332,083,381.00	318,604,045.00	304,165,528.00	303,907,840.00
Total net Income	2,303,212.00	1,700,034.00	2,570,262.00	3,104,061.00	5,101,961.00



#### Comparative Performance for the year 2022 and 2021

PARTICULARS	2022	2021	REMARKS	
			INCREASE/ DECREASE	AMOUNT
Total Assets	579,310,457.90	613,797,635.00	Decrease	(34,487,177.10)
Loan Portfolio	340,512,024.62	332,083,381.00	Increase	8,428,643.62
ROE (Return on Equity) Formula: Net Income After Tax for the period/ Ave. Capital for the period	4.00%	2.17%	Increase	1.83%
Past Due Ratio	20.04%	22.11%	Decrease	-2.07%

### **Financial Ratios:**

<b>Particular</b>	<b>Dec 2020</b>	<b>Dec 2021</b>	<b>Dec 2022</b>
Capital Adequacy Ratio	12.21%	12.02%	12.64%
Percentage of Compliance with the Agrarian Reform Credit	10.78%	10.04%	16.29%
Percentage of Compliance with Other Agricultural Credit	19.57%	15.02%	18.73%
Percentage of Compliance for Micro and Small Enterprises	24.44%	24.09%	21.08%
Percentage of Compliance for Medium Enterprises	30.17%	30.29%	39.79%
Minimum Liquidity Ratio	39.895%	45.033%	34.855%

The Board of Directors and its management have been extremely proactive in managing operations in the midst of the pandemic. Its capital, liquidity and other ratios are consistently monitored in order to maintain a substantial buffer that will assist the bank in overcoming the global economic crisis. In fact, majority of the bank's 2022 financial ratios are increasing. Its Capital Adequacy Ratio was increased to 12.64% as Bank's total Qualifying Capital as of December 31, 2022 was increased to 77,271,987.47. Such increase was due to the Additional Paid-up Capital from the Shareholders, decrease of Unsecured DOSRI Loans (net of allowance from Credit Losses), decrease of Past Due Loans as well as the increase in Net Income. Further, bank's liquidity ratio or ability to meet near term debt obligations such as deposit liabilities and other current liabilities is 34.85%, above the 20% Minimum ratio required by BSP. Likewise, the bank remains compliant with MSME and Agri-Agra loans.

Thus, our bank has remained resilient and far stronger than before.

### **Corporate Social Responsibility**

#### **CBB As a Lending Conduit with Dept. of Agriculture -ACPC**

Cooperative Bank of Bohol amidst discouraging effects of typhoon Odette, the bank continues to bring the Boholano farmers to higher level by providing robust financial support system to them as a lending conduit with Department of Agriculture -ACPC.

Cooperative Bank of Bohol has been a partner lending conduit with the Department of Agriculture - Agricultural Credit Policy Council in the implementation of the Department of Agriculture - ACPC Agri- fishery credit programs like Expanded Sure Aid and Recovery Project, Agri- Negosyo Loan Program ( ANYO) and Kapital Access for Young Agripreneurs (KAYA) for small farmers and fisherfolks, and micro and small enterprises (MSEs) amid the pandemic. The total loan releases as of December 31, 2022 were P43,525,000, an increase of P13,500,000.00 over the loan releases for the previous year. The above increase is made up of loan releases for Sure Aid and Recovery Project Assistance (Odette) totaling P10,000,000.00 and Agri-Negosyo Loan Program (ANYO) totaling P3,500,000.00, resulting in an increase of 708 recipients from 874 to 1,582.

Illustrative Table

	As of December 31, 2021	No of Accounts	2022	No. of Accounts	Total Releases	Total no. of Recipient
<b>Sure Aid</b>	18,725,000.00	749	-	-	18,725,000.00	749
<b>ANYO</b>	10,865,000.00	122	3,580,000.00	41	14,445,000.00	163
<b>KAYA</b>	355,000	3	-	-	355,000.00	3
<b>SURE-Odette</b>	-	-	10,000,000.00	667	10,000,000.00	667
<b>TOTAL</b>	<b>P30,130,000.00</b>	<b>874</b>	<b>P13,580,000.00</b>	<b>708</b>	<b>P43,525,000.00</b>	<b>1,582</b>

**CBB Inspires to Take Bart in Protecting the Environment**



This is an annual program of the bank in support to the government in the global celebration of the International Coastal Clean-up. It was successfully spearheaded by the bank's Chairperson, Atty. Maximiliano A. Cempron and its President and CEO, Dr. Juvie D. Calacat.

Joyfully participated by the members of the Board of Directors, Department Heads, Managers, and Supervisors who volunteered to clean up the shorelines of an area in sitio Daorong, Barangay Danao, Panglao, Bohol last December 30, 2022.

## CBB Participates In Creating a Greener Planet



The senior management of the Cooperative Bank of Bohol ensures to indulge in community-based activities annually as its contribution to society and in response to the government's call for nature restoration.

Through the bank's advocacy and initiatives, the Board of Directors led by its Chairman, Atty. Maximiliano A. Cempron, and the management headed by the President and CEO, Dr. Juvie D. Calacat, Cooperative Bank of Bohol was able to plant thirty-five molave seedlings in its designated coop forest located in Loboc, Bohol on September 10, 2022. The management anticipates seeing these trees grow to help restore the environment.

## CBB Celebrates Its Anniversary with Children





In partnership with the senior management of Daus Panglao Island MPC (DPIMPC) under the chairmanship of Dir. Teodora M. Quiwag, one of the shareholders of the Bank, the Board of Directors headed by its Chairman Atty. Maximiliano A. Cempron, who was represented by Vice-Chairman Francisco M. Evardone and the management headed by Dr. Juvie D. Calacat conducted a feeding program for the kindergarten pupils of Totolan Elementary School last November 14, 2022. A total of seventy-seven (77) pupils were the beneficiaries of said activity.

With the joint coordination of the senior management of both Cooperative Bank of Bohol and Daus Panglao Island MPC and the assistance of the teaching staff of Totolan Elementary School, hundreds of packed meals and numerous bags of school supplies were successfully distributed to these pupils. Aside from that, the team has also organized several fun games and dance numbers for the children to participate in and enjoy.

### **Members Continuing Education Program**

#### **CBB Sponsored CDA Mandated seminars facilitated by Neuronco**



One of the bank's strategic directions is Human Resource Management. One of its key result areas is to support the Member-Shareholder by specifically providing continuing education programs not only for the Board of Directors and Employees but also for the Shareholders. In line with this, the bank also sponsored a webinar for our member cooperatives to comply with Cooperative Development Authority required training like the three-day training conducted by Negros Oriental Union of Cooperatives (NEORUNCO), with its primary topics being Fundamentals of Cooperative, Cooperative Governance, and Credit Risk Management with a total of 266 participants composed of 148 face-to-face participants and 118 online participants.

## **Challenges and Roadmap**

Business innovation is no longer a buzzword; it's imperative. In a world that constantly changes at dizzying speeds, there is no more "business as usual".

It is crucial if we do not have a solid plan and comprehensive strategic decisions that would serve as a guide in our future undertakings because the challenges that surround us are growing and escalating in numbers and to name a few, increasing competition between banks and other financial institutions, the cultural shift of our market from traditional banking to online banking addressing changing business models, cyber security of our core banking system and customer retention since the expectations from the clients are now different. On top of these challenges, we will not forget the regulatory compliance that we should adhere to from our regulatory agencies. Identified challenges are keeping abreast with the digitalization roadmap, strengthening the capital structure, and implementing a sustainable finance framework.

Hence, management's policies are designed to identify and analyze these challenges to set appropriate actions and controls combined with allowable risk-taking choices to come up with prudent judgment.

### **Digitalization Roadmap**

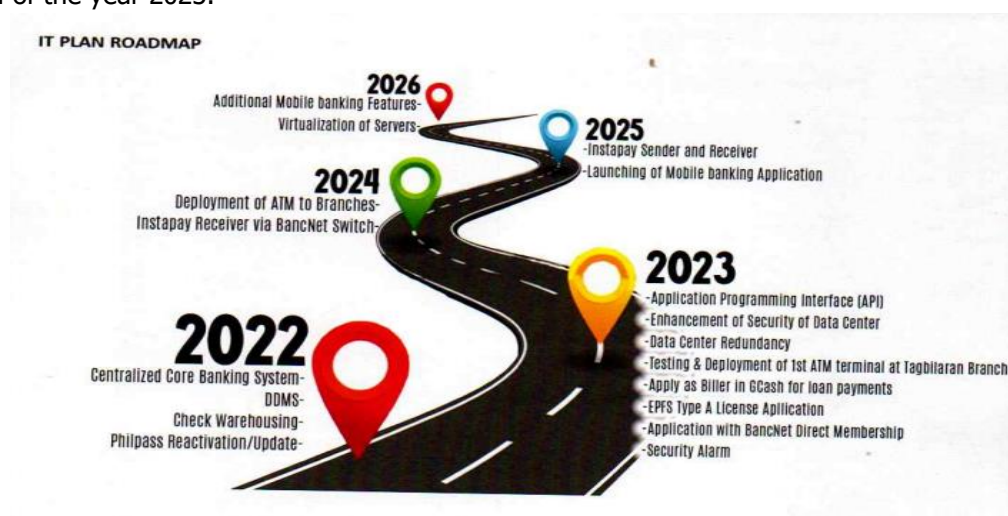
Now competing with digital banks, electronic money issuers, virtual asset providers and crypto currency platforms, these institutions can vastly expand their customers at less cost.

Thus, it is crucial for rural and cooperative banks to stay relevant to our clients. BSP aims to strike a balance between prudent supervision and nurturing technology innovation.

To leverage with other banks, this is the IT Plan roadmap starting this year up to the year 2026.

### **Capital Requirement**

The bank aims to promptly source and infuse additional capital should the capital adequacy ratio (CAR) fall below the required minimum. Thus, the bank increases its authorized capital to two hundred million pesos (P200,000,000.00) upon approval of amended AOC and By-laws for the year 2023, the bank projected an increase of P3, 318,000.00 for Common Shares and P49, 520, 000.00 at the end of the year 2023.



### **Sustainable finance framework**

The board of directors of Cooperative Bank of Bohol promotes a culture that fosters environmentally and socially responsible business decisions and ensures that sustainability implications are considered in the overall decision-making process in consonance with BSP circular no. 1085 series of 2020 and per board resolution no. 2022-099 approved last March 4, 2022. The framework has four core components such as use of proceeds, project evaluation, management of proceeds, and reporting and external review. It is the adoption of sustainability principles through environmental and social risk management system in our governance framework and risk management system in strategies and operations.

It understands its role in leading and institutionalizing the adoption of sustainability principle. It aims to inspire our clients, shareholders, and other stakeholders to make the same environmentally and socially responsible decisions. The objectives are as follows; Integrate sustainability principles in decisions, dealings, and products; Realize strategic resilience through sustainable bank operation; Incorporate environmental, social, and governance sustainability principles in financial products and services and comply with sustainable environmental and social standards, local/national regulations, and statutes.

### **Citations for Award and Recognitions**

#### **CBB honored at DA-ACPC 2<sup>nd</sup> Gawad Lingap Awards**



Cooperative Bank of Bohol (CBB) was one of the partner lending conduits (PLCs) of the Department of Agriculture-Agricultural Credit Policy Council (ACPC) being honored during the 2<sup>nd</sup> Gawad sa Paglingap sa Magsasaka at Mangingisda (Gawad Lingap Awards) on April 28, 2022 at the Novotel Hotels and Resorts in Quezon City.

The award was received by the bank's President and CEO Ms. Juvie D. Calacat accompanied by its Chief Compliance Officer Ms. Marsha M. Bagnol. The Gawad Lingap Awards is held every two years to recognize financial institutions nationwide which have given outstanding and exemplary contributions in the implementation of DA-ACPC's innovative credit programs for small farmers and fisherfolk and micro and small agri-fishery enterprises.

## **CBB President received an award from BSP**



The Bohol Bankers Association, Inc. under the presidency of Juvie D. Calacat for the year 2022 received a citation for actively engaging their stakeholders in financial education initiatives, particularly in promoting digital payments and raising awareness on cyber hygiene practices to avoid fraud and scams.

The photo was taken at Sheraton Hotel, Cebu City during the 2022 outstanding BSP stakeholders' appreciation ceremonies. Bangko Sentral ng Pilipinas (BSP) Monetary Board Members and Deputy Governors with Outstanding Partners from Visayas (front row, from left) namely, Catalina Dagodog, Iloilo Supermart, Inc.; Mary May Chiu, Bankers Association of Iloilo, Inc.; Juvie D. Calacat, Bohol Bankers Association, Inc.; Delma O. Bandiola, Land Bank of the Philippines – West Visayas Branches Group; Allan Kiko B. Delantar, Junior Financial Executives – Cebu Institute of Technology – University Chapter; and Emmeline D. Go, Metropolitan Bank and Trust Company (Metrobank) Cebu.

### **Closing Statement**

As your president, I follow the so-called open-door policy where my co-employees are welcome to give feedback or suggestions directly to me. I also empower my senior management, managers, and supervisors to skillfully and competently run the bank's different departments, branches, and sections.

With the trust and support coming from the Shareholders, Board of Directors, and my co-employees, and together with God's ever-flowing blessings, I know that we will continue to prosper in the coming years.

I consider myself a serial reinventor, a person who is nimble and agile to embrace and adapt to constant rapid change to properly address the identified challenges *that we may face along the way*. Because I believe that even if we are doing well in business, *we should not be complacent but rather we should continue* innovating to be more successful and *efficient in our field*. And no matter how bad the situation is, I will reframe it to have a better picture of how bad is, to invest in problem setting, not just simply solving the problem.

I will continue to provide the necessary skills, guidance, and efforts to uphold Bangko Sentral Ng Pilipinas and Cooperative Development Authority policies and mandates, while expanding our resources to reach the unbanked and unserved.

I will also continue to make exceptional contributions to help the bank promote its name and reputation. I will *place* proactive measures, *especially in* engaging with our different partners, shareholders, and, most especially, the general public.

Always, I will harness the attitude of gratitude. Your support and cooperation helped the Bank through the worst and best of times.

And as I end my report, please allow me to thank our Shareholders for your support to the bank even if you, too, were hit by typhoon Odette and the pandemic. However, you never neglected the bank; instead, you actively participated in our investors' forum, attended our important meetings, and even put up additional Capital.

I am always grateful to the Board of Directors spearheaded by their chairperson, *the legendary*; Atty. Maximiliano A. Cempron, for their guidance and oversight of implementing the Bank's strategic objectives, risk strategy, corporate governance, and looking after the welfare of the employees and shareholders in general.

Sometimes it's difficult to find words to express my genuine appreciation for my co-employees. Still please know that each of you is very important because you are the backbone of this institution. Thank you for using your remarkable talents and skills to fuel our mutual efforts that made the bank surpass all the odds and challenges. Your dedication to your work helps lead us to success! *And for all these, I say, onward to the next four decades!*

Once again, I am honored and privileged to serve as your president.

Thank you and God bless!

Tagbilaran City  
March 25, 2023



## **RISK MANAGEMENT FRAMEWORK ADOPTED**

The principles set forth in the Circular No. 855 regarding credit risk management guidelines shall be used in determining the adequacy and effectiveness of the CBB's credit risk management process and adequacy of capital relative to exposure.

### **Role of the Board and Senior Management**

1. Board of Directors
  - a. Responsible for the approval and regular review of credit risk strategy and credit policy, as well as the oversight of the implementation of a comprehensive and effective credit risk management system appropriate for the size, complexity and scope of operations of CBB.
  - b. Ensure that the system provides for adequate policies, procedures and processes to identify, measure, monitor and control all credit risks inherent in CBB's products and activities, both at the individual and portfolio levels on a consistent and continuing basis; and that an independent assessment of the system is periodically performed, the results of which shall be reported to it or to a board-level committee for appropriate action.
2. Senior Management
  - a. Responsible for ensuring that the credit risk-taking activities of CBB are aligned with the credit risk strategy approved by the board of directors.
  - b. Also responsible for developing and implementing CBB's credit policies and procedures that lay down the conditions and guidelines for an effective credit risk management process, as well as proper channels of communication to ensure that these policies are clearly communicated and adhered to by all levels of the organization.

Outsourcing of financial services exposes a bank to a number of risks which need to be evaluated and effectively managed & mitigated. Key risk areas should be evaluated before entering into and while managing outsourcing contracts. The key risks that may arise due to outsourcing are:

- **Strategic Risk:** The service provider may conduct business on its behalf, which is inconsistent with the overall strategic goals and objectives of the bank.
- **Reputation Risk:** Poor service from the service provider, its client interaction may not be consistent with the overall standards of the bank.
- **Legal Risk:** It includes, but not limited to, exposure to fines, penalties or punitive damages resulting from supervisory and lawful actions, as well as private settlements due to omissions and commissions of the service provider.
- **Operational Risk:** Arising due to technology failure, fraud, error, inadequate financial capacity of the service provider to fulfil obligations and/or provide remedies.
- **Compliance Risk:** Privacy, consumer and prudential laws provided by regulatory agencies may not be adequately complied with by the service provider.

- **Concentration Risk:** Due to lack of control of the bank over a service provider, more so when overall banking industry has considerable exposure to one service provider. The failure of the service provider in providing the desired services covered by the terms of agreement or any non-compliance of any legal/regulatory requirements by the service provider can lead to reputational or financial loss for the bank which can trigger a systematic risk in the banking system as such. The imperative therefore will be securing effective management by the bank for mitigation of this risk.

In this regard, the management and the oversight/control personnel of the Cooperative Bank of Bohol must perform risk assessment of every business activity and evaluate the implications of performing the activity in-house or outsourced.

In line with the BSP's thrust to foster a balanced and coherent approach to innovation, the Monetary Board (MB) recently approved the issuance of Circular 949 dated 15 March 2017 the pioneering guidelines on social media risk management that advocate responsible use of social media by BSP Supervised Financial Institutions (BSFIs) such as the Cooperative Bank of Bohol. BSP recognizes that social media presents vast potential benefits and opportunities for greater economic advancement and financial inclusion. The guidelines ensure that the necessary safeguards, governance structure and standards are in place to effectively manage the associated risks.

The Cooperative Bank of Bohol's social media risk management program should, at a minimum, be able to address potential reputational risks as well as provide guidance on acceptable use of social media by employees, whether for official or personal purposes. The bank, in formulating and implementing their social media policies, should see to it that existing rules and regulations on financial consumer protection, cyber-security, outsourcing and anti-money laundering, among others, are complied with. Aside from ensuring that the pertinent legal, reputational, strategic, operational, and compliance risks are addressed, the new guidelines highlight added dimensions to these traditional risks which the bank need to consider in designing their social media risk management program. These include the growing threats on information security and fraud such as account take over, malware attacks, and phishing and spoofing schemes, among others.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Cooperative Bank of Bohol must ensure that its board of directors and senior management are actively involved in the oversight of the operational risk management framework, it has an operational risk management system that is conceptually sound and is implemented with integrity, and it has sufficient resources in the use of the approach in the major business lines as well as the control and audit areas.

Management should evaluate its rights and obligations in contractual relationships, conform with legal and regulatory requirements agreements/contracts entered into and that no party is unduly disadvantaged, assess the trends of customer complaints, manage outstanding legal cases involving bank or any of its directors, officers, with respect to suits filed in line with the performance of their duties, assess and report regularly the potential outcome including probable liability or receivable, identify and understand the distinct operational risk arising from the products and services being offered or innovative delivery channels used, and ensure sustained delivery of financial services to the unserved and underserved sector.

To address the liquidity risks or the risk of running out of funds, the bank shall adopt a sound contingency funding plan. The said Contingency Funding Plan of the Bank was first approved by the Board of Directors on June 28, 2017 per Board Resolution No. 2017-243. However, the Board of Directors feel the need to review and test the effectiveness of said Contingency Funding Plan, hence, the Board of Directors decided to amend the said plan and this has been consequently approved per

Board Resolution No. 2020-222 dated May 25, 2020. The amended CFP design, plans and procedures should be closely integrated with the bank's ongoing analysis of liquidity risk and with the results of the scenarios and assumptions used in stress tests. Senior management of the Cooperative Bank of Bohol should monitor for potential liquidity stress events by using early warning indicators and event triggers. Early indicators should identify any adverse movement; create an initial assessment; and potential management action in order to mitigate the bank's exposure to liquidity risk. The Cash Department Head as chief financial officer shall be responsible in establishing and maintaining liquidity risk measures and monitoring system. However, when banking distress becomes systemic and reaches a crisis proportion which is likely to impact on the entire financial services industry, the routine processes and procedures of the supervisory authority to deal with the situation may be inadequate.

## **RISK APPETITE AND STRATEGY**

Our reputation is based on trust and confidence from our clients, employees, stakeholders, regulators and the public in general. We will avoid actions and situations that can compromise trust and result in negative impact to Cooperative Bank of Bohol's reputation, and, if and when, an unwanted and inevitable incident/situation arises, we shall manage it head-on to preserve our reputation.

Cooperative Bank of Bohol has established a history of client trust, financial strength and innovation in pursuit to achieving its vision, mission and goals. The bank's risk management framework seeks to ensure that there is an effective process in place to monitor and manage risks.

Our mission is to provide the financial welfare of both the cooperatives and individuals and upholding trust and confidence of the depositors. The bank is willing to take on the risk of borrowing funds from other banks or sources at 85% of its approved credit line in order to maintain its liquidity ratio at 30%. If in any case there might be a rapid increase in deposits or an abrupt withdrawal of deposits involving large amounts of cash resulting to a decline of said ratio below its minimum limit, we shall limit our granting of loan releases up to 25% above the desired target, intensify collection scheme specifically those that are nearing bad debts, and evaluate and assess loans to borrowers with good credit standing which could be possibly granted short-term credits that will easily be converted to cash to pay-off currently maturing obligations owed to valued clients.

Cooperative Bank of Bohol has a very low appetite for prolonged outage of a core banking system which supports its critical business functions including those which relate to banking operations. The Bank is also committed to ensuring that its information is relevant, accurate, timely and properly conserved and managed in accordance with legislative and business requirements. The Bank has no appetite for any fraud or corruption perpetrated by its personnel. It takes all assertions of suspected fraud or corruption earnestly and responds fully and impartially as set out in the Bank's Manual of Operation.

The Bank is dedicated to a high level of compliance with relevant legislation, regulation, industry standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. It has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

The Bank utilizes credit practices which provide assurance that loans will be repaid and risk of not collecting these accounts is minimized. The Bank reviews borrower's repayment ability by analyzing the borrower's cash flows against his impending loan obligation. It will not accept real estate mortgage secured loans where the loan to appraisal value is greater than 60%. For unsecured loans, the Bank applies conservative methods of determining the maximum loanable amount. The Bank's objective is to provide a secured environment for its people by ensuring its security measures meet high standards. It has a very low appetite for work health and safety risk and aims to create a safe working environment for its entire staff, where people are protected from physical or



psychological harm. It does not condone practices or behaviors that lead to staff being harmed while at work.

Cooperative Bank of Bohol’s overall risk tolerance is low to moderate.

Below are the risks affecting the Bank and its associated risk tolerance:

Type of Risk		Risk Category			
Enterprise Risk	Capital and Earnings	<p>Capital Adequacy Ratio</p> <table border="0"> <tr> <td>Low Risk below 12% to 11.5%</td> <td>Moderate Risk Below 11.5% to 11%</td> <td>High Risk below 11% to 10.5%</td> </tr> </table> <p>A net income after tax of 3% to 4% below the budget is considered low risk, 5% to 9% below is moderate risk and the bank cannot bear risk for income which falls down to 10% or more from the budget. The bank believes to meet the total income net of tax to at least within the target or increase to not less than 10% from the target. While, total expenses should not exceed the budget so net income will not be compromised.</p> <p>A decrease of total expenses from the target is acceptable and encouraged but an increase of total expenses by 5% or more than the target is not tolerable.</p> <p>More so, loan releases must be achieved per the computed target at the end of each year without weakening the established bank credit policies. The bank cannot take the risk for loan releases that is 20% or more below the set target.</p> <p>Collection target goals should be clear and achievable broken down to specific, smaller manageable chunks. Each Collector’s monthly target should be identified who are the specific customer composition, from monthly to per day target to prompt them to act immediately and hit target collection at the end of day. Continuous training should be given to credit and collection personnel for them to know what they must do, how and when exactly they must do which will bring them clarity of their function and find it motivating and rewarding as they achieve their goals. The bank has conservative risk tolerance when it comes to collection. A miss in collection has an impact to its target revenue and the bank cannot take the risk of missing collection by 10% or more below the set target.</p>	Low Risk below 12% to 11.5%	Moderate Risk Below 11.5% to 11%	High Risk below 11% to 10.5%
	Low Risk below 12% to 11.5%	Moderate Risk Below 11.5% to 11%	High Risk below 11% to 10.5%		
	Reputational Risk	Low			
Operational Risk	Low to Moderate				
Non-Financial Risk	Compliance Risk and Legal Risk	Low to Moderate			
Financial Risk	Credit Risk	Low			
	Liquidity Risk	Low			
	Market Risk	Low			

- b. The Bank also look into the Operational risks which may bring probability of loss resulting from employee errors, inadequate or failed procedures, system failures or failed procedures, policies or systems.

*Management Information* - Cooperative Bank of Bohol has a very low appetite for prolonged outage of its core banking system which supports its critical business functions including those which relate to banking operations. The Bank is also committed to ensuring that its information is relevant, accurate, timely and properly conserved and managed in accordance with legislative and business requirements.

*Internal Fraud and Corruption* - The Bank has no appetite for any fraud or corruption perpetrated by its personnel. It takes all assertions of suspected fraud or corruption earnestly and responds fully and impartially as set out in the Bank's Manual of Operation.

*Credit and Collection Risk* –The Bank utilizes credit practices which provide assurance that loans will be repaid and risk of not collecting these accounts is minimized. The Bank reviews borrower's repayment ability by analyzing the borrower's cash flows against his impending loan obligation. It will not accept real estate mortgage secured loans where the loan to appraisal value is greater than 60%. For unsecured loans, the Bank applies conservative methods of determining the maximum loanable amount.

*People and Culture Risk* - The Bank's objective is to provide a secured environment for its people by ensuring its security measures meet high standards. It has a very low appetite for work health and safety risk and aims to create a safe working environment for its entire staff, where people are protected from physical or psychological harm. It does not condone practices or behaviors that lead to staff being harmed while at work.

c. Compliance and Legal Risk - The Bank is dedicated to a high level of compliance with relevant legislation, regulation, industry standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. It has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

The following are the strategies of the Bank to manage legal and compliance risk:

- ensure adequate transaction documentation
- accept customers that have the required authority or not legally restricted to transact
- evaluate that the transaction is permissible under applicable laws and regulations
- Avoid penalty by submission of reports before the deadline
- timely dissemination of regulatory information, regulations and policies affecting our bank
- compliance to all laws, policies, regulations, issuances, Circulars, Accounting and Auditing Standards
- Immediate action of compliance issues and identified deficiencies
- Increase SAFr from current rating

## **RISK MANGEMENT AND ASSET QUALITY REPORTING**

Asset Quality Review will begin in full following the completion of the Enhanced Policies on loan restructuring and Enhanced Processes and Policies on Credit Risk.

#### Methodology levels and implementation:

- Processes, policies and accounting review  
*The Accountant will make a quarterly consolidated report for the Board of Directors of the classified loans for provisioning of valuation and allowance booking.*
- Loan tape creation and data integrity validation
- Sampling  
*A credit folder will be carried out for review, involving the review of specifics such as loan classification and provisioning.*
- Credit File Review  
*The bank team composed of Compliance Officer; Internal Auditor and Credit Risk Officer will verify the existence of the collateral and to check credit exposure that has been classified in the bank's system by conducting credit file review. The result will be finalized by the Internal Auditor for submission to the Board of Directors.*
- Collateral and Real Estate Valuation  
*This is to determine if the appropriate carrying amount and valuation of collateral are accurate.*
- Collective Provision Analysis  
*Provisioning models should align with the letter and spirit of accounting rules of International Accounting Standards and Generally Accepted Accounting Principles.*
- Define Mediation Activities
  - *Creation of a credit valuation adjustment if any;*
  - *Corrections to specific provisions for individually impaired credit facilities that were sampled in the file review;*
  - *Bank's implementation of corrective internal models and policies.*

The primary function of credit and asset quality reporting and monitoring is to assist the management and Board of Directors in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to the shareholders and others; the systems of internal controls established by management and the Board; and the risk management, accounting and financial reporting processes.

#### Authority:

- To provide open avenues of communication among the risk management committee, manager internal auditor, compliance officer, loan officer, accountant and the Board of Directors.
- To report Committee actions to the full Board of Directors and make recommendations.
- To meet quarterly, more frequently if circumstances make that preferable. The Risk Management Committee chairman has the power to call a Committee meeting whenever necessary.

#### Documentation Review

1. The Board of Directors shall review the risk management reports provided to management and management's response.
2. Review internal audit reports and address and resolve any concerns associated with the conduct of accompanying internal audits to ensure independence with the Risk Management Committee is maintained throughout the audit schedule.

3. Review with management and External Audit team the interim and annual financial information prior to its filing.
4. Review with top management, Audit Committee and Risk Management Committee the quarterly financial statements, key performance ratios and operating results.

Cooperative Bank of Bohol realized that banking institutions have faced difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers, poor portfolio risk management, or a lack of attention to changes in economic or other circumstances that can lead to a deterioration in the credit standing of a bank's borrowers.

To reduce the bank's credit risk, the bank may perform a credit check on the prospective borrower as well as review the credit standing of the existing borrowers. In general, the higher the risk, the higher will be the possibility of non-payment.

For most banks, loans are the largest and most obvious source of credit risk; however, other sources of credit risk exist throughout the activities of a bank, including in the banking book and in the trading book, and both on and off the balance sheet.

Cooperative Bank of Bohol implemented this enhanced credit risk in order to promote sound practices for managing credit risk. Principles contained in this program are not new to the bank but only to sharpen the existing credit policies of the bank, that are most clearly applicable to the business of lending, they should be applied to all activities where credit risk is present.

The Management now implements more comprehensive loan review and improves the existing processes, policies, assessment of bank loans, provisioning and collateral evaluation, among others.

This is to ensure proper matching of loan terms with timing cash flows and Settlement risk. The risk that the completion or settlement of a financial transaction will fail to take place as expected, thus includes elements of liquidity, market, operational and reputational risk as well as credit risk.

### **AML Governance and Culture**

The Cooperative Bank of Bohol's Money Laundering Prevention Program is aligned to comply and support the policies set by the Anti-Money Laundering Council and the Bangko Sentral ng Pilipinas. It is the vital responsibility of the bank's Board of Directors, having the ultimate responsibility for compliance with AMLA and its IRR, that the bank is compliant with the AML regulations and the internal policies are adequate to risks associated with the ML/TF activities. The Senior Management oversees the day-to-day management of the bank and ensures effective implementation of the said policies along with the independent supervision of the Compliance Officer and Internal Auditor.

It is the fundamental role of the bank to identify, understand and assess the ML/TF risks arising from the delivery of services to the customers, thus, creating the risk assessment tool appropriate with the nature of operations and complexity of the bank. Minimum Know-Your-Client policy is required before starting any business relationship with the customers. Customer due diligence is properly applied in a manner that will not discriminate certain customer types such as politically exposed persons, certain religions, race or ethnic origin or other attributes.

If there is a suspicion of money laundering or terrorist financing, and if there is doubt about the veracity or adequacy of previously obtained customer information data then enhanced due

diligence shall be undertaken by the bank. All customer identification records shall be maintained and safely stored for five (5) years from the date of transaction which are jointly safeguarded by the bank's two (2) designated personnel. Reporting of covered and suspicious transactions to the AMLC shall be done as prescribed within five (5) working days from the occurrence thereof.

The AML Compliance Officer shall ensure the accuracy and completeness of the CT and ST report. The AML Compliance Officer also guarantees that the bank is compliant with AMLA by conducting periodic compliance checking, providing the bank's personnel on resolutions, circulars and other issuances of the BSP and AMLC, and reviewing the noted deficiencies during onsite examination by the Internal Auditor, Bangko Sentral ng Pilipinas and other regulating bodies, the deficiencies are immediately corrected and acted upon.

The bank ensures all personnel, including the newly hired, frontliners and directors are provided with adequate AML/TF training for all to have full understanding of the concepts of money laundering and terrorist financing as well latest AML/TF rules and regulations, recognize our obligations under the AMLA, as amended and create a proactive attitude in preventing money laundering and terrorist financing.

Regular updating of the Money Laundering Terrorist Financing Prevention Program (MTPP) every other year to include the latest ML/TF issuances and requirements including the Targeted Financial Sanctions (TFS), guidance on listing/de-listing, freezing and unfreezing procedures, AML/CTF guidelines for Designated Non-Financial Business and Professions (DNFBPs), ML/TF typologies, national and sectoral risk assessments, enforcement guidelines among others for an efficient AML risk management system.

The Internal Auditor conducts periodic and independent evaluation of the risk management, customer identification process and completeness of the information and documents establishing the true and full identity, the risk classification and standard of due diligence applied to customer, and the effectiveness of other existing internal controls associated with the bank's money laundering prevention program. The results of the audit are timely communicated to the Board of Directors and are also communicated to the Compliance Office for appropriate monitoring of corrective actions taken by the different units concerned.

## **CORPORATE GOVERNANCE**

Cooperative Bank of Bohol is committed to conform to the highest standards of ethics and corporate governance as embodied in its the Bank's Amended Articles of Incorporation, Amended By-Laws, Code of Conduct, Code of Good Governance and Ethical Standards, this Corporate Governance Manual and to comply with all governing laws, rules and regulations and with established corporate policies and procedures, thereby maintaining excellence in all aspects of its operations.

The Bank agree with the principles of integrity; accountable and transparent working system; rational check and balances as well as a structured approach to its business operations; protection and promotion of the interest of the shareholders, clients, investors; creating social responsibility; professionalism among its Board of Directors, executives and employees in managing the Bank; and developing efficient organizational culture.

The business of the bank shall be conducted under the supervision and control by the Board of Directors of nine ( 9 ) members who shall be elected from among the representatives of the cooperatives and federations of cooperatives by secret balloting by the members at the annual general assembly and

hold office for a term of two (2) years unless earlier removed for cause, or have resigned or become incapacitated due to illness or death, and until their successors shall have been elected and qualified.

The Board of Directors are representatives of member cooperative shareholders of the bank. Each Board of Directors has no indirect shares held.

The bank's Senior Management is composed of the President and CEO, Vice President for Operations, Vice President for External Affairs and Vice President for Internal Affairs. The bank has conducted a fit and proper test for the position the officers are being appointed to considering integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence. The President/CEO shall be the overall-in-charge for the management of the business and affairs of the bank governed by the strategic direction and risk appetite approved by the board of directors and primarily accountable to the board of directors in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the bank. Meanwhile, the Vice Presidents shall assist the President in areas of operations, internal affairs and external affairs.

The Board of Directors, as a body, but not by any of the directors acting in their individual capacity, shall have general supervision and control of the affairs of the bank. It shall prescribe policies consistent with the by-laws and the resolutions of the general assembly for the management of its business and the guidance of its members, officers and employees.

The board of directors shall be responsible for approving and overseeing of the bank's corporate governance framework. They shall ensure corporate governance policies are followed and periodically reviewed for ongoing improvement. They shall constitute at a minimum, the Audit, Risk Oversight, Corporate Governance and Related Party Transaction committees.

The members of the Board of Directors, in the discharge of their duties, shall be jointly and severally responsible for transactions, acts, omissions made in violation of the law, regulations, by-laws, or the resolutions of the general assembly, except those who entered a protest at the time when such transaction, act or omission was acted upon.

The executive directors of the bank have management responsibilities. The non-executive directors are members of the board without daily management responsibilities of the bank which shall include the independent directors to promote independent oversight of management by the board of directors. The chairman of the board provides leadership in the board of directors. He ensures effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors.

## BOARD COMPOSITION

Name	Cooperative Represented	Type of Directorship	No. of Years as Director	No. of Shares held as of 12/31/22	%age of shares held to total outstanding shares of the bank
Cempron, Maximiliano A.	Loboc Community CC	Executive	41	1,570	4.70%
Evardone, Francisco M.	Manga MPC	Executive	30	600	1.80%
Balite, Dionisio D.	Valencia Cansibao CC	Executive	12*	2,600	7.79%
Calamba, Ernesto B.	Cansumbol MPC	Executive	12	383	1.15%

Daniel, Melchor Sr. R.	Bohol Community MPC	Non-executive	4	1,325	3.97%
Belderol, Samuel S.	Bol-anon MPC (TACCECO)	Non-executive	2	306	.92%
Daganato, Teodorico E.	Bohol Center Cooperative	Independent Director	3	140	.42%
Quiwag, Teodora M.	Dauis-Panglao Island MPC	Executive	16	556	1.67%
Suarez, Ranulfo L.	Bagtic Masagana MPC	Non-executive	8	2,231	6.68%

*\*Dir. Balite served as Chairman of the Board of Directors from 1985 to 1994. He resumed serving as member of the Board of Directors in 2020.*

## **QUALIFICATIONS AND DISQUALIFICATIONS OF COOP BANK DIRECTORS**

*(Excerpt from the Rules and Regulations on the Conduct of the Annual Regular Election of the Members of the Board of Directors and members of the Election Committee)*

### **QUALIFICATIONS**

1. Shall be at least twenty-five (25) years of age at the time of his/her election or appointment;
2. Shall be at least a college graduate or have at least five (5) years experience in business;
3. Must be fit and proper for the position of a director of the cooperative bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, competence, education, diligence and experience/training;
4. Has paid the minimum capital requirement;
5. Has no delinquent account with the cooperative bank;
6. Has continuously patronized the cooperative bank services;
7. A member in good standing for the last two (2) years;
8. Must have attended a special seminar for board of directors conducted or accredited by the Bangko Sentral ng Pilipinas within a period of six (6) months from the date of his/her election; and
9. completed or willingness to complete within the prescribed period the required education and training whichever is applicable.
10. Newly elected Board of Directors must attend the mandatory CDA trainings within one year after election.

### **DISQUALIFICATIONS**

1. Holding any elective position in the government, except that of a party list representative being an officer of a cooperative he/she represents;
2. Members holding any other position directly involved in the day-to-day operation and management of the bank;
3. Having direct or indirect personal interest with the business of the bank;
4. Having been absent for at least fifty (50%) percent of the total number of meetings in the preceding year unless with valid excuse as approved by the board of directors;
5. Being an official or employee of the cooperative development authority, except in a cooperative organized among themselves;
6. Having been convicted by final judgement in administrative proceedings or civil/criminal suits involving financial and/or property accountability;
7. Persons who have been convicted by final judgment of the court for violation of banking laws;

8. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract; and
9. Directors, officers or employees of closed banks/qbs/trust entities who were responsible for such institution's closure as determined by the monetary board;
10. Gift giving in any form
11. Campaigning inside the venue during the Election Day.
12. Failure to attend the mandatory CDA trainings within one year after election.
13. Other disqualifications as provided for in the manual of regulations for banks (MORB).

#### MANNER OF VOTING

Per Article VI. Sec. 8 of the By-laws as amended on May 29, 2010, manner of voting is Corporate straight voting.

#### **BOARD LEVEL COMMITTEES**

The Board level committees are the Audit Committee and Executive Committee. Different committees created by the Board of Directors are Ethics Committee, Election, Credit, and Mediation and Conciliation Committee.

#### **AUDIT COMMITTEE**

##### MEMBERSHIP

The committee shall be composed of three (3) members of the board of directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson, elected by the general assembly. The audit committee shall be with accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the bank.

##### FUNCTIONS

- 1) Provides oversight over the institution's financial reporting policies, practices and control and internal and external audit functions. It shall be responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as external auditor who shall both report directly to the audit committee. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by the independent and non-executive audit committee members. It shall monitor and evaluate the adequacy and effectiveness of the internal control system;
- 2) Reviews and approves the audit scope and frequency. It shall receive key audit reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors;
- 3) It shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions. The committee shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management is conducted at least annually;
- 4) It establishes and maintains mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that haspower to take corrective action;



- 5) Reviews loans to capture and identify existing or potential problem loans by assessing the adequacy of the credit evaluation and appropriate reserves
- 6) Identifies and evaluates exposures. The committee shall assess the probability of each cash risk becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are the most likely to occur and are costly when they happen;
- 7) Develop risk management strategies. The committee shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real;
- 8) Oversees the implementation of the risk management plan. The committee shall conduct regular discussions on the institution's current risk exposure based on regular management reports and assess how the concerned units or offices reduced these risks;
- 9) Reviews and revises the plan as needed. The committee shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of development that affect the likelihood of harm or loss. The committee shall report regularly to the board of directors the entity's overall risk exposure, action taken to reduce this risks, and recommend further action or plan as necessary.

## **CREDIT COMMITTEE**

### **MEMBERSHIP**

The Committee shall be composed of two (2) members appointed by the Board from the General Assembly and shall serve for a term of one (1) year and the President of the bank as the 3<sup>rd</sup> member. They will elect among themselves their Committee Chairperson, Secretary and member. The President is a permanent member of the committee. Loan Officer II shall be the Assisting Secretary of the Committee.

The Committee members must be impartial and independent when approving of loan application and shall not be subjective but prudent during deliberations to avoid risks.

