



Mindanao Consolidated
Cooperative Bank

BUILDING A STRONGER FUTURE: **ADAPTING TO CHANGE AND INNOVATION** **ANNUAL REPORT 2024**





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Vision

We envision MCCB to be the bank of choice of cooperatives, farmers, fishermen, small entrepreneurs, and other clients, helping them fulfill their dreams and aspirations.

Mission

We commit ourselves to provide efficient, responsive, and innovative financial services to institutional and individual clients, achieve a reasonable return of investment for our shareholders, promote the professional growth and well-being of our officers and staff, and contribute to the development of the communities we serve.

Core Values

In accomplishing our mission, we adopt as our guiding light, the universal cooperative values of self-help, self-responsibility, democracy, equality, equity, and solidarity. We shall run our business in accordance with the ethical values of honesty, openness, social responsibility, and caring for others.

Corporate Profile

Mindanao Consolidated Cooperative Bank (MCCB) is a leading financial institution that offers a wide range of banking services to individuals and businesses, especially cooperatives, farmers, fisherfolk, and microentrepreneurs. It was established in 2016 through the consolidation of Cooperative Bank of Agusan Norte, Bukidnon Cooperative Bank, and the lead bank, Cooperative Bank of Misamis Oriental, the lead bank. It has since grown to become one of the most trusted and reputable cooperative banks in the country.

MCCB has a strong capital base and a highly skilled workforce that is dedicated to providing quality service to customers. Banking services offered by MCCB include personal and business banking, loans, investments, and insurance. It has invested heavily in technology to ensure that its services are secure and efficient. It also has an online banking platform that allows customers to access their accounts from anywhere.

MCCB has 21 branches and 2 branch-lite units, scattered in strategic locations in Mindanao. These branches are supported by 29 automated teller machines (ATMs).

At MCCB, customer satisfaction is a top priority. The Bank has a team of experienced customer service representatives who are always available to assist customers with any banking needs they may have. The bank also offers personalized banking services that cater to the unique needs of each customer.

As part of its commitment to giving back to the community, MCCB has an active Corporate Social Responsibility program that supports various charitable causes. It also sponsors educational and cultural events that benefit the wider community.

To sum it up, MCCB is a reliable and customer-focused financial institution that offers a wide range of banking services. Its strong financial record, dedicated workforce, and commitment to customer satisfaction make it a preferred choice for many individuals and businesses in this part of the country.

Brief Discussion of the Bank's Vision

The mandate of MCCB is to help the marginalized sectors of the community gain access to its various banking services. This aligns with the financial inclusion agenda of the BSP, which is focused on reaching out the unbanked and underserved individuals.

Brief Discussion of the Bank's Mission

For it to survive and thrive, the Bank must be responsive to the needs and wants of its clientele and be innovative in the delivery of its services. MCCB has the responsibility to make the investments of its shareholders grow. On the other hand, it is its mandate to extend credit and other banking services to the community, thereby contributing to the socio-economic growth of the communities where MCCB operates.

Moreover, the Bank takes care of its employees by providing them with competitive pays and benefits, thus enabling them to have a quality standard of life.

Sustainability Policy

The MCCB Board provides sustainability directions and policies that guide decision-making at all levels, providing a frame of reference for its contributions to sustainable development, while managing risks and opportunities in a changing world.

MCCB is committed to:

- Uphold, protect, and respect the environment, human rights, and labor standards;
- Contribute to enhancing positive social and environmental impact;
- Provide products and services that contribute to the well-being of people, the environment, and the economy; reduce or avoid unsustainable practices; and demonstrate a positive impact on the most important issues of the business;
- Implement inclusive business programs and initiatives;
- Engage internal and external stakeholders for continuous improvement and to promote cooperation;
- Foster in-house learning, management capacity, and leadership on sustainability issues;
- Comply with all national laws and regulations; and
- Communicate transparently about MCCB's sustainability performance.

Products and Services

MCCB offers a wide variety of loan products (e.g. small and medium-sized enterprises (SME), agricultural, commercial, salary, etc.) and savings products (e.g. ATM, time deposit, regular savings, and equity investment). MCCB has been true to its purpose of bringing about financial empowerment and freedom to its clientele, meeting the clientele's need for a reliable banking institution for their financial needs and investments.

The MCCB Business Model

As a cooperative bank, MCCB engages in the typical deposit-taking and loan operations. The Bank accepts deposits from the public at a competitive interest rate and lends the same to borrowers at a commensurate lending rate. Additionally, the Bank is licensed as a receiver for all InstaPay payments and fund transactions, enabling InstaPay-participating banks and institutions to send funds to MCCB accounts. Other products and services offered by MCCB include ATM services, a mobile banking application platform, and GCash-enabled payment on loans. These services provide the Bank's customers with convenient and efficient banking experiences.

LIST OF MCCB PRODUCTS AND SERVICES

Loan Products

MCCB LOANS AND CREDIT SERVICES

- SME/Business Loan
- Agricultural Loan
- Auto Loan/Truck Loan
- Consumers Loan
- Jewelry Loan
- Home Loan
- Motorcycle Loan
- Pension Loan
- Revolving Credit Line
- Salary Loan
- Travel Loan
- Loans Against Deposit

ACCEPTED COLLATERAL

- Commercial Lot
- Residential Lot
- Industrial Lot
- Agricultural Lot
- Chattel
- Hold Out Deposit

Deposit Products

SAVINGS DEPOSIT

- **0.375%** per annum

ATM ACCOUNT

- **0.375%** per annum

TIME DEPOSIT

- Minimum opening of P10,000
- Earns up to 7% per annum

CHECKING ACCOUNT

- **0.125%** per annum

PAYROLL SERVICING FACILITY AND DISBURSEMENT FACILITY

MCCB Website

Visit the official website of MCCB at www.mccb.com.ph.

List of MCCB Branches and BLUs

1. Cagayan de Oro-Main Branch
 - a. Carmen Moneyshop BLU
2. Villanueva Branch
 - a. Balingasag BLU
3. Alae Branch
4. Alubijid Branch
5. Butuan Branch
6. Calinan Branch
7. Davao Branch
8. General Santos Branch
9. Gingoog Branch
10. Iligan Branch
11. Kibawe Branch
12. Malaybalay Branch
13. Manticao Branch
14. Maramag Branch
15. Panabo Branch
16. Prosperidad Branch
17. Puerto Branch
18. Quezon Branch
19. Surigao Branch
20. Tagum Branch
21. Valencia Branch



Republic of the Philippines
City of Cagayan de Oro
OFFICE OF THE CITY MAYOR

Message from the City Mayor

It is with great pride and optimism that I extend my warmest greetings to the Mindanao Consolidated Cooperative Bank (MCCB) on the occasion of your 9th Annual General Assembly, held under the timely and forward-looking theme, “Building a Stronger Future: Adapting to Change and Innovation.”

As a product of unity and vision—bringing together the Cooperative Bank of Misamis Oriental, Bukidnon Cooperative Bank, and the Cooperative Bank of Agusan del Norte—MCCB stands as a powerful example of how collaboration can create stability, resilience, and shared progress. You have become a vital institution that uplifts communities and empowers cooperatives across Mindanao.

In today’s rapidly evolving economic landscape, the ability to adapt, embrace innovation, and stay rooted in cooperative principles is essential. MCCB’s continued commitment to responsive banking services, inclusive financing, and digital transformation demonstrates not only your relevance but also your foresight.

To the Board of Directors, management, cooperators, and stakeholders—thank you for your steadfast efforts in strengthening the cooperative movement and promoting inclusive growth. Your service goes beyond banking; you are building trust, enabling livelihoods, and investing in the dreams of many.

As Mayor of Cagayan de Oro City, I acknowledge and support the crucial role of institutions like MCCB in achieving sustainable development. Public and private sectors must work hand in hand to build a future that is equitable, innovative, and resilient.

May this Assembly renew your shared purpose and spark greater cooperation. Together, let us continue to build a Mindanao that is economically vibrant, socially inclusive, and full of opportunity for all.

Congratulations! Sa Pag-uswag, Kauban ta UY!

ROLANDO KLAREX A. UY
City Mayor
Cagayan de Oro City



Message from the CDA Chairman

My warmest congratulations to the board of directors, officers, and members of Mindanao Consolidated Cooperative Bank (MCCB) on your 9th year in advancing cooperativism and serving as an instrument of social equity and economic empowerment. With this year's theme, "Building a Stronger Future: Adapting to Change and Innovation," is ultimately centered on celebrating your achievements while strategically seizing the opportunity to shape a better and more impactful future.

Your passion and dedication have been the driving forces behind this organization's success, thereby paving the way for improving the lives of your valued member-owners that deserve to be highlighted during this momentous occasion.

Through your tireless efforts, we have seen your cooperative grow from humble beginnings to become vital instrument of social equity and economic empowerment for the member-owners and communities. MCCB's role in providing support, empowerment and equal access to collective resources foster an environment conducive to the growth of your members and communities.

This year's theme clearly captures the essence of learning, adaptation, and economic empowerment—qualities that are required in order to thrive in an ever-changing world. When paired with expanding services and a positive outlook toward infinite possibilities, this journey becomes not just about reaching milestones but about continuously improving the value of your members.

Rest assured that the Cooperative Development Authority acknowledges your role towards national development and economic growth. As your newly appointed Chairperson in this agency, I commit to work harmoniously with you every step of the way.

The year 2025 marks the "International Year of Cooperatives," in which a National Launch Event was held last January 31, 2025, at Liwasang Aurora, Quezon Memorial Circle in Quezon City. The same made ripple effects, to which some notable regions got inspired and proceeded with their celebrations. We hope the movement encourages more partnerships between established and emerging cooperatives. And recognizes the cooperative model as a vital tool for achieving the Sustainable Development Goals by 2030.

On behalf of the Cooperative Development Authority family, I wish MCCB all the best. May you carry on fostering hope and delivering outstanding service, building a better future for your members and communities.

Mabuhay ang Kilusang Kooperatiba!


USEC. ALEXANDER B. RAQUEPO
Chairman



Message from the LBP President and CEO

On behalf of LANDBANK, I extend my warmest greetings and congratulations to the Board of Directors, Management Team, and members of the Mindanao Consolidated Cooperative Bank (MCCB) on your 9th Annual General Assembly!

For nearly a decade, MCCB has been a vital partner in advancing financial inclusion and economic empowerment across Mindanao. From your roots in Misamis Oriental and Bukidnon to your growing presence in Davao, Iligan, Butuan, General Santos, Surigao, and Panabo—your expanding reach underscores your commitment to delivering meaningful services in communities that need them most.

In today's dynamic and rapidly evolving financial environment, MCCB continues to demonstrate what it means to lead with purpose and agility. Your ability to adapt to change, embrace new solutions, and leverage innovation has made your institution more relevant and responsive to the evolving needs of your members.

LANDBANK is proud to walk alongside you in your mission to build a more inclusive and sustainable future. We commend your leadership for cultivating a culture of progress—one that empowers not only your members, but the many lives you touch and uplift across the region.

May this year's Assembly inspire fresh insights, renewed focus, and stronger momentum moving forward. LANDBANK wishes you continued success as you chart new paths for growth and deepen your impact in the years ahead.

Mabuhay ang MCCB!

Sincerely,


LYNETTE V. ORTIZ
President and CEO



Message from the Governor

Our warmest greetings to the Mindanao Consolidated Cooperative Bank (MCCB) as it holds its 9th Annual General Assembly this year. With the theme: "Building a Stronger Future: Adapting to Change and Innovation", MCCB has demonstrated its commitment to resilience and stability amidst the changes and challenges of our time. We believe it has been successful in gaining grounds and winning battles as it surges toward unparalleled success. We share a strong belief that through the consolidated and unified efforts of its organization, it has achieved significant progress as a cooperative and continues to persevere, recognizing the vital role cooperatives play in nation-building.

Time and again, MCCB has shown its unwavering commitment to remain a strong partner of government in terms of poverty alleviation and people empowerment. These achievements are not the result of individual effort alone, but of the collective strength, dedication, and participation of many. The Officers, Personnel, and Members of MCCB deserve a resounding applause for their pivotal role in advancing the cooperative's mission.

With nine years behind it and many more ahead, we are confident that MCCB will remain steadfast in serving the needs of its members, providing them with consistent opportunities for growth and well-being. We firmly believe that MCCB will continue to succeed in all its endeavors and sustain its growth in the years to come.


PETER M. NIBIA
Governor

STATE OF



Despite the headwinds, MCCB realized a substantial increase in its key performance indicators:

- **Total Assets** reached ₱3.37 billion, an impressive 19% increase or ₱533.20 million more than the previous year.
- **Total Loan Portfolio** rose to ₱2.23 billion, up by 14% or ₱268.37 million, supported by efficient loan releases and recoveries.
- **Deposit Liabilities** grew by 26%, closing the year at ₱2.15 billion—₱443.37 million higher than 2023.
- **Bills Payable** reached ₱468.42 million, a 12% increase, reflecting strategic loan availment.
- Despite provisioning and write-offs, **Net Surplus** for the year was maintained at ₱28.01 million.
- **Total Net Worth** was recorded at ₱353.15 million, broken down to ₱326.48 million Share Capital and ₱26.66 Million of Surplus Free and Statutory Reserves.

Embracing Innovation Amid Uncertainty

The year 2024 was marked by global economic volatility, shaped by interest rate fluctuations, rising energy prices, and rapid shifts in the financial landscape. Amid these challenges, MCCB remained agile and forward-looking, exhibiting operational resilience and a deep commitment to our stakeholders.

Through transformative strategies centered on innovation, digital integration, and people empowerment, MCCB continued to be one of the leading cooperative banks in the country. This adaptive spirit, coupled with a dedicated workforce and visionary leadership, resulted in reasonable operational and financial outcomes.

2024 in Review

MCCB further expanded its role as a key enabler of growth in Mindanao and nearby regions. The Bank focused on leveraging new technologies, building institutional capacity, and providing responsive banking services to cooperatives, MSMEs, farmers, and small entrepreneurs. With calculated expansion and digital transformation, MCCB continued to widen access to financial services for rural and underserved communities.

These figures confirmed the Bank's continuing relevance and increasing contribution to the cooperative banking industry. Noteworthy was the standing of MCCB in the Top 100 Rural and Cooperative Banks nationwide. In 2024, the Bank ranked 21st in terms of assets. Meanwhile, for cooperative banks alone, MCCB ranked 4th in assets.

Navigating Our 2024 Footprints

Branch Expansion and Workforce Growth

The opening of new relocated branch and digital service hubs expanded MCCB's geographic footprint. Membership grew further, enhancing financial inclusion. At the end of 2024, MCCB's active members totaled over 35,000, served by a dedicated team of 301 employees.

Digital Transformation

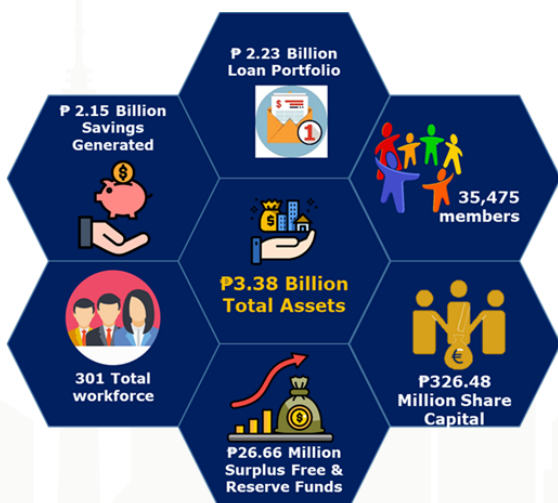
2024 marked a pivotal year in MCCB's digital journey. The Bank deployed upgraded e-banking platforms, mobile app features, and easily accessible systems. Enhancements to InstaPay and online loan services simplified transactions and reduced turnaround time. It also invested in cybersecurity protocols, employee IT training, and client education to ensure safe and efficient banking.