### **FUNCTIONS**

- 1) Reviews and ensures completeness and accuracy of the loan documents submitted by the Loans Officer;
  - a. Ascertains the truth of the purpose of the loan;
  - b. Ensures/ascertains whether collaterals offered are clean and appropriate
  - c. Reviews appraisal of collaterals made by the Appraiser;
  - d. Checks coverage, expiry and renewal dates of the loan applied for;
  - e. Checks existence of a right of way;
  - f. Determines comprehensiveness of insurance coverage, dates of renewal and expiry;
  - g. Decides to grant the loan after at least 80% degree of certainty on the viability of the loan has been attained;
- 2) The committee shall check the credit background of the client:
  - a. Identifies other creditors of the client;
  - b. Conducts a background check to determine whether the prospective borrower is a good payor;
  - c. Ascertains whether the prospective borrower is not heavily indebted to other banks or lending institutions; and
  - d. Offers to prospective borrowers' affordable plan of loan payment.
- 3) Approves loan applications with loanable amount above P1,000,000.00 to P1,500,000.00;
- 4) Recommends to the Board loan applications above P1,500,000.00;

- 5) Campaigns for more deposits and loan clients;
- 6) Monitors the accomplishment of the collectors and propose measures/activities to improve/increase collections by the Collectors.
- 7) Confirms loan approved by the Managers and President
- 8) Other functions delegated by the Board of Directors.

## **ELECTION COMMITTEE**

### **MEMBERSHIP**

The election committee shall be composed of three (3) members elected during a general assembly meeting. They shall hold office for a term of one (1) year or until their successors shall have been elected and qualified. Within ten (10) days after their election, they shall elect from among themselves a chairperson, vice-chairperson and a secretary. No member of the committee shall hold any other position within the cooperative during his/her term of office.

### **FUNCTIONS:**

- 1) Formulate election rules and guidelines and recommend to the general assembly for approval;
- 2) Implement election rules and guidelines duly approved by the general assembly;
- 3) Recommend necessary amendments to the election rules and guidelines for the general assembly's approval;
- 4) Supervise the conduct, manner and procedure of election and other election related activities and act on the changes thereto;
- 5) Canvass and certify the results of the election;
- 6) Proclaim the winning candidates;
- 7) Decide election related cases except those involving the committee or its members; and
- 8) Perform such other functions as prescribed in the by-laws or authorized by the general assembly.

## **MEDIATION AND CONCILIATION COMMITTEE**

### **Membership**

The committee shall be composed of three (3) members appointed by the chairperson of the board from the general assembly. They shall elect from among themselves a chairperson, vice-chairperson and a secretary.

### **FUNCTIONS:**

- 1) Formulates and develops the conciliation-mediation program and ensures that it is properly implemented;
- 2) Settles disputes among shareholders, clients, members of the board of directors, and employees of the bank;
- 3) Monitors conciliation-mediation programs and processes;
- 4) Submits semi-annual reports of cooperative cases to the authority within fifteen (15) days after the end of every semester;
- 5) Accepts and files evaluation reports;
- 6) Submits recommendations for improvements to the board of directors;
- 7) Recommends to the board of directors any member of the cooperative for conciliation-mediation training as cooperative conciliator-mediator;
- 8) Issues the certificate of non-settlement (CNS) ; and
- 9) Performs such other functions as may be prescribed in the by-laws or authorized by the general assembly.

## **ETHICS COMMITTEE**

### **MEMBERSHIP**

The committee shall be composed of three (3) members appointed by the chairperson of the board from the general assembly. They shall elect from among themselves a chairperson, vice-chairperson and a secretary.

### **FUNCTIONS:**

- 1) Develops code of conduct and ethical standards to be observed by officers, employees, and members of the cooperative subject to the approval of the board of directors and ratification of the general assembly;
- 2) Disseminates, promotes and implements the approved code of governance and ethical standards;
- 3) Monitors compliance with the code of conduct and ethical standards and recommends to the board of directors' measures to address the gap, if any;
- 4) Conducts initial investigation or inquiry upon receipt of a written complaint arising from the code of conduct and ethical standards and submits a report to the board of directors together with the appropriate sanctions;
- 5) Recommends ethical rules and policy to the board of directors; and
- 6) Performs such other functions as may be prescribed in the by-laws or authorized by the board.

## **EXECUTIVE COMMITTEE**

### **MEMBERSHIP**

The committee shall be composed of the Chairperson, Vice Chairperson, President and three regular members of the Board of Directors. Each member is handling different sub-committees which include Corporate Governance, Education/Human Resources, Related Party Transactions, and Gender and Development.

### **FUNCTIONS**

1. Acts on urgent matters when the Board is not in session;
2. Prepares agenda for board meetings; and
3. Performs other functions as authorized by the Board of Directors.

## **EDUCATION & HUMAN RESOURCE DEVELOPMENT SUB-COMMITTEE**

### **MEMBERSHIP**

This is handled by the Vice Chairperson of the board.

### **FUNCTIONS**

- 1) Prepares a comprehensive education and training plan to be attended/participated in by the following:
  - a. stockholders of the bank
  - b. board of directors

c. officers/employees

- 2) Conducts a province-wide information campaign of the services rendered by the bank.
- 3) Strengthens employer-employee relations and consolidate efforts for the continued viable operations of the bank;
- 4) Enhances personal and professional growth and development of the staff through continuing human resource development initiatives;
- 5) Is responsible for the recruitment and hiring of employees, their promotion, transfer, and performance appraisal for recommendation to the Board.

## **RELATED PARTY TRANSACTIONS SUB-COMMITTEE**

### **MEMBERSHIP**

This is handled by the one director member of the Executive Committee. In case he/she has conflict of interest in a particular RPT, he/she should refrain from evaluating that particular transaction. The compliance officer or internal auditor may sit as resource person.

### **PURPOSE**

The Related Party Transactions Committee shall be responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that RPTs are processed in the regular course of business, and are priced fairly.

### **FUNCTIONS**

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

- 3) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the bank's affiliation or transactions with other related parties.
- 4) Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- 5) Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- 6) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

### **CORPORATE GOVERNANCE SUB-COMMITTEE**

#### MEMBERSHIP

This is handled by a director who is a member of the Executive Committee.

#### PURPOSE

The Corporate Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities.

#### FUNCTIONS

- 1) Reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors;
- 2) Ensures the Board's effectiveness and due observance of corporate governance principles and guidelines;
  - a. Oversees the periodic performance evaluation of the Board and its committees and executive management and conduct an annual self-evaluation of its performance.
  - b. Coordinates with external facilitators in carrying out board assessment, within the frequency approved by the entire Board.
  - c. Decides whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (competence, candor, attendance, preparedness and participation).
- 3) Makes recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance;
- 4) Decides the manner by which the Board's performance shall be evaluated and propose an objective performance criteria duly approved by the Board;

- 5) Recommends a system of awards for exceptional and/or highly commendable performance of employees.

## GENDER AND DEVELOPMENT SUB-COMMITTEE

### MEMBERSHIP

This is handled by a director who is a member of the Executive Committee.

### FUNCTIONS

- 1) Conducts gender analysis;
- 2) Develops and recommends Gender and Development and Gender Equality policies and programs/activities/projects to the Board.
- 3) Monitors and assesses progress in the implementation of GAD programs/activities/projects towards achieving GE;
- 4) Submits report to the Board; and
- 5) Provides directional guidance

### BANK COMMITTEES

The Board strives to protect shareholder value through adequate internal controls. Thus, the Board encourages a collaborative setting that fosters and encourages a corporate environment of strong internal control, sound fiscal accountability, high ethical standards, and compliance with laws, rules and regulations and codes of conduct.

The General Assembly / Board has constituted the following committees to assist in its supervision over the Bank's activities and to guide Management in implementing sound corporate governance.

#### EXECUTIVE/ MANAGEMENT COMMITTEE

**Chairperson:** Atty. Maximiliano A. Cempron  
**Members:** Mr. Francisco M. Evardone  
 Mr. Ernesto B. Calamba  
 Ms. Juvie D. Calacat, JD  
 Atty. Dionisio D. Balite  
 Ms. Teodora M. Quiway

#### SUB-COMMITTEES


*Human Resource*



*Special Events*




*Budget*




*Corporate Governance*



*AML*



*RPT*



### AUDIT COMMITTEE

Provides oversight over the institution's financial reporting policies, practices and control and internal and external audit functions. It shall be responsible for the setting up of the internal audit department and for the appointment of the internal auditor as committee. In cases of appointment or dismissal of external auditors It is encouraged that the decision be made only by the independent and non-executive audit committee members. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.

**Chairperson:** Mr. Teodorico Baganoto  
**Members:** Mr. Ramonito L. Suarez  
 Mr. Samuel S. Beldorol  
**with Independent Officers:**  
 Mr. Marsha N. Bagnol, CPA  
 Compliance Officer  
 Mr. Maribio B. Adriano  
 Internal Auditor




### CREDIT COMMITTEE

One of the Special Committees the Board of Directors created for the efficient operation of the Cooperative Bank. Its primary role is to assist the Board of Directors in fulfilling its corporate responsibilities by providing oversight on the bank's credit activities in accordance to their matrix of approving authority.

**Chairperson:** Mr. Mardonio Roxas  
**Members:** Mr. Celso Clavara  
 Ms. Juvie D. Calacat, JD




### MEDIATION AND CONCILIATION COMMITTEE

Formulates and develops the conciliation-mediation program and ensures that it is properly implemented; settles disputes among shareholders, clients, members of the board of directors, and employees of the bank; monitors conciliation-mediation programs and processes



Chairperson: Mr. Artemio Perin  
Members: Mrs. Teresita Baquio, Mrs. Sylvia Gumahig





### ETHICS COMMITTEE

The Bank upholds its Code of Conduct and Ethical Standards to be observed by Officers, Employees and Shareholders of the bank through the Ethics Committee. Their role is to develop, promote, disseminate and recommends measures to the Board of Directors to address the Cop, if any.



Chairperson: Mr. Eufemio Abaniel  
Members: Mr. Augusto Pascual, Ms. Esther Bernadez



### ELECTION COMMITTEE

Their role is to formulate Election Rules and Guidelines and Recommend to the General Assembly for approval. They are to implement Election Rules and Guidelines duly approved by the General Assembly, supervise the conduct, manner and procedure of Election and other Election related activities. Their role is to formulate Election Rules and Guidelines and Recommend to the General Assembly for approval. They are to implement Election Rules and Guidelines duly approved by the General Assembly, supervise the conduct, manner and procedure of Election and other Election related activities.



Chairperson: Mr. Gilbert Marcojos  
Members: Dr. Jemma J. Jay, CPA, Mrs. Maria Petra Ocio





### GAD COMMITTEE REPORT

Chairperson: Dir. Teodora M. Quiwag

Selected employees visited on August 27, 2022 the Good Shepherd Care Home Davao, Inc., located in Davao City, which is a home for the aged dedicated to serving the elderly in their day to day lives. This facility was built by hearts and hands willing to serve with a mission to provide a healthy, safe, and pleasurable environment to both the elderly and the staff. The bank gave three boxes filled with food, milk, snacks, personal care products, and hygiene supplies to thirty (30) beneficiaries.






## Directors Attendance at Board and Committee Meetings

For the Year 2022

#	Name of Director	Board Meeting Number of Meetings		Audit Committee Number of Meetings		Education/HR Number of Meetings		Executive Committee Number of Meetings		Special Event Committee Number of Meetings	
		Attended	%	Attended	%	Attended	%	Attended	%	Attended	%
1	Maximiliano A. Cempron	24	96					7	100		
2	Francisco M. Evardone	24	96			8	100	7	100		
3	Ernesto B. Calamba	25	100			8	100	6	85.71		
4	Teodorico E. Daganato	24	96	12	100						
5	Dionisio D. Balite	23	92					4	57.14		
6	Teodora M. Quiwag	25	100					5	71.43	5	100
7	Ranulfo L. Suarez	25	100	12	100						
8	Melchor R. Daniel	25	100	4*	100						
9	Samuel S. Belderol	19*	100	8*	100						
<b>Total Number of Meetings Held During the Year</b>		25		12		8		7		5	

\* Dir. Belderol sit in the Board in April 2022

### EXECUTIVE OFFICERS

Name	Position	Qualification	Age	Nationality
Cempron, Maximiliano	Chairman	LLB	90	Filipino
Evardone, Francisco	Vice Chairman	LLB	78	Filipino

Bungabong, Georgia	Secretary	BS Agriculture	63	Filipino
Durango, Emmanuel	Treasurer	BSC-Banking and Finance	52	Filipino
Calacat, Juvie	President	BS Accountancy	41	Filipino

The executive officers of the bank shall be the Chairman of the Board, Vice-Chairman, Secretary, President and the Treasurer.

#### 1. Chairman

The Chairman shall see to it that all orders and resolutions of the board of directors, of the Monetary Board of the Bangko Sentral Ng Pilipinas, and all rules and regulations and circulars of the Cooperative Development Authority governing cooperatives pertaining to and applicable to cooperative banks are carried out into effect, and shall exercise such other powers and perform such other duties as are prescribed for the office of the Chairman of the Board.

#### 2. Vice-Chairman

The Vice-Chairman shall exercise the powers, authority and duties of the Chairman of the board during the absence or inability of the latter to act.

#### 3. Secretary

He/she shall keep the records of the bank and shall have custody of the corporate seal. He/she shall, in addition, exercise such powers and perform such other duties as are prescribed for the office of the Secretary or usually pertaining to that office, and other duties prescribed from time to time by the Board of Directors.

#### 4. Treasurer

He/she shall have the custody of all funds, securities, and other assets of the bank, shall keep full and complete record of all its assets and liabilities and shall make reports with respect thereto as may be required by the Board of Directors. He/she shall, in addition, exercise such other powers and perform such other duties as are prescribed for the office of the Treasurer and all other duties usually pertaining to that office and such other duties as may be prescribed by the Board of Directors.

#### 5. President

The president shall be the chief executive officer of the cooperative bank. He/she shall be the overall-in-charge for the management of the business and affairs of the cooperative bank governed by the strategic direction and risk appetite approved by the board of directors. He/she shall be primarily accountable to the board of directors in championing the desired conduct and behavior, implementing strategies and in promoting the long-term interest of the cooperative bank. He/she has the power to recommend/appoint and remove subordinate employees of the cooperative bank to the board of directors.

### **PERFORMANCE ASSESSMENT PROGRAM**

Board and Senior Management Assessment is a strategic opportunity in managing multiple priorities and stakeholders and making plans for positive change and enhanced performance.



Regulators and other policy making institutions are also considering assessments to determine whether the boards, its committees and senior management are functioning effectively. This assessment should not simply serve as a compliance exercise. Ongoing review and assessment of board and senior management performance can contribute to organizational, board, individual director and senior officers' improvements.

The objectives of this assessment are:

- 1.to recognize and correct corporate governance problems
- 2.to recognize the Board and Senior Management as strategic assets
- 3.to contribute significantly to performance improvement
- 4.to increase clarity of roles and responsibilities
- 5.to improve teamwork
- 6.to increase accountability
- 7.to improve decision-making
- 8.to enhance communication
- 9.to increase efficiency in operations

The assessments shall be conducted by the Corporate Governance Committee, the HR Officer who represents the Management, to be assisted by the CO, IA and the bank's legal counsel.

The scope of this assessment includes the Board, individual directors, and committees, the CO, IA and Senior Management who have frequent interaction with the Board.

The assessment is conducted through combination of written questionnaire, checklist and open answers. The legal counsel shall tabulate the result and will convene with the rest of the assessment group to discuss the result and formulate recommendations for improvement which shall be reported to the Board for further discussion and implementation of action plans.

The assessment shall be conducted annually, within the month of January, for the immediately preceding year.

The assessment report and documentation shall be in the custody of the Corporate Secretary and shall observe the record retention policy of the bank.

This policy shall take effect after the approval of the Board of Directors and shall be subjected for review every 2 years by the assessment team referred to in Section III of the Assessment policy.

Form I  
BOARD SELF-ASSESSMENT FOR THE YEAR

Please check your answer

	<b>5 Very Good</b>	<b>4 Good</b>	<b>3 Average</b>	<b>2 Fair</b>	<b>1 Poor</b>
1. The Board knows and understands the bank's belief's, values, philosophy, vision, mission, strategic plan and business plan and reflects this understanding on key issues throughout the year.					
2. The Board has and follows procedures for effective meetings.					
3. Board meetings are conducted in a manner that ensures open communication, meaningful participation, and timely resolution of issues.					
4. Board members receive timely and accurate minutes, advance written agenda and meeting notices, and clear and concise background material to prepare in advance of meetings.					
5. Board members evaluate Board's performance on a periodic basis.					
6. The Board reviews, adopts annual capital and operating budgets and monitors regularly throughout the year.					
7. The Board monitors cash flow, profitability, net revenue and expenses, productivity, and indicators to ensure that the bank performs as projected.					
8. The Board monitors bank's performance with the industry comparative data.					
9. Board members stay abreast of issues and trends affecting the bank, and use this information to assess and guide the bank's performance not just year to year, but in the long term.					
10. Board members comprehend and respect the difference between the Board's policy-making role and the President's management role.					
11. The Board acts to help the President by setting a clear and well understood policy.					
12. Board's goals, expectations, and concerns are honestly communicated to the President.					
13. The Board is actively engaged in succession planning for the Executive officers of the bank.					

Ranking of answers shall be from 1 - Not Performing to 5 - Outstanding Performance.

Comments:

Accomplished by: \_\_\_\_\_

Date: \_\_\_\_\_

Form II

DIRECTOR'S SELF-ASSESSMENT FOR THE YEAR

Please check your answer

	<b>5 Very Good</b>	<b>4 Good</b>	<b>3 Average</b>	<b>2 Fair</b>	<b>1 Poor</b>
1. I am fully prepared for Board meetings.					
2. I devote an appropriate amount of time to the issues and the needs of the Bank to be able to make informed decisions.					
3. I often speak my mind during meetings, even if the views are different from other Directors.					
4. I encourage contributions from other Board or Committee members.					
5. I take tough, constructive stands at Board or Committee meetings when necessary.					
6. I ensure that the Board or Committee makes decisions.					
7. I make effective contributions at Board or Committee meetings.					
8. I derive satisfaction and a feeling of accomplishment through serving in the Board of Directors.					
9. I understand the Bank's industry and markets.					
10. I challenge the strategy and direction when necessary.					
11. I am able to remain objective, even in the face of the most difficult decisions.					
12. When appropriate, I take the initiative to obtain relevant corporate information.					
13. I maintain discretion and confidentiality with communications received.					
14. I have sufficient expertise to evaluate strategies, policies, market development and industry-specific idiosyncrasies from a higher long-term oriented level.					
15. I am a valuable resource in fulfilling the accountabilities of the Board.					
16. I confront conflict and help manage it constructively and productively.					
17. When I am absent from Board meetings, I gather enough information about the meeting to stay sufficiently informed.					
18. I initiate contact with the Chairman when appropriate.					
19. I have personal contact with senior management.					

20. I make my individual expertise available when called upon by management.					
As a committee member of:					
Audit Committee:					
1. Participate in the review and approval of the audit scope and frequency.					
2. Review the effectiveness of the institution's internal controls, including financial, operational and compliance controls, risk management.					
3. Review loans to capture and identify existing or potential problem loans by assessing the adequacy of the credit evaluation and appropriate reserves.					
4. Attend committee meetings and participate in the discussion.					
5. Oversee the implementation of the risk management plan.					
6. Identify and evaluate exposures and assess the probability of each risk.					
Corporate Governance Sub-Committee					
1. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.					
2. Make recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual Performance					
3. Attend committee meetings and participate in the discussion.					
Related Party Transactions (RPT) Sub-Committee					
1. Refrained from evaluating a particular transaction where I have a conflict of interest in a particular Related Party Transaction					
2. Helped ensure that all related party transactions are continuously identified, RPTs are monitored on a on-going basis, and subsequent changes in relationships with counterparties ( from related to non-related and vice versa) are captured					
Gender and Development Sub-Committee					
1) Conducts gender analysis;					
2) Develops and recommends Gender and Development and Gender Equality policies and programs/activities/projects to the Board.					
3) Monitors and assesses progress in the implementation of GAD programs/activities/projects towards achieving GE;					
4) Submits report to the Board; and					
5) Provides directional guidance					
Education/HR Sub-Committee					
1) Prepares a comprehensive education and training plan to be attended/participated in by					
2) Conducts a province-wide information campaign of the services rendered by the bank.					
3) Strengthens employer-employee relations and consolidate efforts for the continued viable operations of the bank					

4) Enhances personal and professional growth and development of the staff through continuing human resource development initiatives					
5) Helps in the recruitment and hiring of employees, their promotion, transfer, and performance appraisal for recommendation to the Board					
Executive Committee					
1) Acts on urgent matters when the Board is not in session;					
2) Prepares agenda for board meetings; and					
3) Performs other functions as authorized by the Board of Directors.					

Rating:

SA- Strongly Agree

A – Agree

N - Neither Agree nor Disagree

D - Disagree

SD - Strongly Disagree

Name of Director: \_\_\_\_\_

Signature: \_\_\_\_\_

Committee: \_\_\_\_\_

Date: \_\_\_\_\_

### Assessment of the Related Party Transaction (RPT) Sub-Committee

Name of Director Evaluated					
Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
3. Refrained from evaluating a particular transaction where I have a conflict of interest in a particular Related Party Transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Helped ensure that all related party transactions are continuously identified, RPTs are monitored on a on-going basis, and subsequent changes in relationships with counterparties ( from related to non-related and vice versa) are captured	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ensure that related parties, RPTs and changes in relationships shall be reflected in the relevant reports to the BOD and regulators/supervisors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Evaluated all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Helped ensure that no corporate or business resources of the bank are misappropriated or misapplied in connections with RPT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Helped determine any particular reputational risk issues that may arise as a result in connection with the RPT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Helped ensure all RPTs that are considered material based on the bank's internal policies are endorsed by the RPT committee to the BOD for approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Helped ensure that appropriate disclosure is made, and or information is provided to regulating and supervising authorities relating to the bank's RPT exposures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Helped ensure that a report to the BOD is made on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Helped ensure that all transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Participated in the periodic review of RPT policies and procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Helped in overseeing the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Helped ensure that at all times the RPT committee shall be entirely composed of independent directors and non-executive directors, with majority of the members comprised by independent directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Assessment of the Risk Oversight Sub-Committee

Name of Director Evaluated					
Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
1. Helped ensure that the Committee shall be composed of at least three members of the BOD, majority of whom shall be independent directors including the Chairperson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Helped assess that the Committee chairperson shall not be the Chairman of the Board, or any other Board level Committee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Advised the Board of Directors on the bank's overall current and future risk appetite, oversee the senior management's adherence to the risk appetite statement, and report on the state of the risk culture of the bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Overseeing the enterprise risk management framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ensure that there is quarterly review of the effectiveness of the risk management systems and recovery plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ensure corrective actions are promptly implemented to address risk concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Helped ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and over-all risk appetite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Has assessed the overall adherence to the risk appetite based on the quality of compliance with the limit structure, policies and procedures relating to risk management and control, and performance management, among others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Helped in the appointment/selection, remuneration and dismissal of the Risk Officer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Helped ensure that the risk management function has adequate resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Helped oversee the risk taking activities of the bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Have physically attended in all committee meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Have actively participated in the approval, review, and update of the Charter at least annually or whenever there are significant changes therein?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Assessment of the Corporate Governance Sub-Committee

Name of Director Evaluated					
Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
1. Have physically attended in all committee meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Have participated in the approval and overseeing the implementation of the risk governance framework of the bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Have participated in defining appropriate governance structure and practices for its own work and ensure that such practices are followed and periodically reviewed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Have actively participated in the approval, review, and update of the Charter at least annually or whenever there are significant changes therein?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Helped ensure that the committee maintained appropriate records that documents fulfillment of its responsibilities and facilitate the assessment of effective performance of our function?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Participated in the discussion of risk management and corporate governance matters in board meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Participated in overseeing the nomination process for members of the board of directors and for positions appointed by the board of directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Helped in the establishment and ensure implementation of policy for on - boarding orientation program for first time directors and annual continuing education for all directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Participated in overseeing the periodic evaluation of contribution and performance of the board of directors, board level committee and senior management.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Helped ensured that the remuneration and other incentives policy is aligned with operating and risk culture as well as strategic and financial interests of the Bank, promotes good performance and conveys acceptable risk taking behaviour defined under its Code of Ethics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Helped promote good performance and conveys acceptable risk taking behaviour defined under its Code of Ethics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Helped ensured compliance with legal and regulatory requirements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**AUDIT COMMITTEE ASSESSMENT FORM**

<b>Name of Audit Committee</b>	
<b>Member :</b>	
<b>Accomplished by:</b>	
<b>Date Accomplished:</b>	
<b>Signature:</b>	

<b>ROLES AND RESPONSIBILITIES</b>	<b>5 Very Good</b>	<b>4 Good</b>	<b>3 Average</b>	<b>2 Fair</b>	<b>1 Poor</b>
1. Ensures that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Ensures that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluates its robustness considering the bank's risk profile and strategic direction; > High risk – Monthly > Moderate Risk – Quarterly/Semi Annually > Low Risk - Annually	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
3. Responsible for the appointment/ selection, remuneration, and dismissal of internal auditor;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Holds a sufficient number of meetings and such meetings are duly minuted and adequately documented	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Plans meetings of adequate length to allow the committee to accomplish its agenda, with time to discuss issues fully	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ensures that the scope of the internal audit covers the review of the effectiveness of the bank's internal controls, including financial, operational and compliance controls, and risk management system;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Ensures that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, noncompliance with policies, laws, and regulations and other issues identified by auditors and other control functions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Investigates any matter within its terms of reference, has full access to and cooperation by management, and has full discretion to invite any director or executive officer to attend its meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Establishes and maintains mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting & internal control, auditing or other issues to persons or entities that have the power to take corrective action;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. Has at least one member who possesses the requisite level of financial reporting knowledge or acquires such knowledge soon after joining the committee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Has a sufficient independent voice, bringing requisite knowledge, abilities and skills to the table	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Maintains a productive relationship with the executive board, maintaining open lines of communication and an ongoing dialogue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Builds constructive professional relationship with both internal and external auditors, putting them at their ease when bringing up sensitive issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Discusses the performance of external auditors, encouraging candid discussions with them based on set criteria, including further improvements, in order to be in a position to recommend the external auditors for contract renewal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Reviews and approves the engagement contract with the external auditor and ensures that the scope of audit cover areas specifically prescribed by the Bangko Sentral and other regulators;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Discusses with the executive board and the external auditor any significant accounting and reporting issues during the period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Challenges areas involving management judgement, significant accounting accruals, provisions or other estimates that have a material impact on the financial statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Discusses the audit results with the external auditor, assesses how the executive board handles the weaknesses identified and the recommendations to be made by the external auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Annually evaluates the performance of the committee as a whole and its individual members, and takes decisive corrective action, if necessary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Considers whether there are emerging issues that will demand its attention going forward and is proactive in positioning itself to deal with them	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Cooperative Bank of Bohol**  
**Assessment of the Executive Committee**  
**For the year**

Name of Director Evaluated					
Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
1. Acts on urgent matters when the Board is not in session.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Prepares agenda for board meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Actively performs other functions as authorized by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Helps provide organizational direction and acting on behalf of the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Helps establish and maintain good governance oversight.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Enhances communication between the Board, Committees and Management.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Helps in the recruitment and hiring of employees, their promotion, transfer, and performance appraisal for recommendation to the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Helps in providing members with current updates in cooperative development and opportunities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Provide activities/experiences that build positive relationship and develop both good learning skills and social skills.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Refrained from evaluating a particular transaction where I have a conflict of interest in a particular Related Party Transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Helped ensure that all related party transactions are continuously identified, RPTs are monitored on a on-going basis, and subsequent changes in relationships with counterparties ( from related to non-related and vice versa) are captured	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Evaluated all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Helped ensure that no corporate or business resources of the bank are misappropriated or misapplied in connections with RPT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Helped ensure that appropriate disclosure is made, and or information is provided to regulating and supervising authorities relating to the bank's RPT exposures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Helped ensure that a report to the BOD is made on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Helped ensure that all transactions with related parties, including write-off of exposures, are subject to periodic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

independent review or audit process					
17. Participated in the periodic review of RPT policies and procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Conducts gender analysis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Develops and recommends Gender and Development and Gender Equality policies and programs/activities/projects to the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Monitors and assesses progress in the implementation of GAD programs/activities/projects towards achieving GE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Cooperative Bank of Bohol**  
**Assessment of the Election Committee**  
**For the year**

Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
1) Annually propose an overall timetable for elections to the Board, to be approved by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Establish procedures for electing/appointing Directors, to be approved by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Post ballots to the member constituencies authorized to elect Directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Monitor the counting of ballots and certify the results of the Member voting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Monitor any challenge period and manage any election challenge according to procedures established by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Publicly announce the results of the Member election and appointment by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) Report the results of the election to the Board at the Annual General Assembly Meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8) The reporting of the committee to the Board is sufficient.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9) Makes periodical reporting to the Board along with its suggestions and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10) Gives effective suggestions and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11) Regularly reviews its mandate and performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12) Meetings are conducted in a manner that ensures open communication and meaningful participation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Cooperative Bank of Bohol**  
**Assessment of the Credit Committee**  
**For the year**

Name of Director Evaluated					
Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
1. Reviews and ensures completeness and accuracy of the loan documents submitted by the Loans Officer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Ascertains the truth of the purpose of the loan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ensures/ascertains whether collaterals offered are clean and appropriate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Reviews appraisal of collaterals made by the Appraiser.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Checks coverage, expiry and renewal dates of the loan applied for.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Checks existence of a right of way.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Determines comprehensiveness of insurance coverage, dates of renewal and expiry.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Decides to grant the loan after at least 80% degree of certainty on the viability of the loan has been attained.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Keeps a complete file of the minutes of its meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Identifies other creditors of the client.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Helped promote good performance and conveys acceptable risk taking behavior defined under its Code of Ethics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Helped ensured compliance with legal and regulatory requirements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Ensures the conduct of background check to determine whether the prospective borrower is a good payor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Ascertains whether the prospective borrower is not heavily indebted to other banks or lending institutions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Offers to prospective borrowers' affordable plan of loan payment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Approves loan applications with loanable amount above P850,000.00.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Recommends to the Board loan applications above P1,000,000.00.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Campaigns for more deposits and loan clients.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Approves and submits renewal of loans to the Board for confirmation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Monitors the accomplishment of the collectors and propose measures/activities to improve/increase collections by the Collectors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Cooperative Bank of Bohol**  
**Assessment of the Ethics Committee**  
**For the year**

Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
1) Annually propose an overall timetable for elections to the Board, to be approved by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Establish procedures for electing/appointing Directors, to be approved by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Post ballots to the member constituencies authorized to elect Directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Monitor the counting of ballots and certify the results of the Member voting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Monitor any challenge period and manage any election challenge according to procedures established by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Publicly announce the results of the Member election and appointment by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) Report the results of the election to the Board at the Annual General Assembly Meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8) The reporting of the committee to the Board is sufficient.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9) Makes periodical reporting to the Board along with its suggestions and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10) Gives effective suggestions and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11) Regularly reviews its mandate and performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12) Meetings are conducted in a manner that ensures open communication and meaningful participation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Cooperative Bank of Bohol**  
**Assessment of the Mediation and Conciliation Committee**  
**For the year**

Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
1) Annually propose an overall timetable for elections to the Board, to be approved by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Establish procedures for electing/appointing Directors, to be approved by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Post ballots to the member constituencies authorized to elect Directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Monitor the counting of ballots and certify the results of the Member voting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Monitor any challenge period and manage any election challenge according to procedures established by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Publicly announce the results of the Member election and appointment by the Board.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) Report the results of the election to the Board at the Annual General Assembly Meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8) The reporting of the committee to the Board is sufficient.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9) Makes periodical reporting to the Board along with its suggestions and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10) Gives effective suggestions and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11) Regularly reviews its mandate and performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12) Meetings are conducted in a manner that ensures open communication and meaningful participation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**Cooperative Bank of Bohol  
Assessment of the President  
For the year**

Name of President Evaluated					
Assessment Accomplished by					
Date Accomplished					
	5 Very Good	4 Good	3 Average	2 Fair	1 Poor
1. Promotes the desired conduct and behavior, implementing strategies and in promoting the long-term interest of the bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Sets the tone of governance from the top. Promotes the good governance practices within the bank by ensuring that policies on governance as approved by the board of directors are consistently adopted across the bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ensures that bank's activities and operations are consistent with the bank's strategic objectives, risk strategy, corporate values and policies as approved by the board of directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Effectively delegated duties to the staff and oversees the performance of these delegated duties and responsibilities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Established a management structure that promotes accountability and transparency.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Has established measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Promotes and strengthens checks and balances systems in the bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Promotes sound internal controls.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Avoids activities that shall compromise the effective dispense of his/her functions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Has given due recognition to the importance of the internal audit, compliance and external audit functions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Communicating effectively, on behalf of the company, with shareholders, government entities, and the public.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Leads the development of the bank's short- and long-term strategies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Ensures staff and Board have sufficient and up-to-date information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Manages well the bank's financial and physical resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Recommends yearly budget for Board approval and prudently manages bank's resources within those budget guidelines according to current laws and regulations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## **Employee's Performance Appraisal**

This Employee's Performance Appraisal is a process of evaluating employee's performance. The rating of an employee will serve as a basis for promotion and giving of rewards.

For rank and file employees, performance appraisal shall be conducted every six (6) months. There shall be three (3) raters: employee, immediate supervisor (work related)/Administrative Officer (bank activities related and punctuality) and Branch Manager. The average rating of the three raters will be the employee's rating for the semester.

For supervisory position, the performance appraisal shall be conducted annually. There shall be two (2) raters: employee and the Branch Manager. The average rating of the two raters shall be the employee's rating for the year.

For officers, branch managers and department heads, the performance appraisal shall be conducted annually. There shall be two (2) raters: employee and the President. The average rating of the two raters shall be the employee's rating for the year.

Employees who are rated NI shall be called by the Administrative Officer for an one on one dialogue.



## COMPETENCY-BASED PERFORMANCE ASSESSMENT

Name of Employee: \_\_\_\_\_

Branch /Dept.: \_\_\_\_\_

Position: \_\_\_\_\_

Period Covered: \_\_\_\_\_

Date of Regularization: \_\_\_\_\_

Frequency:  - Semi Annual

Date of Current Position Assumption: \_\_\_\_\_

- Annually

**Guidelines:**

1. The Performance Appraisal Form has been designed to allow the Evaluator to accurately assess the performance of his/her covered personnel. It is important that the Evaluator shall avoid subjectivity in the rating process. Your rating shall reflect your objective evaluation of the employee's performance during the covered period.
2. Ascertain the critical factor or factors in the performance appraisal relevant to the position being rated. As an employee's immediate head, you possess an in-depth knowledge of the job and therefore, would be in a better position to pinpoint such critical factors with utmost objectivity.
3. A Performance Guide Matrix as follows:

<u>Weighted Average Rating</u>	-	<u>Equivalent</u>
96% - 100%	-	Outstanding
91% - 95%	-	Very Satisfactory
86% - 90%	-	Satisfactory
75% -85%	-	Needs Improvement
74% and below	-	Poor

**Rating Summary:**

Competencies	Weight (%)	Sup.	BM	Dept. Head	Independent Officer	Total (Average)	President & CEO	Weighted Average Rating
I. Attitude and Behavior	25%							
II. Personality, Attendance and Punctuality	15%							
III. Effectiveness in the Exercise/Delivery of Duties and Responsibilities	45%							
IV. Audit and Compliance	15%							
<b>TOTAL</b>	<b>100%</b>							

I.	ATTITUDE/BEHAVIOR (25%)	DESIRED RATING	SELF RATING	SUPERVISOR	BM	DEPT. Head
A	<b>Learning</b> - Always open to learn and expand one's knowledge. Constant want to improve and get better at performing tasks so as to not get complacent and left behind.	2.5				
B	<b>Excellence</b> - Strives for quality output/results and does not settle for mediocrity.	2.5				
C	<b>Accountability</b> . Takes ownership of all responsibilities and honors commitments. Takes responsibility of one's actions or lack of action and that of his/her staff.	2.5				
D	<b>Dynamism</b> · energetic, full of energy and full of new ideas marked by usually continuous and productive activity or change.	2.5				
E	<b>Efficiency</b> Ensures optimal performance by using the best approach /method in completing tasks. Ensures best utilization of one's time and energy.	2.5				
F	<b>Values and Ethics</b> -. Fostering and supporting the principles and values of the management. Interacts with customers by treating them with utmost importance. Has no record of customer	2.5				
G	<b>Respect</b> - Respect for the members of the Board of Directors, officers, peers and clients. Shows consideration for one another, recognizes each other's differences and understands customer's needs and expectations	2.5				
H	<b>Integrity &amp; Honesty</b> ·Adheres to the moral standards and acts with the company's mission, vision, core values, policies and procedures even during adverse situations to promote what is good and right. Is genuine and real with one's words and actions. Deals well with ethical and confidential issues;	2.5				
I	<b>Professionalism</b> · Maintains a positive outlook and shows courtesy and consideration to others. Can easily adjust to any circumstance without losing one's composure. Maintains professional appearance, personal care and hygiene.	2.5				
J	<b>Initiative</b> ·Does more than is required/expected in a job, identifies and acts upon new opportunities to enhance results, minimizes problems without needing to be asked.	2.5				
	<b>TOTAL</b>	<b>25.00</b>				

II.	PERSONALITY, ATTENDANCE & PUNCTUALITY (15%)	DESIRED RATING	SELF RATING	SUPERVISOR	BM	DEPT Head
A	The proper use of uniform during specific days.	2				
B	Good grooming at all times.	2				
C	Begins working on time	2				
D	Proper notification of superiors in case of absence and accomplish the leave of absence form	2				
E	Ensures work responsibilities are covered when absent	2				
F	Willingness to extend after office hours due to work demand	2				
G	Without any Disciplinary Action (due to tardiness /AWOL) for the period/ With Disciplinary Action {due TO tardiness / AWOL) for the period	3				
	<b>TOTAL</b>	<b>15.00</b>				

III.	EFFECTIVENESS IN THE EXERCISE/DELIVERY OF DUTIES AND RESPONSIBILITIES (45%)	DESIRED RATING	SELF RATING	SUPERVISOR	BM	DEPT. Head
A	Diligence in the exercise/delivery of duties and responsibilities	5				
B	Adapts to changes in the work environment	5				
C	Strong desire for self-improvements & self-development	5				
D	Self-reliance in performing one's duties	5				
E	Keeps abreast of current developments	5				
F	Openness to counsel from superiors and peers	5				
G	Effectively managing one's time and resources to ensure that work is completed efficiently.	5				
H	Maintaining stable performance under pressure or opposition (such as time pressure or job ambiguity); handling stress in a manner that is acceptable to others and to the organization.	5				
I	Has accomplished the required number of bank referrals, using appropriate interpersonal styles and communication methods to gain acceptance of a product, service, or idea from prospects and clients.	5				
	<b>TOTAL</b>	<b>45.00</b>				

1. Identify the Employee's Strengths : *(Use separate sheet if necessary)*

Supervisor -

BM -

Dept. Head -

2. Identify the Employee's Key Areas for Improvement. *(Use a separate sheet if necessary)*

Supervisor -

BM -

Dept. Head -

Supervisor \_\_\_\_\_ Branch Manager \_\_\_\_\_ Dept. Head \_\_\_\_\_

IV	AUDIT AND COMPLIANCE RATING – 15%	Desired Rating	Self Rating	RATING IA	RATING CO	Weighted Score
A.	REPORT ACCURACY	3.75				
B.	REPORT TIMELINESS	3.75				
C.	BEHAVIORAL COMPETENCE	3.75				
D.	COMPLIANCE /AUDIT RATING	3.75				
	<b>TOTAL</b>	<b>15.00</b>				

**Rater’s Comment**

<p>1. Identify the Employee’s Strengths: <i>(Use separate sheet if necessary)</i></p> <p>IA –</p> <p>CO -</p>
<p>2. Identify the Employee’s Key Areas For Improvement. <i>(Use a separate sheet if necessary)</i></p> <p>IA –</p> <p>CO -</p>

Compliance Officer \_\_\_\_\_ Internal Auditor \_\_\_\_\_

**PERFORMANCE IMPROVEMENT PLAN**  
*(For Human Resource Dept)*

Please use this section to cite areas for improvement and action plans/support needed from immediate head with corresponding timetable in order to sustain or further improve the performance of the employee.

<b>Areas for Improvement</b>	<b>Action Plan</b>	<b>Support Needed from Immediate Head/ Mgt.</b>	<b>Timetable</b>
<b>Knowledge</b>			
<b>Attitude</b>			
<b>Skills</b>			
<b>Others</b>			

\_\_\_\_\_  
 Human Resource Officer

**PRESIDENT'S REMARKS:**

*Approval / Dis-approval/ Other Actions to be taken*

**JUVIE D. CALACAT**  
 President & CEO

## TRAINING METHOD

### 1. Internal Training

- a) In-House
- b) Informed Training (Orientation)
- c) On the Job Training –planned interaction with immersion in the actual work scenario
- d) Job Rotation/Cross Training- assignment of employees to other unit within the organization to gain knowledge on other work processes.

### 2. External Training

- a) Outsourcing –training from accredited training provider or regulatory agencies.

Based on the training needs of an employee, the HR will recommend to the Education/HR Committee that the employee shall undergo training and to be approved by the Board.

An employee who will be sent for training shall serve the bank within the prescribed period based on the amount of training expenses incurred. This schedule below is on per training basis. In case of a number of trainings attended, the amount spent for an employee sent for training will be summed up. Record shall be kept for this purpose.

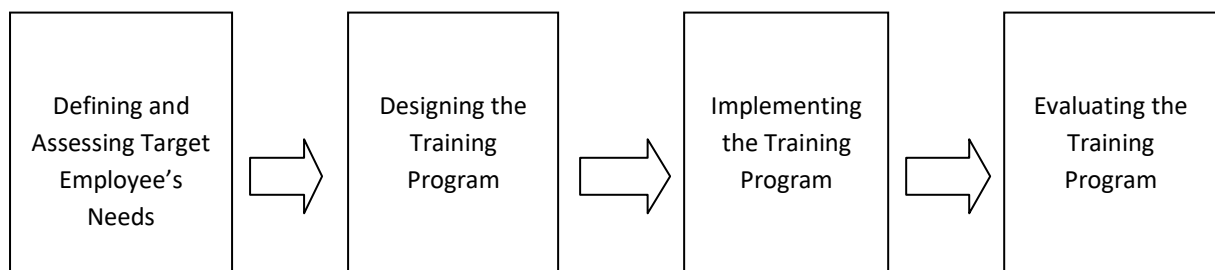
P10,000.00 – P20,000.00 – after 6 months  
P20,001.00 – P50,000.00 – after 1 year  
P50,001.00-P75,000.00 – after 2 years  
P75,001.00 – P100,000.00 – after 2 ½ years  
Over P100,000.00 – after 3 years

- ### 3. Educational Tour – another way to develop the members of the Board and employees' personality and enrich their knowledge relative to their work and the visited places, institutions and organizations.

A budget shall be appropriated for this educational tour every year to be approved by the Board.

- ### 4. Team Building – an activity designed to enhance social relations, increase motivation and promote cooperation among the employees and Board of Directors. This will be done every year and to be appropriated in the annual budget.

## TRAINING PROGRAM CYCLE FOR IN-HOUSE TRAINING





## Designing the Training Program for In-House Training

1. Titling the Program;
2. Selecting the Training Modality;
3. Formulating the Training Objectives;
4. Determining the programs Specific content;
5. Arranging the lessons and exercises in order they will be facilitated;
6. Selecting and preparing the instructional methods, materials and assigning resource speakers;
7. Planning the lessons;
8. Preparing the budget; and
9. Physical preparation.

## Training Needs Assessment

A training need is a gap between present and desired performance of an employee which can be narrowed through training. It is a measure of the knowledge, attitudes, and skills that have to be developed to bring about the desired performance. Training needs are manifested by the following:

1. Work standards are not met;
2. Accident;
3. Excessive wastes;
4. High costs of repair;
5. High turnover rates;
6. Low performances;
7. Work methods are not standardized;
8. Production bottlenecks and delays; and
9. Excessive fatigue and worker stresses.

Identifying training needs will minimize training expenses and evaluation will be easier. Trainees will be motivated and the return on investments will be maximized.

Techniques in Training Needs Assessment:

1. Interviews;
2. Study of employee's performance records; and
3. Observations.

## **RETIREMENT AND SUCCESSION PLANNING**

The Bank has an approved Retirement Plan of the employees. The mandatory retirement age is 60 years of age. Retirement fund is appropriated annually to answer the retirement pay of the employees.

For assurance of full and quality continuity of operations and services in case of the absence of any of the Bank's key officers, the following succession plan shall automatically be operational and implemented until the return to duty of the employee on leave of absence. In case of a permanent vacancy, the Education and Human Resources Committee conducts the screening of applicants after

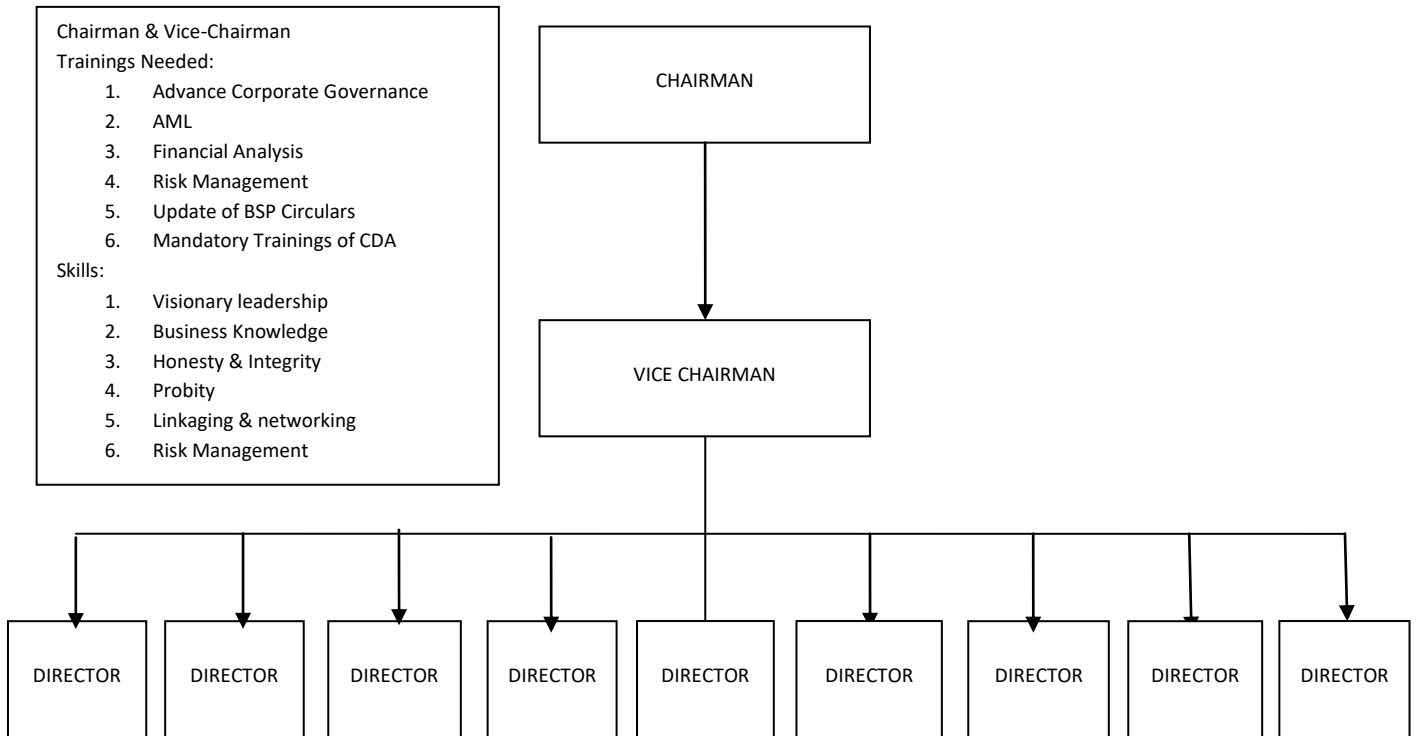
which, it recommends for approval to the Board of Directors, the appointment of the best qualified applicant.

#### Succession Plan for Temporary Vacancy

For assurance of full and quality continuity of operations and services in case of the absence of any of the Bank’s key officers, the following succession plan shall automatically be operational and implemented until the return to duty of the employee on leave of absence. In case of a permanent vacancy, the Education and Human Resources Committee conducts the screening of applicants after which, it recommends for approval to the Board of Directors, the appointment of the best qualified applicant.

<b>Position</b>	<b>Alternate</b>
<b>Corporate Office</b>	
President	Vice Chairman, Board of Directors
Compliance Officer	Internal Auditor
Internal Auditor	Accountant
Corporate Secretary	Administrative Officer
Accountant	Bookkeeper II
<b>Operation</b>	
President	Branch Manager II
<b>Tagbilaran Branch</b>	
Branch Manager II	Cashier
Cashier	Branch Manager II
Loan Officer II	Loan Officer I
Bookkeeper II	Accounting Clerk
Teller II	Cashier
<b>Other Branches</b>	
Branch Manager I	Teller I
Teller I	Branch Manager I
Bookkeeper I	Branch Manager I
Loan Officer I	Bookkeeper I
Officer – at –Large	will assume the work in any of the position in the branches in excess of three (3) days.
<b>Board of Directors</b>	
Chairman	Vice Chairman

## SUCCESSION PLAN for BOARD OF DIRECTORS



**Director: Qualifications**

- 1) At least 25 years of age;
- 2) Filipino citizen;
- 3) A college graduate, or with at least 5 years of business experience;
- 4) A stockholder;
- 5) The cooperative-stockholder has attended the past two consecutive General Assembly meetings;
- 6) Chairman, Vice-Chairman or Manager of the cooperative-stockholder;
- 7) If representative of a cooperative-stockholder, should submit a board resolution authorizing him to file a candidacy;
- 8) The cooperative-stockholder has a Certificate of Compliance with CDA of the preceding year;
- 9) The cooperative-stockholder is not delinquent in the payment of their obligations/loans with the bank;

- 10) The cooperative-stockholder has at least 200 shares of stock;
- 11) Attended the Fundamentals of Cooperative

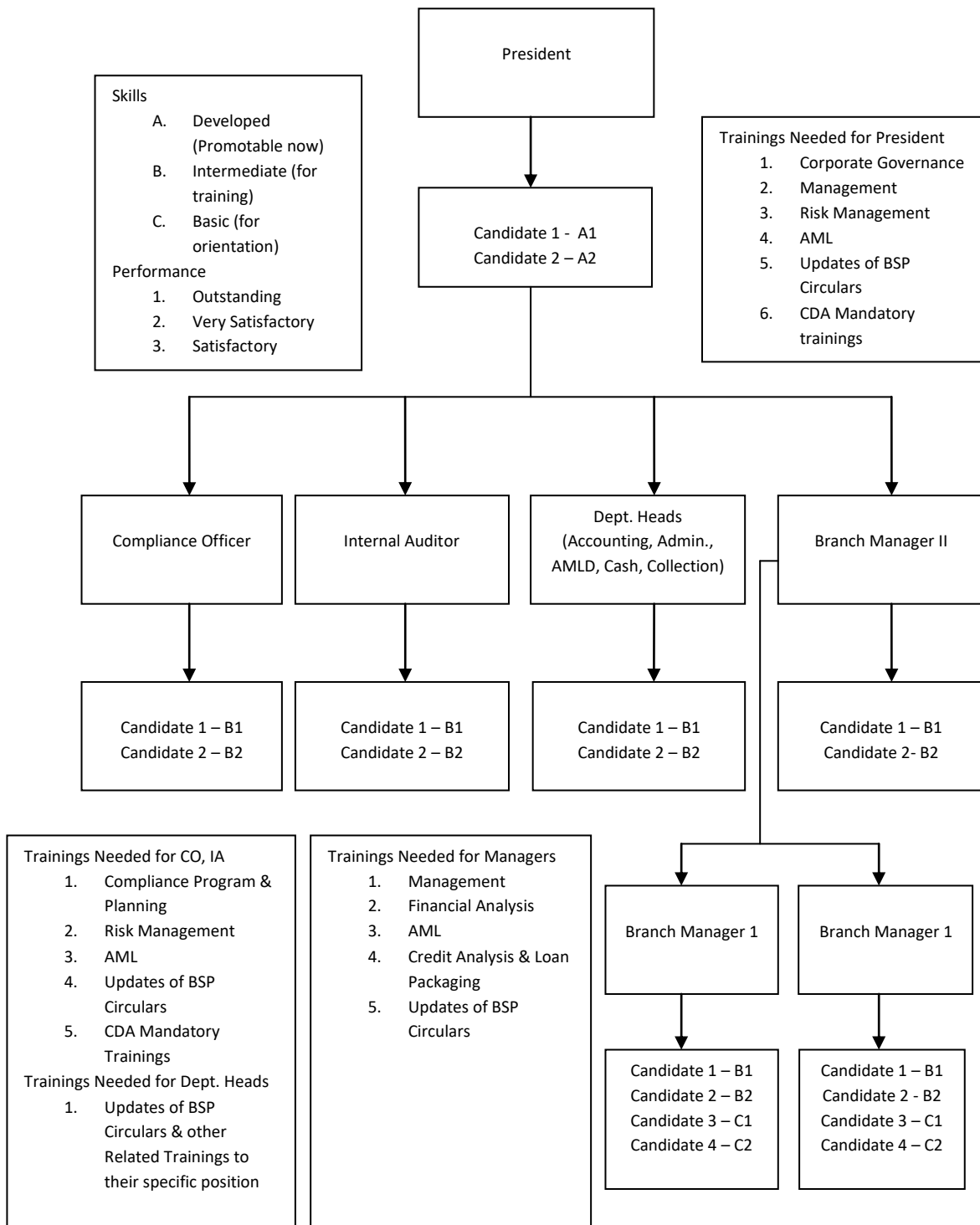
**Trainings Needed:**

- 1) Corporate Governance (w/in 6 months from the date he/she is elected);
- 2) Advance Corporate Governance
- 3) AML
- 4) Financial Analysis
- 5) Risk Management
- 6) Update of BSP Circulars
- 7) Mandatory Trainings of CDA

**Skills:**

- 1) Action-oriented
- 2) Business Knowledge
- 3) Honesty & Integrity
- 4) Probity
- 5) Linkaging & networking
- 6) Risk Management

## SUCCESSION PLAN OF OPERATION



## Remuneration Policy

Honorarium and other benefits of the Board of Directors shall be included in the annual budget of the bank to be approved by the General Assembly. There shall be special approval on this account.

For senior management, their remuneration is also included in the budget to be approved by the Board of Directors.

Performance bonus, merit increase and other benefits shall be extended to bank's directors, officers and employees, to boost their morale and to recognize good performances.

The 1–21 Salary Grades Schedule is hereby created to be made as basis for entrance salary or hiring rate of newly appointed employees. In this schedule the employee with lowest rank shall be assigned a salary grade of 1 and the highest officer a grade of 21.

### SALARY GRADE STANDARD

<b>A. SENIOR MANAGEMENT</b>									
	President	21							
<b>B. INDEPENDENT OFFICE</b>									
	Compliance Officer	19							
	Internal Auditor	18							
<b>C. DEPARTMENT HEADS</b>									
	AMRLD Head	19							
	Corporate Services Officer	17							
	Accountant	16							
	Cashier	17							
	Collection Dept. Head	17							
	HR Officer	14							
<b>D. BRANCH MANAGER</b>									
	Branch Manager II	13							
	Branch Manager I	12							
<b>E. SUPERVISOR</b>									
	Loan Officer II, Bookkeeper II IT Supervisor	11							
<b>E. MANAGEMENT SUPPORT TEAM</b>									
	Loan Officer I	9							
	Remedial In-Charge	8							
	IT In-charge	8							
	Teller II	8							
	Business Development	7							

	Teller I	6							
	Bookkeeper I	6							
	Clerk III, Collector III	6							
	Collector II, Clerk II	5							
	Appraiser	4							
	Collector I, Clerk I	3							
<b>F.</b>									
<b>ADMINISTRATIVE</b>									
<b>AIDE</b>									
	Driver/Messenger/UW	2							
	Branch UW/Messenger	1							

- There shall be 5 step increments of the Personnel Salary Grade.
- There shall be an increase in the amount of P500.00 in every step increment.
- An employee can be adjusted to a next step of his present position after two years of service and with very satisfactory performance.
- Clerk 1 shall be promoted to Clerk II after 2 years if he/she has a very satisfactory performance.
- Clerk II shall be promoted to Clerk III after 2 years if he/she has a very satisfactory performance.
- Good performance shall be determined by the Education/HR Committee based on the Annual Performance Report.

#### **A. BENEFITS**

Performance bonus, merit increase and other benefits shall be extended to bank's directors, officers and employees, to boost their morale and to recognize good performances. Recognition shall be in non-monetary and monetary forms. Non-monetary shall be in the forms of Plaque of Appreciation, Letters of Commendation and others.

##### 1. Monetary and Non-Monetary Benefits:

###### A. Granted to Directors

- 1) Medical Allowance – annually
- 2) Rice Allowance – every month
- 3) Uniform Allowance - annually

###### B. Granted to Employees

- 1) 13<sup>th</sup> Month Pay
- 2) 14<sup>th</sup> Month Pay
- 3) Christmas Cash Gift
- 4) Anniversary Incentive
- 5) Grocery Incentive - Christmas, New Year
- 6) Cost of Living allowance (COLA) - monthly
- 7) Medical Allowance – annually
- 8) Travelling Allowance – monthly
- 9) Rice Allowance – every month
- 10) Uniform Allowance - annually
- 11) Leave Privileges

Vacation Leave – 15 days for every year of service (An employee should enjoy his/her 5 days mandatory vacation leave while the remaining vacation leave will be monetized at the end of the year)

Sick Leave – 15 days for every year of service. Cumulative and shall be monetized upon retirement from service. If an employee has more than 80 days accumulated sick leave, the excess number of days shall be monetized at the end of the year but to a maximum of 10 days only.

Special Leave – not more than 3 days in a year to be availed of or enjoyed under the following occasions; (Wedding Anniversary, Birthday, Enrollment/Graduation Day, Death Anniversary of immediate member of the family)

Maternity Leave – 105 days (regular delivery and for Caesarean delivery)

Paternity Leave – 7 days leave to be enjoyed by married male employee during the first 4 deliveries of his legitimate spouse.

Special Leave for Pregnant Women – Within 9 months pregnancy period, a pregnant employee is entitled of ½ day special leave every month intended for pre-natal purposes.

Parental Leave – for solo parent 7 days annually

Other leave credits required by law.

- 12) Retirement Plan - Compulsory Retirement Age – 60 years old
- 13) Collection incentives for bank collectors who meet their collection targets
- 14) Employees Financing Program ( EFP )

- Real Estate
- Vehicle Loan
- Appliance Loan
- Personal Loan

The monthly amortization of the loan secured under the Employees Financing Program (EFP) shall not exceed 50 % of the employees' monthly salary and other allowances

C. Granted to President, Independent Officers, Department Heads and Managers

- Representation Allowance
  - President - monthly
  - Department Heads and Managers – monthly

D. Granted to Managers

- Mobilization Pay
  - President – monthly
  - Branch Manager – monthly

#### E. Granted to Cashier and Teller

##### Shortage Allowance

Cashier and Teller – annually

Cashier/Teller – annually

#### F. Granted to Collectors

Repair and Maintenance Allowance – monthly

Hazard Pay - monthly

### **REWARDS MANAGEMENT**

Rewards are monetary and non-monetary forms that the bank offers to its employees in exchange for their work contribution, accomplishments and as recognition of his/her/their extraordinary achievements.

#### Objectives of Rewards and Recognition

1. To attract the right people (competent workforce) and encourage them to be a part of the organization.
2. To retain potential performers by satisfying their work related needs and rewarding their efforts and contributions.
3. To develop workforce capabilities by rewarding employees for knowledge/skill and ability enhancement.
4. To motivate employees to contribute to the best of their abilities thereby encouraging productivity in order to meet strategic goals and objectives.

#### Types of Rewards

1. Monetary- these are awards in the form of "cash" or money.
2. Non-Monetary – are perceived as separate and independent from compensation or salary/benefits. Has long term effects and brings greater recognition and increases engagement.

#### Incentive Pay

Incentive Pay Programs are designed to relate pay directly to performance to encourage specific actions or behaviour by employees or branch during a specific performance period. This will motivate and encourage employee's productivity.

#### Types of Incentive Schemes/Programs



1. Employee Recognition – generates increased morale and positive workplace attitudes. Offers feedback and encouragement to employees. Includes verbal praise, award ceremonies, public announcements.
2. Knowledge Contingent Pay – rewards employees who seek self-development and career development.
3. Individual Performance Programs – Employees are given specific types of awards for meeting or exceeding planned targets. Annually the bank shall award an “Employee of the Year”.
4. Group Based Performance Incentive – rewards are paid based on group achievement or exceeding of targets and encourage teamwork.

This Group Based Performance Incentive in a form of cash will be given to a branch at the close of the year if they exceeded the year’s target on loan releases. Aside from loan releases, other indicators to be considered are favourable loan collection (at least the target past due ratio will be attained), expenses not to exceed the year’s target and the target net income will be attained. It shall be 1/10 of 1% of the total loan releases for the year.

Schedule to follow, in case of the following:

No Net income  
 Loan Releases – exceeded the target  
 Collection – has not met the required PDR  
 Expenses – exceeded the target  
 No GBPI

With Net income but below the target  
 Loan Releases – exceeded the target  
 Collection – has not met the required PDR  
 Expenses – exceeded the target  
 No GBPI

Net income exceeding at least 25% of the target  
 Loan Releases – exceeded the target  
 Collection – has not met the required PDR  
 Expenses – exceeded the target  
 GBPI – 60 % of the 1/10 of 1% of the total loan releases

Net income exceeding at least 25% of the target  
 Loan Releases – exceeded the target  
 Collection – has not met the required PDR  
 Expenses – has not exceeded the target  
 GBPI – 80 % of the 1/10 of 1% of the total loan releases

Net income exceeding at least 25% of the target  
 Loan Releases – exceeded the target  
 Collection – has met the required PDR

Expenses – has not exceeded the target  
GBPI – 100 % of the 1/10 of 1% of the total loan releases

5. Profit Related Incentive – given to employees based on overall revenue/profit earned by a branch for a given period.

Profit Related or Productivity Incentive amount shall be determined if the bank will exceed its target income. The amount of PRI shall be 1/10 of 1% of the excess amount of the target amount.

The Corporate Office is responsible for implementing the strategic direction and policies set by the Board; providing necessary support to the operating branches; maintaining a strong system of internal control; and ensuring the bank's compliance with legal and regulatory requirements. Hence, the President and personnel in the corporate office shall have a share in the Group Based Performance Incentive and Profit Related Incentive. Percentage shall be as follows:

Group Based Performance Incentive (GBPI)

President	- 20% of the amount of GBPI
Independent Officers and Dept. Heads	- 30% of the amount of GBPI
Branch	- 50% of the amount GBPI
Branch Manager	- 25% of the branch amount of GBPI
Rank & File	- 75% of the branch amount of GBPI

Independent Officers and Department Heads (7)

(CO, IA, Accountant, Admin. Officer, AMLD Head, Cashier, Collection Head)

Branch Rank & File (4) & the SO, IT in-charge, Business Development., IA Clerk, AMLD Clerk, & Driver (6)

### **Policies and Procedures on related party transactions**

The Board of Directors, as an oversight body, of the Cooperative Bank of Bohol has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations.

The board approved an overarching policy on the handling of RPTs that should cover the scope of its RPT policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular RPTs. This policy is intended to a) ensure that every related party transaction is conducted in a manner that will protect the bank from conflict of interest which may arise; b) ensure the impartiality and transparency of related party transactions between and among the organization and its major stockholders, officers and directors, including their spouses, children, and dependent siblings and parents and of interlocking director relationships by members of the Board; and c) ensure that specific policies, procedures, disclosures and responsibilities are to be followed in compliance with legal and regulatory requirements as related party transaction occurs.

### **Related Parties shall cover the following:**

- Bank's subsidiaries as well as affiliates and any party that the bank exerts direct/ indirect control over or the bank;
- The bank's directors, officers, stockholders, and their related interests (DOSRI);
- And their close family members;
- Corresponding persons in affiliated companies;
- Person/ juridical entity whose interests may pose potential conflict with the interest of the financial institution (FI);
- Direct or indirect linkages to a bank identified as follows:

Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding stock of the borrowing entity, or vice versa

Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;

Common stockholders owning at least ten (10%) percent of the outstanding voting stock of the bank and ten (10%) percent to less than twenty (20%) percent of the outstanding voting stock of the borrowing entity; or

Permanent proxy or voting trusts in favor of the bank constituting ten (10%) percent to less than twenty (20%) of the outstanding voting stock of the borrowing entity, or vice versa

**Close Family Members** shall refer to persons related to the bank's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the following:

- Spouse
- Parent
- Child
- Brother
- Sister
- Grandparent
- Grandchild
- Parent-in-law
- Son/daughter-in-law
- Brother/sister-in-law
- Grandparent-in-law
- Grandchild-in-law

Related Party Transactions (RPTs) shall refer to transactions or dealings with related parties of the bank regardless of whether or not a price is charged. The following criteria shall constitute the definition of RPTs which shall include, but not limited to the following:

### **MATERIALITY THRESHHOLDS**

Covered RPTs shall be subjected to the corresponding materiality thresholds, as determined based on existing credit authority structure for credit exposures, and approval matrix specified in Part VI.

Furthermore, the following conditions shall hold:

1. Thresholds are applicable to new transactions.
2. Material RPTs that are non-standard or with deviations shall require prior approval of the Board.
3. Where there is doubt or lack of clarity in determining whether a covered RPT is with deviation or not, the responsible person shall elevate the transaction to the RPT In-charge Member of the Board with the Executive Committee.

Thresholds shall not apply to transactions that were entered into with a formerly unrelated party which subsequently became a related party granted that no alteration to the Terms & Conditions and increase in exposure level was made after the said company became a Related Party.

Prospective treatment, however, should be without prejudice to supervisory actions that may be enforced for those noted to be not conducted on arm's length terms.

The following general guidelines shall apply:

1. Renewal or material changes in the terms and conditions of the transaction shall require approval of the original body that authorized the transaction.
2. In case a member of the reviewing committee has conflict of interest in a particular RPT, he/she shall refrain from evaluating the fairness thereof.
3. All violations including those done inadvertently or without bad faith shall be subject to appropriate action by the RPT In-charge Member of the Board with the Executive Committee.

Any financial transaction, arrangement or relationship where a related party has or will have direct or indirect material interest shall be guided by the following internal materiality thresholds:

Transactions	Materiality Thresholds per Transactions
Credit Accommodations	
Agri-Agra Loans	P50,000.00
Commercial Loans	P300,000.00
Other Loans-REM	P200,000.00
Overseas Assistance/ Back to Back Loan	P500,000.00
Auto Loan	P500,000.00
Salary Loan	P50,000.00
Deposit Accommodations	
Placements	P50,000.00
ROPA Accommodations	
Sale –REM	P300,000.00
Sale – Auto	P400,000.00
Other Accommodations	
Insurance Services	P50,000.00
Outsourcing Agreements	P50,000.00
Supplier of Materials and Supplies	P50,000.00
Lease Contracts	P50,000.00
Other Transactions	P50,000.00

## **COVERED AND NON-COVERED TRANSACTIONS**

This section provides the list of Covered and Not Covered Transactions. Those falling under the latter category need not be presented to the Committees but shall remain subject to internal monitoring.

### **COVERED**

- On and off balance sheet credit exposures and claims and write-offs
- Investments and/or subscriptions for debt/equity issuances
- Consulting, professional, agency and other service arrangements/ contracts
- Purchases and sales of assets, including transfer of technology and intangible items
- Construction arrangements/ contracts
- Lease arrangements / contracts
- Borrowings, commitments, fund transfers and guarantees
- Sale, purchase or supply of any goods or materials, and

### **NOT COVERED**

- Immaterial transactions. *These shall not require review and approval of the Board of Directors but shall be subject to vetting.*
- Transactions concerning deposit operations (CASA /Time Deposits) and other bank services where standard fees or published market rates apply.
- A transaction where the rates or charges involved in the transaction are determined by competitive bids or fixed by the bank or law or regulated by a government authority.
- Executive Officer/Director compensation arrangements and Employee Benefits
- Other transactions of similar nature

### **TRANSACTIONS NOT COVERED BUT SUBJECT TO VETTING PROCESS**

- DOSRI loans, regardless of the amount, as these are already reported to the BSP within 15 banking days from end of reference quarter
- Single deposit accommodation of at least P50,000.00 at any time or aggregate amount of at least P100,000.00 in any year
- Single non-loan accommodation of at least P50,000.00 at any time or aggregate amount of at least P100,000.00 in any year
- Non-Collateral Loan - Single loan accommodation of at least P50,000.00 at any time or aggregate amount of <P15M to P100,000.00 in any year
- Collateral Loan - Single loan accommodation of at least P100,000.00 at any time or aggregate amount of <P15M to P200,000.00 in any year

### **NATURE**

- On and off balance sheet credit exposures and claims and write-offs
- Investments and/or subscriptions for debt/equity issuances
- Consulting, professional, agency and other service arrangements/ contracts
- Purchases and sales of assets, including transfer of technology and intangible items
- Construction arrangements/ contracts
- Lease arrangements / contracts
- Trading and derivative transactions
- Borrowings, commitments, fund transfers and guarantees
- Sale, purchase or supply of any goods or materials, and
- Establishment of joint venture entities

**Arm's Length** is a term referring to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

## **THE VETTING PROCESS**

The RPT Committee, shall take into account, among other factors deemed appropriate, whether the terms of the RPT are no less favorable than terms generally available to an unrelated/unaffiliated third party under the same or similar circumstances, for example the RPT is at an arm's length basis.

It shall consider all relevant facts and surrounding circumstances available, and shall take into account the following:

- a) The date the transaction is being subjected to the vetting process.
- b) The nature of transactions and identity of the parties involved in the transactions or relationship for purposes of ascertaining if such is indeed an RPT or not.
- c) The Related Party's relationship to the Bank, the extent of its interest in the transaction and the nature of the Bank's participation.
- d) The basic terms of the transaction (price, commissions, interest rates, fees, terms, collateral requirements), material facts of the proposed RPT, including total placement/exposure of such RPT.
- e) The purpose or business reasons for the bank to enter into the proposed RPT.
- f) The availability of other unrelated party accounts with comparable terms and conditions, if available. Any compelling business reasons for the bank to enter into the RPT should be determined.
- g) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances and would apply on the basis if the RPT did not involve a related party.
- h) Remarks on the impact to Director's independence or whether the RPT would present a conflict of interest, actual or apparent, taking into account the size of the transaction, their overall financial transaction, and any other factor the RPT approving authority deemed relevant.
- i) Other material terms and conditions, including policy deviations, if any, as a result of entering into the transaction, as well as any potential risk issue that may arise as a result of or in connection with the transaction.
- j) Any other relevant or material information regarding the transaction.

Additional factors to consider but not limited in determining whether a transaction has been conducted on an arm's length basis:

- 1) Validate the terms of the transaction to those two (2) comparable transactions on an arm's length basis.
- 2) Validate the terms of the proposed transaction, if it's fair to the bank and on the same basis that would apply to the transaction on non-related party.

- 3) Verify the business reasons for the bank to enter into the proposed transaction.
- 4) Ensure that the proposed transaction does not prejudice the independence of the relevant director.
- 5) Ensure that the transaction has no implications to the bank's financial position and performance.
- 6) Validate the nature and content of the bargaining process; look for any unique or unusual terms/content.

In evaluating RPTs, the committee shall take into account, among others, the following:

- The related party's relationship to the bank and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the bank of the proposed RPT;
- The availability of other sources of comparable products or services; and
- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material based on the bank's internal policies shall be endorsed by the RPT committee to the Board of Directors for approval.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are consistent with such policies; and conflicts that could arise as a result of the bank's affiliation or transactions with other related parties.
- Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

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

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

The compliance function shall ensure that the bank complies with relevant rules and regulations and is formed of regulatory developments in areas affecting related parties. It shall aid in

the review of the bank's transactions and identify any potential RPT that would require review by the Board or RPT committee. It shall ensure that the RPT policy is kept updated and is properly implemented throughout the bank.

Each Director, Stockholder or Senior Officer is responsible to declare a transaction to be called a Related Party Transaction and the material interest that they or an immediate family member may have on such transaction.

A Disclaimer Statement is required from all approving officer/s signing contracts, agreements, work orders and purchase orders that they are not related to the counterparties of the proposed transaction.

All credit and non-credit Related Party Transactions go through the normal approval processes of the Company given the delegated discretion after due consideration to existing DOSRI regulations and Single Borrowers limits.

Upon approval, all financial transaction, arrangement or relationship in which the aggregate amount involved will or may exceed P15, 000,000.00 in any year or any single financial transaction amounting to P1, 000,000.00 at any time related Party Transactions including transactions falling under the Ordinary Course of Business but with policy deviations are referred to the Related Party Transactions Committee/Audit Committee. The Committee shall review and approve these Related Party Transactions and endorses to the Board for approval.

The Board of Directors shall approve and confirm all Related Party Transactions endorsed by the Related Party Transactions Committee. Any member of the Board or Related Party Transactions Committee who has interest in the transaction must abstain from participation in the review and approval of any Related Party Transaction.

## **STRUCTURE OF INTERNAL AUDIT AND COMPLIANCE FUNCTIONS**

The Bangko Sentral ng Pilipinas in Section 161 of the latest MORB and BSP Circular 972 as the guides to the Enhanced Compliance Framework has instituted revision to the compliance framework which all banks are required to maintain and operate. The new compliance program defines compliance as the overall handling by the bank's business risks that could negatively affect the franchise value of the bank. In this circular business risks is defined as the conditions which may be detrimental to the bank's model and its ability to generate returns from operations. Business risks shall include, but not limited to the following:

- a. Risks to reputation that arise from internal decision that may damage a banks market standing;
- b. Risks to reputation that arise from internal decision and practices that ultimately impinge on the public trust of the bank;
- c. Risks from activities of the bank that are contrary to existing regulations and identified practices and reflect weaknesses in the implementation of codes of conduct and standards of good practices;
- d. Legal risks to the extent that changes in the interpretation or provisions of regulations directly affect a bank's business model.

The Cooperative Bank of Bohol carry and engage in the business of extending credit and accepting deposits to all types of cooperatives their member, small farmers and tenants and to deserving rural industries. In the conduct of the bank's normal business operations various risks



can be encountered and it is therefore the responsibility of the Board of Directors to identify, establish and create measures to mitigate the same.

Among the risks a bank faces in its normal operations are:

1. Risks of poor collections or non-collection of loans

Measures to be taken:

- a. ensure that the borrower has the capacity to pay as shown by the
  - financial statement
  - income tax return
  - statement of assets and liabilities
  - credit investigation
- b. approved and released loans should be complete in needed information and free from any or all of the following deficiencies
  - incomplete signatures on loan documents
  - loan amount beyond the lending authority of loan officer/credit committee
  - loan amount in excess of the borrowers credit limit or at the loan value of the submitted collateral
  - incomplete documentation of collaterals
- c. borrowers, co-makers, endorsers, sureties and guarantors in case of unsecured loans shall possess good credit standing and are financially capable of fulfilling commitments in the event the borrower is unable to settle his obligation to the bank.
- d. borrower's repayment schedule shall be aligned with his cash flows
- e. reduction of 20% percent of the principal obligation and submission of updated income tax return or financial statements shall be one of the requirements for renewal of loans

2. Risk of unwarranted concentration of credits

Measure to be taken:

- granting of loan other than agricultural, ie. Salary loan, appliance loan, car loan should be within the established benchmark

3. Risk to over exposure to DOSRI

Measures to be taken:

- granting of loan shall be within the aggregate and individual ceiling prescribe by the BSP

4. Risk arising from adverse business decision or improper implementation of decision.

Measures to be taken:

- The banks board resolution, policies, procedures and other issuances shall conformed with the sound banking practices, laws, rules and regulation and it must be religiously implemented and followed.

5. Risk arising from negative public opinion which will affect the bank's ability to establish new relationship or services or continue servicing existing relationship.

Measures to be taken:

- The bank must be transparent in all dealings and transaction to the clients in general.
6. Risk to earnings or capital arising from violation of, or non-conformance with laws, rules, regulations and prescribed practices issued by the supervisory and or regulatory. This risks exposes the bank and officers to fines, monetary penalties and administrative sanctions. The non-monetary penalty of warning, reprimand or preventive suspension can be imposed to a Director or officer determined to be involved in the commission of a violation. It can also lead to diminished reputation, limited business opportunities, lessened expansion potential and lack of contract enforceability.
  7. Losses which are commonly exposed due to violations and/or non-compliance of laws, rules and regulatory issuance are as follows:
    - a. Monetary penalties on a bank and/or its officers due to failure to submit periodic report in the prescribed form on time, legal reserve deficiencies, failure to observe single borrower's limit and credit accommodations to director, officers, stockholders and related interest (DOSRI)
    - b. Administrative sanctions against a bank such as the suspension of lending operations, disqualification from branching and borrowing from the lending window of the Bangko Sentral ng Pilipinas (BSP) as a result of legal reserve deficiencies, deficiencies in prescribed minimum capital may result to a very substantial losses.
    - c. Tax assessment deficiency due to failure to pay correct tax

The ultimate penalty for gross violation of laws, rules and regulation as well as the Monetary Board and the Bangko Sentral ng Pilipinas (BSP) directions or instructions having material effect on bank's solvency, liquidity and profitability is the closure of a bank.

The bank has adopted this program to see to it that its directors, officers and staff are regularly informed of laws and regulations relevant to banking and that these are observed to avoid monetary and administrative sanctions.

## **COMPLIANCE OFFICER AND FUNCTIONS**

The compliance officer shall be appointed/designated by the Board of Directors whose principal function is to oversee the administration of the compliance program and promote its effective implementation and address breaches that may arise. He/She is also responsible for ensuring the integrity and accuracy of all documentary submission to Bangko Sentral ng Pilipinas (BSP). The appointment of the Compliance Officer shall require prior approval of the Financial Supervision Sector (FSS) Committee of the BSP subject to existing fit and proper rules of the Bangko Sentral ng Pilipinas (BSP) and other regulatory agencies.

### **COMPLIANCE FUNCTIONS:**

The compliance function is an independent activity operating within the bank with no line function under the direction and reporting to the Board, to assist management and the Board of

Directors in discharging their duties and responsibilities. In line to the function he/she is authorized to the following:

1. To communicate with any staff members and obtain access to any records or files necessary to enable it to carry out its responsibilities.
2. To carry out its responsibilities on its own initiative in all department of the bank in which compliance risks exists.
3. To conduct investigation of possible breaches of the compliance policy and to request assistance from the legal or internal audit to perform this task if appropriate.
4. To report to Senior Management on any irregularities or possible breaches disclosed by its investigation without fear of retaliation from management or other staff members. Although the reporting line should be to senior management, the compliance function has the right to direct access to the Board of Directors or to a board level-committee by passing normal reporting lines when appears to be necessary.

The specific responsibilities of the compliance function are the following:

5. To furnish copy to Board of Directors and senior management of the latest Bangko Sentral ng Pilipinas circular, memorandum, circular letter and keeping them informed on the respective development.
6. To assist senior management:
  - a. Educating the staff on compliance issues and act as contact persons with in the bank on compliance queries from the staff.
  - b. Establishing guidance to staff in the appropriate implementation of compliance laws, rules and regulations through policies and procedures.
7. To coordinate with the directors, senior management and employees in the implementation of the BSP programs and requirements.
8. To consult the BSP and other regulatory agencies for additional clarification on specific provisions of laws and or discuss compliance findings with the regulatory authorities. A dialogue may also be initiated with respect to borderline issues.
9. To adopt ways to measure compliance risks and use such measurement to enhance compliance risks assessment.
10. To monitor and test compliance by performing sufficient compliance testing.
11. To monitor the submission of periodic reports to various government agencies.

## **COMPLIANCE SYSTEM**

To ensure compliance with laws, rules and regulations in the daily operations of the bank the following policy and procedures shall be observed:

1. Copy of all laws, rules, regulations and Board resolutions relevant to the duties and functions of the individual officers and staff of the bank shall be properly disseminated. List of all relevant laws, rules and regulations are shown in the Annexes.
2. A complete list of all required reports for submission to the Bangko Sentral ng Pilipinas (BSP) and other regulatory agencies shall be properly furnished to the concerned department/staff with corresponding information as to the frequency and date for submission. The department/branch concern shall be responsible for the preparation and submission of their assigned reports. Log book containing information as to what report being made and submitted to the regulatory body. Evidence of receipt of said report shall be kept on file at all times. List of all reports required to be submitted to the Bangko Sentral ng Pilipinas and other regulatory agencies is shown in the Annexes.
3. The compliance rating on each department/branch shall be based on the frequency and nature of violations found during the audit/inspections, the amount involved and the persistence in committing same violation.

The levels of risks are as follows:

- a) Low – possibility of loss is minimal
  - b) Medium – risks of loss is manageable
  - c) High – exposure to loss is imminent
4. The compliance audit/investigation shall be carried out quarterly. After the conduct of the audit/investigation of different department/branches is rated "LOW" the audit/investigation may be reduced to once a year, those rated "MEDIUM" the audit/investigation shall be continued semi-annually, while those rated as "HIGH" audit/investigation shall be conducted quarterly. In cases where the rating of a department/branches continue to be "HIGH" for three consecutive audit/investigation, the President shall conduct conference with the principal officers of the department/branch concern to determine the reasons thereof and to require said officers to submit specific measure to be taken to avoid further violation.

The compliance rating of the department/branch is important in determining the frequency and scope of succeeding compliance review to be performed. It is likewise considered as basis for promotion, giving of awards and incentives as well as disciplinary actions.

5. A copy of the report of the Compliance Officer on the outcome of the compliance testing should be provided to the President together with her/his recommendation.
6. The President then, shall inform in writing the head of the department/ branch subject of the report, the details of the violations noted during the conduct of the compliance testing and requiring to correct their violations and to submit written report on action taken.
7. The President shall submit periodic report to the Board of Directors as to the violations noted by the Compliance Officer together with the action taken to correct the same and with his recommendation to prevent repetition thereof.

## **REVIEW OF THE COMPLIANCE PROGRAM**

The compliance program shall be reviewed by the President regularly at least annually; the review shall include the assessment of the performance of Compliance Officer and the efficiency of the monitoring, testing and reporting system. The program shall be updated at least annually to incorporate changing responses to evolving internal and external conditions.

## **INTERNAL CONTROL SYSTEM**

### **Internal Control**

Is a plan of organization adopted within a business to safeguard its assets, check the accuracy of reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies.