Loan Portfolio Development

MCCB remained committed to strengthening rural economies. The loan portfolio was primarily composed of:

- **MSME Loans** – 41%
- **Agricultural Loans** – 35%
- **Consumption Loans** – 15%
- **Other Type** – 9%

While the Past Due Ratio (excluding ACPC loans) stood at 12.86%, MCCB implemented tighter credit controls and rigorous loan loss provisioning to safeguard loan portfolio quality.



THE BANK

As of December 31, 2024



Performance and Innovation Highlights

- MCCB's **Capital Adequacy Ratio (CAR)** and **Minimum Liquidity Ratio (MLR)** remained well above BSP thresholds, affirming the bank's financial soundness.
- MCCB sustained its position as one of the country's top rural/cooperative banks.
- Through dynamic marketing and digital strategies, MCCB achieved a **CASA mix improvement**, focusing on affordable and stable deposits.
- The Bank disposed of several Real and Other Properties Acquired (ROPA) accounts and intensified recovery of written-off loans, generating notable non-core income.
- Over **50 training sessions** were conducted to upskill employees in customer service, cybersecurity, and financial technologies.

People and Community: At the Core of Progress

MCCB continued its social initiatives, such as health drives, community outreach, support for correctional facilities, and environmental campaigns. The Bank also prioritized employee development—empowering its workforce with continuous and up-to-date knowledge that would not only help with their career growth and opportunities but also as part of the Bank's resilience-building agenda.

We believe that technology alone is not enough. True progress is driven by people—our employees, members, and partners—who make inclusive growth possible.

Looking Ahead

Guided by our 2024 theme, "*Building a Stronger Future: Adapting to Change and Innovation*," MCCB reaffirms its commitment to transforming challenges into opportunities through the following key pillars:

- **Expanding Financial Access Through Physical Branches and Improving Digital Channels.** MCCB remains steadfast in its mission to reach the underserved and unbanked. By opening new branches in strategic rural areas as part of its long-term goals and expanding digital access points, we bring essential banking services closer to farmers, fisherfolk, cooperatives, and small entrepreneurs. Our strengthened e-banking platforms, mobile applications, and ATM network ensure that our clients can access their funds anytime, anywhere—making inclusive finance a reality for every member.
- **Enhancing Service Efficiency Via Automation and Self-Sustained Systems.** As the banking environment evolves, MCCB continues to automate its core processes to improve turnaround time, accuracy, and customer satisfaction. From loan origination to account servicing, we are investing in integrated systems that minimize manual intervention and promote operational sustainability. These self-sustaining mechanisms will ensure consistent service delivery and optimize the use of resources, allowing us to better respond to the growing needs of our clientele.

- **Building Institutional Resilience Through Strengthened Governance, Capital Formation, and Stakeholder Engagement.** Our long-term sustainability rests on the strength of our governance and capital base. MCCB is focused on reinforcing its internal controls, risk management systems, and regulatory compliance to withstand economic shocks and industry disruptions. At the same time, we are building strong partnerships with stakeholders, increasing capital through strategic reinvestments, and nurturing transparency to preserve the trust of our members and regulatory bodies.
- **Leading Cooperative Development Across Mindanao and Beyond** As a cooperative bank, MCCB is uniquely positioned to champion the cause of inclusive economic growth. We actively support local cooperatives, MSMEs, and social development initiatives that uplift marginalized communities. Through capacity-building programs, accessible financial products, and advocacy for grassroots development, MCCB aspires to be a model institution—not just within Mindanao, but across the national cooperative banking landscape.

Acknowledgment

The steps we have taken and the adversities we have overcome in recent years, particularly during the most trying times of the pandemic and the technological challenges, are the result of the steadfast commitment of our management and staff, the strategic direction of our Board of Directors, and the enduring trust of our clients and partner agencies. Every milestone achieved in 2024 is a testament to shared perseverance, faith, and purpose.

As we move forward, we draw strength from the continued encouragement of our general membership and the unwavering support of all our stakeholders. With faith in God's guidance, we face 2024 with resilience and hope—assured that our solid foundation, united community, and shared purpose will carry us through whatever challenges lie ahead.


MANSUETTO V. DELA PENA
Chairman of the Board


MYRNA A. SESCON
President

MCCB FINANCIAL AND OPERATIONAL HIGHLIGHTS

Overall Operational Performance

The year 2024 brought with it a dynamic economic environment for the Philippines—marked by modest but steady growth amid global uncertainties, fluctuating commodity prices, and the ongoing recovery from pandemic-era challenges. Despite inflationary pressures and tighter monetary conditions, the Philippine economy demonstrated resilience, driven by robust domestic consumption, steady remittance inflows, and renewed investor confidence. According to official estimates, the country posted a GDP growth rate of approximately 5.6%, reflecting a continued path to economic normalization and expansion.

Against this backdrop, MCCB stood firm in its mission to deliver inclusive and sustainable financial services to its members and communities. As a committed partner in rural development and cooperative banking, MCCB remained adaptive and innovative in navigating economic headwinds. The Bank strengthened its operational strategies, deepened its digital transformation efforts, and reinforced its institutional resilience—resulting in solid financial performance and enhanced service delivery.

The following review highlights MCCB’s financial and operational milestones for 2024, demonstrating how the Bank responded to the evolving economic landscape with agility, responsibility, and a clear vision for long-term growth.

MINDANAO CONSOLIDATED COOPERATIVE BANK COMPARATIVE STATEMENT OF FINANCIAL POSITION As of December 31, 2024 and 2023 (In Philippine Peso)				
	2024	2023	VAR	% INC (DEC)
ASSETS				
Cash and other cash items	241,539,501.00	152,984,310	88,555,191	58%
Due from BSP	8,904,158.00	51,374,573	(42,470,415)	-83%
Due from other banks	519,441,451.00	316,847,201	202,594,250	64%
Loans and other receivables - net	2,146,873,373.00	1,932,040,073	214,833,300	11%
Investment properties-net	244,665,893.00	174,513,018	70,152,875	40%
BPFPE-net	138,674,943.00	122,131,357	16,543,586	14%
Goodwill	7,655,984.00	55,032,396	(47,376,412)	-86%
Other Assets	69,763,312.00	39,390,609	30,372,703	77%
TOTAL ASSETS	3,377,518,615.00	2,844,313,537	533,205,078	19%
	2024	2023	VAR	% INC (DEC)
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities	2,152,703,226.00	1,709,336,232	443,366,994	26%
Bills Payable	468,423,034.00	419,139,044	49,283,990	12%
Other payables	403,247,029.00	338,992,143	64,254,886	19%
TOTAL LIABILITIES	3,024,373,289.00	2,467,467,419	556,905,870	23%
Equity				
Common Share	262,478,000.00	253,478,000	9,000,000	4%
Preferred Share	64,002,800.00	73,410,600	(9,407,800)	-13%
Surplus reserve	20,984,306.00	19,331,046	1,653,260	9%
Surplus free	5,680,220.00	30,626,472	(24,946,252)	-81%
TOTAL EQUITY	353,145,326.00	376,846,118	(23,700,791.8)	-6%
TOTAL LIABILITIES AND EQUITY	3,377,518,615.00	2,844,313,537	533,205,078	19%

At a glance, MCCB’s total assets reached ₱3.38 billion in 2024, reflecting a 19% increase or ₱533.40 million growth from the previous year’s ₱2.84 billion.

The gross loans and receivables also increased to ₱2.15 billion, the figure remained competitively strong compared to industry peers. Deposit liabilities stood at ₱2.15 billion, supported by a good CASA mix of 61:100—with 61% in savings and demand deposits, and 39% in time deposits.

The Bank’s total capital, comprising both common and preferred shares, amounted to ₱326.48 million.

Surplus Free decreased to ₱5.68 million, largely driven by the Bank’s net effect for booking the impairment of goodwill charged to Surplus Free for the year, as per approved by the General Assembly last year 2023, and as one of the regulatory directives. Overall, MCCB’s total net worth is now at ₱353.45 million, accounting for 13% of MCCB’s total resources as of year-end 2024.

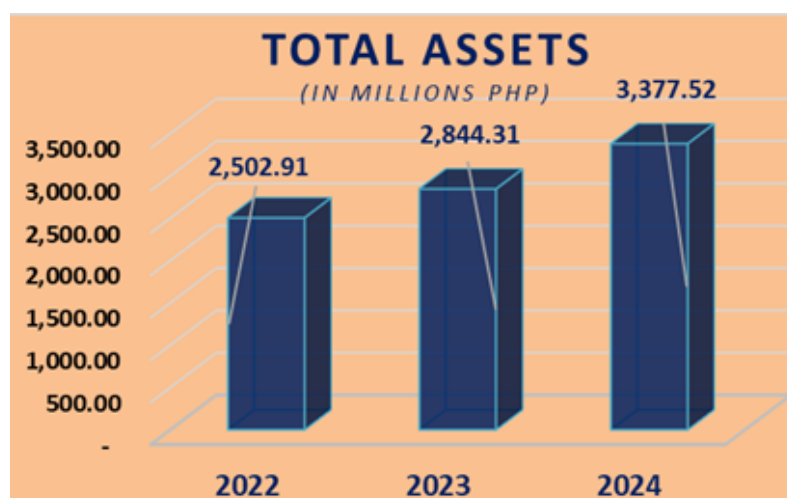
In 2024, MCCB recorded a net interest income of ₱259.10 million, reflecting a notable 22% increase from the previous year.

Demonstrating a conservative approach to credit risk management, the Bank allocated ₱29 million in provisions for credit losses, fully aligned with the Bank's own loan loss methodology.

The other operating income grew by 27%, or ₱26.56 million, year-on-year. Operating expenses rose by ₱49.71 million, representing a 24% increase, greatly affected by addressing the Bank's challenges on its goodwill and cybersecurity that contributed to the additional expenses recognized and charged during the year's operation.

MINDANAO CONSOLIDATED COOPERATIVE BANK
COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2024 and 2023
(In Philippine Peso)

	FY 2024	FY 2023	VAR	% INC (DEC)
Loans and other receivables	257,387,033	210,822,712	46,564,321	22%
Due from other banks	1,077,552	841,974	235,578	28%
Investment securities at amortized cost	639,011	1,217,704	(578,693)	-48%
INTEREST INCOME	259,103,596	212,882,390	46,221,206	22%
Deposit liabilities	(39,927,404)	(31,633,475)	(8,293,929)	26%
Bills Payable	(31,071,720)	(25,862,857)	(5,208,863)	20%
INTEREST EXPENSE	(70,999,124)	(57,496,332)	(13,502,792)	23%
NET INTEREST INCOME	188,104,472	155,386,058	32,718,414	21%
Provision for Credit and Impairment Losses	(29,005,637)	(16,644,503)	(12,361,134)	74%
NET INTEREST INCOME AFTER PROVISION	159,098,835	138,741,555	20,357,280	15%
Other Operating Income	123,477,301	96,915,161	26,562,140	27%
Other Operating Expenses	(254,562,564)	(204,843,903)	(49,718,661)	24%
INCOME BEFORE INCOME TAX	28,013,572	30,812,813	(2,799,241)	-9%
Income Tax Expense	-	-	-	-
TOTAL COMPREHENSIVE INCOME	28,013,572	30,812,813	(2,799,241)	-9%

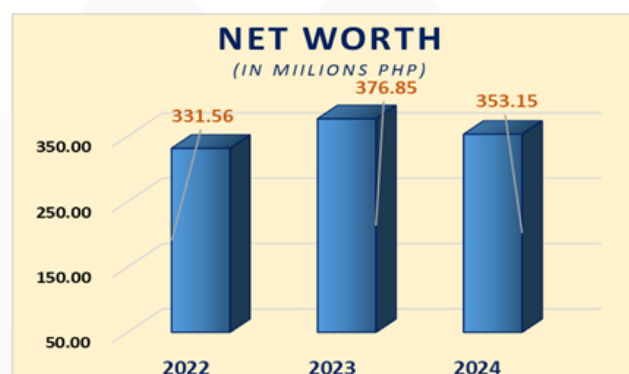
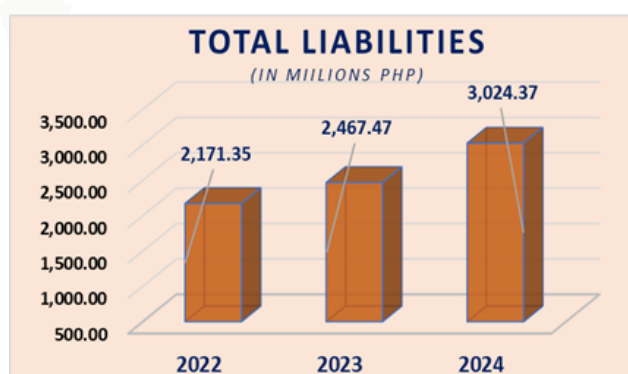


Regardless, the Bank's net income for the year stood at ₱28.01 million, showing a marginal decline of ₱2.80 million compared to the previous year's ₱30.81 million.

From 2022 to 2024, MCCB's total assets have consistently increased—from ₱ 2.50 billion in 2022 to ₱ 3.38 billion in 2024, resulting in an average annual growth rate of approximately 16%.

Total liabilities also showed a steady upward trend, rising from ₱ 2.17 billion in 2022 to ₱ 3.02 billion in 2024, with an average annual growth rate of about 18%.

Despite a slight dip in 2024, total equity maintained a positive trajectory overall, increasing from ₱ 331.56 million in 2022 to ₱ 353.15 million in 2024, averaging a 3% annual growth rate over the three-year period.



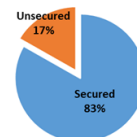
Lending Group



Amidst intense competition, market pressures, and various operational challenges, MCCB's Lending Group has adopted a bold and proactive strategy to enhance the Bank's operational performance in 2024. For the year ended December 31, 2024, the Bank's total loan releases reached ₱1.72 billion, covering 6,257 accounts. Of this amount, 61% were newly issued loans, reflecting the Bank's aggressive lending stance.

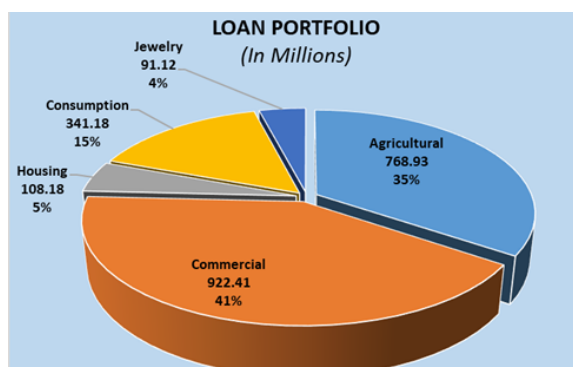
CY 2024 Collateral Positioning

The continued strategic shift toward secured lending resulted in a more protected loan portfolio. By 2024, secured loans comprised 83% of the total loan portfolio—up from 78% in 2021.



The portfolio largely focused on Micro, Small, and Medium Enterprise (MSME) loans, which made up 41%, followed by agricultural loans at 35%, and consumption loans at 15%. This reflects a notable shift from the previous year, when agricultural loans held the largest share.