### **Section 3166, Manual of Regulations**

All rural banks shall review existing internal controls and adopt and implement such improvements as are essential in accordance with the minimum internal control standards.

## **A. Proper Accounting Records**

1. All business organization should maintain proper and adequate accounting records.
2. These records should be kept currently posted and should contain sufficient details so that an audit trail is established.
3. All vouchers/tickets should bear official approval and should be initialed by the person originating and another person checking them.

## **B. Independent Balancing**

1. Independent balancing shall mean that records posted by a person or cash held by a teller or cashier shall be balanced or counter by another person.
2. The minimum independent balancing procedures which should be adopted are the following:
  - a. Monthly reconciliation of general ledger balances against their respective subsidiary and supporting records and documentations by someone other than the bookkeeper or the person handling the records.
  - b. irregular and unannounced count of teller's cash and checks and other cash items (COCI) at least twice a month and vault cash at least once a month by auditor/control officer or by an officer not connected with the cash department.
  - c. Monthly reconciliation of due from banks/cash in bank and due to/from head office account by someone other than the person handling the records or posting the general entries
  - d. Periodic verification of the accuracy of the interest credits to deposit liability accounts.

## **C. Division of Duties and Responsibilities**

1. The duties of all the officers and employees should be segregated, clearly defined, understood, documented and manualized if possible. No individual shall have complete authority and responsibility for handling all phases of any transaction from beginning to end without some check or balance from some other part of the organization.
2. The physical handling of a transaction should be separated from its recording and supervision as follows:
  - a. A person handling cash should not be permitted to post the ledger records nor should posting of the general ledger be performed by an employee who posts the depositors' subsidiary ledgers.
  - b. A loaning officer should never be allowed to disburse proceeds of notes, accept not payment nor process loan ledgers.
  - c. The function of issuing, recording and signing of checks should be separated.

- d. The receipt of statements from depository bank should be assigned to any employee other than the one connected with the preparation, recording and signing of the institutions' own check.
  - e. Collateral appraisals should be done by an employee/officer other than the ones approving the loan.
  - f. Credit reports should be obtained by someone other than the lending officers.
  - g. Mailing of customers' statements and delinquent notices should be done by an employee other than the one who granted the loan or the one handling the records.
3. Extensive background checking of person intended to be assigned to handle cash/securities should be conducted. Frequent follow-up checking after their employment should also be made.

#### **D. Joint Custody**

1. Joint custody shall mean the processing of transactions in the presence of and under the direct observation of a second person. Both persons shall be equally accountable for the physical protection of the items records involved.
2. Physical protection should be deemed established through the use of two locks or combination on a file chest or vault compartment.
3. Two or more persons should be assigned to each half of the control so that operating efficiency is not impaired if one person is not immediately available.
4. The following should be under joint custody:
  - a. Cash in vault/safe
  - b. All accountable forms
  - c. Collaterals
  - d. Documents of title and/or ownership of properties or fixed assets
  - e. Dormant or inactive deposit ledgers and corresponding signature cards
  - f. cards
  - g. Trust receipts
  - h. Duplicate keys, spare locks and keys
  - i. Safe combinations
  - j. Safekeeping items

#### **E. Signing Authorities**

1. Signing authorities for the different levels of officers to sign for and in behalf of the institutions should be approved by the board of directors and the extent of each level of authority should be clearly defined. This signing authorities should include but not be limited to the following:
  - a. Lending operations
  - b. Investment
  - c. Approval of expenses
  - d. Reports
  - e. Institution's check and certificates of time deposits

## **F. Dual Control**

1. Dual control shall mean the work of one person is to be verified by a second person to determine that:
  - a. Proper authority has been given to handle the transaction.
  - b. The transaction is properly recorded.
  - c. Proper settlement of the transactions is made.
2. The routine of each transaction should be designed so that at least two or more individuals are involved in the completion of every transaction.
3. The following accounts/transactions should be under dual control:
  - a. Institution's own check – The signature of at least two officers should be required in the issuance of the checks. The Board of Directors may, however, prescribe a certain predetermined amount by which one senior officer could sign, subject to appropriate control measures.
  - b. Certificate of Time Deposits – All certificates of time deposits issued should be signed jointly by two authorized officers.
  - c. Borrowings – The signature of at least two authorized officers should be required.
  - d. All transactions giving rise to "due to/from head office" account all instruments of remittances evidencing these transactions particularly those involving substantial amounts should be approved by two authorized officers.

## **G. Number Control**

1. Sequence number controls should be incorporated in the accounting system and should be used in registering notes, in issuing official checks and in other similar situations. Number control should be policed by a person designated by senior management who should be detached from the particular operations involved.
2. The following are the forms, instruments and accounts that should be number-controlled:
  - a. Institution's own check(Cashiers check)
  - b. Promissory notes
  - c. Savings deposit accounts/savings passbook
  - d. Time deposits
  - e. Official and provisional receipts
  - f. Certificate of stocks
  - g. Loan accounts
  - h. Expense vouchers (e.g. petty cash vouchers)

## **H. Rotation of Duties**

1. The duties of personnel handling cash, securities and bookkeeping records should be rotated.
2. Rotation of assignment should be irregular, unannounced and long enough to permit disclosure of any irregularities or manipulations.

3. Teller should be relieved of their duties during actual count of their cash accountabilities during audit.

#### **I. Independence of the Internal auditor**

1. The position of internal auditor should be provided for in the by-laws together with the duties and responsibilities, scope and objectives of internal auditing.
2. The internal auditor should report directly to the Board of Directors or to an Audit/Supervisory Committee who are not connected with the management.
3. The internal auditor should not install or develop procedures, prepare records or engage in other activities which he/she normally reviews or appraise.

#### **J. Direct Verification**

1. Direct verification shall mean the confirmation of accounts or records by direct correspondence with the institution's customers/debtors/creditors.
2. The following accounts among others, should be subject to direct verification by the internal auditing staff at least once a year:
  - a. Balance of loans and credit accommodations of borrowers.
  - b. Deposit account balances particularly new deposit accounts, inactive or dormant accounts and closed accounts
  - c. Outstanding balances of borrowings and other liabilities.
  - d. Outstanding balances of receivables and payables.

#### **K. Other Internal Control Standards**

1. Deposit Accounts
  - a. Entries to dormant account ledgers should be verified and approved by a designated officer. His initial should be placed next to the entry on the ledger sheet.
  - b. Dormant account should be segregated from active account ledgers with a separate subsidiary control
  - c. Signature cards for dormant accounts should be removed from active files.
  - d. Signature cards and deposit ledger sheets should be authenticated by some form of validation. Subsequent changes should also be validated.
  - e. Signature cards and deposit ledger sheets should be accessible only to authorized persons
  - f. f Dates appearing on deposit tickets/slips should be occasionally examined at irregular intervals after they have been posted to determine that posting was made on the actual date deposits are received to avoid "lapping".
  - g. Printing of subsidiary ledger on deposits dormant and current accounts quarterly.
  - h. h. Printing subsidiary ledger on loans current and past due accounts quarterly.



## **APPROPRIATE INTERNAL CONTROL PROCEDURE**

### **1. Cash**

- a. Unannounced cash count.
- b. Initial required to check posting in the subsidiary ledger. Bookkeeper should initial
- c. Late deposit should be handled by another person other than the cashier/teller
- d. Verify long-outstanding/undeposited COCIs
- e. Physical controls (teller's cage, cash box, locked drawers, day gate, dual locking mechanism)
- f. Keys to validating machine/computer under the custody of the internal auditor
- g. Rotation of personnel/mandatory leave

### **2. Checks and Other Cash Items (COCI)**

- a. Examine long-outstanding COCIs
- b. Use COCI register to monitor items on hand as against general ledger balance.
- c. COCI should be under the custodianship of someone not handling cash. COCI will be given to the accountant then sealed ready for deposit next day
- d. Returned items should be checked and a record should be maintained
- e. Negotiated checks should be stamped "Non-Negotiable" or be validated by a machine

### **3. Due from Other Banks**

- a. Regular reconciliation of account by the internal auditor.
- b. Arrangement with depository to send bank statement directly to the auditor.
- c. All unissued drafts should be under dual control.
- d. Withdrawals from "Due from Other Banks" account should be approved by at least two authorized officers.
- e. All exceptions/floating items should be investigated and followed-up promptly to a satisfactory conclusion.
- f. Use of bank draft register to monitor the cancelled/validated checks from the outstanding ones.

### **4. Investment**

Purchase/sale of securities should be approved by the Board of Directors.

- a. Two official signatures should be required on letters confirming the purchase, sale or pledge.
- b. Securities held should be under joint custody for proper safekeeping.
- c. Use of security register to record the "in" and "out" of securities.
- d. Use of subsidiary ledgers to record the movement of the securities.

### **5. Loans & Other Receivables**

- a. Fixing of definite loan authority
- b. Written lending policies
- c. Loans granted, renewals, extension and charge-off should be properly authorized
- d. Definite policies and procedures should be established for the appraisal of collaterals and for credit evaluation
- e. A number control should be maintained, a number assigned to every new promissory or renewed note
- f. Monthly run-up of loan ledgers and reconciliation with controlling accounts.
- g. "Paid" or "Renewed" notes should be stamped as such
- h. Release of loans should be in check, never in cash
- i. Proper safekeeping of loans ledgers, credit files and collaterals
- j. Direct confirmation of accounts by internal auditor

- k. Released collaterals of paid loans be acknowledge by the borrowers and the receipt properly filed
- l. Credit reports should be obtained by someone other than the lending officer
- m. A designated employee to oversee/inspect the collaterals and related documents
- n. Segregation of past due accounts from current files
- o. Recoveries from charged-off loans should be properly accounted
- p. Charged-off loans be assigned P1 peso each for inventory purposes
- q. Printing of subsidiary ledger of loans current and past due accounts quarterly
- r. Monthly releases proof list

## **6. Fixed Assets/ROPA**

- a. Maintenance of a detailed subsidiary ledger for each account
- b. Regular reconciliation of the account
- c. Physical inventory of fixed assets should be taken at least annually
- d. Individual fixed assets should be tagged for inventory purposes
- e. Policy on differentiation between capital and revenue expense
- f. Fixing a P1.00 nominal value for fully depreciated assets for inventory purposes
- g. Policy on disposal of fixed assets/ROPA
- h. Maintenance of adequate insurance coverage for fixed assets and buildings and improvements for ROPA
- i. Proper setting up of depreciation records

## **7. Other Assets**

- a. Maintenance of subsidiary records
- b. No advances should be granted without prior approval from authorized officer
- c. Conversion of long-outstanding advances to other loans
- d. Proving of subsidiary ledgers against controlling accounts
- e. Use of petty cash vouchers
- f. Designation of a responsible custodian for other assets and petty cash fund

## **8. Deposit Liabilities**

- a. New current accounts should be approved by authorized officer
- b. Articles of Incorporation, Board resolutions, Special Power of Attorney, special agreement, list of authorized signatories and other requirements should be required for all corporate and partnership accounts.
- c. Number control should be adopted and a number assigned to passbooks and to each of the account
- d. Proper maintenance of signature cards
- e. Signature cards of dormant accounts should be segregated
- f. Customers should prepare and sign their own deposit slips/withdrawal slips
- g. Proper validation of withdrawal and deposit slips
- h. Checks received for deposits should be stamped "Non-Negotiable"
- i. Dates on deposit slips should be occasionally examined to detect "lapping"
- j. Segregation/rotation of duties
- k. Control keys to posting machine/computer should be kept by the internal auditor
- l. Regular balancing/run-up of subsidiary ledgers
- m. Segregation of dormant accounts from active accounts
- n. Proper authority required in reactivating dormant accounts
- o. Prohibition on Bookkeeper/Cashier to maintain deposit accounts
- p. Proper accounting of paid Time Certificate of Deposits
- q. Denomination of the amount paid to payee should be indicated in paid checks/withdrawal slips

## **9. Borrowings**

- a. Authority of the officer to enter into a borrowing agreement
- b. Regular reconciliation of accounts/subsidiary ledgers
- c. Proper maintenance of subsidiary records

## **10. Unamortized Discounts/Deferred Credits**

- a. Examine unusual debits
- b. Test-check transfer from unamortized discounts to interest income

## **11 . Cashiers/Managers/Treasurers check**

- a. Number control of Cashier's/Manager's checks
- b. Checks issued should not be payable to cash or bearer
- c. Dual control-(Signature of 2 officers on the checks)
- d. Outstanding checks should be proved monthly
- e. Maintenance of check register
- f. Require cashier/teller to indicate the denomination of the amount paid to payee

## **12. Capital Stock**

- a. Proper maintenance of subsidiary ledgers and proper filling-up of stubs of stock certificates
- b. Use of number control for stock certificates
- c. At least two employees should participate in the issuance of stock certificates
- d. Surrendered stock certificates should be duly accounted and cancelled

## **CONFIRMATION OF DEPOSITS/LOANS**

A confirmation of deposit shall be done annually. Confirmation letters shall be sent to bank depositors stating their deposit balances while loan confirmation shall be made every semester.

## **CENTRAL LIABILITY REGISTER**

A central collateral register should be maintained. This should include complete and accurate descriptions of all collateral pledged/deposited with the bank.

## **INTERNAL AUDITOR**

The Internal Auditor shall be responsible for developing and implementing comprehensive programs of internal audit in the bank – head office and branches. He shall have full and unrestricted access to all records of bank transaction including properties and personnel matters.

The Internal Auditor shall be independent from the bank's management and shall be directly under the supervision and control of the Board of Directors. He shall see to it that management activities are in accordance with existing laws, Bangko Sentral ng Pilipinas rules and regulations, and policies promulgated by the Board of Directors.

Specifically, the Internal Auditor shall have the following responsibilities:

- i. See to it that all rules and regulations, policies and guidelines issued by the Board of Directors governing the operation is properly and religiously followed/complied with;
- ii. Plan out the audit program and schedule its implementation with respect to the bank and each of its branches;
- iii. Execute the developed audit program and recommend improvements whenever necessary;
- iv. Apprise the branch managers, thru the Chairman, deficiencies in their respective work and require corrective measures to rectify them;
- v. Check and verify correctness of loan releases to, and payments thereof by the borrowers including collaterals and documentations thereof;
- vi. Conduct special audits as may be requested by management and regularly review complaints made by clients of the bank and its branches;
- vii. Regularly visit the branches to determine effectiveness of branches in the management of the bank resources and its compliance with established policies and procedures;
- viii. Check and verify correctness of the bank's records and see to it that all transactions are correctly entered in the books of accounts and thereby minimum independent balancing procedures are to be adopted to wit:
  1. Monthly reconciliation of general ledger balances against their respective subsidiary ledger and supporting records/documents;
  2. Irregular and unannounced count of cash and checks and other cash items at least twice a month;
  3. Monthly reconciliation of due from banks/cash in bank accounts and due from/to head office/branches;
  4. Periodic verification of securities and collaterals/properties of the bank;
  5. Periodic verification of the accuracy of the interest credits to deposit liabilities accounts;
- ix. He shall attend to such other duties as the Board of Directors may from time to time assign to him.

## **INTERNAL AUDIT CHARTER**

Purpose and Objectives:

The Internal Audit Department is an independent activity operating within the bank at the direction of, and reporting to, the Chairman to assist management and the Board of directors in discharging their duties and responsibilities.

The principal areas of concern are the following:

1. Reviewing and appraising the soundness, adequacy, and application of accounting, financial and operating controls, and promoting effective control at reasonable cost;
2. Ascertaining the extent of compliance with established policies, plans and procedures;
3. Ascertaining the extent to which bank assets are accounted for and safeguarded from losses of all kinds;
4. Ascertaining the reliability of management data developed within the organization;
5. Appraising the quality of performance in carrying out assigned responsibilities; and
6. Recommending operating improvements

The foregoing activities stress the fact that the Internal Auditor's objective is to assist all members of management, from the top man to the lowest level of authority including the rank and file. He is expected to be concerned with any business activity where he can be of service to any

member of the organization. In this connection, he is given a free hand in the discharge of his responsibilities so long as he keeps in mind his overall objective.

In the attainment of this overall objective, the Internal Auditor is tasked to conduct appropriate examinations, appraisal and review of business policies, plans and activities to satisfy himself that:

1. The internal control system is sound and strong,
2. Policies, regulations, plans and procedures are adequate;
3. Accounting data and operating statistics are reliable;
4. There is compliance with established policies, plans and procedures;
5. There is adequate protection for all property of the business;
6. Individual performance is efficient and effective;
7. Activities are carried on economically, efficiently and effectively.

#### Authority and Responsibility

The internal Audit Department has the full authority vested with the Chairman to perform examinations, audits, and investigations of all financial records, operations, activities, and affairs of the bank. It shall have full access to all the bank's records, properties, and personnel relevant to the subject under review. It is free to review and appraise policies, plans, procedures and records.

The Internal Audit Department's responsibilities shall be:

1. To inform and advise management and to discharge this responsibility in a manner that is consistent with the Code of Ethics of the Institute of Internal Auditors.
2. To coordinate internal audit activities with others so as to best achieve the audit objectives of the bank.

In performing its functions, the Internal Audit Department has no direct responsibility for, or authority over, any of the activities reviewed. Therefore, the internal audit review and appraisal does not in any way relieve the persons in the bank of the responsibilities assigned to them.

The Internal Audit Department shall submit its reports to the Chairman in such manner as the Board of Directors may prescribe.

#### Scope and Functions:

The scope of Internal Auditing covers practically all phases of activities in the bank. The Internal Audit Department is supposed to attend to all matters where it will be of service to management. The scope of internal auditing work encompasses what audit work should be performed. It is recognized, however, that management and the Board of Directors provide general direction as to the scope of work and the activities to be audited.

#### Scope:

- 1) financial
- 2) accounting
- 3) operating activities

#### Function:

1. Examination of control procedure to determine their adequacy and propriety.
2. Verification of the reliability and integrity of information
3. Review of compliance with existing policies, regulations, plans and procedures.
4. Review of means of safeguarding assets.
5. Appraisal of performance and economical and efficient use of resources.
6. Review of established objectives and goals of operations or programs.
7. Special assignments which may include: special studies on any phase of management activity, character examination, investigation work, management representation in negotiations, participation in bank training programs, and many others.

### Review of Compliance Officer and Internal Auditor

To ensure effectiveness and adequacy of internal control, the Board assess the Compliance Officer and the Internal Auditor once a year together with the Board and Committees assessment.

In addition, they report to the Audit Committee monthly and may also report directly to the Board. The Compliance Officer reports to the Board the accomplishment of the Compliance Program on a monthly basis.

### Evaluation of Chief Compliance Officer Performance

This form should be completed for to assess the performance of the Chief Compliance Officer by the Risk Oversight Committee, the Corporate Governance, the Related Party Transaction Committee members and the Management during the year \_\_\_\_\_. The form should be completed to the best of your ability, based on the respective committee’s interaction with the CCO. The evaluation is designed to obtain feedback on the CCO’s performance and will form part of the annual performance review.

Please return the completed evaluation form to Chief Compliance Officer.

THANK YOU FOR TAKING TIME TO COMPLETE THE EVALUATION!

<b>Name of Bank</b>	Cooperative Bank of Bohol				
<b>Name of Related Party Transaction Committee Member Completing Evaluation</b>	_____ Signature				
<b>Date Evaluation Completed</b>					
<b>Chief Compliance Officer’s Name</b>					
	<b>5 Very Good</b>	<b>4 Good</b>	<b>3 Average</b>	<b>2 Fair</b>	<b>1 Poor</b>
1. The Chief Compliance Officer is courteous and professional.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Any written communication received from the Chief Compliance Officer is easily understood, organized and well written.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The Chief Compliance Officer arrives at the committee meetings well prepared.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. The Chief Compliance Officer demonstrates effective presentation skills at committee meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The Chief Compliance Officer responds adequately and confidently to committee questions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The Chief Compliance Officer is willing to deal with difficult or contentious issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Overall, the Chief Compliance Officer meets committee expectations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Advised the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Apprised Bank personnel on compliance issues, and acting as a contact point within the bank for compliance queries from bank personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Established written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Identified, documented and assessed the compliance risks associated with the Bank's business activities, including new products and business units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Assessed the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Quarterly monitored and tested compliance by performing sufficient and representative compliance testing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Maintained a constructive working relationship with the Bangko Sentral and other regulators.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Based on your experience with this Chief Compliance Officer, please comment on any strengths or development areas you have noted:</b>					
<b>Have you received any specific feedback on this Chief Compliance Officer from management? If so, please provide details:</b>					
<b>Please provide any additional comments on your experience with this Chief Compliance Officer:</b>					

### Audit Committee – Evaluation of Internal Auditor Performance

One form should be completed for each Auditor with whom the audit committee has had interaction during the year \_\_\_\_\_. The form should be completed to the best of your ability, based on the audit committee’s interaction with the individual. If you are unable to respond to a particular question, please select “N/A”. The evaluation is designed to obtain feedback on the auditor’s performance and will form part of the annual performance review.

Please return the completed evaluation form to Internal Auditor.

THANK YOU FOR TAKING TIME TO COMPLETE THE EVALUATION!

<b>Name of Bank</b>	Cooperative Bank of Bohol				
<b>Name of Audit Committee Member Completing Evaluation</b>	_____ Signature				
<b>Date Evaluation Completed</b>					
<b>Auditor Name</b>					
	<b>5 Very Good</b>	<b>4 Good</b>	<b>3 Average</b>	<b>4 Fair</b>	<b>5 Poor</b>
1. The auditor is courteous and professional.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Any written communication received from the auditor is easily understood, organized and well written.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The auditor arrives at audit committee meetings well prepared.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The auditor demonstrates effective presentation skills at audit committee meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The auditor responds adequately and confidently to audit committee questions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The auditor is willing to deal with difficult or contentious issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The auditor demonstrates appropriate leadership and has the necessary skills to fulfil his responsibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. The auditor submits reports to the committee on the status of accomplishments of the internal audit unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Overall, the auditor meets audit committee expectations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. All approved revisions are included in the Manual	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Audit plans are carried out accordingly within the set timelines and resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



12. The Audit Manual has been updated with all the approved guidelines pertaining to risk assessment process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. The audit scope for the year included all auditable units and processes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Based on your experience with this auditor, please comment on any strengths or development areas you have noted:</b>					
<b>Have you received any specific feedback on this auditor from management? If so, please provide details:</b>					
<b>Please provide any additional comments on your experience with this auditor:</b>					

**Dividend Policy**

Declaration of dividend shall be done after the close of the calendar year. Appropriation of the net income shall follow the mandatory reserves per By-laws and the Cooperative Code of the Philippines. After the mandatory reserves, amount for dividend and patronage refund will now be determined.

**Corporate Social Responsibility Initiatives**

Cooperative Bank of Bohol upholds its vision in providing reliability in financial services to cooperatives and individuals by promoting economic opportunities for financial stability among Boholanos, extending continuing education to member-cooperatives and crafting policies and procedures to support its social responsibility to the community.

**CORPORATE SOCIAL RESPONSIBILITY FRAMEWORK**

**OPERATING IN A SOUND & ACCOUNTABLE MANNER**

The bank will operate in a sound, ethical and accountable manner by ensuring comprehensive compliance and financial reporting; implementing a comprehensive risk management framework; implementing sustainable procurement practices; ensuring a code of conduct in good governance and related party policy is in place; and holding employees accountable for adhering to ethical business practices as they carry out their responsibilities.

**NURTURING OUR MOST IMPORTANT RESOURCE**

The bank provides for the professional development and care of our human capital. We encourage growth by providing capability-building programs and granting every employee access to fair and equal opportunities for training and development. We safeguard occupational health and safety through full compliance with relevant standards.

**PROTECTING THE ENVIRONMENT**

Cooperative Bank of Bohol recognizes the need to protect the natural environment. Keeping our environment clean and unpolluted is a benefit to all. We advocate in promoting and protecting Mother Nature by participating in coastal clean-up, tree or mangrove planting, and allied activities. We'll always follow best practices when segregating and disposing garbage. Stewardship will also play an important role.

## SUSTAINABILITY PRINCIPLES

The board and senior management takes a broader view on risk management by looking beyond the traditional sources of financial risks encompassing company culture, risk management oversight, accountability, and transparency. One important viewpoint in this risks is enhancing the understanding and technical skills of bank personnel to enable them to navigate the complex aspects of sustainable finance. In addition, it also gives importance to gender equality and women empowerment in sustainable finance where the bank crafted guidelines that aims to ensure Gender Equality and institutionalization of GAD programs and related activities to achieving the gender fairness and women empowerment accord with our constitutionally guaranteed human rights. Likewise, this guideline promotes the viability and growth of cooperatives as instruments of equality, social justice and economic development.

The board and senior management created Sustainable Finance Group (SFG), composed of the BOD Chairperson, President, Vice-President for Operations, and Administrative Officer, which will take the lead in monitoring the bank's progress in attaining sustainability objectives and ensuring that operations and personnel performance are consistent with these set objectives and to take appropriate measures in case of breaches or non-compliance.

## DONATIONS AND AID

The bank may preserve a budget to make monetary donations. These donations will aim to advance the arts, health & sanitation, education, sports, religious activity, cultural and community events and alleviate those with medical needs.

## SUPPORTING THE MEMBERS AND THE COMMUNITY

The bank may initiate and support its members and the community through consultation and collaboration with member-cooperatives and the local government agency; providing necessary trainings and support to our member-cooperatives; supporting charitable giving and involvement in community causes; engaging an active participation on community-based activities like promoting women empowerment and disaster risk reduction; and encouraging individual personal responsibility for charitable giving and community outreach.

## **SERVING CUSTOMERS WITH EXCELLENCE AND INTEGRITY**

Cooperative Bank of Bohol ensures excellence in customer service through full disclosure of the features, terms and conditions of our products and services that complies with all laws and rules of government regulatory bodies. We provide timely financial and technical support for our mandated clients and make pertinent product and service information easily available to them. As a financial institution, we make sure that compliance testing is an established procedure that ensures the management of pertinent risks and compliance with applicable laws, rules, and regulations. We enhance customer service and reinforce the culture of quality, excellence and continued improvement in our banking processes.

### **Consumer Protection Practices**

The Board of Directors is ultimately responsible in ensuring that consumer protection practices are embedded in the bank business operations. The Cooperative Bank of Bohol must adhere to the highest service standards and embrace a culture of fair and responsible dealings in the conduct of our business through the adaption of the Financial Consumer Protection Framework that is appropriate to the bank corporate structure, operations, and risk profile.

The Board and Senior Management are responsible for developing the bank's consumer protection strategy and establishing an effective oversight over the bank consumer protection programs. The Board shall be primarily responsible for approving and overseeing the implementation of the consumer protection policies as well as the mechanism to ensure compliance with the policies. The Board may also delegate other duties and responsibilities to Senior Management but not the overseeing compliance with the BSP-prescribed Consumer Protection Framework and the CBB Consumer Protection Framework.

The management of Cooperative Bank of Bohol ensures that customers have a reasonable holistic understanding of the products and services offered, which they may be acquiring or availing. Full disclosure and utmost transparency will empower the customer to make informed financial decisions. Provide the customer with ready access information that accurately represents the nature and structure of our product and services, the terms and conditions, as well as its fundamental benefits and risks.

Ensure that customers have a reasonable holistic understanding of the products and services offered, which they may be acquiring or availing. Full disclosure and utmost transparency will empower the customer to make informed financial decisions. Provide the customer with ready access information that accurately represents the nature and structure of our product and services, the terms and conditions, as well as its fundamental benefits and risks.

The CBB may demonstrate competencies required in the principle of proper disclosure and transparency if we complies with the following:

1. Key Information

- a. To ensures that offering documents of products and services contain all information necessary for customers to be able to make an informed judgment of our product and service and, in particular, meet the full disclosure requirements specified under existing laws and regulations. All key features and risks of our products should be highlighted prominently in a succinct manner. If product is being offered on a continuous basis, its offering documents should be updated in accordance with the requirements set out in the regulations.
- b. Have a ready and consistent written copy of the Terms and Conditions (T&C) of our products and services available to the customers. The T&C must be fully disclosed and explained to financial customers before initiating a transaction. Where and when warranted, reference to the T&C should be made while transacting with the customer and before consummating the transaction, if such reference is material to the understanding of the consumer of the nature of the product and services we offer , as well as its benefits and risks. As a written document, the T&C must be complete but concise, easily understandable, accurate, and presented in a manner that facilitates the consumer's comprehension. The latter is taken to mean that the text of the document should be according to Section 3 of Circular 702 dated 15 December 2010.

The T&C should include at least of the following:

- i. The full price or cost to the customer including all interest, fees, charges, and penalties. The T&C must clearly state whether interest, fees and charges, and penalties can change over time. The method for computing said interest, fees, charges, and penalties shall be presented in accordance with circular 730 dated 20 July 2011;
  - ii. General information about the operation of the products or services including the customer's obligations and liabilities;
  - iii. Cooling-off period, if applicable;
  - iv. Cancellation, return and exchange policies, any related cost;
  - v. The actions and remedies which the bank may take in the event of a default by the customer;
  - vi. Procedures to report unauthorized transactions and other contingencies, as well as the liabilities of parties in such case; and
  - vii. A summary of the bank's complaints handling procedure.
- c. Advises customers to read and understand the applicable T&C, when considering a product or service.
  - d. To ensure that our staff communicates in such a manner that clients can understand the terms of the contract, their rights and obligations. Our staff should communicate with techniques that can address literacy limitations of the customer.
  - e. To provide the customer adequate time to review the T&C of our products and services, giving an opportunity to ask questions and receive additional information prior to signing contracts or executing transactions. Our staff should be available and capable to answer questions and clarifications from the financial customer.
  - f. To ensure that the staff/personnel assigned to deal directly with customer, or who prepare advertisement materials or markets our products and services must be fully knowledgeable and competent about the products and services, including statutory and regulatory requirements, and are able to explain the nuances to the customer.
  - g. We encourage the use of variety of communication channels to disclose clear and accurate information. Such communication channels should be available to the public without need for special access requirements, which may entail additional expense. Communication channels should be sufficiently responsive to address the literacy limitations of the financial consumer and it may be written or verbal as may be warranted.
  - h. Discloses pricing information in public domains.
  - i. Updates customers with relevant information, free of charge in a clear and understandable, comprehensive, and transparent manner, for the duration of the contract. Such information covers the characteristics and the risks of the product sold by the bank and our authorized agents.
  - j. Imparts targeted information to the specific groups of clients to whom specific products are being marketed, with a particular consideration for

vulnerable customers. Communication channels employed for the targeted marketing initiatives should be according calibrated.

- k. Enhanced disclosure for more complex products, highlighting the costs and risks involved for the customer. For structures investment products if there is any, a Product Highlighted Sheet (PHS) is required. It should be clear, concise, and easily understandable by individual customers based on their literacy limitation. Disclosure must contain information that empowers the customer to appreciate the key features of the product and its risks. It should be prepared in the format that facilitates comparison with other products. The PHS should be available at no cost to the public and made available to the customer upon request. Before signing any contract, the bank ensures that the customer has freely signed a statement to the effect that the customer has duly received, read and understood the PHS.
- l. Notifies the customer in writing of any change in:
  - i. Interest rate to be paid or charged on any account of the customer as soon as possible; and
  - ii. A non-interest charge on any account of the customer within the number of days as provided under existing regulations prior to the effective date of the change.

If the revised terms are not acceptable to the customer, he or she should have the right to exit the contract without penalty, provided such right is exercise within the reasonable period. The customer should be informed of this right whenever a notice of change is made.

- m. Provides customers with a proof of the transaction immediately after the transaction has been completed. The customer should be given a hard copy of each document signed by the clients with all terms and conditions. We should ensure that documents signed by the customer are completely filled and that there are no blank terms.
- n. Regularly provides customers with clear and accurate information regarding their accounts (e.g. statement of accounts that includes, among others, covering period, opening balance/value of transactions, all kinds of interest, fees and charges, closing balance, inquiries for outstanding balances, proof of payments for loans like OR).
- o. Informs customer of their rights and responsibilities including their right to complain and the manner of its submission.

## 2. Advertising and Promotional Materials

- i. Ensures that advertising and marketing materials do not make false, misleading, or deceptive statements that may materially and/or adversely affect the decision of the customer to avail of a service or acquire a product.
- ii. Ensure that advertising and promotional materials are easily readable and understandable by the general public. It should disclose clear, accurate, updated, and relevant information about the product or service. It should be balanced and proportional (reflecting both advantages and risks of the product or

service); visible/audible; key information is prominent and not obscured; print is of sufficient size and clearly legible.

- iii. Ensures that promotional materials are targeted according to the specific groups of consumers to whom products are marketed and the communication channels employed for marketing financial services.
- iv. Ensures that all advertising and promotional materials disclose the fact that it is a regulated entity and that the name and contact details of the regulator are indicated.

### 3. Conflict of Interest

- i. Discloses properly to the consumer prior to the execution of the transaction that the bank or any of its staff has an interest in a direct or cross transaction with a consumer.
- ii. Discloses the limited availability of products to consumers when the bank only recommends products which issued by their related companies, particularly when commissions or rebates are the primary basis for recommending the particular product to consumers.
- iii. Discloses the basis on which the bank is remunerated at the pre-contractual stage.
- iv. Ensures that adequate system and controls are in place to promptly identify issues and matters that may be detrimental to a customer's interest (e.g., cases in which advice may have been given merely to meet sales targets, or may be driven by financial or other incentives).

Financial consumers have the right to expect that their financial transactions, as well as relevant personal information disclosed in the course of a transaction, are kept confidential. Toward this end the bank ensures that we have well-articulated information security guidelines, well-defined protocols, a secure database, and periodically re-validated procedures in handling the personal information of our financial customers. This should be an end-to-end process that can cover among others, the array of information that will be pre-identified and collected, the purpose of gathering information, how these will be sourced from the client, the IT-security infrastructure of the bank and the protocols for disclosure, both within the bank and third parties, if there is any.

Fair treatment ensures that the financial consumers are treated fairly, honestly, professionally and are not sold inappropriate and harmful financial products and services. CBB ensures that we have the necessary resources and procedures in place, internal monitoring, and control mechanisms, for safeguarding the best interest of our customers. These include general rules, such as those addressing ethical staff behavior, acceptable selling practices as well as regulating products and practices where customers are more likely to be offered services that are inappropriate for their circumstances.

The Consumer Protection Risk Management System (CPRMS) is a means by which the bank identifies measure, monitor and control CP risks inherent in its operations. The risks belong to the financial consumer or the bank. The CPRMS is

proportionate to the size, structure and complexity of the bank's operations. It provides the foundation for ensuring the bank's adherence to CP standards of conduct and compliance with CP laws, rules and regulations in order to prevent risk to the bank and any harm or financial loss to the consumer.

The Consumer Assistance Management System (CAMS) is composed of the Consumer Assistance Group (CAG) and the Consumer Assistance Officer who plays a vital role in the implementation of the CPRMS, as follows:

Roles of Consumer Assistance Officer

- 1) Receive and acknowledge consumer concerns;
- 2) Records concerns in a Register or Database;
- 3) Make an initial review and investigation of concerns;
- 4) Process concerns;
- 5) Provide official reply to the customer;
- 6) Request client feedback;
- 7) Prepare and submit report to Head Consumer Assistance Officer or Consumer Assistance Group

Roles of Consumer Assistance Group (CAG)/Head Consumer Assistance Officer (HCAO)

- 1) Monitor consumer assistance process;
- 2) Keep track, identify and analyze nature of complaints and recommend solutions to avoid recurrence;
- 3) Report to Senior Management the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence and the suggestions for process or personnel competency needing improvement;
- 4) Ensure immediate escalation of any significant complaint to concerned unit of the Bank.

## **Manual of Policies and Procedures in Handling Consumer Assistance**

### **I. Introduction**

The BSP acknowledges the indispensable 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 grievances in the products and services of the Bank.

### **II. Applicability and Scope**

These minimum guidelines on receiving, recording, evaluating, resolving, monitoring, reporting, and giving feedback to consumers shall apply to CBB and its branches and other offices. These guidelines shall, as far as practicable, also apply to inquiries and requests received from clients and potential clients.

### **III. Definition of Terms**

1. Complaint – is an expression of dissatisfaction relative to a financial product or service in which a response or resolution is expected.

2. Simple complaint/request – complaint/request where frontline staff solution or immediate explanation or action can be rendered. A resolution is immediate if it can be resolved without the need of third-party intervention, such as outsource service providers, external auditors, or other Banks. Resolution thereof must be achieved within a 7-day period.
3. Complex complaint/request - complaint/request which needs assessment, verification, or investigation with third-party intervention. Resolution thereof may ideally be achieved within a 45-day period.
4. Consumer – refers to natural or juridical person who has complaint, inquiry or request relative to the Bank’s products and services.

**IV. Role of the Board and Senior Management**

The Board of Directors shall be responsible for the delivery of effective recourse to its consumers. Pursuant thereto, the Board shall:

- a. Approve the Consumer Assistance policies and procedures;
- b. Approve Risk Assessment Strategies relating to Effective Recourse by the Consumer;
- c. Ensure compliance with Consumer Assistance policies and procedures;
- d. Provide adequate resources devoted to Consumer Assistance; and
- e. Review the Consumer Assistance policies at least annually.

The Bank’s Senior Management shall be responsible for the implementation of the Consumer Assistance policies and procedures.

**E. Consumer Assistance Channel**

1. Consumers may lodge their concerns through any reasonable means, such as, a centralized web-portal, walk-in or personal visit, letter, e-mail, telephone, and facsimile.
2. The Bank must maintain a Consumer Assistance Helpdesk or hotline dedicated for customer concerns and service and manned by a Consumer Assistance Group.

<b>Tagbilaran Branch</b>	<b>Branch Manager</b>	<b>Contact No. 501-9904; 411-3483</b>
<b>Candijay Branch</b>	<b>Branch Manager</b>	<b>510-6237</b>
<b>Inabanga Branch</b>	<b>Branch Manager</b>	<b>512-9712</b>
<b>Corporate Office</b>	<b>President (Head CAO)</b>	<b>501-9904; 427-2116</b>

3. The Bank shall ensure that customers know how and where to lodge their concerns.
4. The Bank provides alternative modes of resolution, thru the conciliation, mediation and arbitration committee, in order to achieve settlement of the issues at the Bank level.

**F. Consumer Assistance Process and Timeliness**

**1. Complaint/Request**

	<b>SIMPLE*</b>	<b>COMPLEX*</b>
Acknowledgment	Within 2 days	Within 2 days
Processing and Resolution (assess, investigate, and resolve)	Within 7 days	Within 45 days



Communication and Resolution	Within 9 days	Within 47 days
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*\*all periods are reckoned from receipt of complaint.*

**a. Receiving and acknowledging complaints/requests**

- i. A Bank shall obtain and record the following data from the consumer (*Annex A*):
  - (1) full name and contact details;
  - (2) nature of complaint or request and its details;
  - (3) resolution requested;
  - (4) signature of the complainant/requester; and
  - (5) name of Bank personnel directly handling/in-charge of the complaint.
- ii. The Consumer Assistance Officer must be able to explain the Consumer Assistance process and timeliness.
- iii. The acknowledgment shall provide an assurance that the Bank is dealing with the complaint, request additional documents, if necessary, and that the complainant shall be kept informed of the progress of the measures being taken for the complaint's resolution.

**b. Investigating and Resolving Complaints**

- i. The Bank must establish an institutional approach in assessing and investigating complaints/requests and options in resolving them, considering the peculiarities of the complaints/requests and the desired remedies of the parties.
- ii. If assessment and investigation on complex complaints/requests cannot be completed within the time frame stated above, complainants shall be informed of the: i) reason thereof; ii) need for extended timeframe; and iii) date on which the complainant may expect the outcome of the BANKS assessment and/or investigation; Provided, however, that the additional period shall not exceed forty-five (45) days. This will afford the complainants opportunity to seek other means to resolve their complaints.
- iii. Result of assessment, investigation, and the Bank's final response shall be communicated to the complainant in writing in simple and clear language. The Bank shall likewise inform the complainant of the possible remedies available to the party, including resort to BSP Consumer Assistance Mechanism and the courts.

**Inquiries**

The Bank must respond to the inquiries received, at the latest, by the next business day.

**G. Confidentiality**

The Bank shall not disclose to a third party the information acquired from the consumer in all stages of the complaint, except as may be required by the conduct of the Bank's investigation.

**H. Conflict of Interest**

A Bank shall ensure that complaints are investigated by a Consumer Assistance Officer who is neither directly nor indirectly involved in the matter which is the subject of the complaint.

**I. Consumer Feedback**

1. Subject to the willingness of the customer, the Bank shall ask for feedback on the following matters (*Annex B*):
  - a. Overall satisfaction (whether satisfied, somewhat satisfied, or dissatisfied);
  - b. Processes needing improvement;
  - c. Personnel needing improvement;
  - d. Any suggestions for improvement.
2. Consumer feedback may be obtained through a feedback form/customer satisfaction survey available for walk-in complaints, in the website, or through a voice logger system.
3. Customer feedbacks shall be recorded and analyzed to improve the system and to enhance personnel capabilities in handling complaints.

**J. Complaints Recording/Data Management**

1. The Bank and its branches/other offices shall maintain copies of the complaints/requests received, including supporting and other relevant documents thereto, within a period of 2 years from the date of resolution.

Microfilms/digital copies of original documents may be maintained by the Bank in accordance with its Management Information Systems for record keeping.