Loan quality remained within acceptable parameters. The Bank strengthened its credit risk management systems and rigorously applied its loan loss methodology to address inherent risks and uncertainties in its lending operations.



The past due ratio stood at 12.86% (excluding ACPC loans) or 16.82% (including ACPC loans)—an improvement from the prior year and significantly better than the cooperative banking sector's average of 18.01% (*source: bsp.gov.ph*). As MCCB's core business, its lending programs not only supported the achievement of key financial targets but also advanced the Bank's mission and vision as a cooperative institution.

Branch Banking Operations and Deposit Generation



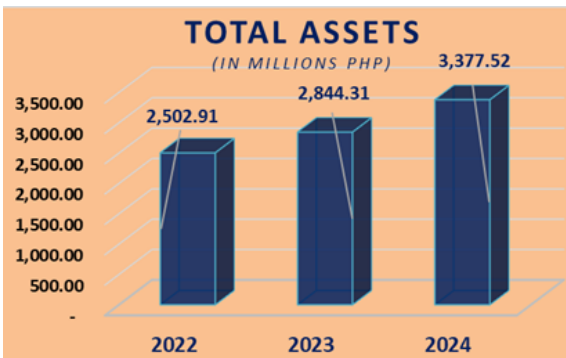
Driven by an extensive marketing strategy and well-executed action plans led by the Branch Banking Group, MCCB recorded a significant increase in deposit mobilization in 2024. Total deposit liabilities rose by ₱443.37 million, representing a 26% growth—surpassing the 22% growth achieved in the previous year. This notable increase in fresh deposits substantially boosted the Bank's overall deposit base, with total deposit liabilities reaching ₱2.15 billion, up from ₱1.71 billion in 2023.

This positive trajectory is expected to continue, fueled by MCCB's strategic expansion into neighboring provinces. The Bank's long-term

vision includes establishing new branches across the Mindanao archipelago, further reinforcing its presence and deepening its reach within key markets.

To meet the evolving needs of its customers and support its expanding operations, the Branch Banking Group continues to enhance MCCB's banking products and services. In 2024, the Bank introduced new features and strengthened security measures in its mobile banking platform, boosting user confidence and trust among both existing and prospective clients. Notably, the MCCB mobile application now supports InstaPay services, enabling real-time fund transfers between accounts of participating banks across the country—further elevating the Bank's digital service capabilities. MCCB remains firmly committed to leveraging its resources and opportunities to solidify its position in the banking industry.

Asset Recovery



The bank's Collection and Asset Recovery Group played a pivotal role in enhancing MCCB's non-core banking operational performance in 2024. Of the total other operating income amounting to ₱25.96 million, 21% was generated from the disposal of Real and Other Properties Acquired (ROPA) and the recovery of previously written-off accounts. This represents a ₱7.54 million increase from the ₱18.32 million recorded in the previous year.

To achieve this, the Bank strengthened its marketing initiatives and implemented incentive-driven programs to accelerate the sale of acquired assets and improve recoveries on non-performing accounts. These efforts not only improved liquidity but also contributed to the overall financial health of the institution.

Corporate Services and Support

The Bank's Corporate Services Group has remained a vital support pillar for MCCB's core operations. The successful launch of the Bank's ATMs and mobile banking applications was made possible through the critical efforts of the Information Technology Group. To reinforce system integrity and operational efficiency, the Information Technology Group has continuously upgraded the core servers, enhanced physical infrastructure, and introduced robust employee management programs—demonstrating MCCB's firm commitment to data security and regulatory compliance.

A key component of this commitment lies in the Bank's investment in its people. Advanced employee management initiatives were implemented to foster a skilled and security-aware workforce. These efforts included regular training sessions, workshops on up-to-date security practices, and systematic monitoring to promptly detect and mitigate potential threats. In 2024, the Bank sponsored and conducted a total of 50 training sessions and seminars for directors, officers, and staff, ensuring that all personnel remain equipped with the knowledge and competencies necessary to advance the Bank's strategic objectives.



Amidst ongoing regulatory changes in Philippine banking laws, evolving risk landscapes, shifts in the business environment, and global economic uncertainties, MCCB has continued to strengthen its regulatory compliance framework. The Bank has upgraded its core banking systems, pursued new business opportunities, and introduced operational and digital innovations—all aimed at delivering a superior and resilient banking experience to its customers.

Summary of Selected Financial Data

The table shows the summary of Selected Financial Data based on MCCB's operations for the past 3 years.

Particulars	2024	2023	2022
Profitability (In Millions)			
Total Net Interest Income	188.10	155.39	140.65
Total Non-Interest Income	121.51	96.92	94.24
Total Non-Interest Expense	254.56	204.84	188.82
Pre-provision Profit	55.05	47.46	46.06
Allowance for Credit Losses	29.01	16.64	15.23
Net Income	28.01	30.81	30.84

Selected Balance Sheet Data (In Millions)			
Liquid Assets	729.14	520.65	374.72
Gross Loans	2,231.82	1,963.45	1,972.71
Total Assets	3,377.52	2,844.31	2,502.91
Deposit Liabilities	2,152.70	1,709.34	1,404.79
Bills Payable	468.42	419.14	441.47
Other Liabilities	403.25	338.99	325.09
Capital	353.15	376.85	331.56

Selected Ratios			
Minimum Liquidity Ratio	28.60%	30.13%	17.00%
Past Due Ratio	16.82%	15.54%	13.00%
Return on Assets	0.90%	1.15%	1.32%
Return on Equity	7.68%	8.70%	9.34%
Capital Adequacy Ratio	12.73%	14.54%	14.32%
Earnings per Share	10.67	12.16	13.56
Book Value per Share	108.17	119.71	113.53

MCCB's net interest income reached ₱188.10 million in 2024, alongside a total non-interest income of ₱121.51 million, both reflecting increases from the previous year. The Bank's net profit stood at ₱28.01 million, showing a decline against the previous year due to addressing of the bank's current challenges and regulatory restrictions. However, it is notable that the Bank has continuously supported operational enhancements especially its mobile application.

The Bank's Minimum Liquidity Ratio ended at 28.60%, significantly surpassing the BSP's minimum requirement

of 20%. This indicates that MCCB actively maintains a healthy liquidity position, ensuring its ability to meet short-term obligations.

On the other hand, although the bank's Capital Adequacy Ratio (CAR) declined from 14.54% to 12.73%, it remains well above the Bangko Sentral ng Pilipinas (BSP) minimum requirement of 10%. This indicates that the bank still maintains a solid capital buffer and strong financial stability, providing resilience against potential risks. Despite current financial challenges, MCCB continues to meet regulatory standards, positioning the bank favorably for future growth and sustained compliance.

MCCB Sustainable Finance Framework

The Bank adopted its Sustainable Finance Framework in April 2022, which was designed to align with its existing practices in lending to sustainable activities of its clients as outlined in the Sustainable Development Goals (SDGs). The MCCB Board provides sustainability directions and policies that serve as a guide in decision-making at all levels, providing a frame of reference for its contributions to sustainable development while managing risks and opportunities in a changing world. MCCB is committed to:

- Uphold, protect, and respect the environment, human rights, and labor standards;
- Contribute to enhancing positive social and environmental impact;
- Provide products and services that contribute to the well-being of people, the environment, and the economy, reduce or avoid unsustainable practices, and demonstrate a positive impact to the most important issues of the business;
- Implement inclusive business programs and initiatives;
- Engage internal and external stakeholders for continuous improvement and to promote Cooperation;
- Foster in-house learning, management capacity, and leadership on sustainability issues;
- Comply with all national laws and regulations; and
- Communicate transparently about our sustainability performance.

MCCB Dividend Policy

The Bank recognizes the right of its cooperative shareholders as stipulated in its By-laws, which is to receive dividends, either in the form of stock or cash. The Bank's declaration of dividends is subject to compliance with certain rules and regulations prescribed by the BSP, as outlined in Item 5, Section 2 of Article VIII of the Bank's By-laws.

Dividends for common and preferred shareholders of the Bank are declared by the Board of Directors and authorized by the BSP. The release of the cash and stock dividends follows Board-approved guidelines.

In 2023, the Bank did not declare dividends due to pending issues noted by the Bangko Sentral relative to the goodwill impairment of the former Cooperative Bank of Agusan Norte—Butuan City. Thus, the rate of the dividends declared for 2023 cannot be identified and computed.

MCCB Corporate Social Responsibility

The Corporate Social Responsibility (CSR) of Mindanao Consolidated Cooperative Bank (MCCB) reflects its unwavering commitment to becoming the bank of choice for cooperatives, farmers, fishermen, small entrepreneurs, and other clients—those whose dreams and aspirations fuel the nation's progress.

Through a year filled with purposeful initiatives, MCCB has continued to turn this vision into reality, uplifting lives and communities it proudly serves.

Among the bank's key efforts last year was a blood-letting program for employees, conducted in partnership with the Philippine Red Cross—a life-saving initiative that

fostered a deeper culture of compassion and volunteerism among MCCB staff. In its commitment to protecting the environment, MCCB also participated in a mangrove tree planting activity in Barangay Bonbon, as well as a Coastal Road Clean-Up Drive in Barangay Bulua, Cagayan de Oro City. These efforts underscore the bank's advocacy for environmental stewardship, emphasizing the shared responsibility of preserving nature for future generations.

In the true spirit of Christmas, MCCB brought joy and hope to the community through its annual CSR outreach program, aimed at supporting vulnerable sectors during the holiday season. On December 2024, the bank reached out to three institutions: St. Joseph's Golden Home Foundation, Inc., the Home for Girls of the DSWD Field Office X, and the Boystown Center of Cagayan de Oro City. Essential items—including food supplies, medicines, hygiene kits, and other basic necessities—were donated to provide relief, comfort, and festive cheer to the children and residents of these centers.

These initiatives are more than just acts of generosity—they are a reflection of MCCB's ongoing mission to foster positive change and build stronger, more resilient communities. Whether through environmental clean-ups, health initiatives, or outreach activities, MCCB continues to embody the true meaning of cooperative spirit: improving lives, one community at a time.

Through these efforts, MCCB proudly stands with organizations that protect, care for, and uplift the most vulnerable. Each initiative strengthens the bank's resolve to be more than just a financial institution—it is a partner in development, a champion of social responsibility, and a source of hope in times when it is needed most. With every step it takes, MCCB reaffirms its dedication to community care, inclusive growth, and a collective future where no one is left behind.

Financial Consumer Protection

MCCB recognizes the right of consumers to safeguard their transactions with the Bank and be heard through appropriate channels in voicing out their feedbacks, complaints, and concerns regarding the financial products and services they have availed of. As part of its continuous efforts to promote the BSP's advocacy on Financial Consumer Protection, the Bank has embedded consumer protection practices all throughout the organization.

RISK MANAGEMENT FRAMEWORK

Risk Management stands as a foundational strategy to navigate the complexities of financial operations. Much like a compass that guides a traveler, a bank's risk management framework directs its course through potential hazards while optimizing opportunities for growth and compliance.

MCCB has developed and adopted its Risk Management Framework to structure and formalize the risk management activities across the organization's business units. It outlines the risk management functions, conceptual framework, management implementation, levels of risk management, and the risk management approaches of the Bank.

MCCB takes risks inherent to its strategy to achieve its corporate and business units' objectives and to deliver better shareholder returns. Thus, managing these risks forms an essential part of the Bank's business. The aim of risk management is to provide reasonable assurance that the risks associated with achieving the business objectives are understood and that these risks are addressed appropriately at all levels within the organization. This is achieved by ensuring that at all times;

- a. Risks are properly identified, assessed, managed, and reported;
- b. Risk ownership is taken and communicated;
- c. Resources are effectively and efficiently allocated to manage risks;
- d. Risks that could significantly affect the employees, the Bank, the suppliers or the clients are suitably managed; and
- e. The Bank is compliant with regulatory and legal requirements.

The general functions of Risk Management are the following:

- a. Develop and implement a risk management framework and program;
- b. Review the bank's risk profile and identify new and emerging risks;
- c. Assess and measure risks;
- d. Recommend policies, systems and procedures to control risks and address risk management effectiveness gaps;
- e. Evaluate the effectiveness of risk mitigation strategies; and
- f. Monitor risks based on external and internal conditions and continually enhance the risk management process.

The Risk Management process and practices of MCCB are anchored on its mandates, taking into consideration the vision, mission, strategies, business objectives, structure, policies, and overall risk management strategy. It is based on the guidelines set forth by Bangko Sentral ng Pilipinas (BSP) in Circular No. 510 Series of 2006. Risk reporting apprises MCCB Top Management on the material risks the Bank is faced with and assists in decision-making, specifically in determining viable solutions to address such risks.

The Risk Management objectives serve as a guide in designing the Risk Management Framework and Program, while the execution of the Risk Management Program is manifested by the Risk Management action plans. Regular risk monitoring and reporting are done and an annual risk assessment determines the effectiveness of risk control measures and the relevance of remaining risks. The assessment ensures continuous improvement of the risk management process and practices.

Overall Risk Management Culture and Philosophy

Central to effective risk management is the cultivation of a strong risk management culture and philosophy within the organization. MCCB emphasizes a culture of integrity, accountability, and transparency, reflected in its organizational values and leadership approach. The Board of Directors sets the tone at the top by championing a risk-aware culture and fostering open communication channels regarding risk-related matters. Senior management prioritizes risk management as a strategic imperative, embedding risk considerations into decision-making processes and promoting a culture of continuous improvement.

Institutionalizing the risk management culture emphasizes at all levels the importance of managing risk as part of each person's daily activities. The goal of creating a risk management culture in MCCB is to create a situation where staff and group/unit heads instinctively look for the risks and consider their impacts when making effective operational decisions.

Risk culture consists of norms, attitudes and behavior related to risk awareness, risk-taking and risk management, and the controls that affect decisions on risks. The Board of Directors, senior management and all members of staff contribute to the creation of a sound risk culture at MCCB. Clear governance structure, policies and procedures support the creation of a sound risk culture. Ultimately, the risk culture is created by day-to-day actions and the way key decisions are made and communicated. Cooperation and constructive dialogue are part of the sound risk culture, as they foster an environment of open communication to reach common goals. A sound risk culture enables the organization to do the right thing, even in challenging circumstances.

MCCB has implemented a three-lines-of-defense model:

The first line consists of risk-taking business functions that are responsible for day-to-day risk management in line with their tasks and duties and the Bank's policies and procedures. The guiding principle is that those responsible for risk-taking are also accountable for managing the associated risks.

The second line consists of internal control functions, providing oversight over the first line, and monitoring the risk-taking in the Bank. The third line consists of an independent internal audit function.

The second and third-line functions have an important risk monitoring and control role in the Bank, yet risk identification and adherence to the Bank's values and principles of high ethical standards are everyone's responsibility.

We promote a culture of integrity and high ethical standards. We aim for a high level of competence, and support each other by sharing information, skills and experiences. We have strong risk awareness, and we critically review and challenge existing practices. We foster an atmosphere where constructive challenging is a natural part of discussions and decisions on risk-taking, risk awareness, and risk culture. We respect our mission as a cooperative bank, and we follow sound banking principles. We comply with internal policies, regulations and procedures, and we respect their spirit. All individuals are expected to contribute to and promote a sound risk culture.

Risk Appetite and Strategy

Risk is part of doing business and risk management is therefore part of day-to-day business management. MCCB aims to formalize risk management to the extent that business units are able to apply best-practice techniques, share knowledge and experience, and make the key risks transparent to the shareholders.

MCCB strives to be risk-aware, but not overly risk-averse, and to actively manage risks to protect and contribute to the growth of the Bank. To achieve its objectives, MCCB recognizes that it will take on certain risks. Moreover, it aims to take risks in an informed and proactive manner, such that the level of risk is consistent with the potential rewards and that it understands and is able to manage or absorb the impact of the risk in the event that it materializes. Management establishes such risk responses as are required to achieve the objectives in accordance with the acceptability of the risk. Quantified risk tolerances are then formulated.

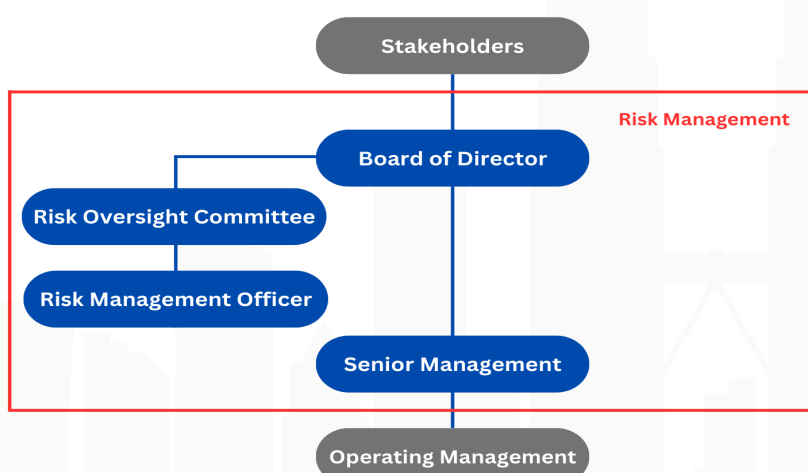
Operational risk is inherent in all banking products, undertakings, processes and systems, and the effective management of operational risk has always been a fundamental element of the Bank's risk management program. As a result, sound operational risk management is a reflection of the effectiveness of the Board and Senior management in administering its portfolio of products, undertakings, processes, and Systems. The MCCB Board and Management desire to promote and enhance the effectiveness of operational risk management throughout the banking system.

Bank-wide Risk Governance Structure and Risk Management Process

MCCB's Risk Governance Structure is composed of the Board of Directors, the Risk Oversight Committee, the Risk Management Officer and the Senior Management. Risk Management starts at the top and pervades the entire organization to create a strong culture of risk assessment. The idea is to improve risk-taking ability by pushing decision-making to the lowest level, without losing centralized oversight and control. Continuous communication between different levels of the organization must be implemented to ensure that the risk management process is effective.

The charts below illustrate the structure of MCCB's risk governance, the reporting lines within the structure and the roles and responsibilities within the Bank's risk management.

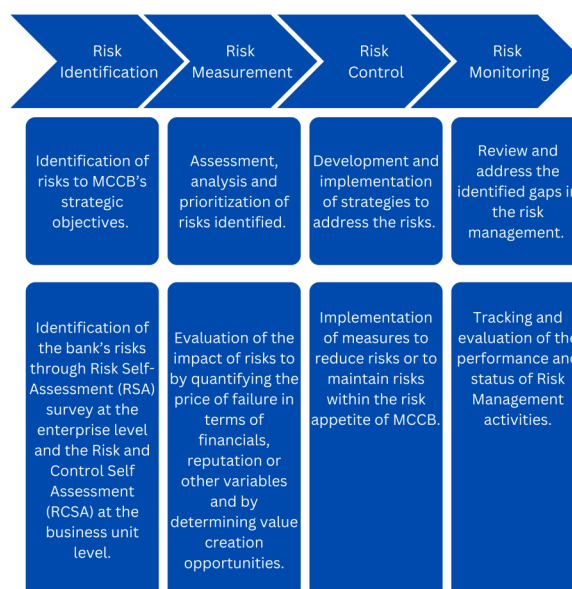
MCCB Risk Governance Structure



Risk Management Governance Roles and Responsibilities



Risk Management Process



MCCB's Overall ML/TF Risk Management

The Board of Directors of MCCB is ultimately responsible for the Bank's anti-money laundering (AML), countering financing of terrorism (CFT), and countering proliferation of financing (CPF) compliance and is tasked to ensure that ML/TF/PF risks are identified and effectively managed. The Senior Management is charged to ensure the effective implementation of AML/CFT/CPF policies and to align activities with the strategic objectives, risk profile and corporate values set by the Board.

In compliance with the Anti-Money Laundering Act (AMLA), the Bank adopted the MCCB Risk-Based Money Laundering and Terrorist Financing Prevention Program (MTPP) as approved by the Bank's Board of Directors. This policy applies to all Bank offices, and its officers and employees. Each office has implemented risk-based procedures reasonably expected to prevent, detect and cause the reporting of transactions required under the Anti-Money Laundering Council (AMLC). It is the policy of the Bank to prohibit and actively pursue the prevention of money laundering and any activity that facilitates money laundering (ML) or the funding of terrorist (TF) or criminal activities, and proliferation financing (PF). The Bank is committed to AML compliance in accordance with applicable law and requires its officers and employees to adhere to these standards in preventing the use of its products and services for money laundering/terrorist financing and proliferation financing activities.

Finally, MCCB adheres to the reporting requirement and guidelines on Suspicious Transactions set out by the AMLC, and uses the 2022 MCCB Institutional Risk Assessment (IRA) to effectively prevent money laundering and combat the financing of terrorism, an assessment mechanism that adopts the risk-based approach on Institutional Risk Assessment (IRA) designed and consistent with the Bank's risk profile, size and complexity of operation.

CORPORATE GOVERNANCE

AML GOVERNANCE

It is the policy of the Bank to prohibit and actively pursue the prevention of money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. MCCB is committed to AML compliance in accordance with applicable laws and requires its officers and employees to adhere to these standards to prevent the use of its products and services for money laundering purposes.

The Bank seeks to combat money laundering by applying the following principles:

1. Conduct business in conformity with high ethical standards in order to protect the Bank's interest of being use as a money laundering/terrorist financing activity;
2. Safety and soundness as well as the integrity of the national banking and financial system;
3. Know sufficiently the customer at all times and ensure that the financially or socially disadvantaged are not denied access to financial services while at same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank by himself or otherwise;
4. Adopt and effectively implement a sound MTPP and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing; and
5. Comply fully with these rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and
6. Fully cooperate with the Anti-Money Laundering Council (AMLC) for the effective implementation and enforcement of the AMLA, as amended, and its IRR.

MCCB Corporate Governance

MCCB's corporate governance fosters the achievement of the Board and management's corporate goals with the highest level of performance. This includes promoting the interests of stockholders and furthering the Bank's commitment to transparent and good corporate governance.

Selection Process of the Bank's Board of Directors

The members of the Board of Directors are elected by secret ballot, by the affiliates who are duly authorized representatives, and entitled to vote during the annual regular general assembly meeting or special general assembly meeting called for the purpose. The directors so elected shall hold office for a term of two (2) years until their successors shall have been elected or qualified, unless they are earlier removed for cause, or have resigned or become incapable due to illness or death; Provided, that majority of the elected

directors obtaining the highest number of votes during the first election after registration shall serve for two (2) years, while the remaining directors shall serve for one (1) year. Thereafter, all directors shall serve for a term of two (2) years; the term of the cooperating directors shall expire upon the election of their successors in the first regular general assembly after registration.

Board's Overall Responsibility

The primary responsibility of the Board is to provide effective governance over the Bank's affairs for the benefit of its shareholders, employees, customers, creditors and other stakeholders. It is also the duty of the Board to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which is exercised in the best interest of the Bank, its shareholders, its depositors and creditors, its management and employees, the government regulators, and public in general.

Board Composition

NAME OF DIRECTORS	TYPE OF DIRECTORSHIP	SHAREHOLDER REPRESENTED	YEARS SERVED	NO. OF SHARES HELD BY THE COOPERATIVE (DIRECT)	% SHARES HELD BY THE COOPERATIVE
Mansueto V. Dela Peña	Chairperson	Oro Integrated Cooperative (OIC)	6	299,194	11.38%
Edgardo T. Gamolo	Vice-Chairperson	MICROBANCO (Misamis Oriental Micro Banker Coop)	7	110,390	4.20%
Claudine A. Malanog	Director	ACDI Multipurpose Cooperative	2	606,566	23.08%
Noel D. Raboy	Director	CLIMBS Life and General Insurance Cooperative (CLIMBS)	2	250,102	9.52%
Engr. Roger S. Cabunoc	Director	Del Monte Philippines, Inc. Employees and Community Credit Cooperative (DMPI-ECCC)	1	51,558	1.96%
Engr. Calanico R. Chamen III	Director	Philippine International Travel Assistance Center - Multi-Purpose Cooperative (PITAC MPC)	4	2,008	0.08
Atty. Isidro Q. Lico	Independent Director	GASAKA MPC (Gabayan sa Kaugmaon)	7	57,943	3.36%
Atty. Proculo T. Sarmen	Independent Director	San Isidro Calacapan Indahag Farmers Association - Multipurpose Cooperation Incorporated (SICIFA-MPC)	2	939	0.04%
Delia M. Ladao, CPA	Independent Director	Countryside Builders Multi-Purpose Cooperative (CBMPC)	5	1,196	0.05%
Engr. Jamie B. Balansag, Sr.	Independent Director	Alubijid Municipal Federation of Cooperatives (AMFEDCO)	7	3,133	0.12%

Board of Directors' Attendance for 2024 Regular Board Meetings (RBMS)

NAME OF DIRECTORS	TYPE OF DIRECTORSHIP	SHAREHOLDER REPRESENTED	NO. OF MEETINGS ATTENDED	TOTAL NO. OF MEETINGS	% OF ATTENDANCE
Mansueto V. Dela Peña	Chairperson	Oro Integrated Cooperative (OIC)	12	12	100%
Edgardo T. Gamolo	Vice-Chairperson	MICROBANCO MPC (Misamis Oriental Micro Banker Coop)	12	12	100%
Claudine A. Malanog	Director	ACDI Multipurpose Cooperative	12	12	100%
Noel D. Raboy	Director	CLIMBS Life and General Insurance Cooperative (CLIMBS)	11	12	92%
Engr. Roger S. Cabunoc	Director	Del Monte Philippines, Inc. Employees and Community Credit Cooperative (DMPI-ECCC)	12	12	100%
Engr. Calanico R. Chamen III	Director	Philippine International Travel Assistance Center - Multi-Purpose Cooperative (PITAC MPC)	9	12	75%
Atty. Isidro Q. Lico	Independent Director	GASAKA MPC (Gabayan sa Kaugmaon)	12	12	100%
Atty. Proculo T. Sarmen	Independent Director	San Isidro Calacapan Indahag Farmers Association - Multipurpose Cooperation Incorporated (SICIFA-MPC)	12	12	100%
Delia M. Ladao, CPA	Independent Director	Countryside Builders Multi-Purpose Cooperative (CBMPC)	12	12	100%
Engr. Jamie B. Balansag, Sr.	Independent Director	Alubijid Municipal Federation of Cooperatives (AMFEDCO)	12	12	100%
Doris B. Calapiz	Board Secretary	N/A	12	12	100%

Board Qualifications

Any person who desires the position of the Bank's director must possess certain qualifications. He or she:

1. Shall be at least twenty-five years of age at the time of election or appointment;
2. Shall be at least a college graduate or have at least five years experience in business;
3. Must have attended a special seminar on corporate governance for Board of Directors;
4. Must be fit and proper for the position;
5. Must have a practical understanding of the business of the Bank;
6. Must be a member of good standing in the relevant industry, business or professional organizations; and
7. Shall possess the qualifications required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

Board Level Committees

The Board is assisted by six committees to ensure the effective performance of its roles and functions. Each of the following board committees has its own terms of reference that clearly define the composition, duties, and responsibilities.

Executive Committee

The Executive Committee has been created to act on matters that need urgent and immediate action, as determined by the Board. However, the actions of this committee on the delegated matters have to be reported to the Board for final consideration.

Credit Committee

The Credit Committee is responsible for the supervision and control of the Bank's lending services. It processes, evaluates, and acts on loan applications and ascertains that no loans granted are violative of the Bank's credit policies and the rules and regulations of the BSP and CDA. The committee meets once a month primarily to deliberate on loan applications that are within its authority.

Internal Audit Committee

The internal audit function plays a crucial role in ensuring that the Bank operates effectively, ethically, and within legal boundaries. The primary responsibility of the internal audit is to evaluate and improve risk management, control, and governance processes, thus ensuring reliability of financial reporting and identifying operational efficiencies. Also, it is authorized by the Board and the audit committee to access records, interview personnel, and investigate issues. At the helm of the internal audit is the Internal Audit Department (IAD) which reports directly to the Board's Audit Committee. It provides reasonable

assurance to the Board and Management that the Bank's internal control, risk management, and governance systems and processes are effective. This involves providing assurance that the Bank's key operational and procedural controls are effective, appropriate, and complied with.

The Internal Audit Department (IAD) conducts audits at frequencies commensurate with the assessed level of risk in specific banking areas comprising its audit universe. The department has its own Board-approved charter, which directs the performance of its functions. It reports directly to the Audit Committee the violations and the common audit findings committed by the branches, thus permitting the necessity of creating policies for protecting the Bank against recurring violations committed.

Compliance Committee

The Compliance Committee is responsible for ensuring that the Bank complies with all the relevant laws, regulations, and policies that apply to its operations. The committee is an internal body that oversees and monitors bank activities to ensure that they are in line with the compliance framework. Working closely with this committee is the Compliance Department, which is vested with the role of designing the Bank's compliance program and overseeing and coordinating its effective implementation towards the sound management of business and compliance risks. This department, which reports directly to the Board's Compliance Committee, is responsible for the propagation of the right compliance culture across the organization while avoiding an overly risk-averse environment that inhibits business growth. In addition, it ensures adherence to laws, regulations, policies, and standards, monitoring and mitigating compliance risks to prevent legal and regulatory violations. As an organization regulated by the Bangko Sentral, it is mandated by regulatory requirements, with authority to interpret regulations, establish compliance programs, and enforce policies and procedures.

In addition to the above, the compliance function facilitates the effective management of compliance risk by:

1. Advising the Board of Directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
2. Advising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from Bank personnel;
3. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines; and
4. Identifying, documenting, and assessing the compliance risks associated with the Bank's business activities, including new products and business units.

Risk Oversight Committee

The Risk Oversight Committee is composed of three members of the Board of Directors, the majority of whom are independent directors, including the Chairperson. It advises the Board on the Bank's overall current and future risk appetite, oversees senior management's adherence to the risk appetite statement, and reports on the state of risk culture of the Bank. It is tasked to oversee the risk management framework, ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans, oversee

adherence to the risk appetite of the Bank, ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite and finally to oversee the risk management function, ensuring that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Bank.

IT Oversight Committee

The IT Oversight Committee is responsible for overseeing the Bank's information technology strategy and operations. This committee ensures that IT initiatives are aligned with the Bank's business objectives, regulatory requirements, and security standards. It provides governance over IT projects, monitors IT risk management practices, and evaluates the performance and effectiveness of IT systems. The committee also plays a critical role in guiding the Bank through technological advancements and ensuring the integrity and reliability of its IT infrastructure, ultimately supporting the Bank's mission of delivering efficient and secure financial services to its members.