2. The Bank and its branches/other offices shall maintain complaints/requests register which contains the following information (*Annex C*):
  - a. Name of the complainant;
  - b. Subject and nature of the complaint;

The **subject and nature** of complain may be indicated by classification, such as those related to credit cards, deposits, administrative, foreign exchange, remittances, investments, others;

- c. Name of the personnel directly handling/in-charge of the complaint and officer supervising the resolution of the complaint.
  - d. Date of receipt of complaint by the Bank;
  - e. Actions taken on the complaint or request;
  - f. Resolution provided;
  - g. Date of resolution; and  
(The complaint register must reveal the reason in case the date of resolution falls outside the regulatory deadline.)
  - h. Other information such as, log and details of phone calls made or received.
3. The Consumer Assistance Group/Head Consumer Association Officer shall maintain (*Annex D*):
  - a. A master register of all complaints received by the Bank and its branches/other offices; and
  - b. A complaint database to identify the trend of complaints received potential problems, and risks.

**K. Risk Assessment Strategies**

Pursuant to the Bank’s Consumer Protection Risk Management System, the Bank shall put in place appropriate management controls and take reasonable steps to ensure that in handling complaints/requests, it: i) identifies and remedies any recurring or systematic problems; and ii) identifies weaknesses in the Bank’s internal control procedure and processes. This may be done by:

1. Analyzing complaints/requests data;
2. Analyzing causes for complaints/requests;
3. Considering whether such identified weaknesses may also affect other processes or products, including those not directly complained of/requested; and
4. Correcting, whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

## **L. Complaint Reporting**

### 1. Internal Reporting (*Annex E*)

- a. The Consumer Assistance Officers in the branches, extensions office and other offices of the Bank shall submit a complaints report to the Consumer Assistance Group/Head Consumer Assistance Officer on a monthly basis.
- b. Complaints report shall be submitted on a monthly basis by the Consumer Assistance Officer to the Board and Senior Management.
- c. The report shall include, as minimum:
  - i. General category of complaints received;
  - ii. Statistics/frequency of said complaints;
  - iii. Aging of complaints/requests;
  - iv. Explanations on deviations, if any, from required resolution period; and
  - v. General description of resolutions and actions taken to resolve complaints/requests.
- d. The report shall include recommendation on how to avoid recurring complaints and suggestions for process/personnel competency improvement, as needed.
- e. The report of the Bank's Compliance and Internal Audit Departments concerning the independent review conducted on the complaints report, policy recommendations, and consumer protection compliance, shall be elevated to Board every quarter.
- f. The Bank shall include complaints/requests statistics in its Annual Report.

### 2. Reporting to the BSP

The Bank shall submit a consolidated Complaints Report to the Supervisory Data Center (SDC) of the Supervision and Examination Sector on a quarterly basis. Such report shall be submitted in the format required by BSP. Submission of the report to the SDC shall not be later than one (1) month after the end of every quarter. A complaints report is category B Report for purposes of applying the appropriate monetary penalty.

## **M. Interface with BSP**

1. Pursuant to BSP's Consumer Protection Framework, the Bank shall exhaust all internal remedies available to address the issues raised by the consumers in their complaints/requests.
2. Consumers dissatisfied with the Bank's response or action may seek assistance with BSP-FCAG in accordance with BSP Consumer Assistance Mechanism.
3. Allegations of consumers that the Bank has not properly and efficiently handled, processed, and responded to their concerns shall be validated, and where appropriate, considered in FCAG's assessment of the Bank's compliance with BSP Consumer Protection

regulations. This is without prejudice to the imposition of appropriate enforcement actions. It is presumed that the higher number of complaints received by the BSP reflects the non-effectiveness of the Bank's CAMS.

**N. Outsourcing of Handling Consumer Concerns**

In outsourcing of handling consumer concerns, the Bank shall:

1. Conduct due diligence in the selection of the outsourced entity/person;
2. Be responsible for the performance thereof in the same manner and to the same extent as if performed by itself;
3. Comply with all laws and regulations governing the consumer assistance activities/services performed by the outsource entity/person in its behalf; and
4. Manage, monitor, and review on an ongoing basis the performance by the outsource entity/person of the outsourced consumer assistance activities/services.

**O. Accountability and Rewards**

In order to ensure fair treatment and responsible business conduct of personnel engaged in consumer relations, a performance appraisal system which considers the performance of the personnel assigned to manage/handle complaints shall be put in place. The performance appraisal of the personnel shall be linked to their efficiency in handling consumer complaints. This could be done through rewards/remuneration for excellent behavior.

**P. Consumer Assistance to Persons with Disabilities (PWDs) and Non-English Speakers**

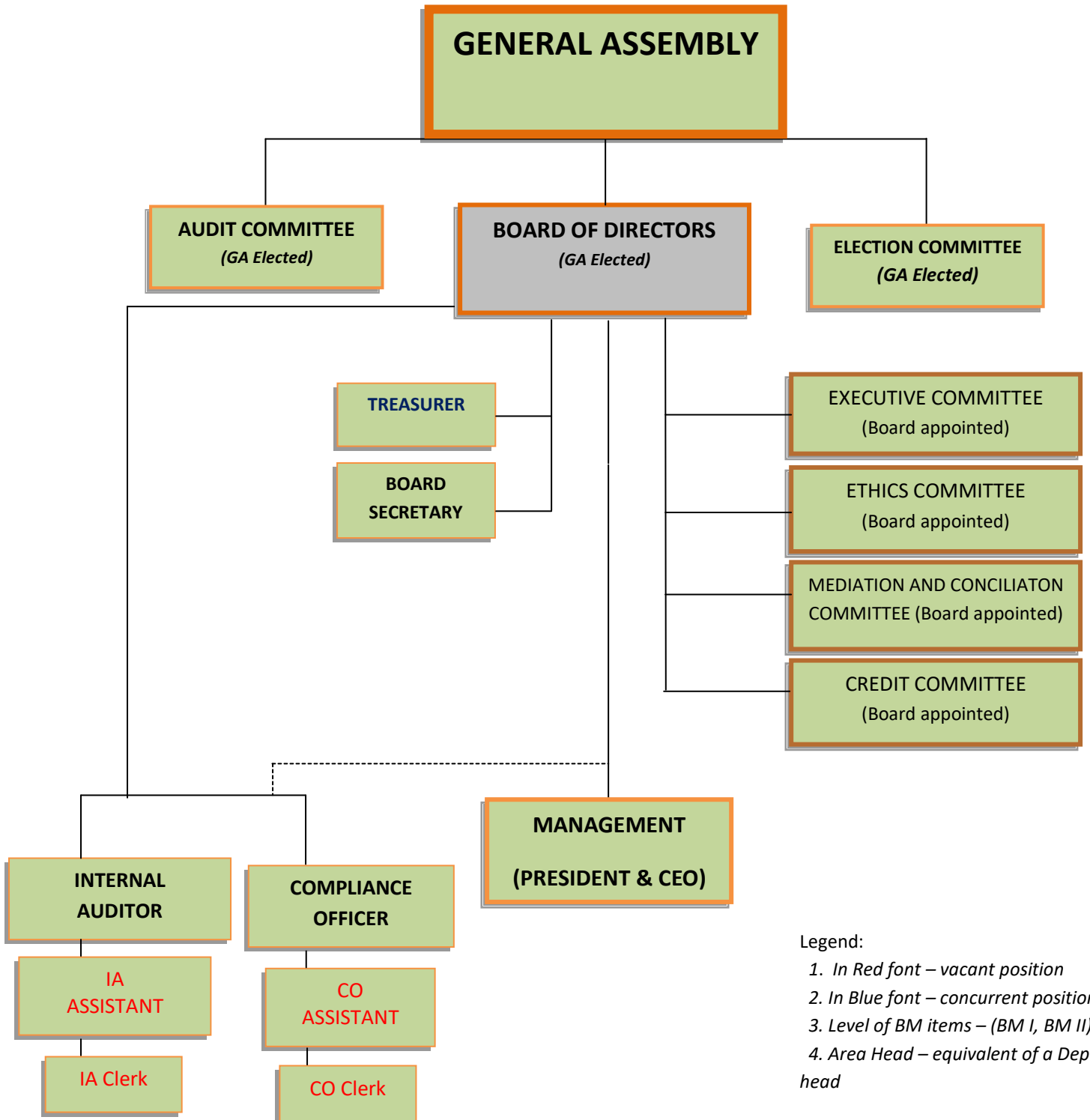
As far as practicable, the Bank shall take into account the needs of PWDs, such as, but not limited to those with learning difficulties, people who are deaf or hard of hearing, the visually impaired, and the non-English speakers, in ensuring that they understand the CAMS.

**Q. Repealing Clause**

These guidelines supersede/amend/modify other existing regulations on timelines for the Bank's complaints handling, except for those provided under Section X320.13 of the MORB on complaints concerning credit card billing errors and discrepancy.

**CORPORATE INFORMATION**

**I. ORGANIZATIONAL STRUCTURE**

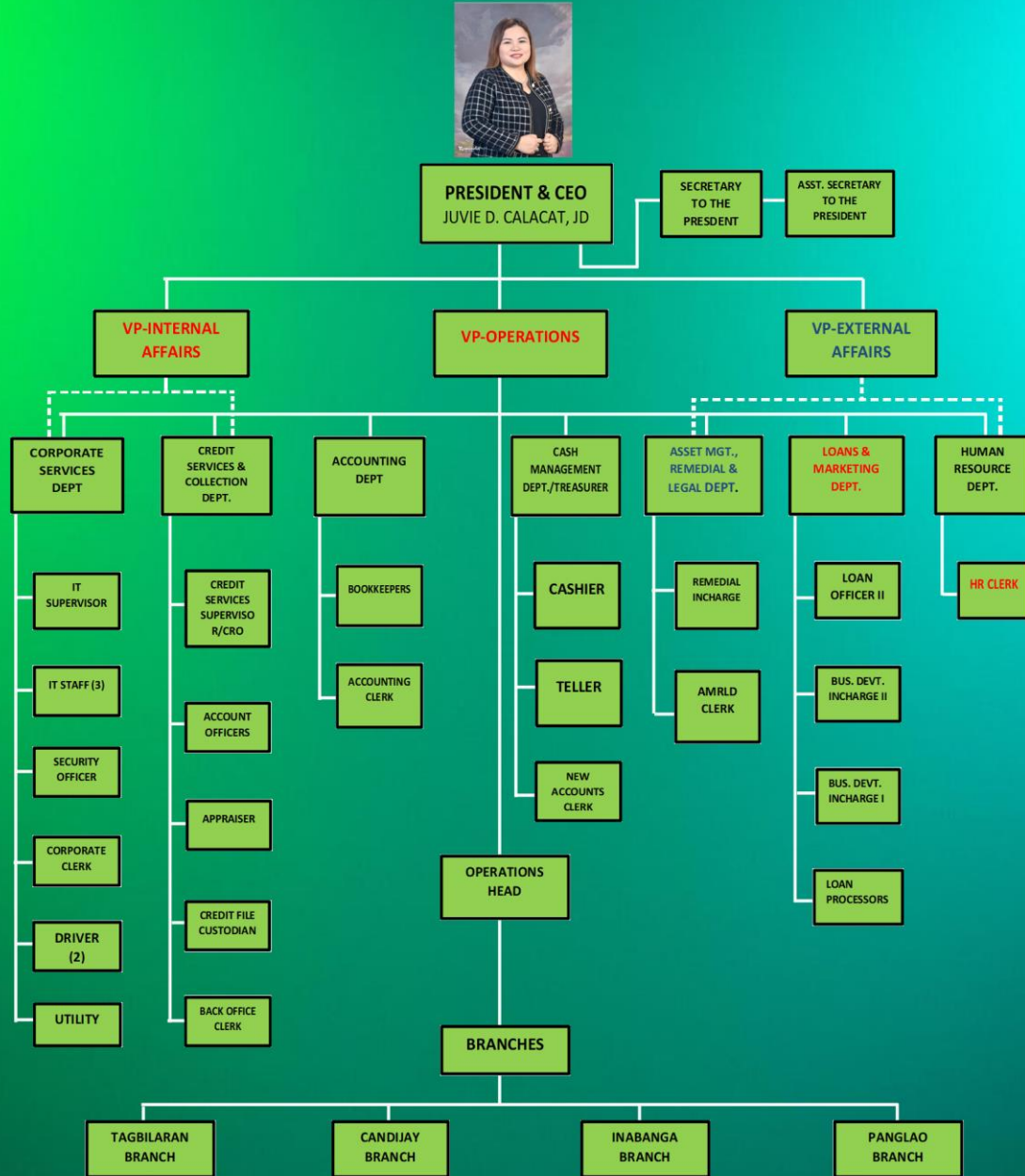


Legend:  
 1. In Red font – vacant position  
 2. In Blue font – concurrent positions  
 3. Level of BM items – (BM I, BM II)  
 4. Area Head – equivalent of a Dept. head



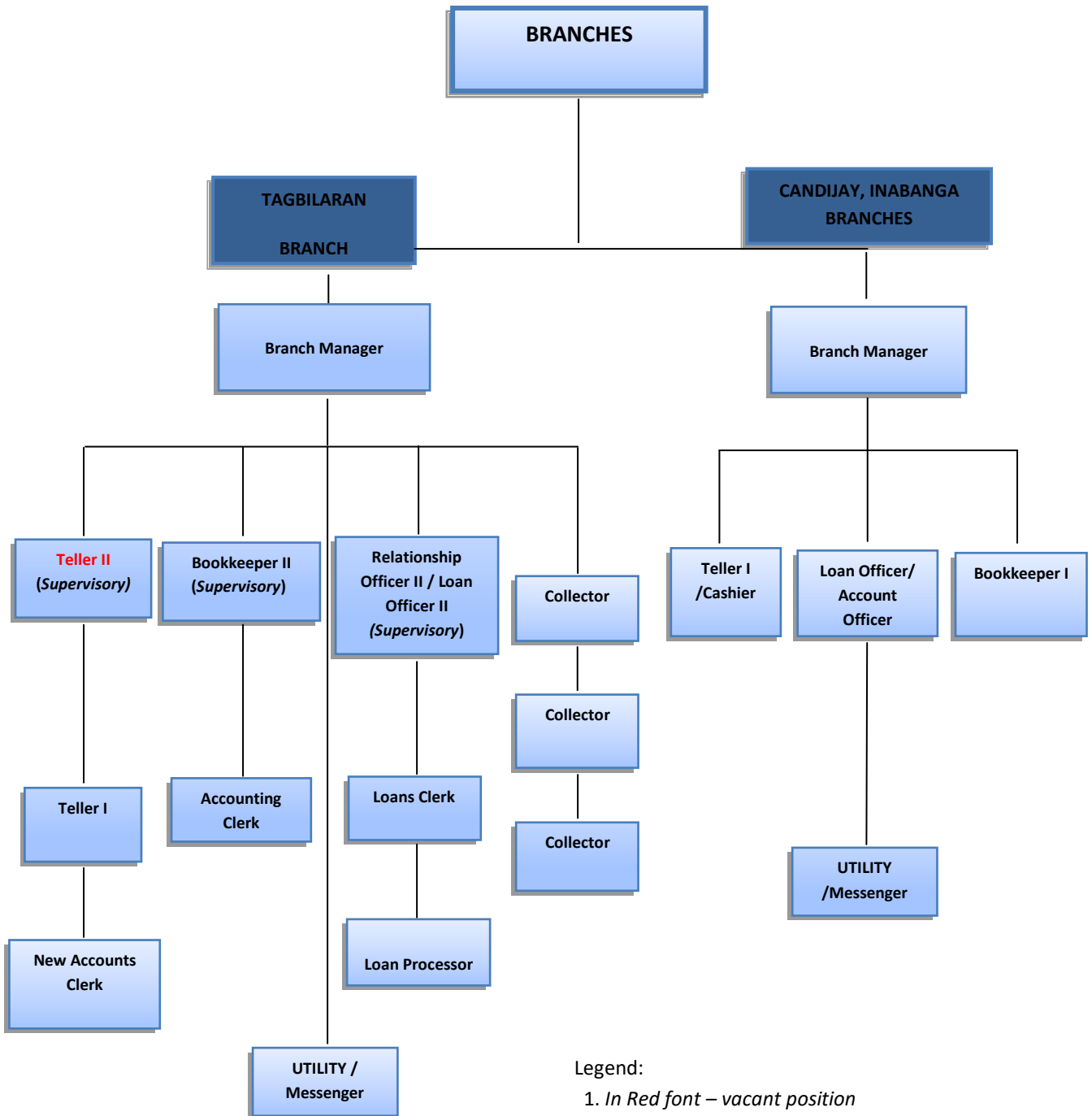
CORPORATE OFFICE

# MANAGEMENT ORGANIZATIONAL STRUCTURE



**Legend:**  
 a. In Red Font - vacant position  
 b. In Blue Font - concurrent positions  
 c. Operations Head - equivalent to Department Head

# BRANCH



**Legend:**

- 1. In Red font – vacant position
- 2. In Blue font – concurrent positions
- 3. Level of BM items – (BM I, BM II)
- 4. Area Head – equivalent of a Dept. head





## **LIST OF MAJOR STOCKHOLDER (No major stockholder)**

### **BANK'S SERVICES**

The primary services rendered by the Cooperative Bank of Bohol are to accept deposits and to grant loans.

#### **DEPOSIT**

##### **1) Savings (Regular)**

Savings (Regular) is a kind of savings deposit describes as follows:

- a) The depositor will be issued a passbook after complying all the required documents in opening an account.
- b) Interest shall be computed quarterly based on average daily balance (ADB).
- c) Maintaining balance per month to earn interest shall be P2, 000.00.
- d) Interest rate is 1.5% per annum.

- e) The interest earned shall be charged with a withholding tax of 20%.
- f) The maximum deposit insurance with PDIC is P500,000.00 per depositor
- g) Charges:

Below maintaining balance	– P200.00
Closed account	– P250.00
Lost passbook	– P300.00

- h) Qualified to open an account:
  - i) Individual
    - At least 7 years old
    - Filipino citizen
    - If, foreigner with passport and one of the following:
      - Alien Certificate of Registration (ACR)
      - Special Investor’s Resident Visa (SIRV)
      - Special Resident Retiree’s Visa (SRRV)
  - ii) Corporation/Partnership
  - iii) Cooperative
  - iv) Association/Organization

## 2) Savings (Basic)

A basic deposit account refers to interest or non-interest-bearing account designed to promote financial inclusion. This account will enable Filipinos, especially the unserved and underserved, to receive and make payments, as well as have a facility for store of value. It will have the basic functionalities that will characterize ease, accessibility, convenience, and reasonable cost for both banks and customers. (Sec.1 section X222 of the MORB)

A basic deposit account designed to promote financial inclusion primarily aimed towards the unserved low income markets.

Features of basic deposit account are more described as follows:

1. Opening amount of P100.00 only
2. No minimum maintaining balance
3. No dormancy charges
4. Aggregate deposits should not exceed P50, 000.00 or the bank shall convert the account to regular savings deposit account should the depositor exceeded the maximum balance.
5. Interest rate is 0.30% per annum based on the ADB and is creditable every quarter end.
6. The depositor will be issued a passbook after complying the necessary requirement/s.

### Documentary Requirements

The depositor shall submit any one (1) of the following documents:

- a. Any valid ID
- b. Barangay Certification
- c. Cedula
- d. Voter Certification
- e. Any other documents as proof of identity

### 3) Savings (ATM)

Savings (ATM) is another type of savings deposit wherein a depositor will be issued an ATM card after complying all the required documents in opening an account. This ATM card shall be used whenever a depositor will withdraw at any automatic teller machines. A depositor may opt to withdraw over the counter for some emergency cases. This account will not earn interest. Other features for this Savings (ATM) are as follows:

- a) Minimum amount in opening shall be P500.00.
- b) Maintaining balance per month to earn interest shall be P1, 000.00.
- c) Maximum deposit insurance with PDIC is P500, 000.00 per depositor.
- d) Charges:
  - Lost card – P300.00
  - Account verifying in other banks without receipt - P1.00
  - With receipt - P2.00
  - Withdrawal of account in other banks is chargeable.
- e) Qualified to open an account:
  - i) Individual
    - At least 7 years old
    - Filipino citizen
    - If, foreigner with passport and one of the following:
      - Alien Certificate of Registration (ACR)
      - Special Investor’s Resident Visa (SIRV)
      - Special Resident Retiree’s Visa (SRRV)

### 4) Premium Savings (Passbook with higher rates)

Another type of savings deposit with higher interest rates compared to Savings (Regular) and Time Deposit is the Premium Savings. The depositor will be issued a passbook after complying all the required documents in opening an account. Interest shall be computed quarterly based on average daily balance (ADB). An additional amount shall be allowed only upon maturity. Other features to describe this type of account are as follows:

- a) Minimum amount in opening shall be P50, 000.00.
- b) Maintaining balance per month shall be P50, 000.00.
- c) Interest rate shall be based on market rate

	90days	180days	360days
50,000.00 – 349,999.99	2.25%	2.50%	2.50%
350,000.00 – 699,999.99	2.50%	3.00%	3.00%
700,000.00 – 999,999.99	3.00%	3.25%	3.25%
P1M and above	4.50%	4.50%	4.50%

- d) Interest earned shall be charged with a withholding tax of 20%.
- e) Maximum deposit insurance with PDIC is P500, 000.00 per depositor.
- f) Charges:
  - Below maintaining balance – P200.00 per month
  - Closed account within 30 days– P250.00

Withdrawal in excess of 3 times a month – P75.00 per transaction  
Lost passbook – P300.00

- g) Qualified to open an account:
- i) Individual  
At least 18 years old  
Filipino citizen  
If, foreigner with passport and one of the following:
    - Alien Certificate of Registration (ACR)
    - Special Investor's Resident Visa (SIRV)
    - Special Resident Retiree's Visa (SRRV)
  - ii) Corporation/Partnership
  - iii) Cooperative
  - iv) Association/Organization

## 5) Time

Time deposit is a type of deposit describe as follows:

- a) The depositor will be issued a certificate after complying all the required documents in opening an account.
- b) Interest shall be computed based on term.
- c) Minimum amount in opening shall be P5, 000.00.
- d) Interest rate shall be based on market rate

	<b>30days</b>	<b>90days</b>	<b>180days</b>	<b>360days</b>
50,000.00 – 349,999.99	1.75%	1.75%	1.95%	1.95%
350,000.00 – 699,999.99	1.95%	1.95%	2.20%	2.20%
700,000.00 – 999,999.99	2.20%	2.20%	2.45%	2.70%
P1M and above	2.70%	2.95%	3.20%	3.20% or 3.45%**

\*\*3.20% interest pa is applicable to those who withdraw their interest monthly

\*\*3.45% interest pa is applicable to those who withdraw their interest upon maturity

- e) Excess number of days after maturity of the account's term, interest rate shall be equal to the prevailing interest rate on savings regular deposit.
- f) For P1M and above amount of time deposit with a term of 360 days, the depositor may opt to get his interest monthly.
- g) Time deposit that will be pre-terminated on or before half of the required term, the interest would only be 25% of the specified rate. If made after half of the required term, the interest would be 50%.
- h) Maximum deposit insurance with PDIC is P500, 000.00 per depositor.
- i) Charges:  
Documentary stamps - P1.50 for every P200.00, effective November 1, 2021 and onwards, documentary stamp tax on all time deposit placements P5 million and below shall proportionately be shared by the bank and the depositor at 75% and 25%, respectively. Meanwhile, documentary stamp tax on all time deposit placements above P5 million and those with aggregate time deposit placement above P5 million shall still be shouldered and paid by the bank. If pre-terminated, documentary stamps shall be charged to the depositor.

Withholding tax – 20%

j) Qualified to open an account:

i) Individual

At least 7 years old

Filipino citizen

If, foreigner with passport and one of the following:

Alien Certificate of Registration (ACR)

Special Investor's Resident Visa (SIRV)

Special Resident Retiree's Visa (SRRV)

ii) Corporation/Partnership

iii) Cooperative

iv) Association/Organization

#### **A. TIME AND SAVINGS DEPOSIT (SPECIAL RATE)**

Savings: (Board Rate – 1.15%)

No Premium Rate -

Prospective application. All existing Savings Deposit with premium rates shall be treated as is.

Time

BM I & II

President (inclusive of BM's premium rate)-

- up to 0.15%

up to 1.00%

Prospective application. All existing CTDs with premium rates higher than 1% shall be treated as is until its maturity.

All succeeding Savings Deposit and/or Certificate of Time Deposits with premium rates higher than the above approved rates shall be confirmed by the Board.

#### **OTHER SERVICES**

1. POINT OF SALE
2. PERA PADALA THROUGH CEBUANA LHUILLIER

#### **BANK'S WEBSITE**

The Bank has launched its official website <http://www.cooperativebankofbohol.com> in February, 2020 where the banking public can access and view the many products and services offered, properties for sale, notices to shareholders and clients, bank activities, job opportunities and the latest updates about the bank.

## **LIST OF BANKING UNITS**

Corporate Office	CPG East Avenue, Tagbilaran City Telefax Nos. (038) 427-2116, 501-9904 Juvie D. Calacat – President and CEO
Tagbilaran Branch	CPG East Avenue, Tagbilaran City Telefax Nos. (038) 411-3483, 501-9904 Cherry A. Lumacang – Branch Manager
Candijay Branch	Poblacion, Candijay, Bohol Tel. No. (038) 510-6237; 417-5587 Angie D. Rule – Branch Manager
Inabanga Branch	Poblacion, Inabanga, Bohol Tel. No. (038) 417-5445 Arjo L. Aya-ay – Branch Manager

## **II. AUDITED FINANCIAL STATEMENTS (AFS) WITH AUDITOR’S OPINION**

## **III. CAPITAL STRUCTURE AND CAPITAL ADEQUACY**

**COOPERATIVE BANK OF BOHOL**

SUPPLEMENTARY REQUIREMENTS

OF

BANGKO SENTRAL NG PILIPINAS (BSP)

December 31, 2022



*Minerva & Company*

**CERTIFIED PUBLIC ACCOUNTANTS**

*"Paving the way to EXCELLENCE"*

BSP

**COOPERATIVE BANK OF BOHOL**

FINANCIAL STATEMENTS

As at and for the Years Ended December 31, 2022 and 2021

and

REPORT OF INDEPENDENT AUDITORS



*Minerva & Company*


**CERTIFIED PUBLIC ACCOUNTANTS**

*"Paving the way to EXCELLENCE"*





For BIR BCS/  
Use Only Item:

BIR Form No. <b>1702-MX</b> January 2018 (ENCS) Page 1	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE <small>Enter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable boxes with an "X".</small> <small>Two copies MUST be filed with the BIR and one held by the taxpayer.</small>	 1702-MX 01/18ENCS P1
<b>1</b> For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal <b>2</b> Year Ended (MM/20YY) 12/20	<b>3</b> Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	<b>4</b> Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No <b>5</b> Alphanumeric Tax Code (ATC) IC 055 - Minimum Corporate Income Tax (MCIT) <input checked="" type="radio"/> <input type="radio"/> IC 010 - In General <input checked="" type="radio"/>

**Part I - Background Information**

**6** Taxpayer Identification Number (TIN) **7** RDO Code 1084

**8** Registered Name (Enter only 1 letter per box using CAPITAL LETTERS)  
 COOPERATIVE BANK OF BOHOL

**9** Registered Address (Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)  
 CP6 EAST AVENUE, POB 1, TAGBILARAN CITY, BOHOL

**9A** ZIP Code 3300

**10** Date of Incorporation/Organization (MM/DD/YYYY) **11** Contact Number 384272116

**12** Email Address cooperativebank\_bohol@yahoo.com

**13** Method of Deductions  
 Itemized Deductions [Section 34 (A-J), NIRC]  Optional Standard Deduction (OSD)-40% of Gross Income [Section 34(L) NIRC, as amended]

**Part II - Total Tax Payable**

**14** Total Tax Due/(Overpayment) (From Part IV-Schedule 2 Item 19D) 635,518

**15** Less: Total Tax Credits/Payments (From Part IV-Schedule 3 Item 32D) 957,505

**16** Net Tax Payable / (Overpayment) (Item 14 Less Item 15) (From Part IV Item 33D) (321,987)

Add: Penalties

**17** Surcharge 0

**18** Interest 0

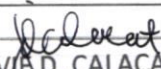

**19** Compromise 0

**20** Total Penalties (Sum of Items 17 to 19) 0

**21** TOTAL AMOUNT PAYABLE / (Overpayment) (Sum of Items 16 to 20) (321,987)

If overpayment, mark one (1) box only. (Once the choice is made, the same is irrevocable)  
 To be refunded  To be issued a Tax Credit Certificate (TCC)  To be carried over as a tax credit for next year/quarter

We declare under the penalties of perjury that this return, and all its attachments, have been made in good faith, verified by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If signed by an Authorized Representative, indicate TIN and attach authorization letter)

 <b>JUVIE D. CALACAT, JD</b> <small>Signature over Printed Name of President/Principal Officer/Authorized Representative</small> <small>Title of Signatory <span style="border: 1px solid black; padding: 2px;">President &amp; CEO</span> TIN <span style="border: 1px solid black; padding: 2px;">939-830-521-000</span></small>	 <b>EMMANUEL D. DURANGO</b> <small>Signature over Printed Name of Treasurer/Authorized Representative</small> <small>Title of Signatory <span style="border: 1px solid black; padding: 2px;">Treasurer</span> TIN <span style="border: 1px solid black; padding: 2px;">183-888-103-000</span></small>	<b>22</b> Number of Attachments <span style="border: 1px solid black; padding: 2px;">00</span>
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**Part III - Details of Payment**

Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
<b>23</b> Cash/Bank Debit Memo				<span style="border: 1px solid black; padding: 2px;">0</span>
<b>24</b> Check				<span style="border: 1px solid black; padding: 2px;">0</span>
<b>25</b> Tax Debit Memo				<span style="border: 1px solid black; padding: 2px;">0</span>
<b>26</b> Others (Specify Below)				<span style="border: 1px solid black; padding: 2px;">0</span>

Machine Validation / Revenue Official Receipt Details (if not filed with an Authorized Agent Bank)



Stamp of Receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

BIR Form No. <b>1702-MX</b> January 2018 (ENC5) Page 2	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE	 1702-MX 01/18ENC5 P2
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Taxpayer Identification Number (TIN) 000 535 427 0000	Registered Name COOPERATIVE BANK OF BOHOL
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**Part IV - Schedules**

**Instructions:** (mark appropriate box)  A. Only one activity/project under EXEMPT and/or SPECIAL Tax Regimes, fill-out the applicable columns below.  
 B. Two or more activities/projects under EXEMPT and/or SPECIAL Tax Regimes, accomplish Part V-Mandatory Attachments per activity and reflect consolidated amounts from Part V on the corresponding columns below.

**Schedule 1 - Basis of Tax Relief**

Particulars	A. Exempt	B. Special	C. Special Tax Relief (Under Regular/Normal Rate)
1 Investment Promotion Agency (IPA)/ Implementing Government Agency	CDA		
2 Legal Basis	CDA		
3 Registered Activity/Program (Reg. No.)	CDA		
4 Special Tax Rate		0.0%	
5 Effectivity Date of Tax Relief/Exemption From (MM/DD/YYYY)	04/24/1980		
6 Expiration Date of Tax Relief/Exemption To (MM/DD/YYYY)	12/31/2025		

**Schedule 2 - Computation of Income Tax per Tax Regime** (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Sales/Receipts/Revenues/Fees <small>(From all of Part V-Sched B Item 1, if letter B of instructions above is marked)</small>	8,440,829	0	57,876,081	67,316,910
2 Less: Sales Returns, Allowances and Discounts <small>(From all of Part V-Sched B Item 2, if letter B of instructions above is marked)</small>	0	0	0	0
3 Net Sales/Receipts/Revenues/Fees <small>(Item 1 Less Item 2)</small>	8,440,829	0	57,876,081	67,316,910
4 Less: Cost of Sales/Services <small>(From all of Part V-Sched B Item 4, if letter B of instructions above is marked)</small>	4,726,793	0	31,939,202	36,668,995
5 Gross Income from Operation <small>(Item 3 Less Item 4)</small>	4,714,036	0	25,936,879	30,647,915
6 Add: Other Taxable Income not subjected to Final Tax <small>(From all of Part V-Sched B Item 6, if letter B of instructions above is marked)</small>	0	0	5,430,366	5,430,366
7 Total Taxable Income <small>(Sum of Items 5 and 6)</small>	4,714,036	0	31,367,245	36,078,281
<b>Less: Deductions Allowable under Existing Law</b>				
8 Ordinary Allowable Itemized Deductions <small>(From Sched 5 Item 18) &amp;/or (From all of Part V-Sched B Item 8, if letter B of instructions above is marked)</small>	4,136,971	0	28,825,173	32,962,144
9 Special Allowable Itemized Deductions <small>(From Sched 5 Item 5) &amp;/or (From all of Part V-Sched B Item 9, if letter B of instructions above is marked)</small>	0	0	0	0
10 NOLCO <small>[Only for those taxable under Sec. 27 (A to C); Section 28(A)(1)(A)(6)(b) of the Tax Code, as amended]</small> <small>( For Special Rate: If w/ only 1 activity, From Schedule 8.1 Item 8 ; if with 2 or more activities, From all of Part V-Sched B Item 10; For Reg. Rate: From Sched 7.1 Item 8)</small>	0	0	0	0
11 Total Itemized Deductions <small>(Sum of Items 8 to 10)</small>	4,136,971	0	28,825,173	32,962,144
OR <small>[in case taxable under Sec 27(A) &amp; 28(A)(1)]</small>			0	0
12 Optional Standard Deduction (OSD) <small>(40% of Item 7)</small>			0	0
13 Net Taxable Income/(Loss) <small>(If Itemized: Item 7 Less Item 11; if OSD: Item 7 Less Item 12)</small>	574,065	0	2,542,072	3,116,137
14 Applicable Income Tax Rate <small>(i.e. Special or Regular/Normal Rate)</small>	0%	0.00%	25.00%	
15 Income Tax Due other than MCIT <small>[For Special Rate: If with only 1 activity, (Item 3 OR Item 7) X Item 14; if with 2 or more activities, from all of Part V-Sched B Item 14; For Regular Rate Item 13 X Item 14]</small>	0	0	635,518	635,518
16 Less: Share of Other Government Agency, if remitted directly			0	0
17 Net Income Tax Due to National Government <small>(Item 15 Less Item 16)</small>			635,518	635,518
18 MCIT <small>(2% of Gross Income in Item 7)</small>			0	0
19 Total Income Tax Due / (Overpayment) <small>(Item 19B = Item 17B) (Item 19C = Normal Income Tax in Item 15C OR MCIT in Item 18C, whichever is higher) (Item 19D = Sum of Items 19B and 19C) (Item 19Q to Part II Item 14)</small>			635,518	635,518

**Schedule 3 - Tax Credits/Payments (attach proof)**

20 Prior Year's Excess Credits Other Than MCIT	0	0	17,156	17,156
21 Income Tax Payments under MCIT from Previous Quarter/s			0	0
22 Income Tax Payments under Regular Rate from Previous Quarter/s			919,119	919,119
23 Excess MCIT Applied this Current Taxable Year <small>(From Schedule 9 Item 4)</small>			0	0
24 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307			21,230	21,230
25 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Qtr			0	0
26 Foreign Tax Credits, if applicable			0	0
27 Tax Paid in Return Previously Filed, if this is an Amended Return			0	0
28 Income Tax Payments under Special Rate from Previous Qtr/s			0	0
29 Special Tax Credits <small>(To Part IV-Schedule 4 Item 6)</small>			0	0
<b>Other Tax Credits/Payments (specify)</b>				
30			0	0
31 <small>(Add more...)</small>			0	0
32 Total Tax Credits/Payments <small>(Sum of Items 20 to 31) (Item 32D to Part II Item 15)</small>			957,505	957,505
33 Net Tax Payable / (Overpayment) <small>(Item 19 Less Item 32) (Item 33D to Part II Item 16)</small>	0	0	(321,987)	(321,987)

BIR Form No. <b>1702-MX</b> January 2018 (ENC5) Page 3	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE	1702-MX 01/18ENC5 P3
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Taxpayer Identification Number (TIN) 000 535 427 0000	Registered Name COOPERATIVE BANK OF BOHOL
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**Schedule 4 – Tax Relief Availment** (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Regular Income Tax Otherwise Due (Item 13A/B of Part IV-Schedule 2 X applicable regular income tax rate)	143,516	0		143,516
2 Tax Relief on Special Allowable Itemized Deductions (Item 9A/B/C of Part IV-Sched 2 X applicable regular income tax rate)	0	0	0	0
3 Sub-Total – Tax Relief (Sum of Items 1 and 2)	143,516	0	0	143,516
4 Less: Income Tax Due (From Part IV-Schedule 2 Item 15B)	0	0		0
5 Tax Relief Availment before Special Tax Credit (Item 3 Less Item 4)	143,516	0	0	143,516
6 Add: Special Tax Credit, if any (From Part IV-Schedule 3 Item 29)	0	0	0	0
7 Total Tax Relief Availment (Sum of Items 5 & 6)	143,516	0	0	143,516

**Schedule 5 - Ordinary Allowable Itemized Deductions** (attach additional sheet/s, if necessary)  
 (If with only one activity, fill-out the applicable columns below; if with two or more activities, amount for each expense shall come from all of Part V-Schedule D)


1 Amortizations	0	0	0	0
2 Bad Debts	0	0	694,790	694,790
3 Charitable and Other Contributions	1,192	0	8,108	9,300
4 Depletion	0	0	0	0
5 Depreciation	455,393	0	3,096,561	3,551,954
6 Entertainment, Amusement and Recreation	79,618	0	541,382	621,000
7 Fringe Benefits	0	0	0	0
8 Interest	0	0	0	0
9 Losses	0	0	0	0
10 Pension Trusts	0	0	0	0
11 Rental	13,120	0	89,209	102,329
12 Research and Development	0	0	0	0
13 Salaries, Wages and Allowances	0	0	0	0
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	0	0	0	0
15 Taxes and Licenses	59,936	0	407,552	467,488
16 Transportation and Travel	312,744	0	2,126,581	2,439,325
17 Others (Deductions Subject to Withholding Tax and Other Expenses) (Specify below; Add additional sheet(s), if necessary)				
a. Janitorial and Messengerial Services	304,558	0	2,070,929	2,375,488
b. Professional Fees	34,886	0	235,855	270,741
c. Security Services	0	0	0	0
d. PERCENTAGE TAX EXPENSE	427,418	0	2,906,338	3,333,756
e. POWER, LIGHT AND WATER	177,494	0	1,206,915	1,384,409
f. ADVERTISING AND PUBLICITY	99,890	0	679,225	779,115
g. INSURANCE EXPENSE	97,273	0	661,433	758,706
h. TRAINING EXPENSE	360,573	0	2,451,809	2,812,382
i. OTHERS (Add more...)	1,713,075	0	11,648,463	13,361,538
18 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 17) (To Part IV-Schedule 2 Item 8)	4,136,971	0	28,825,173	32,962,144

**Schedule 6 – Special Allowable Itemized Deductions** (attach additional sheet/s, if necessary)  
 (if with only one activity, fill-out the applicable columns below; if with two or more activities, amount for each expense shall come from all of Part V-Schedule E)

Description	Legal Basis	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1		0	0	0	0
2		0	0	0	0
3		0	0	0	0
4		0	0	0	0
(Add more...)					
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV-Schedule 2 Item 9)		0	0	0	0

**Schedule 7 - Computation of Net Operating Loss Carry Over (NOLCO) for Regular Rate** (Attach Additional Sheet/s, if necessary)

1 Gross Income (From Part IV-Schedule 2 Item 7C)	0
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law (From Part IV-Schedule 2 Item 8C)	0
3 Net Operating Loss (Item 1 Less Item 2) (To Part IV-Schedule 7.1, Item 7A)	0

BIR Form No. <b>1702-MX</b> January 2018 (ENCS) Page 4	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE	 1702-MX 01/18ENCS P4
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Taxpayer Identification Number (TIN) 000 535 427 0000	Registered Name COOPERATIVE BANK OF BOHOL
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**Schedule 7.1 - Computation of Available Net Operating Loss Carry Over (NOLCO) for Regular Rate**  
*(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

Net Operating Loss Year Incurred	A. Amount	B. NOLCO Applied Previous Year/s	C. NOLCO Expired	D. NOLCO Applied Current Year	E. Net Operating Loss (Unapplied) [(E)=A-(B+C+D)]
4	0	0	0	0	0
5	0	0	0	0	0
6	0	0	0	0	0
7	0	0	0	0	0
<b>8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV-Schedule 2 Item 10C)</b>				0	

**Schedule 8 - Computation of Net Operating Loss Carry Over (NOLCO) for Special Rate** (except those availing fiscal incentives)  
*(Attach Additional Sheet/s, if necessary)*

<b>1 Gross Income</b> (From Part IV-Schedule 2 Item 7B)	0
<b>2 Less: Ordinary Allowable Itemized Deductions</b> (From Part IV-Schedule 2 Item 8B)	0
<b>3 Net Operating Loss</b> (Item 1 Less Item 2) (To Part IV-Schedule 8.1 Item 7A)	0

**Schedule 8.1 - Computation of Available Net Operating Loss Carry Over (NOLCO) for Special Rate**  
*(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

Net Operating Loss Year Incurred	A. Amount	B. NOLCO Applied Previous Year/s	C. NOLCO Expired	D. NOLCO Applied Current Year	E. Net Operating Loss (Unapplied) [(E)=A-(B+C+D)]
4	0	0	0	0	0
5	0	0	0	0	0
6	0	0	0	0	0
7	0	0	0	0	0
<b>8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV-Schedule 2 Item 10B)</b>				0	

**Schedule 9 - Computation of Minimum Corporate Income Tax (MCIT)**

Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

**Continuation of Schedule 9 (Item numbers continue from table above)**

D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
0	0	0	0
0	0	0	0
0	0	0	0
<b>4 Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV-Schedule 3 Item 23)</b>			

**Schedule 10 - Reconciliation of Net Income per Books Against Taxable Income** (attach additional sheet/s, if necessary)

Particulars	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
<b>1 Net Income/(Loss) per Books</b> Add: Non-Deductible Expenses/Taxable Other Income (specify below)	574,065	0	2,447,415	3,021,480
<b>2 TAX ARBITRAGE</b>	0	0	222,208	
<b>3 PROVISION FOR CREDIT LOSSES</b>	0	0	1,456,075	
<i>(Add more)</i>				
<b>4 Total (Sum of Items 1 to 3)</b>	574,065	0	4,125,699	4,699,764
Less: A) Non-Taxable Income and Income Subjected to Final Tax (specify below)				
<b>5 INTEREST INCOME</b>	0	0	888,837	
<b>6</b>	0	0	0	
<i>(Add more)</i>				
B) Special Deductions (specify below)				
<b>7 WRITE OFF</b>	0	0	694,790	
<b>8</b>	0	0	0	
<i>(Add more)</i>				
<b>9 Total (Sum of Items 5 to 8)</b>	0	0	1,583,627	1,583,627
<b>10 Net Taxable Income/(Loss) (Item 4 Less Item 9)</b>	574,065	0	2,542,072	3,116,137

## Tax Return Receipt Confirmation

From: ebirforms-noreply@bir.gov.ph (ebirforms-noreply@bir.gov.ph)

To: cooperativebank\_bohol@yahoo.com

Date: Thursday, 13 April 2023 at 11:47 pm GMT+8

**This confirms receipt of your submission with the following details subject to validation by BIR:**

File name: 000535427000-1702MXv2018C-1222.xml

Date received by BIR: 13 April 2023

Time received by BIR: 11:35 PM

Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

### FOR RETURNS WITH TAX PAYABLE:

**Please pay through any of the following ePayment Channels:**

#### Land Bank of the Philippines Link.BizPortal

- LBP ATM Cards
- Bancnet ATM/Debit Cards
- PCHC PayGate or PESONeT (RCBC, Robinsons Bank, UnionBank, PSBank, BPI, Asia United Bank)

#### DBP PayTax Online

- Credit Cards (MasterCard/Visa)
- Bancnet ATM/Debit Cards

#### Unionbank of the Philippines

- Unionbank Online (for Unionbank Individual and Corporate Account Holders)
- UPAY via InstaPay (For Individual Non-Unionbank Account Holders)

#### Taxpayer Agent/ Tax Software Provider-TSP

- (Gcash/PayMaya/MyEG)

**This is a system-generated email. Please do not reply.**

#### Bureau of Internal Revenue

=====  
DISCLAIMER  
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**COOPERATIVE BANK OF BOHOL**  
C.P.G East Avenue, Tagbilaran City  
Telephone Nos.: 427-2116 local 107  
Email Address: cooperativebank\_bohol@yahoo.com

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **COOPERATIVE BANK OF BOHOL** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, 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.