Senior Management

The senior management team of MCCB comprises individuals at the highest level of management who handle the day-to-day tasks of running the Bank. The team includes the President, Vice President for Credit Services and Asset Recovery Group, Vice President for Branch Banking Group, Vice President for Corporate Services Group, Vice President for Lending Group, the Bank's Compliance Officer, Internal Auditor, Risk Management Officer, Controller, and the Treasury Manager.

The **President** is the Chief Executive Officer of the Bank and she is accountable for its general management, subject to the control and policies of the Board. She is responsible for the proper and efficient execution of all orders and resolutions of the Board and the rules and regulations of government regulators, particularly the Bangko Sentral ng Pilipinas and Cooperative Development Authority. She directly reports to the Board.

The **Vice President for Credit Services and Asset Recovery Group** is responsible for planning, organizing, directing, coordinating, and controlling the activities of the Credit Services and Asset Recovery Group. He is also responsible for providing executive level strategic leadership and management oversight related to member support services, credit risk, compliance, operational policies, procedures and systems.

The **Vice President for Branch Banking Group** is responsible for managing the performance and targets for deposit-taking activities of the Bank. He provides leadership, management, and vision necessary to ensure that the strategic direction of the President and the Board of Directors in the attainment of the deposits and deposit growth is achieved while maintaining the Bank's credit quality.

The **Vice President for Corporate Services Group** provides leadership in the formulation and implementation of the Bank's strategies in line with its mission as they relate to personnel, information technology, general services, procurements, business continuity, health and safety. She ensures that all human resources and corporate services are aligned to the Bank's strategic vision and priorities.

The **Vice President for Lending Group** ensures that the Bank achieves its loan generation targets, considering its limited resources. He is responsible for making precise and accurate calculations regarding the Bank's targets and revenue generation. Additionally, he ensures that sufficient loans generated meet the Bank's targets.

The **Compliance Officer** oversees and coordinates the implementation of the Bank's compliance system. Reporting directly to the Board, he is responsible for identifying, monitoring, and controlling of compliance risks. Additionally, he is the primary contact and focal person for regulatory bodies such as the BSP, CDA, PDIC, BIR, etc.

The **Internal Auditor** examines on a regular basis all accounts, transactions and activities of all the operating departments and offices to determine compliance with board policies and government regulations, and recommend to the Board measures necessary to enhance the internal control system of the Bank. In carrying out his duties, functions and powers, the Internal Auditor is responsible to the Audit Committee and the Board on all matters directly pertaining to audit responsibility. In administrative matters, he is accountable to the President.

The **Risk Management Officer** is responsible for overseeing the risk management function and shall support the Board of Directors in the development of the risk appetite and risk appetite statement of the Bank and for translating the risk appetite into a risk limits structure. She is tasked to propose enhancements to risk management policies, processes, and systems to ensure that the Bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

The **Controller** is the person in-charge in the overall conduct of the Accounting Department of the Bank. She is involved in making sound reporting to the President of the actual result of operations for a given period.

The **Treasury Manager** plans, organizes and directs the activities of various treasury programs and functions of the Bank relating to the management of asset and debt portfolios.

Performance Assessment Program

It is the policy of MCCB to ensure readiness of successors for key or critical positions in the Bank for the continuity of its business operations.

The steps involve identification of key or critical positions, determination of appropriate qualification or competency standards for these positions, assessment of possible successors against standard, mapping of candidates and design, and implement development programs such as Management Development Program (MDP) to ensure the readiness of potential successors to assume responsibilities and functions of the key or critical positions.

Orientation and Education Program

The Chairperson of the Board, duly elected following each Annual General Meeting of Shareholders, is given the responsibility to see to it that proper orientation is given for first time directors and training opportunities are provided for all Board of Directors.

Other training providers are also being tapped to conduct special trainings for the Bank's BODs especially on matters that need oversight functions. For Bank's officers and personnel, the Human Resource (HR) Department through the Bank's Training Officer is responsible for all education and trainings needed to support the mandatory continuing education program for all bank personnel.

Retirement and Succession Policy

The Bank has its own Retirement and Succession Policy Plan designed to properly guide the Board and Management on the proper turn-over and orderly continuation of functions when a vacancy in key positions occurs. When a vacancy on the Board of Directors occurs due to death, incapacity or resignation, the remaining members constituting a quorum fill the vacancy. The appointed director serves for the unexpired portion of the term.

The Bank's Management has a retirement age of 60 years old. Upon reaching this age, the retiring officer concludes his/her involvement in the Bank. This policy acknowledges that Management positions often involve day-to-day operations and may benefit from fresh perspectives over time. Conversely, board roles typically involve long-term strategic guidance, where accumulated experience and institutional memory are paramount. Therefore, the Bank's Board of Directors does not have a retirement age unless a director is deemed incapable or no longer qualified for the position due to health conditions.

Remuneration Policy

No compensation shall be paid to the Bank's director, but they may be allowed a reasonable honorarium for attendance at BOD meetings, and also reasonable expenses incurred in connection thereto, in an amount to be determined by the Board. The Bank's remuneration policy applies to all bank officers, staff and personnel regardless of rank as approved by the Board. This policy highlights appropriate remuneration and provides specific guidelines for promotion and advancement as defined in the guidelines.

Related Party Transactions

Transactions of the Bank with a related party may be allowed. However, personnel are cautioned that such transactions be conducted on an arm's length basis or in the ordinary course of business. Materiality thresholds for RPTs (₱1 million and above) have also been set for each type of transaction and for each related party group, excluding deposit transactions, and those granted under the BSP-approved fringe benefits program.

Self-Assessment Functions

The Compliance Department

The Compliance Department of MCCB is responsible for ensuring that the Bank and its personnel, including the Board of Directors, and other officers follow all relevant laws, regulations and standards set by the government regulators. The main function of this department is to manage and mitigate the risks associated with financial crimes. It is also tasked to identify, monitor, and report any suspicious activities to authorities. Finally, it oversees the design of an appropriate compliance system, promote its effective implementation, and address breaches that may arise.

This department is headed by the Compliance Officer, who has regular status within the organization as established by the department's charter.

The Internal Audit Department

The Internal Audit Department (IAD), which reports directly to the Board's Audit Committee, provides reasonable assurance to the Board and management that the Bank's internal control, risk management, and governance systems and processes are effective. This involves providing assurance that the Bank's key operational and procedural controls are effective, appropriate, and complied with. The IAD conducts audits in frequencies commensurate with the assessed level of risk in specific banking areas comprising its audit universe. It also conducts special administrative investigations when required to do so pursuant to the Bank's code of conduct, and management advisory and consulting services when required. The department has its own Board-approved charter which directs performance of its functions.

The Risk Management Department

The Risk Management Department monitors the risk environment of the Bank and provides direction for the activities to mitigate, in an acceptable level, the risks that may adversely affect the Bank's ability to achieve its goals. The department facilitates continuous improvement of the Bank's capabilities around managing its risks. It monitors and evaluates the risk management process of the Bank and undertake enhancement when needed.

Corporate Social Responsibility

MCCB adopts Corporate Social Responsibility (CSR) initiatives that benefit its stakeholders, including customers, employees, shareholders, communities and the environment. It recognizes the fact that its actions can have significant impact on the various communities and the environment where it operates.

The Bank has been implementing the following CSR agenda:

1. Environment-friendly initiatives, which consist of reduction of energy consumption and recycling of used materials;
2. Philanthropic initiatives, which include supporting disaster relief efforts and sponsoring educational programs;
3. Employee welfare programs, which comprise providing health insurance and promoting work-life balance; and
4. Community outreach programs, which include donating foods and other necessities to orphanages and correctional centers, and supporting local cultural activities.

Consumer Protection Practices

The Bank has approved its Financial Consumer Protection Framework Manual, which aims to provide protection for customers transacting with the Bank. The Board is primarily responsible for ensuring effective recourse for Bank's consumers. It approves the Consumer Assistance policies and procedures, conducts reviews of these policies at least annually, and ensures compliance thereto. In providing adequate resources for Consumer Assistance, the Senior Management is responsible for the bank-wide implementation of Consumer Assistance policies and procedures.

The Bank has put in place certain mechanisms to ensure that all complaints are addressed even at the branch level. The Branch Managers primarily serve as the contact persons for Compliance Department in dealing with all complaints and ensuring their proper handling. The Compliance Department regularly reports to the Board on escalated complaints for proper action and monitoring.

MCCB'S TOP 10 SHAREHOLDERS

INSTITUTION NAME	NUMBER OF SHARES	% OF OWNERSHIP	CURRENT INSTITUTION ADDRESS
ACDI Multipurpose Cooperative	606,566	23.08%	Cagayan de Oro City, Misamis Oriental
Oro Integrated Cooperative (OIC)	299,194	11.38%	Cagayan de Oro City, Misamis Oriental
CLIMBS Life and General Insurance Cooperative	250,102	9.52%	Cagayan de Oro City, Misamis Oriental
MICROBANCO (Misamis Oriental Micro Banker Cooperative)	110,390	4.20%	Cagayan de Oro City, Misamis Oriental
GASAKA MPC (Gabayan sa Kaugmaon)	57,943	2.20%	Corrales Extension, Cagayan de Oro City, Misamis Oriental
Del Monte Philippines, Inc. Employees and Community Credit Cooperative (DMPI-ECCC)	51,558	1.96%	Bugo National Highway, Cagayan de Oro City, Misamis Oriental
Macalajar Wharf Porters Ass'n Multi-Purpose Cooperative (MWPA MPC)	21,902	1.37%	Cagayan de Oro City, Misamis Oriental
Tagoloan Grower Coop	20,968	0.83%	Cagayan de Oro City, Misamis Oriental
Coop Life General Insurance and Financial Services Agency	20,091	0.76%	Cagayan de Oro City, Misamis Oriental
MCFEDCO	15,468	0.59%	Cagayan de Oro City, Misamis Oriental

MCCB ORGANIZATIONAL STRUCTURE

ORGANIZATIONAL STRUCTURE

Table of Organization Approved: July 14, 2022
Board Resolution: 163s2022

Enhancement of IT TO Date Approved: January 12, 2024
Board Resolution #: 12s2024

Enhancement of Lending TO Date Approved: January 12, 2024
Board Resolution #: 13s2024

LEGEND:

BSP MANDATED COMMITTEE

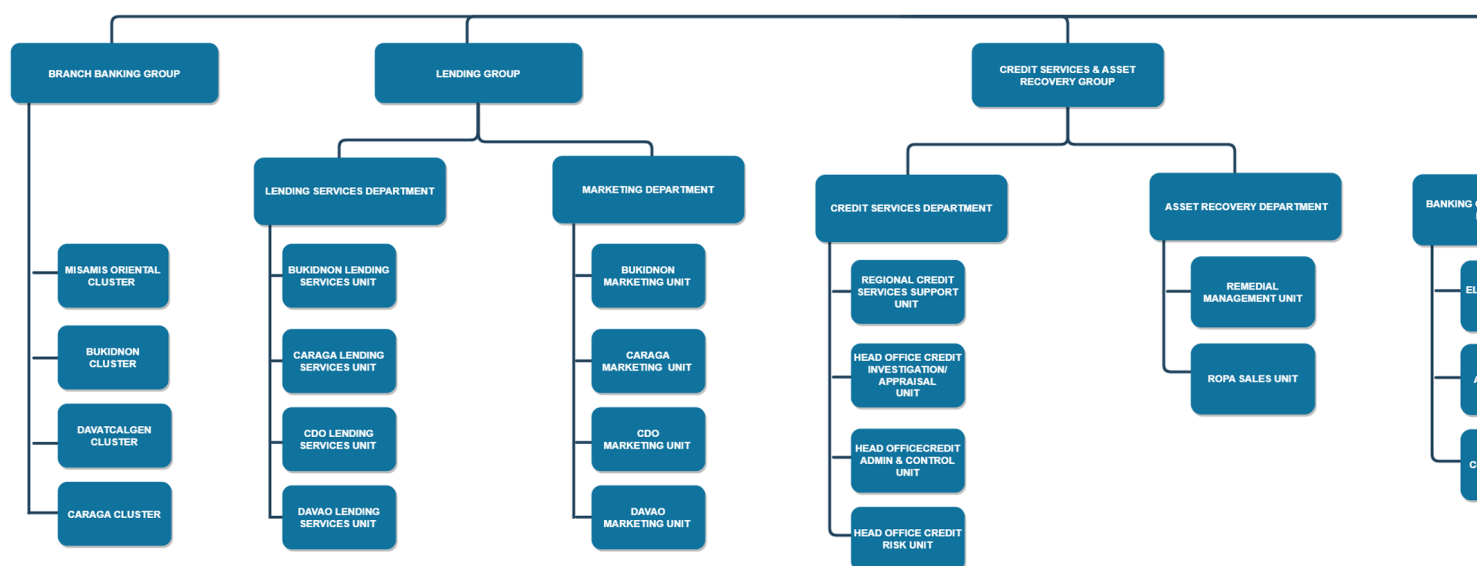
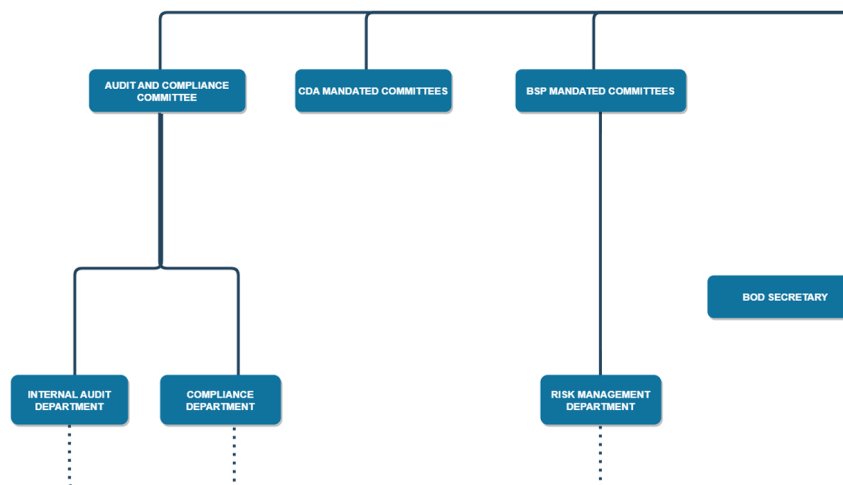
- Audit and Compliance Committee
- Corporate Governance Committee
- Risk Oversight Committee

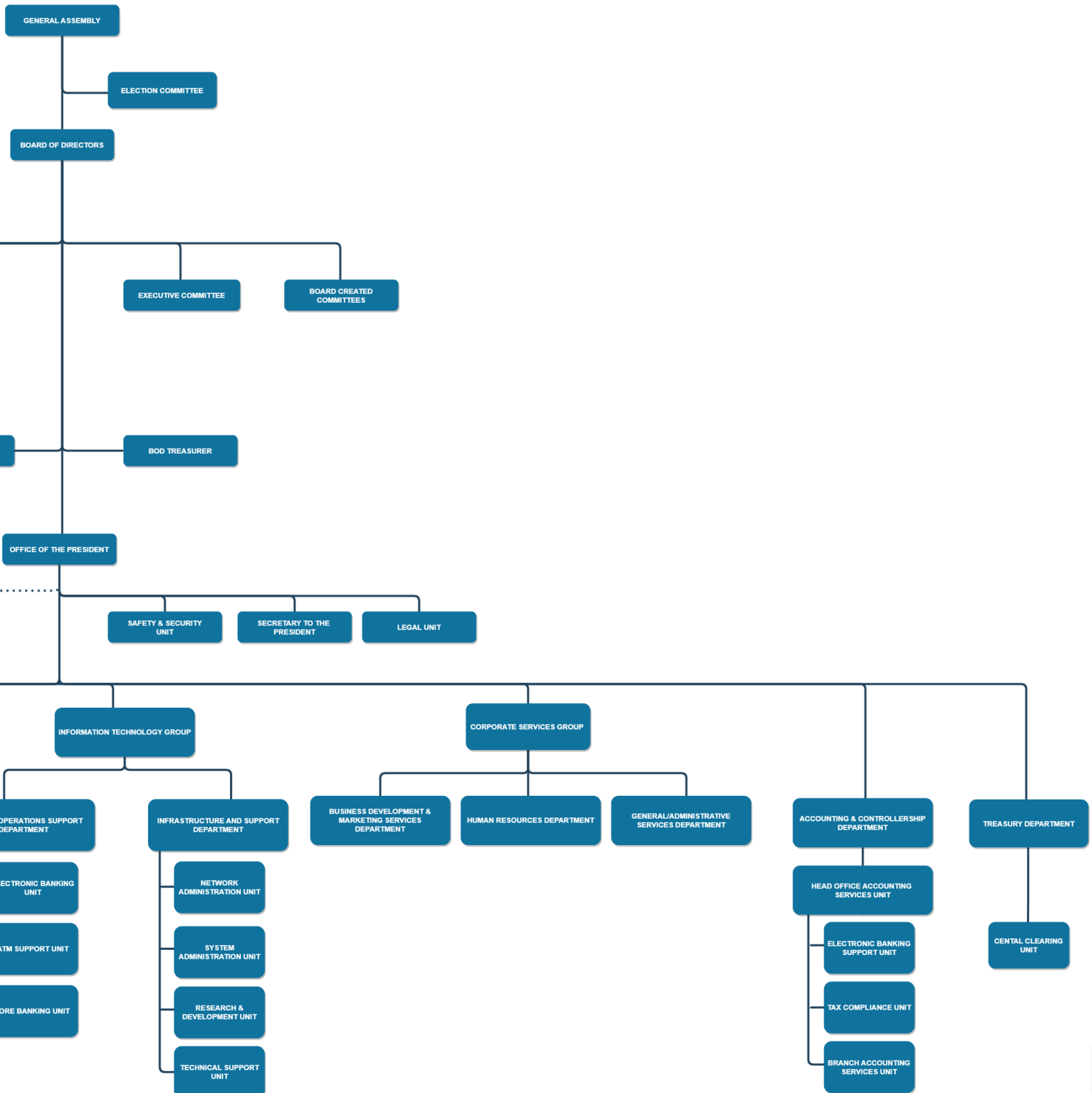
CDA MANDATED COMMITTEE

- GAD Committee
- Grievance and Mediation Committee
- Education Committee
- Ethics Committee
- Election Committee

BOARD CREATED COMMITTEE

- Executive Committee
- HR Oversight Committee
- Asset Liability Management Committee
- Credit Committee





FINANCIAL STATEMENTS OF MINDANAO CONSOLIDATED COOPERATIVE BANK

Financial Statements of **Mindanao Consolidated Cooperative Bank**

December 31, 2024 and 2023

And

Report of Independent Auditors

REPORT OF INDEPENDENT AUDITORS



LOPE LARANJO BATO & Co.

Certified Public Accountants

(A Member Firm of the Leading Edge Alliance Global)

2/F Bato Building, Coastal Road, Zone 1, Kauswagan
Cagayan de Oro City, 9000 Philippines
Tel. Nos. (088)882-7439, (+63)917-702-4175, & (+63)998-571-5654
Email: llbandcocpas@gmail.com and junbato.llb@gmail.com
Website: www.llbandcocpas.com



Firm's Accreditations:

BOA Accreditation No. 6358
Valid until September 13, 2027
BIR Accreditation No. 16-006925-000-2023
Valid until September 29, 2026
SEC Group C Accreditation No. 6358-SEC
Valid until financial audit 2025
BSP Group B Accreditation No. 6358-BSP
Valid until financial audit 2025
CDA CEA Accreditation No. 120-AF
Valid until November 19, 2029
NEA Accreditation No. 2023-00097
Valid until December 10, 2026

Branches:

Metro Manila Office

Unit 827, South Star Plaza
Osmeña Highway
Bangkal, Makati City
Cell: (+63)9177024175
junbato@yahoo.com

Cebu Branch

c/o Reyes & Bato Consulting
Reyes Building
A. Del Rosario Street, Guizo,
Mandaue City 6014
Cebu Province
Tel. No.: (032)272-3140

Davao Branch

Unit 211, 2F Pink Walters Bldg.
Quimpo Blvd. Ecoland, Bucana
Talomo Dist., Davao City 8000
Cell: (+63) 9262255317

Butuan Branch

2F MCAGA Building
Purok 4 J.P. Rosales Avenue
Limaha Pob. (Brgy. 14)
Butuan City 8600
Cell: (+63) 9171131520

Ozamiz Branch

3F-14 City Park Ave., Bldg.,
Aguada, Ozamis City,
Misamis Occidental, 7200
Tel. No.: (088)564-3481

Malaybalay Branch

2F Janstar Building
San Isidro-Judge P. Carillo
Street, Barangay 5
Malaybalay City, Bukidnon
Tel. No.: (088)813-2797

Ipil Branch

2nd Floor Avery Arcade Sanito
Ipil Zamboanga Sibugay
7001 Philippines
Tel. No.: 0629574281
Cell: (+63) 9296089081

Siquijor Branch

2F Far desam Building
Purok Punta Sipao, Pangil
Siquijor, Siquijor
Cell: (+63) 9452196101

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Mindanao Consolidated Cooperative Bank

Capitol Compound, Antonio Luna St.
Cagayan de Oro City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mindanao Consolidated Cooperative Bank, which comprise the statements of financial position as at December 31, 2024 and 2023, and the related statements of profit or loss, statements of changes in equity, and statements of cash flows for the years then ended, and notes to 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 Mindanao Consolidated Cooperative Bank, as of December 31, 2024 and 2023 and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

REPORT OF INDEPENDENT AUDITORS

-2-

LLB & Co.

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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

REPORT OF INDEPENDENT AUDITORS

-3-

LLB & Co.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the Bangko Sentral ng Pilipinas (BSP) and by the Bureau of Internal Revenue (BIR) as disclosed in Notes 28 and 29 to the financial statements, respectively, is presented in accordance with PFRSs. Such supplementary information is the responsibility of Mindanao Consolidated Cooperative Bank and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In compliance with Revenue Regulations V-20, we are stating that we are not related by consanguinity or affinity to the President, Manager, or any shareholder of the Bank.

LOPE LARANJO BATO & Co.

By: 
 LOPE L. BATO, JR.
 Managing Partner
 CPA Cert. No. 73964
 TIN 102-081-516

BIR Accreditation No. 16-006925-001-2023, valid until September 29, 2026
 SEC Group C Accreditation No. 73964-SEC, valid until Financial Audit 2025
 BSP Group B Accreditation No. 73964-BSP, valid until Financial Audit 2025
 PTR No. 6207502-A, January 2, 2025, Cagayan de Oro City, Philippines

March 19, 2025
 Cagayan de Oro City, Philippines

LLB-0054-2024-CDO

STATEMENT OF FINANCIAL POSITION

STATEMENTS OF FINANCIAL POSITION

Mindanao Consolidated Cooperative Bank

Amounts in Philippine Peso

December 31	Notes	2024	2023
ASSETS			
Cash	4	769,885,110	521,206,084
Loans and Receivables	5	2,146,873,373	1,932,040,073
Bank Premises, Furniture and Equipment	6	138,674,943	122,131,357
Investment Properties	7	244,665,893	174,513,018
Goodwill	8	7,655,984	55,032,396
Other Assets	9	69,763,312	39,390,609
Total Assets		3,377,518,615	2,844,313,537
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposit Liabilities	11	2,152,703,226	1,709,336,232
Bills Payable	12	468,423,034	419,139,044
Retirement Benefits Obligation	13	7,931,714	6,078,056
Finance Lease Liability	14	10,394,107	11,364,787
Other Liabilities	15	384,921,208	321,549,300
Total Liabilities		3,024,373,289	2,467,467,419
Shareholders' Equity		353,145,326	376,846,118
Total Liabilities and Shareholders' Equity		3,377,518,615	2,844,313,537

See Notes to Financial Statements.

STATEMENT OF PROFIT OR LOSS

STATEMENTS OF PROFIT OR LOSS

Mindanao Consolidated Cooperative Bank

Amounts in Philippine Peso

Years Ended December 31	Notes	2024	2023
INTEREST INCOME			
On loans and receivables	17	257,387,033	210,822,712
On bank deposits and investments	17	1,716,563	2,059,678
Total Interest Income		259,103,596	212,882,390
INTEREST EXPENSE			
	18	70,999,124	57,496,332
NET INTEREST INCOME			
		188,104,472	155,386,058
OTHER INCOME			
	19	121,508,668	96,915,161
INCOME BEFORE IMPAIRMENT LOSS			
		309,613,140	252,301,219
LESS IMPAIRMENT LOSS			
	10	29,005,637	16,644,503
INCOME AFTER IMPAIRMENT LOSS			
		280,607,503	235,656,716
OPERATING EXPENSES			
	20	254,562,564	204,843,903
INCOME BEFORE SUBSIDY			
		26,044,939	30,812,813
SUBSIDY			
	6	1,968,633	-
PROFIT FOR THE YEAR			
		28,013,572	30,812,813
EARNINGS PER SHARE			
	22	10.67	12.16
DISTRIBUTION			
General reserve fund (10%)	16	2,801,357	3,081,281
Education and training fund (CETF – local) (5%)	16	1,400,679	1,540,641
Education and training fund (CETF – apex) (5%)	16	1,400,679	1,540,641
Community development fund (3%)	16	840,407	924,384
Optional fund (7%)	16	1,960,950	2,156,897
Surplus free (70%)	16	19,609,500	21,568,969
		28,013,572	30,812,813

See Notes to Financial Statements.

STATEMENT OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY

Mindanao Consolidated Cooperative Bank

Amounts in Philippine Peso

December 31	Notes	2024	2023
SHARE CAPITAL	16	326,480,800	326,888,600
SURPLUS FREE			
Balance at beginning of year		30,626,472	10,882,947
Allocation from net surplus	16	19,609,500	21,568,969
Prior period adjustments	16	(44,555,752)	(1,825,444)
Balance at end of year		5,680,220	30,626,472
STATUTORY FUNDS			
General Reserve Fund			
Balance at beginning of year		4,414,648	8,333,367
Adjustment	5	-	(7,000,000)
Allocation from net surplus	16	2,801,357	3,081,281
Balance at end of year		7,216,005	4,414,648
Community Development Fund			
Balance at beginning of year		3,518,358	2,593,973
Allocation from net surplus	16	840,407	924,385
Disbursement		(891,301)	-
Balance at end of year		3,467,464	3,518,358
Optional Fund			
Balance at beginning of year		8,907,841	6,750,944
Allocation from net surplus	16	1,960,950	2,156,897
Subsidy	6	(1,968,633)	-
Balance at end of year		8,900,158	8,907,841
Cooperative Educational and Training Fund			
Balance at beginning of year		2,490,199	949,558
Allocation from net surplus	16	1,400,679	1,540,641
Disbursement		(2,490,199)	-
Balance at end of year		1,400,679	2,490,199
STATUTORY RESERVE	16	20,984,306	19,331,046
		353,145,326	376,846,118

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS

STATEMENTS OF CASH FLOWS

Mindanao Consolidated Cooperative Bank

Amounts in Philippine Peso

Years Ended December 31	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		28,013,572	30,812,813
Adjustments for:			
Depreciation	6	26,637,739	17,929,310
Interest income	17	(259,103,596)	(212,882,390)
Interest expense	18	70,999,124	57,496,332
Impairment losses	10	29,005,637	16,644,503
Retirement benefit expense		1,853,658	1,853,658
Prior period adjustments		(44,555,752)	(1,825,444)
Changes in working capital:			
Increase in loans and receivables	5	(243,838,937)	(68,076,125)
Decrease in goodwill	8	47,376,412	-
(Increase) decrease in other assets	9	(1,192,074)	(8,036,283)
Increase in deposit liabilities	11	443,366,994	304,545,932
Increase in retirement benefit obligation	13	-	4,224,398
Increase in lease liability	11	(970,680)	11,364,787
Increase in other liabilities	15	52,432,255	680,955
Cash generated from operating activities		150,024,353	305,894,106
Interest received	17, 9	229,922,966	212,882,390
Interest paid	10, 15	(60,059,472)	(57,496,332)
Net Cash from Operating Activities		319,887,847	305,894,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of bank premises, furniture and equipment	6	(42,041,597)	(34,801,141)
Additions of investment properties	7	(71,292,603)	(118,573,373)
Net Cash Used in Investing Activities		(113,334,200)	(153,374,514)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) of bills payable	12	49,283,990	(22,328,964)
Decrease from surplus reserve	16	1,653,262	(553,032)
Withdrawal of preferred shares	16	(9,581,500)	(415,400)
Issuance of ordinary shares	16	11,601,000	26,476,400
Withdrawal of ordinary shares	16	(2,601,000)	(359,000)
Issuance of preferred shares	16	173,700	393,500
Allocations during the year	16	(8,404,072)	(9,243,844)
Cash Generated from (for) Financing Activities		42,125,380	(6,030,340)
NET INCREASE IN CASH		248,679,026	146,489,252
CASH AT BEGINNING OF YEAR	4	521,206,084	374,716,832
CASH AT END OF YEAR	4	769,885,110	521,206,084

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Mindanao Consolidated Cooperative Bank
Amounts in Philippine Peso

Note 1

Bank Information

Organization

The Mindanao Consolidated Cooperative Bank was registered with the Cooperative Development Authority (CDA) under Registration No. 9520-20100000026672 on April 27, 2016 in accordance with the provisions of the R.A. 9520 and with the Bureau of Internal Revenue (BIR) on October 28, 2016 with tax identification number (TIN) 491-920-160-00000. The Certificate of Authority was issued by the Bangko Sentral ng Pilipinas on December 15, 2016. The Bank was primarily organized for the following purposes such as (a) to provide banking and other financial services to cooperative organizations, their members, and the general public; (b) to obtain loans and receive grants and other financial assistance from government and private banks and other financial institutions for the benefit of cooperative organization and their members; (c) to act as the balancing medium for the surplus of the cooperatives and their members by mobilizing savings and investments from them; (d) to facilitate the economic undertakings of the members by issuing negotiable instruments and debentures and by rediscounting bills and promissory notes; and (e) to carry out all other functions prescribed by the CDA and BSP.

Head Office and Business Address

The bank's registered office, which is also its principal place of business, is located at Capitol Compound, Antonio Luna Street, Cagayan de Oro City. It has 21 branches located at Alae, Alubijid, Bayugan, Butuan, Cagayan de Oro City, Calinan, Davao, General Santos, Gingoog, Iligan, Kibawe, Malaybalay, Manticao, Maramag, Panabo, Puerto, Quezon, Surigao, Tagum, Valencia and Villanueva.

Tax Exemption

The Bank was granted a certificate of tax exemption by the Bureau of Internal Revenue (BIR) with CTE No. COOP-54-23-RR16-RDO-098 which is valid for five (5) years or until December 7, 2028, unless sooner revoked by the BIR for violation of any provisions of the Joint Revenue Regulations or upon withdrawal of the Certificate of Registration by the CDA.