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

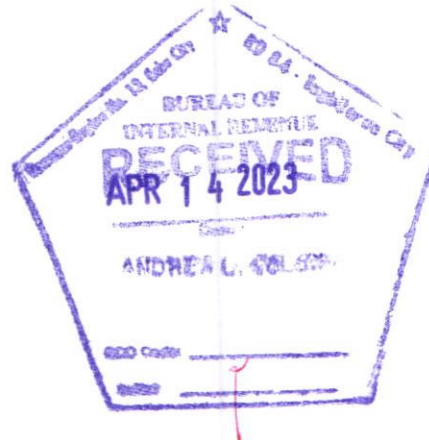
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

Minerva & Company, Certified Public Accountants, the independent auditors appointed by the members, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**MAXIMILIANO A. CEMPRON**  
Chairman of the Board

  
**JUNE D. CALACAT**  
President/CEO

  
**EMMANUEL D. DURANGO**  
Treasurer



Signed this 20th day of March, 2023



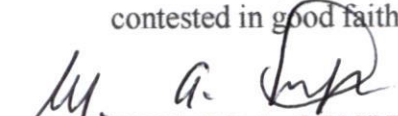
**COOPERATIVE BANK OF BOHOL**  
C.P.G East Avenue, Tagbilaran City  
Telephone Nos.: 427-2116 local 107  
Email Address: cooperativebank\_bohol@yahoo.com

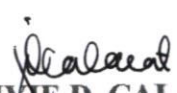
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**


The Management of **COOPERATIVE BANK OF BOHOL** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2022**. 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, the 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.

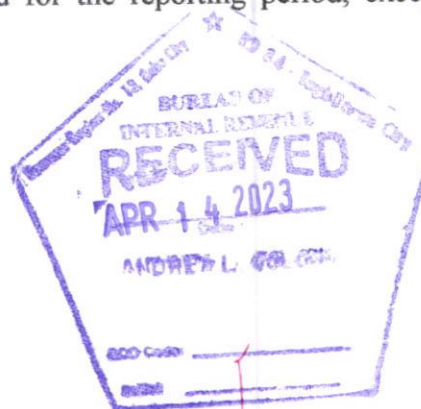
In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2022** and the accompanying Annual Income Tax Return are in accordance with the books and records of **COOPERATIVE BANK OF BOHOL** complete and correct in all material respects. Management 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 has been reported as reconciling items and maintained in the Bank's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the **COOPERATIVE BANK OF BOHOL** has filed all applicable tax 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.

  
**MAXIMILIANO A. CEMPRON**  
Chairman of the Board

  
**JUVIE D. CALACAT**  
President/CEO

  
**EMMANUEL D. DURANGO**  
Treasurer



Signed this 20th day of March, 2023.

**CERTIFICATION**

In accordance with the requirements of the Bangko Sentral ng Pilipinas (BSP) under the Circular Letter No. 1074 series of 2020, we hereby certify that the disclosure requirements of Section 174 of the Manual of Regulations for Banks (MORB) presented as a supplementary information in the Notes to the Financial Statements of Cooperative Bank of Bohol (the "Bank") as at and for the years ended December 31, 2022 and 2021 have been subjected to the auditing procedures applied in our audit of the basic financial statements. Such supplementary information is the responsibility of management. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This certification is issued in compliance with the BSP reportorial requirements.

**MINERVA & COMPANY, CPAs**

PRC/BOA Reg. Cert. No. 4870 - Valid until 01.31.2026

SEC Accred. No. 396-F - Valid until 10.13.2023

BSP Accred. No. 4870-BSP - Valid until 01.21.2025

NEA Accred No. 2022-08-00090 - Valid until 07.21.2025

CDA CEA No. 0068-AF - Valid until 01.04.2024

**ELMER P. MINERVA**

CPA Board Cert. No. 82086

T.I.N. 130-291-145

PTR No. 2308225 dated 01.27.2023

SEC Accred. No. 1816-A - Valid until 10.13.2023

BSP Accred. No. 82086-BSP - Valid until 01.21.2025

BIR Accred. No. 13-011018-002-2020 - Valid until 11.07.2023

March 20, 2023

Cebu City, Philippines





## CERTIFICATION

In accordance with the requirements of the Bangko Sentral ng Pilipinas (BSP) under the Circular Letter No. 1074 series of 2020, we hereby certify that as part of our examination of the financial statements of Cooperative Bank of Bohol (the "Bank") as at and for the years ended December 31, 2022 and 2021, we requested for a "read-only access" of the Bank's Report on Examination. We have complied with the confidentiality clause in accordance with the BSP requirement.

This certification is issued in compliance with the BSP reportorial requirements.

### MINERVA & COMPANY, CPAs

PRC/BOA Reg. Cert. No. 4870 - Valid until 01.31.2026

SEC Accred. No. 396-F - Valid until 10.13.2023

BSP Accred. No. 4870-BSP - Valid until 01.21.2025

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March 20, 2023

Cebu City, Philippines



## CERTIFICATION

TO WHOM IT MAY CONCERN:

This is to certify that the Cooperative Bank of Bohol (the "Bank") has:

1. No material findings involving fraud, dishonesty, (including cases that were resolved during the period of audit).
2. No findings to the effect that the consolidated assets of the company, on a going concern basis are no longer adequate to cover the total claims of the creditor.
3. No material internal control weaknesses which may lead to financial reporting problems.
4. No material breach of laws or BSP rules and regulations such as, but not limited to:
  - a. Capital adequacy ratio; and
  - b. Loans and other risk assets review and classification
5. No matters of corporate governance that may require urgent action by the BSP.

This certification is issued in compliance with the BSP reportorial requirements.

### MINERVA & COMPANY, CPAs

PRC/BOA Reg. Cert. No. 4870 - Valid until 01.31.2026

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March 20, 2023

Cebu City, Philippines



**CERTIFICATION**

In accordance with the requirements of the Bangko Sentral ng Pilipinas (BSP) under the Circular Letter No. 1074 series of 2020, we hereby certify that as part of our examination of the financial statements of Cooperative Bank of Bohol (the "Bank") as at and for the years ended December 31, 2022 and 2021, we have not noted issues that would warrant the submission of Letter of Comments (LOC).

This certification is issued in compliance with the BSP reportorial requirements.

**MINERVA & COMPANY, CPAs**

PRC/BOA Reg. Cert. No. 4870 - Valid until 01.31.2026

SEC Accred. No. 396-F – Valid until 10.13.2023

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March 20, 2023

Cebu City, Philippines



## INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS  
COOPERATIVE BANK OF BOHOL  
Carlos P. Garcia, East Avenue, Tagbilaran City



### Opinion

We have audited the financial statements of COOPERATIVE BANK OF BOHOL (the "Bank"), which comprise the statement of financial position as at December 31, 2022 and 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and of its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audit in accordance with the 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 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.

### Emphasis of Matter

Without modifying our opinion, we draw attention to Note 10 to the financial statements wherein the Bank recorded accrued interest receivable as at December 31, 2022 and 2021. As per the respective provisions of Cooperative Development Authority (CDA), Cooperatives which are into lending activities should account for its interest income for loans receivable once it has been collected only. On the other hand, respective provisions of Bangko Sentral ng Pilipinas (BSP) accounts the interest income on accrual basis except for interest from past due loans and loans under litigation which are accounted for only as interest income once it has been collected. The recorded accrued interest receivable could result to an overstatement of the Bank's revenue for the same amount.

Further, Note 17 to the financial statements indicates that the Bank has recognized liability for the deposit for future stocks subscription (DFSS) following the disapproval of the Bank's application to BSP for the increase in its authorized common shares in 2018. On March 2, 2020, the Bank has re-applied to BSP for the said increase in its authorized common shares. However, this was subsequently returned for requirement deficiencies. On March 2022, the Bank re-submitted its application for the increase in authorized capital stock with BSP but was returned due to the BSP's proposed amendments to the Bank's By-Laws (BL), particularly Article VIII, Sections 3 and 4, on the constitution of the Mediation and Conciliation Committee and the Ethics Committee in relation to Art. 43 of Republic Act No. 9520 (The Cooperative Code of 2008). The Bank intends to re-apply by 2023 and is preparing all the requirements in accordance with Memorandum on the Proposed Templates of Articles of Cooperation (AOC) and BL of Cooperative Banks (No. M-2023-001). Our opinion is not modified in respect of this matter.

Further, we draw attention to Note 2 to the financial statements which states the basis of accounting that has been used in the preparation of the financial statements. The financial statements of the Bank have been prepared in accordance with the PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic.

### *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 the PFRSs, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements 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 of 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.

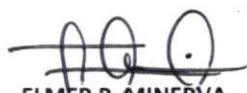
We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 and Bangko Sentral ng Pilipinas Circular No. 1074*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 27 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 28 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statement. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**MINERVA & COMPANY, CPAs**

PRC/BOA Reg. Cert. No. 4870 - Valid until 01.31.2026  
SEC Accred. No. 396-F – Valid until 10.13.2023  
BSP Accred. No. 4870-BSP – Valid until 01.21.2025  
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CDA CEA No. 0068-AF – Valid until 01.04.2024



**ELMER P. MINERVA**

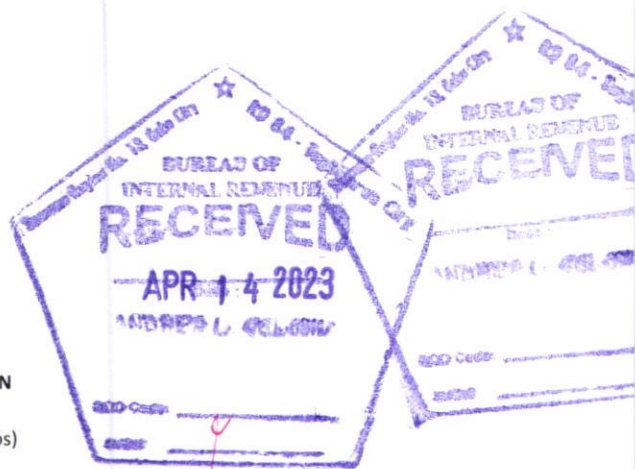
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BIR Accred. No. 13-011018-002-2020 – Valid until 11.07.2023

March 20, 2023  
Cebu City, Philippines



**COOPERATIVE BANK OF BOHOL**

**STATEMENTS OF FINANCIAL POSITION**  
As at December 31, 2022 and 2021  
(Amounts Expressed in Philippine Pesos)

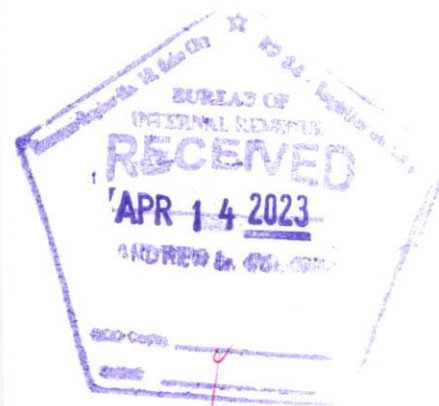


	2022	2021
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and other cash items (Notes 2,4,5)	PHP 16,264,926	PHP 29,085,103
Due from Bangko Sentral ng Pilipinas (Notes 2,4,6)	14,769,825	14,895,944
Due from other banks (Notes 2,4,7)	130,067,286	182,044,045
Loans and receivables (Notes 2,4,8)	301,589,071	293,831,629
Investment securities (Notes 2,4,9)	8,544,141	5,417,399
Prepayments and other current assets (Notes 2,10)	60,881,836	43,564,967
Bank premises, furniture, fixtures and equipment, net (Notes 2,3,11)	23,335,730	21,837,797
Non-current assets held for sale (Notes 2,3,12)	12,307,058	13,951,921
Deferred tax assets (Notes 2,25)	781,043	781,043
Other non-current assets (Notes 2,4,13)	11,199,854	8,387,787
<b>TOTAL ASSETS</b>	<b>PHP 579,740,770</b>	<b>PHP 613,797,635</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposit liabilities (Notes 2,4,14)	PHP 472,236,564	PHP 517,889,374
Bills payable (Notes 2,4,15)	10,319,254	5,366,086
Accounts payable and other liabilities (Notes 2,4,16)	10,329,230	9,021,328
Deposits for future stocks subscription (Note 2,17)	13,379,000	10,702,000
Pension liabilities (Notes 2,23)	11,327,673	9,910,696
	<b>517,591,721</b>	<b>552,889,484</b>
<b>EQUITY</b>		
Share capital (Notes 2,18)		
Common stock	20,000,000	20,000,000
Preferred stock	12,519,000	12,488,000
Additional paid-in capital (Notes 2,18)	71,139	72,270
Stock dividends distributable (Notes 2,18)	218,356	221,293
Donated capital	469,243	469,243
Remeasurement loss on retirement plan (Notes 2,23)	(9,295,076)	(9,295,075)
Surplus reserve (Notes 2,18)	20,835,102	20,835,102
Surplus free (Notes 2,18)	17,331,285	16,117,318
	<b>62,149,049</b>	<b>60,908,151</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>PHP 579,740,770</b>	<b>PHP 613,797,635</b>

(See accompanying Notes to Financial Statements)

COOPERATIVE BANK OF BOHOL

STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Philippine Pesos)



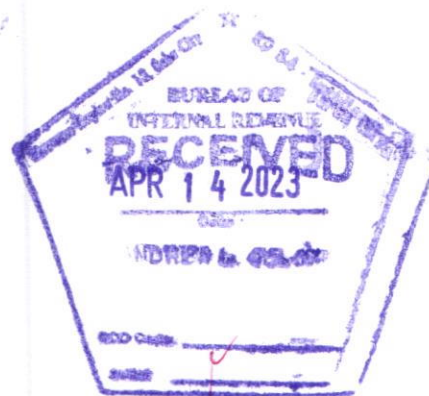
		2022		2021
INTEREST INCOME (Notes 2,19)	PHP	68,205,747	PHP	65,622,040
INTEREST EXPENSE (Notes 2,21)		(12,881,631)		(12,700,145)
NET INTEREST INCOME		55,324,116		52,921,895
NON-INTEREST INCOME (Notes 2,20)		5,430,365		6,858,618
OPERATING EXPENSES (Notes 2,22)		(57,733,003)		(57,284,676)
INCOME (LOSS) BEFORE INCOME TAX		3,021,478		2,495,837
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 2,25)				
Current income tax expense		(630,624)		(795,803)
NET INCOME	PHP	2,390,854	PHP	1,700,034
EARNINGS PER SHARE	PHP	119.54	PHP	85.00

(See accompanying Notes to Financial Statements)



COOPERATIVE BANK OF BOHOL

STATEMENTS OF CHANGES IN EQUITY  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Philippine Pesos)



	2022		2021	
<b>SHARE CAPITAL (Notes 2,18)</b>				
Authorized common - 20,000 shares at Php1,000 par value	PHP	20,000,000	PHP	20,000,000
Authorized preferred - 20,000 shares at Php1,000 par value				
At beginning of year		12,488,000		12,421,059
Additional shares issued during the year		31,000		-
Stock dividends distribution		-		340,083
Redemption during the year		-		(273,142)
At end of year		12,519,000		12,488,000
<b>TOTAL SHARE CAPITAL</b>		<b>32,519,000</b>		<b>32,488,000</b>
<b>ADDITIONAL PAID-IN CAPITAL (Notes 2,18)</b>				
At beginning of year		72,270		280,206
Redemption during the year		(1,131)		(207,936)
At end of year		71,139		72,270
<b>STOCK DIVIDEND DISTRIBUTABLE (Note 2,18)</b>				
At beginning of year		221,293		558,903
Distribution during the year		(2,937)		(337,610)
At end of year		218,356		221,293
<b>DONATED CAPITAL</b>		<b>469,243</b>		<b>469,243</b>
<b>REMEASUREMENT GAIN (LOSS) ON RETIREMENT PLAN (Notes 2,23)</b>				
At beginning of year		(9,295,076)		(5,159,919)
Prior years' adjustments		-		(4,135,157)
At end of year		(9,295,076)		(9,295,076)
<b>SURPLUS RESERVES (Notes 2,18)</b>				
At beginning of year		20,835,102		20,379,255
Appropriation to statutory funds		-		455,847
At end of year		20,835,102		20,835,102
<b>SURPLUS FREE (Notes 2,18)</b>				
At beginning of year		16,117,319		22,901,041
Prior years' adjustments		(1,176,889)		(8,027,909)
Appropriation to statutory funds		-		(455,847)
Net income (loss) for the year		2,390,854		1,700,034
At end of year		17,331,285		16,117,319
<b>TOTAL STOCKHOLDERS' EQUITY</b>	PHP	<b>62,149,049</b>	PHP	<b>60,908,151</b>

(See accompanying Notes to Financial Statements)

COOPERATIVE BANK OF BOHOL

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Philippine Pesos)

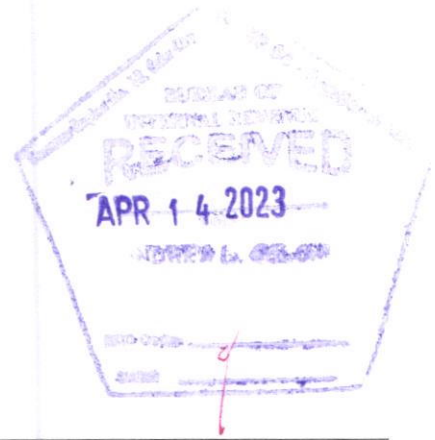


	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before tax	PHP 3,021,478	PHP 2,495,837
Adjustments for:		
Depreciation of bank premises, furniture, fixtures and equipment (Note 22)	3,551,954	3,397,178
Depreciation of NCAHS (Note 22)	-	121,298
Provision for expected credit losses (Note 22)	1,456,075	2,046,493
Reversal of provision for expected credit losses (Note 20)	(694,790)	(400,405)
Gain on disposal of NCAHS (Note 20)	(829,581)	(2,380,795)
Impairment loss of NCAHS (Note 12)	152,709	-
Retirement benefits expense (Note 23)	1,304,910	1,365,305
Prior years' adjustments	(1,176,889)	(8,756,198)
Operating cash flows before working capital changes	6,785,866	(2,111,287)
Increase in:		
Financial assets at amortized cost (Note 8)	(8,518,727)	(8,694,612)
Prepayments and other current assets (Note 10)	(17,007,144)	(18,057,509)
Increase (decrease) in:		
Deposit liabilities (Note 14)	(45,652,810)	86,226,486
Other liabilities (Note 16)	1,307,904	752,471
Cash generated from (used in) operations	(63,084,911)	58,115,549
Contributions to retirement fund (Note 23)	(2,700,000)	-
Income tax paid	(940,349)	(708,799)
Net cash generated from (used in) operating activities	(66,725,260)	57,406,750
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Held-to-maturity Investments/INMES	(3,126,742)	(2,557,630)
Acquisition of investment properties	(2,184,928)	(3,261,591)
Acquisition of bank premises, furniture and equipment (Note 11)	(5,049,887)	(1,950,410)
Proceeds from sale of NCAHS	4,506,662	6,320,000
Net cash generated from (used in) investing activities	(5,854,895)	(1,449,631)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of bills payable (Note 15)	(25,295,466)	(7,128,053)
Availment of bills payable (Note 15)	30,248,633	7,705,619
Issuance of additional shares (Note 18)	31,000	66,941
Redemption of preferred shares	(4,067)	(207,936)
Additional deposit for stock subscription	2,677,000	2,526,000
Net cash generated from (used in) financing activities	7,657,100	2,962,571
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(64,923,055)</b>	<b>58,919,690</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>226,025,092</b>	<b>167,105,402</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>PHP 161,102,037</b>	<b>PHP 226,025,092</b>

(See accompanying Notes to Financial Statements)

COOPERATIVE BANK OF BOHOL

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Philippine Pesos)



	2022		2021	
Cash in the balance sheet is composed of:				
Cash and other cash items	PHP	16,264,926	PHP	29,085,103
Due from Bangko Sentral ng Pilipinas		14,769,825		14,895,944
Due from other banks		130,067,286		182,044,045
	PHP	161,102,037	PHP	226,025,092
Operational cash flows from interest:				
Interest received	PHP	52,221,469	PHP	49,981,735
Interest paid		13,176,652		12,804,251
	PHP	65,398,121	PHP	62,785,986

(See accompanying Notes to Financial Statements)

## COOPERATIVE BANK OF BOHOL

### NOTES TO FINANCIAL STATEMENTS

As at and for the Year Ended December 31, 2022 and 2021  
(Amounts Expressed in Philippine Pesos)

#### 1. Corporate Information

Cooperative Bank of Bohol (the "Bank") was incorporated in the Philippine laws and registered with the Securities and Exchange Commission (SEC under registration number 923974. On October 29, 1980, the Bangko Sentral ng Pilipinas (BSP) issued a Certificate of Authority to the Bank to operate as a cooperative bank pursuant to the Republic Act No. 6938, Cooperative Code of the Philippines, and Monetary Board Resolution No. 1081, subject to the applicable provisions of law and BSP rules and regulations. The Bank is registered with the Cooperative Development Authority under UN No. 023070003 and was granted a certified of Good Standing by the Department of Finance (DOF) under Reg. No. 9520-07008800.

The primary purpose of the Bank is to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries and enterprises and to have and exercise all authority and powers and to so and perform all acts and transacts all business which may legally exist or be amended and to have all other things thereto and necessary and proper in connection with said purposes within such authority as may be determined by the Monetary Board of BSP.

The Bank's principal business is located at Carlos P. Garcia, East Avenue, Tagbilaran City. The Bank has three branches located in Tagbilaran (head office), Candijay and Inabanga in the province of Bohol.

The financial statements of the Bank as at and for the year ended December 31, 2022 were authorized for issue by the Board of Directors (BOD) on March 20, 2023. The BOD is empowered to make revisions even after the date of issue.

#### Organization and Tax Exemptions

The Bank, being registered with the Cooperative Development Authority (CDA) and transacting with members and non-members is entitled to the following tax exemptions and incentives provided for under Article 60 of R.A. No. 9520, as implemented by Section 8 of the Joint Rules and Regulations Implementing Article 60, 61, and 144 of R.A. 9520:

1. Exemption from Income tax on income from CDA-registered operations;
2. Exemption from Value-added tax on CDA-registered sales or transactions;
3. Exemption from other Percentage tax;
4. Exemption from Donor's tax on donations to duly accredited charitable, research and educational institutions, and reinvestment to socio-economic projects within the area of operation of the Cooperative;
5. Exemption from Excise tax for which it is directly liable;
6. Exemption from Documentary stamp tax: *Provided, however*, that the other party to the taxable document/transactions who is not exempt shall be the one directly liable for the tax;
7. Exemption from payment of Annual Registration fee of Five hundred pesos (Php500); and

8. 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.

In 2020, the Bank renewed its Certificate of Tax Exemption (CTE) with the Bureau of Internal Revenue (BIR). The CTE shall be valid for five (5) years until August 4, 2025.

## **2. Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

### **2.1 Basis of Preparation**

The Bank's financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI). Amounts in the financial statements are presented in Philippine Peso (Php), which is the Bank's functional currency, and are rounded to the nearest peso, except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

### **2.2 Statement of Compliance**

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

### **2.3 Presentation of Financial Statements**

The Bank presents the statements of financial position in order of liquidity. The Bank generally presents financial assets and liabilities at their gross amounts in the statements of financial position, unless the offsetting criteria under PFRS are met. The Bank does not also offset items of income and expenses, unless offsetting is required or permitted by PFRS, or is specifically disclosed in the Bank's accounting policies.

### **2.4 Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations which became effective on or after January 2, 2022. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. Unless otherwise indicated, these new and revised accounting standards have no impact to the Bank.

- Reference to the Conceptual Framework – Amendments to PFRS 3

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in PFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to PAS 16

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to PAS 37

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- PFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- PFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- PAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

## 2.5 Future Accounting Changes

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these amendments, if applicable, when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended PFRSs to have a significant impact on its financial statements.

- **PFRS 7, *Insurance Contracts***

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

PFRS 17 is not applicable to the Bank since it is not engaged in providing insurance nor issuing insurance contracts.

- **Amendments to PAS 1: *Classification of Liabilities as Current or Non-current***

In January 2020, amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current were issued. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendment will have no impact on the Bank as the account balances are presented in accordance with liquidity.

## 2.6 Fair Value Measurement

The Bank measures financial instruments at fair value at each balance sheet date.

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:

- In the principal market for the asset or liability, or
- 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 non-financial 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

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Bank estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

## 2.7 Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI) with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value, amounts due from BSP, and due from other banks. Due from



BSP includes statutory reserves required by the BSP, which the Bank considers as cash equivalents wherein drawings can be made to meet cash requirement.

## 2.8 Financial Instruments

Financial assets and liabilities are initially recognized on the trade date on which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at FVTPL are recognized immediately in profit or losses.

## 2.9 Financial Assets

### *Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification at initial recognition depends on the contractual cash flow characteristics of financial assets and the Bank's business model for managing them. The initial measurement of financial assets, except for those classified as FVTPL, includes the transaction cost. The Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

### *Subsequent Measurement*

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instrument);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instrument);
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL

### *Financial Assets at Amortized Cost*

The Bank measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost are classified as current assets when the Bank expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Bank's financial assets at amortized cost consist of cash and other cash items, due from BSP and other banks, loans and receivables, and investment securities (see Notes 5, 6, 7, 8, and 9).

#### *Financial Assets at FVOCI (Debt Instruments)*

The Bank measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative FVOCI is recycled to profit or loss.

The Bank has no financial assets at FVOCI (debt instruments) as at December 31, 2022 and 2021.

#### *Financial Assets Designated at FVOCI (Equity Instruments)*

Upon initial recognition, the Bank can elect to classify its equity investments irrevocably as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Bank has no financial assets designated at FVOCI (equity instruments) as at December 31, 2022 and 2021.

#### *Financial Assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

The Bank has no financial assets at FVTPL as at FVTPL as at December 31, 2022 and 2021.

## 2.10 Impairment of Financial Assets

The Bank recognizes loss allowance for expected credit losses (ECL) on financial assets that measured at amortized cost or at FVOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risks since initial recognition of the respective financial instrument. Equity instruments are not subject to impairment under PFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The lifetime ECL, on the other hand, represents the losses that result from default events on a financial asset which may happen over its life. Both lifetime and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

### *Stage Migration and Significant Increase in Credit Risk (SICR)*

Financial instruments subject to the ECL methodology are categorized into three stages:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

### *Definition of "Default" and "Cure"*

A default is considered to have occurred when (a) the obligor is past due for more than 90 days on any material credit obligation to the Bank, or (b) the obligor is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing collateral, as applicable. An instrument is considered to be no longer in default when it no longer meets any of the default criteria and has exhibited a satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

### *Determining Significant Increase in Credit Risk*

At each reporting date, the Bank shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Bank's assessment of SICR involves looking at (a) quantitative element, (b) qualitative element, and (c) if unpaid for at least 30 days ("backstop").

The quantitative element is being looked through statistical models or credit ratings process or scoring process that captures certain information which the Bank shall consider as relevant in assessing changes in credit risk. The Bank may also look at the number of notches downgrade of

credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

#### *Measurement of ECL*

ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Loss-given-default (LGD) - an estimate of the loss arising in the case where defaults occur at a given time. It is based on the difference between the contractual cash flow due and those that the Bank would expect to receive, including from any collateral.
- Discount rate - represents the rate to be used to discount an expected loss to a present value at the reporting date using the original effective interest rate (EIR) determined at initial recognition.

Forward-looking information shall be considered in estimating/determining the 12-month and lifetime PD, EAD and LGD depending on the credit exposure.

#### *Macroeconomic Forecasts, Forward-looking Information and Probability-weighted Scenarios*

ECL measurement is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Experienced credit judgment is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported.

Forward-looking macroeconomic information and scenarios shall consider:

- Factors that may affect the general economic or market conditions in which the Bank operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, etc.
- Changes in government policies, rules and regulations, such as adjustments to policy rates
- Other factors pertinent to the Bank, including the proper identification and mitigation of risks such as incidences of loan defaults/losses, etc.

The Bank applied a simplified ECL approach for its other loans and receivables wherein the Bank uses a provisioning matrix that considers historical changes in the behavior of the portfolio to product conditions over the span of a given observation period.

## 2.11 Financial Liabilities

### *Initial Recognition and Measurement*

Financial liabilities are measured at amortized cost, except for the following:

- Financial liabilities measured at FVTPL;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition of when the Parent Company retains continuing involvement;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and
- Contingent consideration recognized by an acquirer in accordance with PFRS 3

### *Subsequent Measurement*

The measurement of financial liabilities depends on their classification, as described below:

#### *Financial Liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company has not designated any financial liability as at fair value through profit or loss.

The Bank has no financial liabilities at FVTPL and derivatives designated as hedging instruments in an effective hedge.

#### *Financial Liabilities at Amortized Cost*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short term and long term debt.

The Bank's financial liabilities measured at amortized cost include deposit liabilities, bills payable, and accounts payable and other liabilities (*see Notes 14, 15, and 16*).

## 2.12 Derecognition of Financial Assets and Financial Liabilities

### *Financial Asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Bank has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained all of the risks and rewards of the asset substantially, nor transferred control of the asset, the Bank continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Bank has retained.

### *Financial Liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

## 2.13 Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Suppose the Bank does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation. In that case, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

### *Modification of Contractual Cash Flows*

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Parent Company recalculates the gross carrying amount of the financial assets as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (of credit-adjusted EIR for purchased or original credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial

recognition of that financial asset when applying the impairment requirements to the modified financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

#### 2.14 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset. The net amount is reported in the financial position if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, the event of default, and the event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

#### 2.15 Prepayments and Other Current Assets

Prepayments and other current assets are primarily comprised of prepayments, deferred creditable withholding tax, and are carried at cost less the amortized portion. Prepayments and other current assets that are expected to be realized for no more than 12 months after the balance sheet date are classified as current assets; otherwise, these are classified as other noncurrent assets. These are recorded as assets and expensed when utilized or expired.

#### 2.16 Bank Premises, Furniture, Fixture and Equipment

Bank premises, furniture, fixture and equipment, including construction in progress, are measured initially at its cost. Bank premises, furniture, fixture and equipment, after initial recognition are carried at its cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

The initial cost of Bank premises, furniture, fixture and equipment consists of its purchase price, including import duties, taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Directly attributable costs can include the (1) costs of employee benefits arising directly from the construction or acquisition of the item of bank premises, furniture, fixture and equipment; (2) cost of site preparation; (3) initial delivery and handling; (4) installation and assembly; (5) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition; and (6) professional fees.

The following costs are not costs of an item of bank premises, furniture, fixture, and equipment, and the Bank recognized them as an expense when they are incurred: (1) costs of opening a new facility; (2) costs of introducing a new product or service (including costs of advertising and promotional activities); (3) costs of conducting business in a new location or with a new class of customer (including costs of staff training); and (4) administration and other general overhead costs.

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.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the

depreciation method to reflect the new pattern. The entity shall account for the change as a change in an accounting estimate.

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The entity shall account for the change in residual value, depreciation method or useful life as a change in an accounting estimate.

An item of bank premises, furniture, fixture, and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of bank premises, furniture, fixture, and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss when the item is derecognized (unless PAS 17 requires otherwise on a sale and leaseback), such gain is not recognized as revenue.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

#### 2.17 Non-current Assets Held for Sale (NCAHS)

Assets acquired in the settlement of loans are initially recognized at the carrying amount of the loan plus accrued interest net of allowance for credit losses plus transaction costs incurred upon acquisition. The carrying amount, which becomes their initial costs, is allocated to acquire assets based on their fair values. Land, buildings and non-financial assets are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

An allowance for impairment is provided when the carrying value of NCAHS exceeds the appraised value.

Appraisals are conducted every other year or when there is a material decline in value. NCAHS with a carrying value exceeding P5 million is appraised by an independent appraiser.

Holding costs subsequent to the foreclosure or acquisition of the properties are charged to profit or loss.

#### 2.18 Impairment of Non-financial Assets

The Bank premises, furniture, fixtures and equipment are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the 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 for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell, and value in use, based on an internal valuation of discounted cash flow. Impairment loss is charged pro-rata to other assets in the cash-generating unit.



All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of impairment loss.

## 2.19 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *Bank as a Lessee*

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- **Right-of-use assets**

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

- **Lease liabilities**

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

As at December 31, 2022 and 2021, the Bank did not record any right-of-use assets and lease liabilities as the Bank did not have any long-term lease contract.

### *Bank as a Lessor*

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. The Bank continues to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact on leases where the Bank is the lessor.

## 2.20 Deposit for Future Stock Subscription (DFSS)

DFSS represents payments made on the subscription of shares that cannot be directly credited to "Preferred stock" or "Common stock" pending registration with the BSP of the amendment to the Articles of In-Cooperation increasing capital stock.

Under the provisions of BSP Circular 1027, section X128, DFSS shall be classified as an equity instrument if all of the following criteria are met:

- a. The DFSS meets the definition of an equity instrument under PAS 32, *Financial instruments: Presentation*, such that the DFSS shall not interest-bearing nor withdrawable by the subscriber;
- b. The bank's existing authorized capital is already fully subscribed;
- c. The bank's stockholders and board of directors have approved the proposed increase in authorized capital;
- d. The bank has filed an application for the amendment of its articles of cooperation for the increase in authorized capital with the appropriate department, duly supported by complete documents as listed in Annex B of Circular Letter No. 2009-042 dated 14 May 2009.
- e. The bank must have obtained the approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Item "b" of Subsection. X126.2, if applicable.

If any or all of the foregoing elements above are not present, the DFSS should be recognized as a financial liability.

As at December 31, 2022 and 2021, the Bank's DFSS recorded under liabilities amounted to Php13.38 million and Php10.70 million (*see Note 17*).

## 2.21 Equity

### *Common Stock*

Common stock is classified as equity and is measured at par value per share issued. Incremental costs directly attributable to the issuance of new shares are recognized as a deduction from equity, net of tax. Otherwise, these are recognized in profit or loss.

### *Preferred Stock*

Perpetual stock is classified as equity if its non-redeemable, or redeemable only at the Bank's option and any dividends thereon are discretionary. Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the stockholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

### *Stock Dividend Distributable*

Stock dividend distributable are stock dividends declared which have not yet issued to stockholders. These are stated at par value.

### *Surplus Reserves*

Surplus reserves include all current and prior period appropriation from net surplus.

### *Surplus Free*

Surplus free includes all current and prior period results of operations net of allocation to surplus reserves and cumulative dividends distributed.

### *Donated Capital*

This account represents contributions, grants or aid received by the Bank in the form of cash, commodities or services and all other forms of services given by an entity source to the Bank.

### *Dividends*

Cash dividends are recognized as liability and deducted from the equity when approved by the BOD while stock dividends are deducted from equity when approved by BOD and ratified by stockholders. Dividends for the year that are approved after the reporting date are dealt with as subsequent events. Stock issuance costs are accounted for as deduction from equity.

## 2.22 Provisions and Contingencies

### *Provisions*

Provisions are recognized when the Bank has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. When the Bank expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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.

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

### *Contingent Liabilities*

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

## 2.23 Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

### *Service Fees and Commission Income*

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

#### *a) Fees Earned from Services that are Provided Over a Certain Period of Time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees. However, commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

b) *Fees Earned from Providing Transaction Services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction.

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains part at the same EIR as the other participants.

*Other Income*

Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process (i.e., upon transfer of control under PFRS 15 and transfer of risks) and when the collectability of the sales price is reasonably assured. Income from penalties is recognized upon collection or when there is a reliable assurance of collection.

Revenues outside the scope of PFRS 15:

*Interest Income*

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified at FVOCI, interest income is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as "interest income".

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

*Dividend Income*

Dividend income is recognized when the Bank's right to receive payment is established.

*Rental Income*

Rental income is accounted for on a straight-line basis over the lease terms and is included in the statement of income under "Other income".

## 2.24 Expense recognition

Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Bank.

Costs and expenses are recognized in the statement of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized: on the basis of a direct association between the costs incurred and the earning of specific items of income; 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 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 reporting period as an asset.

## 2.25 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including directors and management. Employee benefits have four types as follows:

### *Short-term Employee Benefits.*

Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, and non-monetary benefits.

### *Termination Benefits.*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting date are discounted to present value.

### *Retirement Benefits.*

Pursuant to RA No. 7641, otherwise known as the "Retirement Pay Law", all companies are required to provide retirement benefits to all their employees, except when the company does not have more than ten employees.

The computation of such retirement benefit obligation is based on giving retirement benefits equivalent to at least 1-month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

Under PAS 19, the costs of defined retirement benefits should be determined using the projected unit credit method and unbiased and mutually compatible actuarial assumptions about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries, changes in medical costs and certain changes in national benefits).

## 2.26 Earnings per Share

Basic earnings per (EPS) is computed by dividing profit for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed by dividing profit applicable to common stockholders by the weighted average number of common shares issued and outstanding during the year after giving effect to the assumed conversion of diluted potential common shares.

## 2.27 Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity upon approval by the BOD and the BSP and stock dividends upon approval by the Board of Directors, stockholders and the BSP. Dividends declared during the year approved by the BSP after reporting date are disclosed as a subsequent event.

## 2.28 Income Taxes

### *Current Tax*

The tax currently payable is based on taxable income for the year. Taxable income differs from the profit as reported in the statement of profit or loss and comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted at the end of the reporting period.

### *Deferred Income Tax*

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences (principally relating to provisions for receivable impairment and retirement benefit-cost) and between financial reporting bases of assets and liabilities and their related tax bases.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The rates enacted at the end of the reporting period are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in transactions that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits that will be available to allow all or part of the asset to be recovered.

## 2.29 Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Bank; (2) associates; and (3) 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.

The key management personnel of the Bank and post-employment benefit plans for the benefit of Bank's employees, if any, are also considered to be related parties.

The Bank's related parties include the Bank's Key Management. The compensation of the key management personnel of the Bank pertains to the usual monthly salaries and government-mandated bonuses; there are no other special benefits paid to management personnel.

### 2.30 Prior Period Adjustments

Prior period adjustments are errors or omissions from, and misstatements in, the Bank's financial statements for one or more periods arising from a failure to use, or misuse of, reliable information that was available at the time the financial statements were authorized for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors may include the effects of mathematical inaccuracy, errors in applying accounting policies, oversights or misinterpretation of facts and fraud.

The effect of prior period adjustments are recognized in the financial statements of the current period in accordance with the standard chart of accounts of cooperatives.

### 2.31 Events after the End of Reporting Period

Events after the end of the reporting period that affect the financial position of the Bank are reflected in the financial statements; however, no adjusting events are disclosed in the notes to the financial statements.