As a cooperative transacting with members only, Mindanao Consolidated Cooperative Bank is entitled to the following tax exemptions and incentives provided by Article 60 of Republic Act No. 9520, as implemented by Section 8 of the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of RA No. 9520:

- Exemption from Income tax on income from CDA-registered operations;
- Exemption from Value-added tax on CDA-registered sales or transactions;
- Exemption from other Percentage taxes;
- Exemption from Donor's tax on donations to duly accredited charitable, research and educational institutions, and reinvestment to socio-economic project within the area of operation of the cooperative;
- Exemption from Excise tax for which it is directly liable;
- Exemption from Documentary stamp tax: Provided, however, that the other party to the taxable document/transaction who is not exempt shall be the one directly liable for the tax;
- Exemption from payment of Annual Registration fee of Five hundred pesos (P500.00); and
- 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 tax on interest income derived from a depository bank under the expanded foreign currency deposit system.

NOTES TO FINANCIAL STATEMENTS

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Approval of Financial Statements

The financial statements of the Bank as of and for the years ended December 31, 2024 and 2023, were authorized for issue by the Bank's Board of Directors (BOD) on March 19, 2025.

Note 2

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation of Financial Statements

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The financial statements are presented in Philippine peso, which is the Bank's functional and presentation currency. All values are rounded to the nearest peso unless otherwise stated.

The financial statements provide comparative information in respect of the previous period.

Statements of Compliance

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

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

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

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

° Consolidation of Financial Statements

Under PAS/IAS 27, all bank/quasi-bank subsidiaries, regardless of type, are consolidated on a line-by-line basis. For prudential reporting purposes, however, financial allied subsidiaries, except insurance companies, are consolidated with the financial statements of the parent bank on a line-by-line basis. Nonfinancial allied subsidiaries and insurance subsidiaries, on the other hand, are accounted for using the equity method. This requirement has no impact on the Bank as it has no subsidiaries.

NOTES TO FINANCIAL STATEMENTS

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° Provisioning Requirement

In preparing general purpose audited financial statements, BSFIs adopt the provisions of PFRSs in booking provisions for credit losses. For prudential reporting purposes, however, BSFIs are required to adopt the expected credit loss model in measuring credit impairment in accordance with the provisions of PFRS 9. BSFIs are also required to set up a general loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. BSFIs are not required to provide a 1 percent (1%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments. Allowance for credit losses for Stages 1, 2 and 3 accounts shall be recognized in the profit or loss statement. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1 percent GP required, the deficiency shall be recognized by appropriating the Retained Earnings (RE) account. The Bank generally follows the foregoing provisioning requirements for loans and adopted the provisions of PFRSs for the provisioning requirements of other financial instruments.

° Deemed Cost of ROPA in Settlement of Loans

In computing the deemed cost of real and other properties acquired (ROPA), BSFIs are required to value the property at initial recognition based on the carrying amount of the asset given up in the exchange, i.e., carrying amount of the loan, instead of the fair value of the real and other property acquired. The Bank values its ROPA in accordance with this requirement; however, it has subjected the ROPA to impairment testing and disclosed their fair market values at the reporting date.

° Accrual of Interest Income on Non-Performing Loans

Interest income is allowed to be recognized on non-performing exposures for the purposes of preparing the general purpose financial statements. For prudential reporting purposes, however, BSFIs are not allowed to recognize interest income on non-performing exposures, except when payment is received. The Bank does not accrue interest income on non-performing loans as dictated by prudence and conservatism.

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

Impairment of Financial Assets

The Bank recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Bank always recognizes lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Bank's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Bank recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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a. Significant Increase in Credit Risk

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

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

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

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Bank has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (1) the financial instrument has a low risk of default; (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

b. Definition of Default

The Bank considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: (1) when there is a breach of financial covenants by the debtor; or (2) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Bank, in full (without taking into account any collateral held by Bank).

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

c. Credit-impaired financial assets

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

d. Write-Off Policy

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

e. Measurement and Recognition of Expected Credit Losses (ECL)

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Bank's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16.

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For a financial guarantee contract, as the Bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

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

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

The key elements used in the calculation of ECL are as follows:

- **Probability of Default (PD)** – It is an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- **Loss Given Default (LGD)** – It is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD), or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and what the Bank would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.
- **Exposure at Default (EAD)** – It represents the gross carrying amount of the financial instruments subject to impairment calculation; hence, this is the amount that the Bank expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In the event of a loan commitment, the Bank shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur.

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) 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.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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Changes in Accounting Policies

The Bank's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements effective as at January 1, 2024.

Unless otherwise indicated, the adoption of these new standards did not have an impact on the financial statements of the Bank.

Effective beginning on or after January 1, 2024

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

The amendments to PAS 1 are the following:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback

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

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

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

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

The amendment to PAS 7 requires an entity (the buyer) to disclose qualitative and quantitative information about its supplier finance arrangements, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.

Amongst other characteristics, PAS 7 explains that a supplier finance arrangement provides the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date.

Standards and Interpretation Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Bank does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Bank intends to adopt the following pronouncements when they become effective.

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Effective beginning on or after January 1, 2025

- PFRS 17, Insurance Contracts
- Amendment to PFRS 17, "Initial Application of PFRS 17 and PFRS 9 - Comparative Information"

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

The above standards are not applicable to the Bank since the Bank does not have activities that are predominantly connected with insurance or issue insurance contracts.

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

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- Annual Improvements to PFRS Accounting Standards—Volume 11
 - Amendments to PFRS 1, Hedge Accounting by a First-time Adopter
 - Amendments to PFRS 7, Gain or Loss on Derecognition
 - Amendments to PFRS 9, Lessee Derecognition of Lease Liabilities and Transaction Price
 - Amendments to PFRS 10, Determination of a 'De Facto Agent
 - Amendments to PAS 7, Cost Method

Effective beginning on or after January 1, 2027

- PFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- PFRS 18 "Presentation and Disclosure in Financial Statements"

Deferred effectivity

- Amendments to PFRS 10, Consolidated Financial Statements,
- PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; and

The Bank continues to assess the impact of the above new and amended accounting standards and interpretations when these become effective. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Accounting policies currently being used are as follows:

Cash

Cash and cash equivalents include cash and other cash items, due from BSP and due from other banks include cash on hand, savings, and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

NOTES TO FINANCIAL STATEMENTS

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Financial Assets

Financial assets are recognized only when the Bank becomes a party to the contractual provisions of the financial statements.

Financial assets are classified based on their contractual cash flow characteristics and the business model for holding the instruments. Financial assets are initially measured at fair value plus transaction costs, except FVPL. Financial assets classified as FVPL are initially measured at fair value; transaction costs are expensed immediately.

Financial assets that are debt instruments

Financial assets measured at Fair Value through Profit or Loss (FVPL)

A financial asset shall be measured at fair value through profit or loss, except in the following cases:

- The financial asset is part of a hedging relationship, in which case, the provisions of PFRS 9 on the hedge accounting shall apply;
- The financial asset is measured at fair value through other comprehensive income (FVOCI); or
- The financial asset that is a debt instrument is measured at amortized cost.

Financial assets measured at fair value through profit or loss shall consists of the following:

- i. Financial assets held for trading (HFT), which include stand-alone and/or embedded derivatives, except a derivative that is a financial guarantee contract or designated and effective hedging instruments, as defined in PFRS 9;
- ii. Financial assets designated at fair value through profit or loss (DFVPL) as defined in PFRS 9.

The Bank may, at initial recognition, irrevocably designate financial assets that are debt instruments as measured at fair value through profit or loss in accordance with the condition mentioned under PFRS 9, subject to the following requirements:

- Bank shall have in place appropriate risk management systems including related risk management policies, procedures, controls; and
 - Bank shall apply the fair value option only to instruments for which fair values can be reliably estimated.
- iii. Other financial assets which are mandatorily measured at fair value through profit or loss (MMFVPL) refers to financial assets that are required to be measured at fair value through profit or loss under PFRS 9, other than those that are HFT and DFVPL.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

A financial asset measured at FVOCI shall meet both of the following conditions:

- The financial asset is held within a business model whose objective is achieving by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets measured at amortized cost

A financial asset that is a debt instrument, other than those that are designated at fair value through profit or loss, which meet both of the following conditions:

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

Financial assets that are equity instruments

Financial assets that are equity instruments shall be classified under any of the following categories:

- a. Financial assets measured at fair value through profit or loss which shall include financial assets HFT;
- b. Financial assets at Fair Value through Other Comprehensive Income (FVOCI) which shall consists of:

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- i. Financial asset designated at fair value through other comprehensive income (DFVOCI). Bank may, at initial recognition, irrevocably designate financial assets that are equity instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies, as measured at fair value through other comprehensive income.
- ii. Financial assets mandatorily measured at fair value. This includes investment in an equity instrument, previously accounted at cost per PAS 39, which does not have a quoted price in an active market for an identical instrument.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers and all receivables from customers and other Banks. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. Increases in estimates of future cash receipts from financial assets that have been reclassified in accordance with PFRS 9 and PFRS 7 (Amendments) shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate.

Derecognition of financial assets occurs when the right to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Bank Premises, Furniture, Fixtures and Equipment

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

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

Building	10-15 years
Furniture, fixtures and equipment	2-10 years
Transportation equipment	3-5 years
Information technology	2-5 years
Leasehold improvement	over the estimated lives of the improvement or the term of the lease, whichever is shorter

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

Investment Properties

Investment properties pertain to properties held by the Bank for capital appreciation, rather than for administrative purposes or sale in the ordinary course of business.

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Investment properties are initially measured at the carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium or discount less allowance for impairment losses based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for impairment losses plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property).

Real properties acquired in settlement of loans and receivables are booked under ROPA accounts as follows:

- upon the date of entry of judgment in case of juridical foreclosure; or
- upon the date of Sheriff's Certificate of Sale in case of extrajudicial foreclosure; or
- upon the date of notarization of Deed of Dacion in case of dacion in payment.

These properties are carried at cost, which is the fair value at acquisition date including certain transaction cost, less accumulated depreciation and impairment in value. Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying values of the cost of the real properties acquired. Investment properties acquired through a non-monetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, where the net carrying value of the related loans and receivable is used. The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain (loss) on asset exchange' account in the statement of comprehensive income. Subsequent to initial recognition, real properties acquired in settlement of loans and receivables are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is computed on a straight-line basis over the estimated useful life from the time of acquisition of the investment properties but not to exceed 10 years.

The transfer of a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on derecognition of an investment property is recognized in the statement of income in the year of derecognition. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance, security maintenance and other holding costs are normally charged to income in the period in which the costs are incurred.

Impairment of Financial Assets

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about certain loss events, including, among others:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) that the borrower will enter Bankruptcy or other financial reorganization;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties; or,
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

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Assets carried at amortized cost. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Bank includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivable or financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics, i.e., on the basis of the Bank or BSP's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the Board of Directors, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off is recognized in profit or loss.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than ninety (90) days or there are any known difficulties in the cash flow of the counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed impairment

The Bank determines the allowance appropriated for each significant loan or advances on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and expected dividend payout should Bankruptcy ensue, the availability of other

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financial support and realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more attention.

Collectively assessed impairment

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have no objective evidence as a result of individual impairment assessment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of impairment yet in an individual assessment.

Impairment losses are estimated by taking the following information into consideration: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individual assessed impairment allowance, and expected receipts and recoveries once impaired.

Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Impairment of Non-Financial Assets

The Bank equity investments, Bank premises, furniture, fixtures and equipment, investment properties and other assets are subject to impairment testing. All individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. 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 the impairment loss. Any amount recovered is recognized in profit or loss during the period.

Financial Liabilities

Financial liabilities include deposit liabilities and other liabilities.

Financial liabilities are recognized when the Bank becomes a party to the contractual agreement of the instrument. All interest and related charges are recognized as an expense in the statement of profit or loss under the caption Interest Expense.

Deposit liabilities and other liabilities are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.

Other liabilities and deposit liabilities are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Provisions

Provisions, if any, are recognized when the Bank has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount of obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

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Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision.

Provisions are reviewed at each statement of financial condition date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements.

Impairment of Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled. Where 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 the statement of profit or loss.

Share Capital and Other Equity Accounts

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

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

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

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

Statutory Funds

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

The following are the nature of these funds:

a) General Reserve Fund (GRF)

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

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

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- b) Cooperative Education and Training Fund (CETF)
The Cooperative Education and Training Fund, which also receives 10% allocation from the net surplus of the Bank every year, is intended for the education and training and other purposes of the Bank's members. Half of the allocation to the Fund is remitted to the Cooperative Education and Training Fund of the federation or union to which the Bank is affiliated. Upon the dissolution of the Bank, the unspent balance of the Fund shall be credited to the Cooperative Education and Training Fund of the federation or union to which the Bank is affiliated.
- c) Community Development Fund (CDF)
The CDF receives 3% allocation from the net surplus of the Bank every year and is intended to be used for projects or activities that will benefit the community where the Bank operates.
- d) Optional Fund
The Optional Fund is intended either for land and building or any purposes. It receives 7% allocation from the net surplus of the Bank every year.

Revenue and Cost Recognition

- a. Under PFRS 9
Interest income and interest expenses are recognized in the statement of income for all financial assets or liabilities using the effective interest method on the basis of the cost of the individual financial instrument. The effective interest method is a method of calculating the amortized costs of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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

Interest expense on deposit liabilities are recognized based on the accrual method of accounting, using the effective interest method which is the rate that exactly discounts estimated future cash flows through the expected life of the interest-bearing financial instruments to the net carrying amount of the financial liability.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be measured reliably. The following are the specific recognition criteria in recognizing revenue:

- a. Service charges, fees and commissions are generally recognized when the service has been provided. Other non-finance charges on loans and penalties on delinquent accounts are recognized upon actual collection.
- b. Income from assets sold or exchanged – Income from assets sold or exchanged is recognized when the title to the assets is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included as part of Other Income account in the statement of profit or loss.

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- c. Rental income – Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in profit or loss as part of Other Operating Income.
- d. Interest income from bank deposits and investments is recognized on the accrual method.

Cost and expenses are recognized in the statement of profit or loss upon utilization of the service or at the date they are incurred.

Leases

Bank as lessee

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. 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.

i. Right-of-use assets (ROU)

The Bank recognizes ROU assets (included in 'Property and Equipment') 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. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets is 1 to 10 years for office space.

ii. 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 (including in-substance 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 a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Determining the lease term of contracts with renewal options

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. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in Note 14.

iii. Short-term leases and leases of low-value assets

Lease payments on leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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Employees' Benefits

The Bank's employees are provided with the following benefits:

- *Retirement Benefits Obligation.* Retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies.
- *Termination Benefits.* Termination benefits are payable when employment is terminated by the Bank 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: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial condition date are discounted to present value.
- *Compensated Absences.* Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the balance sheet date. The amounts recognized are included in Trade and Other Payables account in the balance sheet at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

Earnings per Share

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

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

Income Taxes

Current tax

Current tax asset and current tax liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of asset and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credit from the excess of Minimum Corporate Income Tax (MCIT) over the Regular Corporate Income Tax (RCIT), and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credit from MCIT and unused NOLCO can be utilized. Deferred tax assets and deferred tax liabilities, however, is not recognized on temporary differences that arise from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax asset are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statements of financial position date.

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

Provisions and Contingent Liabilities

Provisions, if any, are recognized when the Bank has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount of obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements.