### 2.32 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in the current year's presentation.

## **3. Management's Significant Accounting Judgments and Estimates**

The Bank's financial statements which are prepared in accordance with PFRSs require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates and the differences could be significant.

### 3.1 Critical Management Judgments in Applying Accounting Policies

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

#### *Classification of Financial Instruments*

The Bank classifies its financial assets depending on the results of the SPPI tests and on the business model used for managing those financial assets.

The SPPI test is the first of two tests that determine the classification of a financial asset. When performing the SPPI test, the Bank applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would

alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

The business model assessment is the second test. The assessment model reflects how financial assets are managed in order to generate net cash inflows. The Bank performs assessment model based on the following factors:

- Business objectives and strategies for holding financial assets
- Performance measures and benchmarks being used to evaluate the Bank's key management personnel accountable to the financial assets
- Attendant risks and the tools applied in managing them
- Compensation structure, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions
- Frequency and timing of disposals

In applying judgment, the Bank also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP, particularly the guidelines contained in Circular No. 1011.

*Determining the Lease Term of Contracts with Renewal and Termination Options (Bank as Lessee)*

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

*Fair value of Financial Instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

*Determining the Lease Term of Contracts with Renewal and Termination Options (Bank as Lessee)*

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or



to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

### 3.2 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, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next financial year.

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.

#### *Estimation of Allowance for ECL*

The Bank provides ECL for financial assets that have passed the SPPI test. The Bank's ECL calculations are based on the application of the general approach in measuring ECL, which uses certain assumptions, including the Bank's criteria for assessing if there has been a significant increase in credit risk; and development of expected credit loss models, including the choice of inputs relating to macroeconomic variables. The calculation of credit-impairment provisions also involves expert credit judgment to be applied based upon counterparty information received from various sources including relationship managers and on external market information.

#### *Estimated Useful Lives of Premises, Furniture, Fixtures and Equipment and Intangible Asset*

The Bank estimates the useful lives of its premises, furniture, fixtures and equipment, and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of premises, furniture, fixtures and equipment, and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Suppose there is an indication that there has been a significant change since the last annual reporting date in the pattern by which Bank expects to consume an asset's future economic benefits. In that case, it shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect a new pattern. The Bank shall account for the change as a change in an accounting estimate.

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, the Bank will review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The Bank will account for the change in residual value, depreciation and amortization method or useful life as a change in an accounting estimate.

Depreciation and amortization of owned assets are computed using the straight-line method over the estimated useful lives of the assets:

	Useful Life
Building and improvements	10-20 years
Office equipment	3-5 years
Furniture and fixtures	5-10 years
Transportation equipment	3-5 years
Leasehold improvement	3-5 years
Information and technology	1-3 years

As at December 31, 2022 and 2021, the carrying amount of bank's premises, furniture, fixtures and equipment amounted to Php23.34 million and Php21.84 million, respectively (see Note 11).

Depreciation expense amounted to Php3.55 million and Php3.52 million in 2022 and 2021, respectively (see Note 22).

Based on management's assessment as at December 31, 2022 and 2021, there is no change in the estimated useful life of premises, furniture, fixtures and equipment, and intangible assets during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

#### *Estimation of Impairment of Non-financial Assets*

Under PAS 36, *Impairment of Assets*, the Bank is required to perform an impairment review when certain impairment indicators are present.

Determining the value in use of non-financial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that assets are impaired. Any resulting impairment loss could have a material adverse impact on the Bank's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgments and estimates. While the Bank believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

There is no impairment recognized in both 2021 and 2022.

#### *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 Non-current Assets Held-for-Sale if the Bank expects that the properties will be recovered through sale rather than use, and 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.

#### *Estimating the Incremental Borrowing Rate under PFRS 16*

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

#### **4. Financial Risk and Capital Management**

The Bank has exposure to the following risks from its use of financial instruments: (a) credit risk; (b) market risks; (c) interest rate risk; and (d) liquidity risk.

##### *Risk Management Framework*

The BOD has the overall responsibility for the oversight of the Bank's risk management process and oversees the implementation of its risks policies. Risks exposures are regularly identified, measured, controlled, monitored and reported to senior management and the Board of Directors.

The Bank's activities expose it to a variety of financial risks and these involve analysis, evaluation and management of some degree of risk or combination of risks. Taking risk is a core to the business and operational risks are an inevitable consequence of being in business. The Bank's aim is, therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risks management policies are designed to identify and analyze these risks, to set appropriate limits and controls by means of reliable and up to date information systems. The Bank regularly reviews risk management policies and systems to reflect changes in the market products and emerging best practices. A central group carries out risk management in the Bank under policies approved by the Board of Directors.

##### *Credit Risk*

Credit risk is the risk of financial loss to the Bank if the counterparty to a financial instrument fails to meet its contractual obligations. The Bank manages and controls credit risks by setting limits on the amount of risk it is willing to accept for the individual counterparties, related groups of borrowers, and industry concentrations, and by monitoring exposures in relation to such limits. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analyses of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations. The credit risk is structured by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers and its geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Changing lending limits are made when appropriate. Exposure to credit risk is also managed by obtaining sufficient collateral as well as corporate and personal guarantees.

Impairment provisions are provided for losses that have been incurred at the statement of financial position date. Significant changes in the economy or in the health of a particular industry segment that represents a concentration in the Bank's portfolio could result losses that are different from those provided for at the statement of financial position date. Management, therefore, develops system of measurement and mitigating controls and policies that carefully manages Bank's exposure to credit risk.

Pursuant to regulatory requirements and best practices, the Bank conducts sensitivity analysis and stress testing of the credit portfolio to assess the sensitivity of the Bank's capital to BOD's approved credit risk scenario.

##### *Maximum Exposure to Credit Risk*

The Bank's maximum exposure to credit risk before collateral held or other credit enhancements is equal to the carrying amount of the financial assets.

Information on the concentration of credit as to counterparties as at December 31 are as follows:

	2022		2021	
	Percent	Amount	Percent	Amount
Farmers	11.53% Php	39,292,339	12.06% Php	40,056,452
Commercial traders	19.84%	67,595,320	17.18%	57,057,319
Auto dealers	7.45%	25,371,118	5.02%	16,673,006
Realtors	2.73%	9,301,025	6.54%	21,727,697
Financial traders	34.13%	116,250,342	13.51%	44,868,246
Individuals	22.80%	77,657,463	32.28%	107,191,072
Others	1.52%	5,190,415	13.40%	44,509,589
	<b>Php</b>	<b>340,658,022</b>	<b>Php</b>	<b>332,083,381</b>

#### Credit Quality per Class of Financial Assets

The following table shows the credit quality of the Bank's financial assets as at December 31 are as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
High grade	Php 14,769,825	Php -	Php -	Php 14,769,825
Due from other banks				
High grade	130,067,286	-	-	130,067,286
Loans receivable				
Standard grade	272,416,847	16,733,639	-	289,150,486
Impaired	-	-	51,507,536	51,507,536
Sales contract receivable				
Standard grade	-	2,101,419	-	2,101,419
Investment in government bonds				
High grade	30,000	-	-	30,000
Investment in non-marketable securities				
High grade	-	8,514,141	-	8,514,141
	<b>Php 417,283,958</b>	<b>Php 27,349,200</b>	<b>Php 51,507,536</b>	<b>Php 496,140,693</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
High grade	Php 14,895,944	Php -	Php -	Php 14,895,944
Due from other banks				
High grade	182,044,045	-	-	182,044,045
Loans receivable				
Standard grade	223,007,777	46,892,112	-	269,899,889
Impaired	-	-	62,183,493	62,183,493
Sales contract receivable				
Standard grade	-	2,149,079	-	2,149,079
Investment in government bonds				
High grade	30,000	-	-	30,000
Investment in non-marketable securities				
High grade	-	5,387,399	-	5,387,399
	<b>Php 419,977,766</b>	<b>Php 54,428,590</b>	<b>Php 62,183,493</b>	<b>Php 536,589,849</b>

- **High Grade** – This rating is given to a borrower with a very low probability of default and with a high degree of stability, substance, and diversity. The borrower has access to raise substantial amounts of funds through the public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits the highest quality under virtually all economic conditions.

- *Standard Grade* – This rating is given to smaller borrowers with limited access to public capital markets or to alternative financial markets. Access is, however, limited to favorable economic and/or market conditions. While the probability of default is quite low, it bears characteristics of some degree of stability and substance. However, the susceptibility to cyclical changes and more business risk concentration, by product or market, may be present.

Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

- *Sub-Standard Grade* – This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors representing a concern. Operating performance and financial strength may be marginal and it is uncertain if the borrower can attract an alternative course of finance. The borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Borrower which incurs net losses and has salient financial weaknesses reflected on statements specifically in profitability. Credit exposures are not at risk of loss at the moment, but the borrower's performance has weakened and unless present trends are reversed, could lead to losses.
- *Impaired* – This rating is given to a nonperforming borrower whose loans or portions thereof have the weakness inherent in those classified as Sub-standard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in fully highly improbable and in which substantial loss is probable.

#### *Market Risk*

Market risk is the risk of loss of future earnings, fair values or future cash flows as a result of changes in interest rate, foreign exchange rate, commodity prices, equity prices and other market changes.

The Bank's exposure to market risk arises from adverse movements in interest rates and prices of financial instruments relating primarily to its' holdings of government securities, debts securities and various overnight lending transactions with the BSP; mismatched with the contractual maturities of assets and liabilities embedded optionally to the loans and deposits due to pre-termination and potential cash run-offs arising from changes in overall liquidity and funding conditions in the market. The Bank manages its risk by identifying, analyzing and measuring relevant or likely market risk.

#### *Interest Rate Risk*

The Bank prepares gap analysis to measure each resources' sensitivity gap and liabilities at the statement of financial position date to interest risk fluctuations. The focus of the analysis is the impact of changes in interest rates on actual or reported earnings.

These analyses would give Management a glimpse of the maturity and pricings profile of each sensitive financial assets and liabilities. An interest rate gap analysis is prepared by classifying all financial assets and liabilities into various timed buckets according to contracted maturities or anticipated re-pricing dates and other applicable behavioral assumptions. The difference in the amount of assets and liabilities maturing or being re-priced in anytime period category would then give the Bank an indication on the extent to which it is exposed to the risk of potential changes in net interest income.

Interest rate on loans, deposits and borrowings are fixed and pre-determined. Rates on loans and deposits are reviewed regularly by management of which changes are made considering prevailing interest rates and market forces. Further, to mitigate the risk, the Bank follows prudent policy on managing assets and liabilities so as to ensure the exposure to interest rate risk are kept within acceptable levels.

### Liquidity Risk

Liquidity risk is defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they become due. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and maintain a balanced loan portfolio that could be repriced when circumstances demand. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate and exchange rate opportunities when they arise.

The aging analysis of financial assets as at December 31 are as follows:

2022	Current	1-90 days	91-180 days	181-360 days	Over 360 days	Total
Cash and other cash items*	Php 456,271	Php -	Php -	Php -	Php -	Php 456,271
Due from BSP	14,769,825	-	-	-	-	14,769,825
Due from other banks	130,067,286	-	-	-	-	130,067,286
Loans receivables	272,434,222	16,868,666	9,617,108	10,950,474	30,787,552	340,658,022
Investment in securities	-	-	2,530,000	-	6,014,141	8,544,141
	Php 417,727,604	Php 16,868,666	Php 12,147,108	Php 10,950,474	Php 36,801,693	Php 494,495,545

\*Excludes cash on hand

2021	Current	1-90 days	91-180 days	181-360 days	Over 360 days	Total
Cash and other cash items*	Php 232,491	Php -	Php -	Php -	Php -	Php 232,491
Due from BSP	14,895,944	-	-	-	-	14,895,944
Due from other banks	182,044,045	-	-	-	-	182,044,045
Loans and receivables	258,355,709	13,159,497	11,205,719	13,894,864	35,467,592	332,083,381
Investment in securities	-	-	2,530,000	-	2,557,630	5,087,630
	Php 455,528,189	Php 13,159,497	Php 13,735,719	Php 13,894,864	Php 38,025,222	Php 534,343,491

\*Excludes cash on hand

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31 based on undiscounted contractual payments:

2022	Due not later than 1 mo.	Due later than 1 mo. but not later than 6 mos.	Due later than 6 mos. but not later than 1 yr.	Due later than 1 yr.	Total
Deposit liabilities	Php 147,458,567	Php 95,972,525	Php 228,805,472	-	Php 472,236,564
Bills payable	-	-	-	10,319,254	10,319,254
Accounts payable and other liabilities	7,671,918	-	-	-	7,671,918
	Php 155,130,485	Php 95,972,525	Php 228,805,472	Php 10,319,254	Php 490,227,736

2021	Due not later than 1 mo.	Due later than 1 mo. but not later than 6 mos.	Due later than 6 mos. but not later than 1 yr.	Due later than 1 yr.	Total
Deposit liabilities	Php 159,552,807	Php 151,325,299	Php 207,011,268	-	Php 517,889,374
Bills payable	-	-	-	5,366,086	5,366,086
Accounts payable and other liabilities	7,152,699	-	-	-	7,152,699
	Php 166,705,506	Php 151,325,299	Php 207,011,268	Php 5,366,086	Php 530,408,159

### Minimum Liquidity Ratio

Minimum Liquidity Ratio (MLR) is expressed as a percentage of eligible stock of liquid assets to its total qualifying liabilities. The stock of liquid assets is required to be unencumbered and readily liquefiable, while the qualifying liabilities include both on balance sheet and off-balance sheet commitments.

Beginning January 2019, the Bank is subject to a MLR of 20%. However, pursuant to BSP's Memorandum No. 2020-020, the MLR for all stand-alone thrift banks, rural banks, and cooperative banks is reduced to 16% in response to the impact of COVID-19 to all covered banks. This is effective until the end of the reporting period unless revoked by the BSP.

The Bank's MLR as at December 31, 2022 and 2021, as reported to the BSP is shown in the table below:

	2022		2021	
Stock of liquidated assets	Php	160,806,464	Php	226,381,887
Qualifying liabilities		461,363,653		502,703,628
MLR		34.85%		45.03%

#### Capital Management

The primary objectives of the Bank's capital management are to comply with the capital requirements of the BSP

- to safeguard the Bank's ability to operate continuously to earn dividends and other benefits for members;
- to maintain a strong and healthy capital base to support the development of the business and maximize stockholder value.

Under existing regulations, banks are required to maintain daily, a risk based capital ratio of not less than 10%. The ratio, expressed as a percentage of qualifying capital to risk weighted assets, is determined by the risk assets of banks, on balance sheet and off balance sheet, measured and risk weighted according to defined criteria. Risk assets are defined as total assets less cash on hand, due from BSP, loans covered by holdout or assignment of deposits, loans or acceptances under letters of credit to the extent covered by marginal deposits and other non-risk items as determined by Monetary Board.

The Bank's capital adequacy and the use of regulatory capital are monitored regularly by Management employing appropriate techniques. The required information is filed with the BSP on regular basis. The BSP requires each bank or banking group to hold the minimum level of regulatory capital and maintain a ratio of total regulatory capital to the risk weighted assets at or above the agreed minimum.

The Bank's regulatory capital as monitored by management is divided into two tiers:

- Tier 1 (core) capital – share capital (net of any book value of the treasury shares), retained earnings less unsecured directors, officers, stockholders and other related interest (DOSRI) accounts and deferred income tax;
- Tier 2 (supplementary) capital – redeemable preferred stocks, general loan loss provision and deposits for common stocks subscriptions.

The details of CAR as reported to the BSP are as follows:

	2022		2021	
Tier 1 capital	Php	74,605,000	Php	74,360,111
Tier 2 capital		2,666,000		2,477,523
Total qualifying capital	Php	77,271,000	Php	76,837,635
Total risk weighted on financial position	Php	534,733,000	Php	570,492,102
Total operational risk-weighted assets		76,409,000		68,739,674
Total risk weighted assets	Php	611,142,000	Php	639,231,776
Tier 1 capital ratio		12.21%		11.63%
Tier 2 capital ratio		0.44%		0.39%
Risk based capital adequacy ratio		12.64%		12.02%

## 5. Cash and Other Cash Items

Cash and other cash items as at December 31 consist of:

	2022		2021	
Cash on hand	Php	15,808,656	Php	28,852,612
Checks and other cash items		456,270		232,491
	Php	16,264,926	Php	29,085,103

Cash on hand represents the total amount of cash in the bank's vault in the form of Philippine currency notes and coins under the custody of the cashier including those in possession of the tellers.

Checks and other cash items (COCI) represent the total amount of checks and other cash items received after the selected clearing cut-off time until the close of the regular banking hours. These may consist of checks drawn on other banks, manager's or cashier's checks and demand drafts. All COCIs are to be presented for clearance/acceptance/settlement on the immediate following banking day.

## 6. Due from BSP

Due from BSP as at December 31, 2022 and 2021 amounted to Php14.77 million and Php14.90 million, respectively.

This is a savings deposit of the Bank maintained with the BSP to meet legal reserve requirement equivalent to 3%.

## 7. Due from Other Banks

Due from other banks as at December 31, 2022 and 2021 amounted to Php130.07 million, and Php182.04 million, respectively.

Due from other banks represents deposits in various reputable local banks. These deposits earn interest based on the prevailing deposit rates of respective banks. The Bank reconciles the book and other banks' balances regularly as part of its cash monitoring and internal control measures.

Interest earned from deposits with other banks in 2022 and 2021 amounted to Php0.72 million and Php0.38 million, respectively (*see Note 19*).

## 8. Loans and Receivables

Loans and receivables as at December 31 consist of:

	2022		2021	
Loans receivables	Php	340,658,022	Php	332,083,381
Unearned Interest Discount		(3,731,362)		(2,969,344)
Allowance for expected credit losses		(39,996,448)		(39,235,163)
		296,930,212		289,878,874
Sales contract receivable		2,101,419		2,149,079
Accounts receivable		2,557,440		1,803,676
	Php	301,589,071	Php	293,831,629



Breakdown of provision for credit losses are as follows:

	2022		2021	
Specific loan loss provision	Php	37,375,950	Php	36,803,740
General loan loss provision		2,620,498		2,431,423
	<b>Php</b>	<b>39,996,448</b>	<b>Php</b>	<b>39,235,163</b>

The following table shows the movement in the allowance for credit losses:

	2022		2021	
At beginning of year	Php	39,235,163	Php	32,206,919
Provision during the year		1,456,075		2,046,493
Actual write-off during the year		(694,790)		(400,405)
Prior year adjustment (Note 18)		-		5,382,156
At end of year	<b>Php</b>	<b>39,996,448</b>	<b>Php</b>	<b>39,235,163</b>

Breakdown of interest income on loans and receivables is as follows (see Note 19):

	2022		2021	
Loans receivable	Php	67,164,869	Php	65,119,988
Sales contract receivable		152,041		45,138
	<b>Php</b>	<b>67,316,910</b>	<b>Php</b>	<b>65,165,126</b>

Current BSP regulations allow banks with no unbooked valuation reserve and capital adjustments to exclude from non-performing classification receivables classified as loss in the latest examination of the BSP, which are fully covered by allowance for credit losses interest on said receivables shall not be accrued for regulatory accounting purposes.

Non-performing loans (NPLs) not fully covered by the allowance for impairment and credit losses as at December 31 consist of:

	2022		2021	
Total NPLs	Php	51,507,536	Php	62,224,127
Less: NPLs fully covered by allowance for credit/impairment losses		(39,996,448)		(39,235,163)
	<b>Php</b>	<b>11,511,088</b>	<b>Php</b>	<b>22,988,964</b>

Under banking regulation, NPLs shall, as a general rule, refer to loan accounts whose contractual principal and/or interest is unpaid for thirty (30) days or more after the due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installment, in which case, the total outstanding balance thereof shall be considered non-performing.

In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered technical past due when three (3) or more installments are in arrears or when the total amount of arrearages reaches 20% of the total loan receivable balance.

In the case of loans payable in daily, weekly or semi-monthly installments, the total outstanding balance shall be considered technical past due in accordance with existing BSP regulation, i.e. the entire outstanding balance of the receivable shall be considered technical past due when total amount of arrearages reaches 10% of the total receivable balance.

Restructured receivables that do not meet the requirements to be treated as performing receivables are also considered NPLs. Restructured loans as of December 31, 2022 and 2021 amounted to Php3.12 million and Php2.34 million, respectively.

Outstanding loans to directors, officers, stockholders and other related interests (DOSRI) amounted to Php19.56 million and Php25.40 million as at December 31, 2022 and 2021, respectively. Interest

income on DOSRI loans amounted to Php9.41 million and Php5.46 million in 2022 and 2021, respectively (see Note 24).

Information relating to loans receivables by security as at December 31 are as follows:

	2022		2021	
	Percent	Amount	Percent	Amount
Secured				
Real estate mortgage	60.29% Php	205,383,057	53.58% Php	177,938,555
Others	10.83%	36,877,310	13.10%	43,517,880
	71.12%	242,260,367	66.69%	221,456,435
Unsecured	28.88%	98,397,655	33.31%	110,626,946
	100.00% Php	340,658,022	100.00% Php	332,083,381

Information on the concentration of loans receivable as to economic activity as at the years ended December 31 are as follows:

2022	Current		Past Due		Items in	Total	Percent to Total
	Php		Php		Litigation		
Agricultural loans	27,290,196		13,150,362		604,710	41,045,268	12.05%
SME loans	162,869,010		21,979,851		693,017	185,541,878	54.47%
Other loans	82,275,016		27,994,034		3,801,826	114,070,876	33.49%
	272,434,222		63,124,247		5,099,553	340,658,022	100.00%

2021	Current		Past Due		Items in	Total	Percent to Total
	Php		Php		Litigation		
Agricultural loans	25,452,399		11,218,139		169,637	36,840,175	11.09%
SME loans	135,617,527		22,027,843		1,361,136	159,006,506	47.88%
Other loans	97,285,783		35,389,276		3,561,641	136,236,700	41.02%
	258,355,709		68,635,258		5,092,414	332,083,381	100.00%

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

In December 2020, the Bank applied for temporary relief measures in booking its Allowance for Credit Losses (ACL) pursuant to BSP Memorandum No. M-2020-008. The Bank has submitted to BSP an intent letter indicating the total ECL for staggered booking over a period of 2 years with the approved board resolution. However, the issuance of BSP Memorandum Nos. M-2021-055 and M-2021-056 which provides the guidelines on the regulatory treatment of restructured loans for purposes of measuring Expected Credit Losses (ECL) amid the pandemic and temporary regulatory relief on the capital treatment of provisioning requirements under the PFRS, respectively, prompted the Bank to reassess its current portfolio and to conduct stress testing to see which among the available relief measures is more advantageous.

The Bank, in its letter to the BSP dated February 10, 2022, has expressed its decision to avail of the temporary regulatory relief on the capital treatment of provisioning requirements under the PFRS (M-2021-056) and withdraw its application for staggered booking of Allowance for Credit Losses.

## 9. Investment Securities

Investment securities as at December 31 consist of:

	2022		2021	
Investment in non-marketable equity securities	Php	8,514,141	Php	5,387,399
Investment in government bonds		30,000		30,000
	Php	8,544,141	Php	5,417,399

Investment in non-marketable equity securities include investments other cooperatives and cooperative banks. The Bank carries these investments at cost. All dividends are recognized as part of miscellaneous income when received. When there is a significant and apparently permanent decline in value of investment, as indicated by a series of operating losses of an investee or other factors, the carrying amount of the investment is written down to its recoverable amount.

Investments in government bonds are quoted non-derivative financial assets with fixed or determinable payments and fixed maturity, which are subsequently measured at amortized cost.

## 10. Prepayments and Other Current Assets

Prepayments and other current assets at December 31 consist of:

	2022		2021	
Accrued interest receivable	Php	53,196,451	Php	37,212,173
Prepayments		2,737,691		1,613,044
Restricted funds		4,192,109		4,277,325
Petty cash fund		39,000		39,000
Stationery and supplies		394,672		417,062
Others		321,913		6,363
	Php	60,881,836	Php	43,564,967

## 11. Bank Premises, Furniture, Fixture and Equipment, net

Bank premises, furniture, and equipment as at December 31 consist of:

2022	Land	Buidlings	Furniture and Fixture	Transportation Equipment	IT Equipment	Total
<b>COST</b>						
At beginning of the year	Php 4,626,708	Php 25,837,455	Php 8,003,750	Php 2,825,000	Php 13,552,057	Php 54,844,970
Additions	-	-	1,148,806	1,048,000	2,853,081	5,049,887
Disposals	-	-	(67,351)	(839,000)	(696,554)	(1,602,905)
At end of the year	4,626,708	25,837,455	9,085,205	3,034,000	15,708,584	58,291,952
<b>ACCUMULATED DEPRECIATION</b>						
At beginning of the year	-	17,374,553	5,343,983	1,954,283	8,334,354	33,007,173
Depreciation	-	1,103,087	950,221	239,474	1,259,172	3,551,954
Disposals	-	-	(67,351)	(839,000)	(696,554)	(1,602,905)
At end of the year	-	18,477,640	6,226,853	1,354,757	8,896,972	34,956,222
<b>CARRYING AMOUNT</b>	Php 4,626,708	Php 7,359,815	Php 2,858,352	Php 1,679,243	Php 6,811,612	Php 23,335,730

2021	Land	Buidlings	Furniture and Fixture	Transportation Equipment	IT Equipment	Total
<b>COST</b>						
At beginning of the year	Php 4,580,208	Php 25,347,749	Php 7,398,471	Php 2,453,000	Php 12,745,590	Php 52,525,018
Additions	46,500	489,706	607,739	871,000	806,467	2,821,411
Disposals	-	-	(2,460)	(499,000)	-	(501,460)
At end of the year	4,626,708	25,837,455	8,003,750	2,825,000	13,552,057	54,844,969
<b>ACCUMULATED DEPRECIATION</b>						
At beginning of the year	-	16,319,726	4,479,465	2,093,491	7,218,771	30,111,453
Depreciation	-	1,054,827	866,976	359,792	1,144,749	3,426,344
Disposals	-	-	(2,458)	(499,000)	(29,167)	(530,625)
At end of the year	-	17,374,553	5,343,983	1,954,283	8,334,354	33,007,172
<b>CARRYING AMOUNT</b>	Php 4,626,708	Php 8,462,901	Php 2,659,767	Php 870,717	Php 5,217,703	Php 21,837,797

The Bank premises, furniture, fixture and office equipment are properties that the Bank holds title to and are free from any lien or encumbrances.

Depreciation expenses are charged to operating expenses (see Note 22). In 2022 and 2021, management has assessed that there are no indications of impairment of Bank premises, furniture, fixture and equipment.

## 12. Non-Current Assets Held for Sale

Non-current assets held for sale as at December 31 consist of:

	2022		2021	
<b>COST</b>				
At beginning of year	Php	15,017,357	Php	16,565,971
Additions		2,167,487		3,284,597
Disposals		(4,067,857)		(4,833,211)
At end of year		13,116,987		15,017,357
<b>ACCUMULATED DEPRECIATION</b>				
At beginning of year		1,065,436		1,344,543
Depreciation		-		121,298
Disposals		(255,507)		(400,405)
At end of year		809,929		1,065,436
<b>CARRYING VALUE</b>	<b>Php</b>	<b>12,307,058</b>	<b>Php</b>	<b>13,951,921</b>

This account refers to real and other properties acquired (ROPA) that are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. ROPA refers to real and other properties, other than those used for banking purposes or held for investment, acquired by the Bank in settlement of loans through foreclosure or dation in payment and/or for other reasons.

Gain on disposal of certain ROPA in 2022 and 2021 amounted to Php0.83 million and Php2.45 million, respectively (see Note 20).

Total appraised value of ROPA amounted to Php24.77 million and Php24.28 million in 2022 and 2021.

## 13. Other non-current assets

Other non-current assets include sinking fund set aside by the Bank for retirement plan of its employees.

As at December 31, 2022 and 2021, other non-current assets amounted to Php 11.20 million and Php8.39 million, respectively (see Note 23).

## 14. Deposit Liabilities

Deposit liabilities as at December 31 consist of:

	2022		2021	
Savings deposits	Php	147,458,567	Php	142,113,026
Time deposits		324,777,997		375,776,348
	<b>Php</b>	<b>472,236,564</b>	<b>Php</b>	<b>517,889,374</b>

Interest expense incurred on deposit liabilities are as follows (see Note 21):

	2022		2021	
Savings deposits	Php	1,939,702	Php	2,176,239
Time deposits		10,522,849		10,207,908
	<b>Php</b>	<b>12,462,551</b>	<b>Php</b>	<b>12,384,147</b>

Interest rates for savings and time deposits range from 1% to 4% per annum.

## 15. Bills Payable

Bills payable represents loan with Land Bank of the Philippines (LBP), which carries interests from 6% to 7.25% per annum payable within 1 year to 10 years, and with Agricultural Credit Policy Council (ACPC), which do not carry any interest and is payable within 10 years from the end of the reporting period.

Movements in bills payable as at December 31 are as follows:

	2022		2021	
Beginning	Php	5,366,086	Php	4,788,520
Availments		30,248,634		7,705,619
Payments		(25,295,466)		(7,128,053)
	Php	10,319,254	Php	5,366,086

Interest expense paid related to bills payable amounted to Php 0.42 million and Php0.32 million in 2022 and 2021, respectively (see Note 21).

## 16. Accounts Payable and Other liabilities

Accrued interest, expense, and other payables as at December 31 consist of:

	2022		2021	
Accrued interest expense	Php	4,176,603	Php	4,471,624
Accounts payable		2,365,976		1,791,964
Due to CETF APEX		470,331		230,103
Withholding taxes payable		286,832		249,895
Redeemable preferred shares		46,100		46,100
SSS, Pag-ibig, PhilHealth payable		226,710		163,471
Documentary stamp tax payable		287,127		197,281
Due to Nationlink and Cebuana		659,008		659,008
Other accrued expenses		1,810,543		1,211,882
	Php	10,329,230	Php	9,021,328

Accrued interest expense relates to interest payable for deposit liabilities and bills payable.

Other accrued expenses are non-interest bearing and are expected to be settled within 12 months from the end of the reporting period.

## 17. Deposit for Future Stocks Subscription (DFSS)

As at December 31, 2022 and 2021, the Bank's DFSS amounted to Php13.38 million and Php10.70 million, respectively. The Bank classified this under Deposit for Future Stocks Subscriptions as equity instrument eligible for capital relative to the provisions of BSP Circular 1027, section X128, which states that DFSS shall be classified as equity instrument if all of the following criteria are met:

- The DFSS meets the definition of an equity instrument under PAS 32, *Financial instruments: Presentation*, such that the DFSS shall not interest-bearing nor withdrawable by the subscriber;
- The bank's existing authorized capital is already fully subscribed;
- The bank's stockholders and board of directors have approved the proposed increase in authorized capital;

- d. The bank has filed an application for the amendment of its articles of cooperation for the increase in authorized capital with the appropriate department, duly supported by complete documents as listed in Annex B of Circular Letter No. 2009-042 dated 14 May 2009.
- e. The bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Item "b" of Subsection. X126.2, if applicable.

On September 18, 2019, the Bank has proposed amendments to its articles of cooperation (AOC) for the increase in its authorized common shares from 20,000 to 56,000. The application for the amendment of AOC was forwarded to BSP for favorable endorsement to CDA.

On December 5, 2019, BSP returned the Bank's application together with the supporting documents and considered the application as "closed" due to the Bank's failure to comply with the requirements under Annex C of Circular Letter No. 2009-042 dated May 14, 2009 and deficiencies/inconsistencies with the requirements originally provided. On March 2, 2020, the Bank re-applied to BSP, however, this was subsequently returned for requirement deficiencies.

On November 21, 2020, subject to approval of BSP, at least three-fourths of the number of voting shares of all members with voting rights of the Bank approved the amendment of the Bank's by-laws to include, among others, the following increase in authorized capital stock:

	Common shares	Preferred shares	Total authorized capital
Current structure	20,000	20,000	40,000
Proposed amendment in authorized capital stock	150,000	50,000	200,000

All shares have a minimum par value of Php1,000.

In March 2022, the Bank re-submitted its application for the increase in authorized capital stock along with the amended by-laws to the BSP but were later on returned due to the latter's proposed amendments to the Bank's By-Laws (BL), particularly Article VIII, Sections 3 and 4, on the constitution of the Mediation and Conciliation Committee and the Ethics Committee in relation to Art. 43 of Republic Act No. 9520 (The Cooperative Code of 2008).

The BSP on its letter to the Bank dated January 26, 2023 further clarified the matter on the constitution of committees in the Bank referencing to its recently issued Memorandum on the Proposed Templates of Articles of Cooperation (AOC) and BL of Cooperative Banks (No. M-2023-001). The Bank intends to re-apply by 2023 and is now preparing all the requirements in accordance with the aforementioned memorandum.

## 18. Share Capital

The Bank's share capital consists of:

	2022		2021	
	Shares	Amount	Shares	Amount
Authorized common stock - Php1,000 par value	20,000	Php 20,000,000	20,000	Php 20,000,000
Authorized preferred stock - Php1,000 par value	20,000	20,000,000	20,000	20,000,000
	<b>40,000</b>	<b>Php 40,000,000</b>	<b>40,000</b>	<b>Php 40,000,000</b>

Movement in share capital for the years ended December 31, 2022 and 2021 are as follows:

	2022		2021	
	Shares	Amount	Shares	Amount
Issued and outstanding - common shares	20,000	Php 20,000,000	20,000	Php 20,000,000
Issued and outstanding - preferred shares				
At beginning of year	12,488	12,488,000	12,421	12,421,000
Issued during the year	31	31,000	67	67,000
At end of year	12,519	12,519,000	12,488	12,488,000
Total share capital	<b>32,519</b>	<b>Php 32,519,000</b>	<b>12,555</b>	<b>Php 32,488,000</b>

As at December 31, 2022 and 2021, the Bank has 51 and 48 stockholders owning 100 or more common shares each, respectively.

### Distribution of Net Surplus

	2022	2021
Surplus Reserves		
Mortuary fund	Php -	Php -
Contingency fund	-	-
Provision for retirement of redeemable preferred shares	-	-
Statutory Fund		
General Reserve Fund	717,257	510,010
Cooperative Education & Training Fund	119,543	85,002
Due to APEX*	119,543	85,002
Optional Fund	167,359	119,002
Community Development Fund	71,726	51,001
	<b>1,195,427</b>	<b>850,017</b>
Total surplus reserves	<b>1,195,427</b>	<b>850,017</b>
Surplus Free	<b>1,195,427</b>	<b>850,017</b>
	<b>Php 2,390,854</b>	<b>Php 1,700,034</b>

\* Recognized under 'accounts payable and other liabilities'

Statutory reserves are being provided for in accordance with Article 86 of RA No. 9520; allocation of the net surplus are as follows:

	RA No. 9520	Actual Allocation	
		2022	2021
General reserve fund	At least 10% of net surplus	30%	30%
Cooperative educational and training fund	Not more than 10% of net surplus	5%	5%
Optional fund	Not more than 7% of net surplus	7%	7%
Community development fund	At least 3% of net surplus	3%	3%
Dividends and patronage refund	Excess	Excess	Excess



### *Breakdown of surplus free*

In accordance with SEC Memorandum Circular No. 11 issued in November 2008, the Bank's surplus free available for dividend declaration as at December 31 is as follows:

	2022		2021	
At beginning of year	Php	16,117,319	Php	22,901,041
Add (deduct) the following:				
Prior year adjustments		(1,176,889)		(8,027,909)
Appropriation to statutory funds		-		(455,847)
Net income for the year		2,303,212		1,700,034
At end of year	Php	17,243,643	Php	16,117,319

Prior year adjustments pertain to unrecognized profit or loss in prior year recorded only during the current year. Included in prior year adjustments are adjustments for the reversal of allowance for expected credit losses pertaining to past due loans in prior years which were subsequently collected or reclassified to current (*see Note 8*).

### **19. Interest Income**

Interest income for the years ended December 31 consists of:

	2022		2021	
Interest on loans receivable	Php	67,164,869	Php	65,119,987
Interest on deposits with banks		717,371		379,102
Interest on investment securities		171,466		77,813
Interest on sales contract receivable		152,041		45,138
	Php	68,205,747	Php	65,622,040

### **20. Non-Interest Income**

Non-interest income for the years ended December 31 consists of:

	2022		2021	
Lease income	Php	171,891	Php	767,980
Service income and commission		757,869		438,252
Gain (loss) on sale of NCAHS		829,581		2,447,379
Fees and other miscellaneous income		3,671,024		3,205,007
	Php	5,430,365	Php	6,858,618

Lease income pertains to income generated from renting out one of its acquired assets and building.

Gain (loss) on sales of NCAHS refers to income generated by the bank through sale of its acquired assets.

Fees and other miscellaneous income include service fees and bank charges.

### **21. Interest Expense**

Interest expense for the years ended December 31 consist of:

	2022		2021	
Interest expense on deposit liabilities	Php	12,462,551	Php	12,384,147
Interest expense on bills payable		419,080		315,998
	Php	12,881,631	Php	12,700,145

## 22. Operating Expenses

Total operating expenses for the years ended December 31:

	2022		2021	
Compensation and employees' benefit expense	Php	18,844,509	Php	18,772,538
Taxes and licenses		3,801,244		3,639,451
Other operating expenses		35,087,250		34,872,687
	Php	57,733,003	Php	57,284,676

Compensation and employees' benefit expense for the years ended December 31 consist of:

	2022		2021	
Salaries and wages	Php	11,747,665	Php	11,001,565
Fringe benefits		3,105,233		3,581,253
Staff benefits		2,686,701		2,824,415
Retirement benefits		1,304,910		1,365,305
	Php	18,844,509	Php	18,772,538

Other operating expenses for the years ended December 31 consist of:

	2022		2021	
Depreciation /amortization	Php	3,551,954	Php	3,518,476
Training expenses		2,812,382		1,998,705
Traveling expenses		2,439,325		1,551,710
Security, messengerial and janitorial services		2,375,488		2,307,374
Documentary stamps used		2,200,039		2,025,211
Director's fee		1,916,599		1,828,111
General assembly expenses		1,479,058		602,267
Provision for credit losses on loans and receivables		1,456,075		2,046,493
Power, light, and water		1,384,412		1,050,964
Insurance PDIC		985,411		881,236
Postage, telephone, cables and telegrams		860,559		627,085
Advertising and publicity		779,115		1,481,963
Insurance expense		758,706		600,094
Representation and entertainment		621,000		565,500
Fuel and lubricants		546,268		361,061
Stationeries and supplies used		543,396		504,914
Litigation/asset acquired expenses		516,096		264,067
Repairs and maintenance		295,750		326,070
Management and other professional fees		270,541		252,888
Information and technology		169,198		213,997
Rent		102,329		79,288
Banking fees		63,016		92,856
Bank charge		18,415		72,216
Donations and charitable contributions		9,300		18,200
Other expenses		8,932,818		11,601,941
	Php	35,087,250	Php	34,872,687

### 23. Retirement Benefits

The Bank has a funded, non-contributory benefit retirement plan covering all of its officers and regular employees. The date of the latest actuarial valuation report is January 14, 2021.

The movement in the pension liabilities are as follows:

	2022		2021	
At beginning of year	Php	9,910,696	Php	7,011,190
Effects of changes in actuarial assumptions		-		3,744,481
At beginning of year - restated		9,910,696		10,755,671
Current service cost		1,367,424		1,367,424
Interest expense		49,553		35,056
Benefits paid		-		(2,247,455)
At end of year	Php	11,327,673	Php	9,910,696

The Bank's restricted fund set aside for retirement plan of its employees included in prepayments and other current assets consists of short-term money market placement (*see Note 10*).

The movements in the Bank's restricted fund for retirement are as follows:

	2022		2021	
At beginning of year	Php	8,387,787	Php	10,598,067
Interest income		112,067		37,175
Contributions made		2,700,000		-
Benefits paid		-		(2,247,455)
At end of year	Php	11,199,854	Php	8,387,787

The Bank's retirement obligations are not offset against the restricted fund for retirement plan. The principal assumptions used to determine retirement benefits are as follows:

	2022	2021
Discount rate	0.5%	0.5%
Interest rate	0.5%	0.5%
Salary increase rate	2%	2%

## 24. Related Party Transactions

In the ordinary course of business, the Bank enters in to loan and other transactions with certain DOSRI. Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and business of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

The significant transactions of the Bank with its related parties are as follows:

### *DOSRI accounts*

Transactions		Transaction Amounts	Outstanding Balance	Terms	Condition
Loans and receivables	2022	Php (5,847,889)	Php 19,555,444	Interest bearing	Secured/ Unsecured
	2021	228,902	25,403,333		
Interest income	2022	9,406,415			
	2021	5,457,238			
Deposit liabilities	2022	(1,429,717)	70,719,325	Interest bearing	Secured
	2021	6,971,078	72,149,042		
Interest expense	2022	1,547,775			
	2021	1,957,364			
	2022	Php 3,676,584	Php 90,274,769		
	2021	Php 14,614,582	Php 97,552,375		

### *Key Management Compensation*

The compensation of key management personnel (persons having authority and responsibility for planning, directing, and controlling the operational activities of the Bank, directly or indirectly):

	2022	2021
Short-term employee benefits	Php 7,956,904	Php 7,634,948

Members of the BOD are entitled to a per diem for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2022 and 2021, total per diem given to the BOD amounted to Php1.92 million and Php1.83 million, respectively, recorded in 'Director's Fee' in the statement of comprehensive income. Directors' remuneration covers all Board activities.

## 25. Income Tax

### (a) Regular Income Tax

	2022		2021	
Income before income tax	Php	3,021,478	Php	2,495,837
Add (deduct):				
Permanent differences				
Income already subjected to final tax		(888,837)		(456,915)
Interest arbitrage		222,209		114,229
Income from members		(593,641)		(616,025)
Reversal of provision for ECL		(694,790)		(400,405)
Temporary differences				
Provision for ECL		1,456,075		2,046,493
Net taxable income		2,522,494		3,183,214
Income tax rate		25%		25%
Regular income tax	Php	630,624	Php	795,803

The reconciliation of the statutory income tax rate to the Bank's effective income tax rate are as follows:

	2022		2021	
Income before income tax		25.00		25.00
Add (deduct):				
Permanent differences				
Income already subjected to final tax		(7.35)		(4.58)
Interest arbitrage		1.84		1.14
Other non-deductible expense		-		-
Income from members		(4.91)		(6.17)
Reversal of provision for ECL		(5.75)		(4.01)
Impairment loss on NCAHS		-		-
Temporary differences				
Provision for ECL		12.05		20.50
Regular income tax		20.87		31.88

### (b) Minimum Corporate Income Tax

	2022		2021	
Gross income	Php	68,205,747	Php	65,622,040
Less: Income already subjected to final tax		(888,837)		(456,915)
		67,316,910		65,165,125
Cost of service:				
Interest expense		12,881,631		12,700,145
Salaries and wages		20,761,108		20,600,649
Banking, supervision fees, and insurance		3,248,466		2,999,303
		36,891,205		36,300,097
Gross income for MCIT purpose		30,425,705		28,865,028
Income tax rate		1%		1%
Minimum corporate income tax	Php	304,257	Php	288,650

### (c) Income Tax Payable (Prepaid Income Tax)

	2022		2021	
Income tax due	Php	630,624	Php	795,803
Less: Prior year excess credits		17,156		104,160
Income tax credits and payments during the year		940,349		708,799
	Php	(326,881)	Php	(17,156)

(d) Deferred Tax Assets

Deferred tax assets recognized in the statement of financial position for the years 2022 and 2021 consist of:

	Amount	
MCIT	Php	52,716
Excess of contribution over retirement expense		1,165,937
OCI		(437,610)
	Php	781,043

MCIT from 2020 amounting to Php52,716 was recomputed in line with the effectivity of the new tax rates per CREATE Law and remains unapplied against 2022 tax due.

**26. Leases**

*Bank as a Lessee*

The Bank has non-cancellable lease contracts for various stalls spaces used as branchlites, with terms of 1 year to 3 years. These include extension and termination options. A security deposit is required for the faithful compliance of all terms and conditions. These security deposits should be refunded upon termination of the lease. The management assessed that the existing lease contracts are not within the scope of PFRS 16 as there are no identifiable assets.

The approximate annual future minimum rent payable of the Bank under its existing non-cancellable lease agreements as a lessee as at December 31, 2021 amounts to Php99,348.

The Bank has entered into operating leases on its investment property portfolio consisting of certain office buildings. These leases have terms of between 5 and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Lease income recognized by the Bank amounted to Php171,891 and Php767,980 for the years ended December 31, 2022 and 2021, respectively.

**27. Supplementary Information Required under Revenue Regulations No. 15-2010**

In compliance with the requirements set forth under Revenue Regulations (RR) No. 15-2010 hereunder as the information of taxes and license fees paid or accrued as at and for the year ended December 31, 2022:

(a) Withholding taxes

	Amount	
Final tax	Php	2,357,049
Withholding tax on compensation		337,647
Expanded withholding tax		317,317
	Php	3,012,013

(b) Taxes and licenses

	Amount	
Percentage tax	Php	3,368,258
Municipal licenses and permits		360,417
Real property tax		45,904
Vehicle registrations and permits		8,642
Others		18,023
	Php	3,801,244

(c) Tax cases and assessments

As at December 31, 2022, the Bank has no outstanding tax cases and assessments.

**28. Report on the Supplementary Information Required Under BSP Circular No. 1074**

On February 7, 2021, the BSP issued Circular No. 1074 which amends certain provisions of Section 174 of the Manual of Regulations for Banks relating to the audited financial statements. It also required banks to disclose the following supplementary information in the financial statements:

(a) Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2022		2021	
Return on average equity (a/b)		3.89%		2.56%
a) Net income	Php	2,390,854	Php	1,700,034
b) Average total equity		61,528,600		66,378,970
Return on average assets (c/d)		0.40%		0.30%
c) Net income	Php	2,390,854	Php	1,700,034
d) Average total assets		596,769,203		572,717,441
Net interest margin on average earning assets (e/f)		0.48%		0.35%
e) Net income	Php	2,390,854	Php	1,700,034
f) Average interest earning assets		498,254,685		491,211,401

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2).

(b) Description of Capital Instruments Issued

As at December 31, 2022 and 2021, the Bank has only two classes of capital stock, which are common shares and preferred shares.

(c) Significant Credit Exposures as to Industry Sector

An industry sector analysis of the Bank's receivables from customers before taking into account the unearned and other deferred income and allowance for credit losses as reported to BSP is shown below:

	2022		2021	
	Percent	Amount	Percent	Amount
Farmers	11.53% Php	39,292,339	12.06% Php	40,056,452
Commercial traders	19.84%	67,595,320	17.18%	57,057,319
Auto dealers	7.45%	25,371,118	5.02%	16,673,006
Realtors	2.73%	9,301,025	6.54%	21,727,697
Financial traders	34.13%	116,250,342	13.51%	44,868,246
Individuals	22.80%	77,657,463	32.28%	107,191,072
Others	1.52%	5,190,415	13.40%	44,509,589
	<b>Php</b>	<b>340,658,022</b>	<b>Php</b>	<b>332,083,381</b>

(d) Breakdown of Total Loans as to Security

The information (gross of unearned and other deferred income and allowance for expected credit losses) relating to receivables from customers as to secured and unsecured and as to types of collateral as reported to BSP, as follows:

	2022		2021	
	Percent	Amount	Percent	Amount
Secured				
Real estate mortgage	60.29% Php	205,383,057	53.58% Php	177,938,555
Others	10.83%	36,877,310	13.10%	43,517,880
	<b>71.12%</b>	<b>242,260,367</b>	<b>66.69%</b>	<b>221,456,435</b>
Unsecured	<b>28.88%</b>	<b>98,397,655</b>	<b>33.31%</b>	<b>110,626,946</b>
	<b>100.00% Php</b>	<b>340,658,022</b>	<b>100.00% Php</b>	<b>332,083,381</b>

(e) Breakdown of Total Loans as to Status

Non-performing loans (NPLs) of the Bank as at December 31, 2022 and 2021 are presented as follows:

	2022		2021	
Loans receivable	Php	67,164,869	Php	65,119,988
Sales contract receivable		152,041		45,138
	<b>Php</b>	<b>67,316,910</b>	<b>Php</b>	<b>65,165,126</b>

Loans receivables are considered NPL, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs 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 six (6) months; or (b) written-off.



(f) Related Party Loans

As at December 31, 2022 and 2021, the Bank's related party loans solely consists of DOSRI loans, as shown below:

	<b>2022</b>	<b>2021</b>
Total outstanding loans	<b>Php 340,658,022</b>	Php 332,083,381
Total DOSRI loans	<b>19,555,444</b>	25,403,333
Unsecured DOSRI loans	<b>15,492,269</b>	17,642,931
Past due DOSRI loans		
Performing	<b>3,958,061</b>	4,028
Non-performing	<b>5,887,599</b>	5,509,960
% of DOSRI loans to total loan portfolio	<b>5.74%</b>	7.65%
% of past due DOSRI loans to total DOSRI loans	<b>50.35%</b>	21.71%
% of non-accruing DOSRI accounts to total DOSRI loans	<b>30.11%</b>	21.69%

(g) Secured Liability and Asset Pledged

As at December 31, 2022 and 2021, bills payable amounted to Php10.32 million and Php5.37 million, respectively. There are no financial assets pledged as security against these bills payable as at December 31, 2022 and 2021.

(h) Commitments and Contingencies

As at December 31, 2022 and 2021, the Bank has no commitments and contingencies arising from off-balance sheet items.

\* \* \* \*

COOPERATIVE BANK OF BOHOL  
 COMPARISON OF SUBMITTED BALANCE SHEET AND INCOME STATEMENT  
 AND AUDITED FINANCIAL STATEMENTS  
 AS AT DECEMBER 31, 2022  
 (in Thousand Pesos)

	Submitted Report		Audited Report		Variance/ Discrepancy	Reasons for discrepancy
Cash and other cash items	Php	16,265	Php	16,265	PHP	(0)
Due from BSP		14,770		14,770		0
Due from other banks		130,198		130,067		(131) 1/
Loans receivable, net		298,906		301,589		2,683 2/
Investment securities		8,214		8,544		330 3/
Prepayments and other current assets		53,196		60,882		7,685 4/
Bank premises, furniture, fixtures and equipment, net		23,327		23,336		-
Right-of-use assets		-		-		-
Non-current assets held for sale		12,307		12,307		0
Deferred tax assets		781		781		0
Other non-current assets		21,346		11,200		(10,146) 5/
<b>Total Assets</b>	Php	<b>579,310</b>	Php	<b>579,741</b>	Php	<b>421</b>
Deposit liabilities	Php	472,237	Php	472,237	PHP	0
Bills payable		10,319		10,319		(0)
Accounts payable and other liabilities		10,050		10,329		279 6/
Income tax payable		-		-		-
Deposits for future stocks subscription		-		13,379		13,379 7/
Redeemable preferred shares		46		-		(46) 8/
Pension liabilities		10,218		11,328		1,110 9/
<b>Total Liabilities</b>		<b>502,870</b>		<b>517,592</b>		<b>14,722</b>
Share capital		45,898		32,519		(13,379) 10/
Additional paid-in capital stock		71		71		0
Stock dividend distributable		218		218		(0)
Donated capital		-		469		469 11/
Remeasurement loss on retirement plan		(9,295)		(9,295)		0
Surplus fund		39,548		38,166		(1,382) 12/
<b>Total Stockholders' Equity</b>		<b>76,441</b>		<b>62,149</b>		<b>(14,292)</b>
<b>Total Liabilities and Stockholders' Equity</b>	Php	<b>579,310</b>	Php	<b>579,741</b>	Php	<b>430</b>
Total Income	Php	73,368	Php	73,636	Php	268 13/
Total Expenses		(69,323)		(70,615)		(1,292) 14/
<b>Net Income Before Income Tax</b>	Php	<b>4,045</b>	Php	<b>3,021</b>	Php	<b>(1,023)</b>

COOPERATIVE BANK OF BOHOL  
 COMPARISON OF SUBMITTED BALANCE SHEET AND INCOME STATEMENT  
 AND AUDITED FINANCIAL STATEMENTS  
 AS AT DECEMBER 31, 2022  
 (in Thousand Pesos)

Reasons for discrepancy	Total Amount
1/ Due from other banks	
To record book reconciling items	(131)
	(131)
2/ Loans receivable	
To record book reconciling items	126
To reclassify from other non current assets	2,557
	2,683
3/ Investment securities	
To reclassify from other non current assets	330
	330
4/ Prepayment and other current assets	
To account for 2022 tax expense	314
To reclassify from other non current assets	7,371
	7,685
5/ Other non-current assets	
To reclassify to loans receivable	(2,557)
To record income from retirement fund	112
To reclassify to investment securities	(330)
To reclassify to prepayments and other current assets	(7,371)
	(10,146)
6/ Accounts payable and other liabilities	
To record book reconciling items	1
To correct recording of income tax	(70)
To reclassify from pension liability	302
To reclassify redeemable preferred shares under other liabilities	46
	279
7/ Deposits for future stocks subscription	
To reclassify DFSS recognized as part of equity	13,379
	13,379
8/ Redeemable preferred shares	
To reclassify redeemable preferred shares under other liabilities	(46)
	(46)
9/ Pension liabilities	
To reclassify pension liability previously lodged as part of other current liabilities.	(302)
To record adjustment for Defined Benefit Obligation.	1,412
	1,110
10/ Share capital	
To adjust DFSS and stock dividends recorded in share capital	(13,379)
	(13,379)

**COOPERATIVE BANK OF BOHOL**  
**COMPARISON OF SUBMITTED BALANCE SHEET AND INCOME STATEMENT**  
**AND AUDITED FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2022**  
 (in Thousand Pesos)

11/ Donated capital		
To reclassify donated capital lodged in surplus fund	469	469
	<hr/>	
12/ Surplus fund		
To account for prior period adjustments	1,177	
Income for the current year	(2,391)	
To properly account for gain on sale of NCAHS	(273)	
To record adjustments in income statement accounts	105	
	<hr/>	(1,382)
13/ Total Income		
To record book reconciling items	(5)	
To properly account for gain on sale of NCAHS	273	
	<hr/>	268
14/ Total Expenses		
To record retirement expense and adjustment in the DBO and PA	(1,300)	
To record book reconciling items	8	
	<hr/>	(1,292)

**STATEMENT OF REPRESENTATION**

TO THE COOPERATIVE DEVELOPMENT AUTHORITY:

In connection with our examination of the financial statements of COOPERATIVE BANK OF BOHOL (the "Cooperative") covering the year ended December 31, 2022 that are herewith submitted to the Cooperative Development Authority (CDA), we hereby represent the following:

1. That said financial statements herewith attached are prepared and presented in conformity with financial reporting standards applicable to cooperatives in the Philippines;
2. That in the conduct of our audit, we adhered to the Philippine Standards on Auditing (PSA) and the Standard Audit Systems for Cooperatives (SASC);
3. That we are qualified as a provider for in Section 8 of the Code of Professional Ethics for Certified Public Accountants.
4. That we are fully aware of our responsibility as independent auditors for the audit report issued and attached to the financial statements and the sanctions to be bestowed on us for our misrepresentations that we may have willingly or unwillingly committed;
5. That we nor any member of our immediate families do not have any direct or indirect financial interest with the Cooperative;
6. That no one from our firm is an employee nor officer of a secondary cooperative or tertiary cooperative of which this Cooperative is a member;
7. That no one from our firm is an employee of the CDA nor has engaged an employee of the CDA in the course of audit;
8. That we make representation in a capacity as an auditing firm;
9. That we are members of PICPA Cebu Chapter.

It is however, understood that our accountability is based on matter within the normal coverage of an audit conducted in accordance with PSA and the SASC.

**MINERVA & COMPANY, CPAs**

PRC/BOA Reg. Cert. No. 4870 – Valid until 01.31.2026

SEC Accred. No. 396-F – Valid until 10.13.2023

BSP Accred. No. 4870 – BSP – Valid until 01.21.2025

NEA Accred. No. 2019-07-00062 – Valid until 07.21.2025

CDA Accred. No. 0068-AF – Valid until 01.04.2024

**ELMER P. MINERVA**

CPA Board Cert. No. 82086

T.I.N. 130-291-145

PTR No. 3600013 dated 01.27.2023

SEC Accred. No. 1816-A – Valid until 10.13.2023

BSP Accred. No. 82086-BSP – Valid until 01.21.2025

BIR Accred. No. 13-021018-002-2020 – Valid until 11.07.2023

March 20, 2023

Cebu City, Philippines

**COOPERATIVE BANK OF BOHOL [ 05-040385 ]**  
As of: December 31, 2022

**PART I. CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO** (in absolute amounts)

Item	Nature of Item	Account Code	Amount	
<b>A.</b>	<b>Calculation of Qualifying Capital</b>			
A.1	Net Tier 1 Capital	395000000000710000		74,605,389.16
A.2	Net Tier 2 Capital	395000000000720000		2,666,598.31
A.3	Total Qualifying Capital [Sum of A.1 and A.2]	395000000000700000		77,271,987.47
<b>B.</b>	<b>Calculation of Risk-Weighted Assets</b>			
B.1	Total Credit Risk-Weighted Assets [B.1(d) minus B.1(h)]	195931000000000000		534,733,100.04
(a)	Risk-Weighted On-Balance Sheet Assets	100000000000811000	534,733,100.04	
(b)	Risk-Weighted Off-Balance Sheet Assets	400000000000812000	0.00	
(c)	Counterparty Risk-Weighted Assets	110100000000813000		
(d)	Total Credit Risk Weighted Assets [Sum of B.1(a), B.1(b) and B.1(c)]	100000000000810000	534,733,100.04	
(e)	Deductions from Total Credit Risk-Weighted Assets			
(f)	General Loan Loss Provision (in excess of the amount permitted to be included in upper Tier 2 capital) [Part III.1, Item G.(1)(b) minus Part II, Item B.1 (7)]	175150500000000000	0.00	
(g)	Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	365052000000711000	0.00	
(h)	Total Deductions [Sum of B.1(f) and B.1(g)]	165000000000810000	0.00	
B.2	Total Operational Risk-Weighted Assets	195000000000830000		76,409,475.26
B.3	Total Market Risk-Weighted Assets	100000000000820000		
B.4	Total Risk-Weighted Assets [Sum of B.1, B.2 and B.3]	100000000000800000		611,142,575.30
<b>C.</b>	<b>RISK-BASED CAPITAL ADEQUACY RATIO [A.3 divided by B.4 multiply by 100]</b>	990000000000000000		12.64

**PART II. QUALIFYING CAPITAL** (in absolute amounts)

Item	Nature of Item	Account Code	Amount
<b>A.</b>	<b>Tier 1 (Core plus Hybrid) Capital</b>		
A.1	<b>Core Tier 1 Capital</b>		
(1)	Paid up common stock	305050000000000000	33,379,000.00
(2)	Deposit for common stock subscription	305250500000000000	
(3)	Paid-up perpetual and non-cumulative preferred stock	305100000000000000	12,519,000.00
(4)	Deposit for perpetual and non-cumulative preferred stock subscription	305251000000000000	
(5)	Additional paid-in capital	305200000000000000	71,138.88
(6)	Retained earnings	315000000000000000	36,518,247.15
(7)	Undivided profits	315150000000000000	3,030,048.44
(8)	Net gains on fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities	320101000500000000	
(9)	Cumulative foreign currency translation	320150000000000000	
(10)	Minority interest in subsidiary financial allied undertakings (i.e., RBs and venture capital corporations (VCCs) for TBs, and RBs for Coop Banks) which are less than wholly-owned (for consolidated basis) <sup>1/</sup>	325150000000000000	
(11)	Sub-total [Sum of A.1 (1) to A.1 (10)]	300000000000711000	85,517,434.47
A.2	<b>Deductions from Core Tier 1 Capital</b>		
(1)	Common stock treasury shares (for consolidated basis)	3650505000000711000	
(2)	Perpetual and non-cumulative preferred stock treasury shares (for consolidated basis)	365051000000711000	
(3)	Net unrealized losses on available for sale equity securities purchased	365051500000711000	
(4)	Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board	365052000000711000	
(5)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses	365052500000711000	10,912,045.31
(6)	Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	365053000000711000	
(7)	Deferred tax asset, net of deferred tax liability <sup>2/</sup>	365053500000711000	
(8)	Goodwill, net of allowance for losses <sup>3/</sup>	365054000000711000	
(9)	Total Deductions [Sum of A.2 (1) to A.2 (8)]	365050000000711000	10,912,045.31
A.3	<b>Total Core Tier 1 Capital [A.1 (11) minus A.2 (9)]</b>	395000000000711000	74,605,389.16
A.4	<b>Hybrid Tier 1 Capital</b>		
(1)	Perpetual preferred stock	310030500000000000	
(2)	Perpetual unsecured subordinated debt	310031000000000000	
(3)	Total Hybrid Tier 1 Capital [Sum of A.4 (1) and A.4 (2)]	300000000000712000	0.00
(4)	Eligible Hybrid Tier 1 Capital [limited to 17.65% of Total Core Tier 1 Capital (Item A.3)]	396000000000712000	0.00
A.5	<b>Total Tier 1 Capital</b> <b>[Sum of A.3 and A.4 (4)]</b>	300000000000710000	74,605,389.16

COOPERATIVE BANK OF BOHOL [ 05-040385 ]  
As of: December 31, 2022

Item	Nature of Item	Account Code	Amount
<b>B.</b>	<b>Tier 2 (Supplementary) Capital</b>		
<b>B.1</b>	<b>Upper Tier 2 Capital</b>		
(1)	Paid-up perpetual and cumulative preferred stock	305150000000000000	
(2)	Deposit for perpetual and cumulative preferred stock subscription	305251500000000000	
(3)	Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption	220250500000000000	46,100.00
(4)	Deposit for limited life redeemable preferred stock subscription with the replacement requirement upon redemption	305252000000000000	
(5)	Appraisal increment reserve – bank premises, as authorized by the Monetary Board	325050000000000000	
(6)	Net unrealized gains on available for sale equity securities purchased (subject to a 55% discount)	320052000500000000	
(7)	General loan loss provision [limited to 1.00% of total credit risk-weighted assets computed per Part I, Item B.1(d)]	175151000000000000	2,620,498.31
(8)	Unsecured subordinated debt with a minimum original maturity of at least 10 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)	295202001000000000	
(9)	Hybrid Tier 1 Capital (in excess of the max allowable 15% limit of total Tier 1 capital) [A.4 (3) minus A.4 (4)]	310031500000000000	0.00
(10)	Sub-total [Sum of B.1 (1) to B.1 (9)]	300000000000721000	2,666,598.31
<b>B.2</b>	<b>Deductions from Upper Tier 2</b>		
(1)	Perpetual and cumulative preferred stock treasury shares (for consolidated basis)	365100500000721000	
(2)	Limited life redeemable preferred stock treasury shares with the replacement requirement upon redemption (for consolidated basis)	365101000000721000	
(3)	Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption	365101500000721000	
(4)	Net losses in fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities	365102000000721000	
(5)	Total Deductions [Sum of B.2 (1) to B.2 (4)]	365100000000721000	0.00
<b>B.3</b>	<b>Total Upper Tier 2 Capital [B.1 (10) minus B.2 (5)]</b>	395000000000721000	2,666,598.31
<b>B.4</b>	<b>Lower Tier 2 Capital</b>		
(1)	Paid-up limited life redeemable preferred stock without the replacement requirement upon redemption (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)	220251000000000000	
(2)	Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption	305252500000000000	
(3)	Unsecured subordinated debt with a minimum original maturity of at least 5 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)	295202002000000000	
(4)	Sub-total [Sum of B.4 (1) to B.4 (3)]	300000000000722000	0.00



COOPERATIVE BANK OF BOHOL [ 05-040385 ]  
As of: December 31, 2022

Item	Nature of Item	Account Code	Amount	
<b>B.5</b>	<b>Deductions from Lower Tier 2</b>			
(1)	Limited life redeemable preferred stock treasury shares without the replacement requirement upon redemption (for consolidated basis)	365150500000722000		
(2)	Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor)	365151000000722000		
(3)	Total Deductions <i>[Sum of B.5 (1) and B.5 (2)]</i>	365150000000722000		0.00
<b>B.6</b>	<b>Total Lower Tier 2 Capital</b> <i>[B.4 (4) minus B.5 (3)]</i>	395000000000722000		0.00
<b>B.7</b>	<b>Eligible Amount of Lower Tier 2 Capital</b> <i>(limited to 50% of total Tier 1 capital per Item A.5)</i>	396000000000722000		0.00
<b>B.8</b>	<b>Total Tier 2 Capital</b> <i>[Sum of B.3 and B.7]</i>	300000000000720000		2,666,598.31
<b>B.9</b>	<b>Eligible Amount of Tier 2 Capital</b> <i>(limited to 100% of total Tier 1 capital per Item A.5)</i>	396000000000720000		2,666,598.31
<b>C.</b>	<b>Gross Qualifying Capital</b> <i>(Sum of A.5 and B.9)</i>	396000000000700000		77,271,987.47
(1)	Total Tier 1 Capital <i>(Item A.5)</i>	300000000000710001	74,605,389.16	
(2)	Total Tier 2 Capital <i>(Item B.9)</i>	396000000000720001	2,666,598.31	
<b>D.</b>	<b>Deductions from Tier 1 and Tier 2 Capital</b>			
(1)	Investments in equity of unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for solo basis)	365200500000700000		
(2)	Investments in other regulatory capital instruments of unconsolidated subsidiary RBs for Coop Banks (for solo basis)	365201000000700000		
(3)	Investments in equity of unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	365201500000700000		
(4)	Significant minority investments (20%-50% of voting stock) in banks and other financial allied undertakings (for both solo and consolidated bases)	365202000000700000		
(5)	Reciprocal investments in equity/other regulatory capital instruments of other banks/quasi-banks/enterprises	365202500000700000		
(6)	Total Deductions <i>[Sum of D (1) to D (5)]</i>	365200000000700000		0.00
<b>E.</b>	<b>Net Tier 1 and Tier 2 Capital</b>			
E.1	Net Tier 1 Capital <sup>4/</sup> <i>{C (1) minus [D (6) multiply by 50%]}</i>	395000000000710000	74,605,389.16	
E.2	Net Tier 2 Capital <sup>4/</sup> <i>{C (2) minus [D (6) multiply by 50%]}</i>	395000000000720000	2,666,598.31	
<b>F.</b>	<b>Total Qualifying Capital</b> <i>[C minus D (6)]</i>	395000000000700000		77,271,987.47

<sup>1/</sup> Provided that a bank shall not use minority interests in the equity accounts of consolidated subsidiaries as an avenue for introducing into its capital structure elements that might not otherwise qualify as Tier 1 capital or that would, in effect, result in an excessive reliance on preferred stock within Tier 1.

<sup>2/</sup> Provided that the conditions to offset under PAS 12 are met and that any excess of deferred tax liability over deferred tax assets (i.e., net deferred tax liability) shall not be added to Tier 1 capital.

<sup>3/</sup> This shall include those relating to unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks (on solo basis) and unconsolidated non-financial allied undertakings (on solo and consolidated bases).

<sup>4/</sup> The amount to be deducted from Tier 2 capital shall be limited to its balance and any excess thereof shall be deducted from Tier 1 capital.

COOPERATIVE BANK OF BOHOL [ 05-040385 ]  
As of: December 31, 2022

**PART III.1. RISK-WEIGHTED ON-BALANCE SHEET ASSETS** (in absolute amounts)

Item	Nature of Item	Account Code	Net Carrying Amount <sup>1/</sup> (1)	Risk Weight (in %) (2)	Risk Weighted Amount (3) = (1) * (2)
A.	0% Risk Weight –				
(1)	Cash on hand (including foreign currency notes and coins on hand acceptable as international reserves)	10505000000000000	15,808,655.80		
(2)	Peso denominated claims on or portions of claims guaranteed by or collateralized by peso-denominated securities issued by the Philippine National Government and the BSP				
	(a) Due from BSP	10515000050000000	14,769,824.57		
	(b) Financial assets designated at fair value through profit or loss	11500100050000000			
	(c) Available for sale financial assets	19520100050000000			
	(d) Held-to-maturity financial assets	19525100050000000	4,656,349.01		
	(e) Unquoted debt securities classified as loans	19530100050000000	3,558,023.24		
	(f) Loans and receivables	19540120050000000			
	(g) Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions	19540200050000000			
	(h) Others	19900000000000000			
(3)	Claims on or portions of claims guaranteed by or collateralized by securities issued by central governments and central banks of foreign countries with the highest credit quality	10810050000000000			
(4)	Claims on or portions of claims guaranteed by or collateralized by securities issued by multilateral development banks with the highest credit quality	10810100000000000			
(5)	Loans to the extent covered by hold-out on, or assignment of, deposits/deposit substitutes maintained with the lending bank	14015050750060000	7,988,000.00		
(6)	Loans or acceptances under letters of credit (LCs) to the extent covered by margin deposits	14015050800600000			
(7)	Peso denominated special time deposit loans to the extent guaranteed by Industrial Guarantee and Loan Fund (IGLF)	14015050850060000			
(8)	Peso denominated real estate mortgage loans to the extent guaranteed by the Home Guaranty Corporation (HGC)	14015051050060000			
(9)	Peso denominated loans to the extent guaranteed by the Trade and Investment Development Corporation of the Philippines (TIDCORP)	14015050950060000			
(10)	Sub-total [Sum of A (1) to A (9)]	10000000000811100	46,780,852.62	0	0.00
B.	20% Risk Weight -				
(1)	Checks and other cash items (including foreign currency checks and other cash items denominated in currencies acceptable as international reserves)	10510000000000000	456,270.64		
(2)	Claims on or portions of claims guaranteed by or collateralized by securities issued by local government units (LGUs) with the highest credit quality	10810150000000000			
(3)	Claims on or portions of claims guaranteed by or collateralized by securities issued by non-central government public sector entities of foreign countries with the highest credit quality	10810200000000000			
(4)	Claims on or portions of claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality	10810250000000000			
(5)	Claims on or portions of claims guaranteed by foreign incorporated banks with the highest credit quality	10810300000000000			
(6)	Interbank call loans	19540100050000000			
(7)	Claims on or portion of claims guaranteed by Philippine incorporated private enterprises, including claims on government corporations and MSME not qualifying under highly diversified loan portfolio definition, with the highest credit quality	10810350000000000			
(8)	Claims on or portion of claims guaranteed by foreign incorporated private enterprises, including claims on government corporations, with the highest credit quality	10810400000000000			
(9)	Loans to small farmer and fisherfolk engaged in palay and/or food production projects/activities to the extent guaranteed by the Agricultural Guarantee Fund Pool (AGFP) subject to the conditions enumerated in Circular No. 713 dated 14 February 2011	14015051950060000			

COOPERATIVE BANK OF BOHOL [ 05-040385 ]  
As of: December 31, 2022

Item	Nature of Item	Account Code	Net Carrying Amount <sup>1/</sup> (1)	Risk Weight (in %) (2)	Risk Weighted Amount (3) = (1) * (2)
(10)	Loans to performing MSME loans to the extent guaranteed by a Credit Surety Fund (CSF) Cooperative, subject to the conditions prescribed under Appendix 63c of the MORB	140150520000600000			
(11)	Sub-total [Sum of B (1) to B (10)]	100000000000811200	456,270.64	20	91,254.13
C.	50% Risk Weight -				
(1)	Loans to individuals for housing purpose, fully secured by first mortgage on residential property that is or will be occupied by the borrower, which are not classified as non-performing	140150004000100000	7,928,999.73		
(2)	Foreign currency denominated claims on or portions of claims guaranteed by or collateralized by foreign currency denominated securities issued by the Philippine National Government & the BSP.	108104501500000000			
(3)	Sub-total [Sum of C(1) to C(2)]	100000000000811300	7,928,999.73	50	3,964,499.87
D.	75% Risk Weight -				
(1)	Qualified micro, small and medium enterprise (MSME) loan portfolio	140180500000000000		75	0.00
E.	100% Risk Weight -				
(1)	Non-performing loans to individuals for housing purpose, fully secured by first mortgage on residential property that is or will be occupied by the borrower.	140150004000000000	676,262.85	100	676,262.85
F.	150% Risk Weight -				
(1)	All non-performing loans (except non-performing loans to individuals for housing purpose, fully secured by first mortgage on residential property that is or will be occupied by the borrower), all non-performing sales contract receivables, and all non-performing debt securities	142001000000000000	17,342,058.37	150	26,013,087.56
(2)	Real and other properties acquired and Non-current assets held for sale, net of allowance for losses	195501201500000000	12,307,057.91	150	18,460,586.87
G.	100 % Risk Weight -				
(1)	Other Assets				
(a)	Total Assets per Balance Sheet	100000000000000000	579,310,457.90		
(b)	General Loan Loss Provisions per Balance Sheet	175150000000000000	2,620,498.31		
(c)	Total Exposures excluding Other Assets [Sum of A(10), B(11), C(3), D(1), E(1), F(1) and F(2)]	100050000000811000	85,491,502.12		
(d)	Sub-total [Sum of G(1)(a) and G(1)(b) minus G(1)(c)]	195000500000811000	496,439,454.09		
(2)	Deductions from Other Assets				
(a)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses [refer to Part II, Item A.2 (5)]	165500500000811000	10,912,045.31		
(b)	Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses [refer to Part II, Item A.2 (6)]	165501000000811000	0.00		
(c)	Deferred tax asset, net of deferred tax liability [refer to Part II, Item A.2 (7)]	165501500000811000	0.00		
(d)	Goodwill, net of allowance for losses [refer to Part II, Item A.2 (8)]	165502000000811000	0.00		

COOPERATIVE BANK OF BOHOL [ 05-040385 ]  
As of: December 31, 2022

Item	Nature of Item	Account Code	Net Carrying Amount <sup>1/</sup> (1)	Risk Weight (in %) (2)	Risk Weighted Amount (3) = (1) * (2)
(e)	Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption <i>[refer to Part II. Item B.2 (3)]</i>	165502500000811000	0.00		
(f)	Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor) <i>[refer to Part II. Item B.5 (2)]</i>	165503000000811000	0.00		
(g)	Investment in equity of unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks, after deducting related goodwill, if any (for solo basis) <i>[refer to Part II. Item D (1)]</i>	165503500000811000	0.00		
(h)	Investments in other regulatory capital instruments of unconsolidated RBs for Coop Banks (for solo basis) <i>[refer to Part II. Item D (2)]</i>	165504000000811000	0.00		
(i)	Investment in equity of subsidiary non-financial allied undertakings, after deducting related goodwill, if any (for both solo and consolidated bases) <i>[refer to Part II. Item D (3)]</i>	165504500000811000	0.00		
(j)	Significant minority investments (20%-50% of voting stock) in banks and other financial allied undertakings (for both solo and consolidated bases) <i>[refer to Part II. Item D (4)]</i>	165505000000811000	0.00		
(k)	Reciprocal investments in equity/other regulatory capital instruments of other banks/quasi-banks/enterprises <i>[refer to Part II. Item D (5)]</i>	165505500000811000	0.00		
(l)	Net accumulated market gains/(losses) on available for sale debt securities purchased	165506000000811000			
(m)	Financial Assets Held for Trading	165506500000811000			
(n)	Derivatives with Positive Fair Value Held for Hedging	165507000000811000			
(o)	Total Deductions <i>[Sum of G(2)(a) to G(2)(n)]</i>	165500000000811000	10,912,045.31		
(3)	Net Other Assets <i>[G (1)(d) minus G (2)(o)]</i>	195000000000811000	485,527,408.78	100	485,527,408.78
H.	TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS [Sum of A(10), B(11), C(3), D(1), E(1), F(1), F(2) and G(3) ]	100000000000811000			534,733,100.04

<sup>1/</sup> This shall refer to the outstanding balance of the account inclusive of unamortized discount/(premium) and accumulated market gains/(losses), and net of allowance for credit losses, except that for available for sale debt securities, any accumulated market gains/(losses) shall be deducted/added back.

PART III.2 RISK-WEIGHTED OFF-BALANCE SHEET ASSETS (in absolute amounts)

Item	Nature of item	Account Code	Seq. No.	Notional Principal Amount	Credit Conv. Factor (CCF)	Credit Equivalent Amount	Distribution of Credit Equivalent Amount According to Risk Weights <sup>11</sup>				Total
							0%	20%	75%	100%	
							(4)	(5)	(6)	(7)	
A.	Direct credit substitutes (e.g. general guarantees of indebtedness and acceptances)										
(1)	Guarantees issued other than shipside bonds/airway bills	405000000000000000			100%	0.00					
(2)	Financial standby letters of credit - domestic (net of margin deposit)	410050500000000000			100%	0.00					
(3)	Financial standby letters of credit - foreign (net of margin deposit)	410051000000000000			100%						
(4)	Sub-total [Sum of A (1) to A (3)]	403000000000000000		0.00		0.00	0.00	0.00		0.00	
(5)	Risk-weighted amount [A(4) x applicable risk weight]	403000000000812000					0.00	0.00		0.00	0.00
B.	Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)										
(1)	Performance Standby LCs – domestic (net of margin deposit) established as a guarantee that a business transaction will be performed	410100500000000000			50%	0.00					
(2)	Performance Standby LCs – foreign (net of margin deposit) established as a guarantee that a business transaction will be performed	410101000000000000			50%						
(3)	Other Commitments e.g. formal standby facilities and credit lines with maturity of more than one year	425200000000000000			50%	0.00					
(4)	Sub-total [Sum of B (1) to B (3)]	408000000000000000		0.00		0.00	0.00	0.00		0.00	
(5)	Risk-weighted amount [B (4) x applicable risk weight]	408000000000812000					0.00	0.00		0.00	0.00

Item	Nature of item	Account Code	Seq. No.	Notional Principal Amount	Credit Conv. Factor (CCF)	Credit Equivalent Amount	Distribution of Credit Equivalent Amount According to Risk Weights <sup>v</sup>				Total	
							0%	20%	75%	100%		
							(4)	(5)	(6)	(7)		
				(1)	(2)	(3) =(1)*(2)					(Sum of 4 to 7)	
C.	Trade-related contingencies arising from movement of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year											
(1)	Trade related guarantees – shipside bonds/airway bills	420100000000000000			20%	0.00						
(2)	Trade related guarantees – LCs confirmed	420050000000000000			20%	0.00						
(3)	Sight LCs - domestic (net of margin deposit)	415050500000000000			20%	0.00						
(4)	Sight LCs - foreign (net of margin deposit)	415051000000000000			20%							
(5)	Usance LCs - domestic (net of margin deposit)	415100500000000000			20%	0.00						
(6)	Usance LCs - foreign (net of margin deposit)	415101000000000000			20%							
(7)	Deferred LCs - domestic (net of margin deposit)	415150500000000000			20%	0.00						
(8)	Deferred LCs - foreign (net of margin deposit)	415151000000000000			20%							
(9)	Revolving LCs - domestic (net of margin deposit) arising from movement of goods and/or services	415200500000000000			20%	0.00						
(10)	Revolving LCs - foreign (net of margin deposit) arising from movement of goods and/or services	415201000000000000			20%							
(11)	Other commitments with an original maturity of up to 1 year	425250000000000000			20%	0.00						
(12)	Sub-total [Sum of C (1) to C (11)]	412000000000000000		0.00		0.00	0.00	0.00	0.00	0.00	0.00	
(13)	Risk-weighted amount [C (12) x applicable risk weight]	412000000000812000					0.00	0.00	0.00	0.00	0.00	0.00
D.	Other commitments which can be unconditionally cancelled at any time by the bank without prior notice											
(1)	Credit card lines	425150000000000000			0%							

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Item	Nature of item	Account Code	Seq. No.	Notional Principal Amount	Credit Conv. Factor (CCF)	Credit Equivalent Amount	Distribution of Credit Equivalent Amount According to Risk Weights <sup>v</sup>				Total
							0%	20%	75%	100%	
				(1)	(2)	(3) =(1)*(2)	(4)	(5)	(6)	(7)	(Sum of 4 to 7)
E.	Items not involving credit risk										
(1)	Late deposits/payments received	4950500000000000000			0%						
(2)	Inward bills for collection	4951000000000000000			0%						
(3)	Outward bills for collection	4951500000000000000			0%						
(4)	Travelers' checks unsold	4952000000000000000			0%						
(5)	Trust department accounts	4952500000000000000			0%						
(6)	Items held for safekeeping/custodianship	4952600000000000000			0%						
(7)	Items held as collaterals	4953500000000000000			0%						
(8)	Deficiency claims receivable	4954000000000000000			0%						
(9)	Others (Please specify)	4959500000000000000		0.00	0%						
	-		1		0%						
	-										
(10)	Sub-total [Sum of E (1) to E (9)]	4950000000000000000		0.00							
F.	Total Notional Principal Amount [Sum of A (4), B (4), C (12), D (1), E (10)]	4000000000000000000		0.00							
G.	TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS [Sum of A (5), B (5) and C (13)]	400000000000812000									0.00

<sup>v</sup> Assign the appropriate risk weight according to the obligor, or if relevant, the qualified guarantor or the nature of the collateral.

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**PART IV. OPERATIONAL RISK-WEIGHTED ASSETS** (in absolute amounts)

Item	Nature of Item	Account Code	Gross Income			
			Year 3	Year 2	Last Year	Average <sup>1/</sup>
A. Net interest income						
A.1	Interest Income	505050000000000000	55,985,129.62	54,138,513.37	65,687,443.52	
A.2	Interest Expense	605100000000000000	11,483,790.41	12,080,489.14	12,695,842.49	
A.3	Sub-total (A.1 minus A.2)	505000000000000000	44,501,339.21	42,058,024.23	52,991,601.03	
B. Other non-interest income						
B.1	Dividend Income	510050000000000000				
B.2	Fees and Commissions Income	510100000000000000				
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading	510150000000000000				
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	510200000000000000				
B.5	Net Profit/loss on Foreign Exchange	510250000000000000	(2,415.75)	(122,976.17)	91,145.61	
B.6	Net Gain/loss on Fair Value Adjustment in Hedge Accounting	510350000000000000				
B.7	Other Income	510450000000000000	3,677,518.08	5,388,952.89	4,235,761.38	
B.8	Sub-total (Sum of B.1 to B.7)	510000000000000000	3,675,102.33	5,265,976.72	4,326,906.99	
C.	Gross Income (Sum of A.3 and B.8)	500000000000000000	48,176,441.54	47,324,000.95	57,318,508.02	50,939,650.17
D.	Capital Charge [C (average) multiply by Capital Charge Factor of 12%]	990000000000830000				6,112,758.02
E.	Adjusted Capital Charge (D multiply by 125%)	996000000000830000				7,640,947.53
F.	TOTAL OPERATIONAL RISK-WEIGHTED ASSETS (E multiply by 10)	195000000000830000				76,409,475.26

<sup>1/</sup> When calculating the average, include only the positive annual gross income; hence, figures for any year in which annual gross income is negative or zero should be excluded from both the numerator and denominator.