Subsequent Events

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

Note 3

Significant Accounting Judgments and Estimates

The Bank's financial statements prepared in accordance with Philippine Financial Reporting Standards require management to make judgments and estimates that affect 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 circumstances. Actual results may ultimately differ from these estimates and the differences could be significant.

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

Leases

Bank as lessor

The Bank has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the

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major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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.

Extension and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment 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 such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities 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 ROU asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Bank's right-of-use assets and lease liability are disclosed in Notes 6 and 14, respectively.

Classifying Financial Assets Measured at Amortized Cost

The Bank follows the guidance of PFRS 9 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as Financial Asset Measured at Amortized Cost. This classification requires significant judgment. In making this judgment, the Bank considers its intention and ability to hold such investments to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Bank fails to keep these investments at maturity (other than for the allowed specific circumstances, e.g., selling more than an insignificant amount close to maturity), it will be required to reclassify. The investments would therefore be measured at fair value and not at amortized cost through profit or loss or fair value through other comprehensive income.

Impairment of Financial Assets

The Bank follows the guidance of PFRS 9 in determining when an investment is permanently impaired. This determination requires significant judgment. In making this judgment, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair Value Determination for Investment Properties and Other Properties

The Bank classifies its acquired properties as Property and Equipment if used in operations, as Investment Properties if intended to be held for capital appreciation, as Financial Assets if qualified as such in accordance with PFRS 9 or as Other Properties if held for sale but the depreciable properties are not yet disposed within three years. At initial recognition, the Bank determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

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 significant risk of causing material adjustment to the carrying amounts of resources and liabilities within the next financial year.

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Impairment Losses on Financial Assets

The Bank reviews its investments and loans and receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgment as to whether there is any observable data indicating that there has been measurable decrease in the estimated future cash flows from a portfolio of similar financial assets. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic condition that correlates with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates and volatility rates. However, the amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income. The total impairment losses on financial assets recognized in profit or loss is presented in Note 10.

Estimating Useful Lives of Property and Equipment and Investment Properties

The Bank reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts. The carrying amount of property and equipment are presented in Note 6, while the carrying amount of investment properties are presented in Note 7. Based on management's assessment as at December 31, 2024 there is no change in the estimated useful lives of the assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors such as physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of the assets.

Principal Assumptions for Management's Estimation of Fair Value

Investment properties are measured using the cost model. The fair value disclosed in Note 7 to the financial statements are mainly based on existing market conditions and actual transactions at the reporting date, such as selling price, expected timing of sale and appropriate discount rates. The expected selling price is determined on the basis of current appraised values of the properties or similar properties in the same location and condition.

Impairment of Non-Financial Assets

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

Valuation of Post-Employment Defined Benefits

The determination of the Bank's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. While the Bank believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in assumption may materially affect employee benefits obligation.

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Provision and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision are discussed in Note 2.

Note 4

Cash

For purposes of presenting the cash flows, cash and cash equivalents consists of the following as of December 31, 2024 and 2023:

<i>December 31</i>	2024	2023
Cash and other cash items	241,539,501	152,984,310
Due from Bangko Sentral ng Pilipinas (BSP)	8,904,158	51,374,573
Due from other banks	519,441,451	316,847,201
	769,885,110	521,206,084

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches after the bank's clearing cut-off time until the close of the regular banking hours.

Due from Bangko Sentral ng Pilipinas (BSP) represents the Bank's demand deposit with BSP in compliance with BSP's reserve requirements. Section 252 of the MORB further provides that such deposit account with the BSP is not considered as a regular current account as BSP checks for drawings against reserve deposits shall be limited to: (i) settlement of obligations with the BSP; and, (ii) withdrawals to meet cash requirements. The Bank has satisfactorily complied with the reserve requirements of the BSP. The deposit does not earn interest.

Due from other banks consist of:

<i>December 31</i>	2024	2023
Demand deposits	389,276,624	199,287,869
Savings deposits	101,643,891	91,074,180
Time deposits	28,520,936	26,485,152
	519,441,451	316,847,201

Due from other banks earned interest rate ranging from 5% to 12.5% for savings and demand deposits. Interest income arising from due from other Banks amounted to ₱1,077,552 and ₱841,974 in December 31, 2024 and 2023, respectively (See Note 17).

<i>December 31</i>	2024	2023
Land Bank of the Philippines (LBP)	428,206,309	251,804,176
Banco de Oro Unibank, Inc.	37,782,465	37,089,323
Rural Bank of Talisayan	22,553,053	21,764,830
Banco de Oro One Network Bank	16,278,007	1,939,468
Development Bank of the Philippines	13,944,391	3,335,747
Metro South Cooperative Bank	629,874	627,490
Secured Bank	47,352	286,167
	519,441,451	316,847,201

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Note 5 Loans and Receivables

The composition of loans and receivables is as follows:

December 31	Notes	2024	2023
Loans:			
Agrarian reform		78,763,497	80,493,508
Other agricultural credit		690,169,794	656,549,653
Small and medium enterprise		922,410,591	660,160,063
Other purpose		540,479,992	566,248,832
Total		2,231,823,874	1,963,452,056
Less: Allowance for impairment losses	10	145,439,663	126,071,181
Loans discount and unearned charges		24,251,624	18,845,546
Net loans receivable		2,062,132,587	1,818,535,329
Other Loans Receivable:			
Sales contract receivable		17,270,241	37,837,844
Accounts receivable		106,983,509	106,998,058
Total		124,253,750	144,835,902
Less Allowance for impairment losses	10	39,512,964	31,331,158
Net other receivables		84,740,786	113,504,744
Total Loans and Receivables		2,146,873,373	1,932,040,073

Accounts receivable is composed of:

December 31	2024	2023
ACPC-PLEA	23,234,432	23,317,232
MBA – Instapay	2,795,329	-
Receivable from officers and employees	2,255,911	2,878,651
Hyperstack's mobile banking	2,015,215	2,015,215
Receivable from Kenemer	977,690	977,690
Load top up	235,149	260,537
Bancnet	109,062	-
IBFT	-	2,176,997
ATM disputes	-	11,015
Others	75,360,721	75,360,721
Total	106,983,509	106,998,058

Accounts receivable-ACPC-PLEA (Production Loan Easy Access) refers to the non-collateralized loans for agri-fishery production and other income generating activities of marginal farmers and fisherfolk and their households subject to the approval by the ACPC.

MBA – Instapay transaction fees as sender which remained unpaid as of year-end.

Receivables from officers and employees consist of unliquidated cash advances for travelling expenses and other various expenses as of year-end.

Hyperstack's mobile banking pertains to transaction fees on instapay as sender which remained unpaid as of year-end.

Load top-up pertains to load wallet central that is due as of year-end.

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Other accounts receivable consists of the following:

<i>December 31</i>	2024	2023
ATM Withdrawals	51,771,973	51,771,973
Receivables from terminated employees	23,588,748	23,588,748
Total	75,360,721	75,360,721

ATM Withdrawals pertains to the multiple unauthorized ATM withdrawals due to the unauthorized access of the Core Banking System at the Coop Bank and Bancnet Portal. The investigation is still ongoing; thus, the Bank provides a partial allowance for impairment loss on this account as of December 31, 2023, in the amount of ₱7,000,000 charge to reserve account. As at December 31, 2024, the Bank recognized an additional allowance amounting to ₱7,890,000. The Bank will evaluate and decide to provide additional allowance in 2025 as soon as the investigation is completed.

Receivables from terminated employees consist of receivables in relation to the fraud incident in the Malaybalay branch in 2021. The Bank provided the allowance for impairment loss amounting to ₱18,838,747 as of December 31, 2024, and 2023. The other provision for impairment loss of the accounts receivable amounted to ₱291,806.

Accounts receivable is non-interest bearing and per management assessment on the allowance provided, it is enough.

Interest income arising from loans and other receivables amounted to ₱257,387,033 and ₱210,822,712 in December 31, 2024 and 2023, respectively (See Note 17).

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

The maturity profile of the loans is as follows:

<i>December 31</i>	2024	%	2023	%
Due within one year	227,015,370	10.17	281,103,015	14.32
Over one year to five years	644,065,404	28.86	582,363,495	29.66
Due more than five years	1,360,743,100	60.97	1,099,985,546	56.02
Total	2,231,823,874	100.00	1,963,452,056	100.00

Breakdown by Age of Accounts

<i>December 31, 2024</i>	<i>Current</i>	<i>Past Due</i>	<i>In Litigation</i>	Total
Agrarian reform	68,396,032	10,307,674	59,791	78,763,497
Other agricultural credit	471,877,252	215,900,661	2,391,881	690,169,794
Small and medium enterprise	822,216,953	99,707,097	486,541	922,410,591
Others	490,411,654	49,389,788	678,550	540,479,992
Total	1,852,901,891	375,305,220	3,616,763	2,231,823,874
	83.02%	16.82%	0.16%	100.00%

<i>December 31, 2023</i>	<i>Current</i>	<i>Past Due</i>	<i>In Litigation</i>	Total
Agrarian reform	70,078,849	10,354,868	59,791	80,493,508
Other agricultural credit	494,279,589	159,788,183	2,481,880	656,549,652
Small and medium enterprise	574,307,465	85,363,057	489,541	660,160,063
Others	516,001,222	49,569,061	678,550	566,248,833
Total	1,654,667,125	305,075,169	3,709,762	1,963,452,056
	84.27%	15.54%	0.19%	100.00%

The non-performing loans as defined under MORB 304 amounted to ₱333,505,024 and ₱193,230,128 in December 31, 2024 and 2023, respectively. As a general rule, non-performing loans refer to loans that even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full

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repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

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

Non-performing loans shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests are probable and payments of interests and/or principal are received for at least six (6) months; or (b) written off. A portion of the past due accounts and accounts under litigation are covered by real estate mortgages, which could be foreclosed to reduce possible losses from non-collection.

The Bank has loans to Directors, Officers, Stockholders and Related Interests (DOSRI) amounting to ₱103,206,002 and ₱73,249,379 in December 31, 2024 and 2023, respectively (See Note 28).

Sales contract receivable (SCR) refers to real and other properties acquired and subsequently sold on an installment basis whereby the title of the property is transferred to the buyer only upon full payment of the agreed selling price.

Sales contract receivable represents the outstanding balance receivable for the sale of investment properties through agreed installment payment terms. Contracts to sell were also entered into between the Bank and several borrowers, wherein the latter reacquire the loan through equal installment payments for a period of three months to seven years.

SCR is initially recorded at the nominal value of the installment receivable discounted at imputed rate of interest. A discount shall be accreted over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss in accordance with PAS 18, "Revenue" and PFRS 15 "Revenue from Contracts with Customers". Furthermore, SCR shall be subject to impairment provision of PFRS 9.

The Bank recognizes the gain or loss on sale of ROPA on the date of sale in accordance with PAS 18 "Revenue". This is also the reason for non-recognition of SCR discount for the year.

The carrying amount of sales contract receivable as of December 31, 2024 and 2023 are as follows:

<i>December 31</i>	<i>Notes</i>	2024	2023
Sales contract receivable – performing		15,909,625	12,172,210
Sales contract receivable – nonperforming		1,360,616	25,665,634
Total		17,270,241	37,837,844
Less allowance for impairment loss	10	2,331,382	2,331,382
Net sales contract receivable		14,938,859	35,506,462

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The loan breakdown as to their status in application of the BSP Memorandum is as follows:

<i>December 31, 2024</i>	Stage 1	Stage 2	Stage 3	Total
Loans receivable:				
Performing				
Current	1,840,452,412	12,449,478	-	1,852,901,890
Past due	26,613,611	14,758,847	427,739	41,800,197
	1,867,066,023	27,208,325	427,739	1,894,702,087
Non-performing				
Past due	182,610,781	-	150,894,243	333,505,024
In litigation	1,120,768	-	2,495,995	3,616,763
	183,731,549	-	153,390,238	337,121,787
Expected Credit Loss Allowance	16,801,265	5,137,989	123,500,409	145,439,663
Carrying Amount	2,033,996,307	22,070,336	30,317,568	2,086,384,211
<i>December 31, 2023</i>	Stage 1	Stage 2	Stage 3	Total
Loans receivable:				
Performing				
Current	1,643,851,684	10,815,440	-	1,654,667,124
Past due	25,770,084	16,850,756	5,706	42,626,546
	1,669,621,768	27,666,196	5,706	1,697,293,670
Non-performing				
Past due	71,717,490	-	190,731,133	262,448,623
In litigation	1,210,768	-	2,498,995	3,709,763
	72,928,258	-	193,230,128	266,158,386
Expected Credit Loss Allowance	14,387,154	3,901,508	107,782,519	126,071,181
Carrying Amount	1,728,162,872	23,764,688	85,453,315	1,837,380,875

Note 6**Bank Premises, Furniture and Equipment**

The property and equipment, which are stated at cost, consists of the following:

<i>December 31</i>	<i>Notes</i>	2024	2023
Land		51,300,116	51,300,116
Buildings		95,515,522	94,287,334
Furniture, fixtures and equipment		23,830,154	25,178,514
Transportation equipment		32,981,480	29,111,631
Information technology equipment		94,086,094	74,067,375
Leasehold improvements		12,380,434	10,663,003
Right-of-use asset		14,915,149	19,429,038
Total		325,008,949	304,037,011
Less accumulated depreciation on:			
Bank premises, furniture and equipment		180,389,876	173,097,279
Right-of-use asset	16, 19	5,944,130	8,808,375
Net		138,674,943	122,131,357

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The reconciliation of the movements of the accounts follows:

<i>December 31, 2024</i>	<i>Beg. Balance</i>	<i>Additions/ Adjustments</i>	<i>Retirements/ Adjustments</i>	<i>End Balance</i>
Cost				
Land	51,300,116	-	-	51,300,116
Buildings	94,287,334	1,228,188	-	95,515,522
Furniture, fixtures and equipment	25,178,514	2,682,919	4,031,278	23,830,154
Transportation equipment	29,111,631	4,489,850	620,000	32,981,480
Information technology equipment	74,067,375	32,711,863	12,693,144	94,086,094
Leasehold improvements	10,663,003	1,717,699	268	12,380,434
	284,607,973	42,830,518	17,344,690	310,093,800
Accumulated Depreciation				
Buildings	65,831,422	4,276,800	(12,893)	70,121,115
Furniture, fixtures and equipment	20,753,244	2,445,768	3,993,542	19,205,470
Transportation equipment	24,408,185	2,736,199	151,148	26,993,236
Information technology equipment	57,608,873	12,289,858	11,143,256	58,755,475
Leasehold improvements	4,495,555	882,955	63,930	5,314,580
	173,097,279	22,631,580	15,338,983	180,389,876
Net Book Value	111,510,694	20,198,938	2,005,707	129,703,924

<i>December 31, 2023</i>	<i>Beg. Balance</i>	<i>Additions/ Adjustments</i>	<i>Retirements/ Adjustments</i>	<i>End Balance</i>
Cost				
Land	51,300,116	-	-	51,300,116
Buildings	92,901,320	1,386,014	-	94,287,334
Furniture, fixtures and equipment	22,390,453	3,888,863	1,100,802	25,178,514
Transportation equipment	26,920,381	2,191,250	-	29,111,631
Information technology equipment	62,514,895	12,387,063	834,583	74,067,375
Leasehold improvements	5,692,819	4,970,184	-	10,663,003
	261,719,984	24,823,374	1,935,385	284,607,973
Accumulated Depreciation				
Buildings	61,467,676	4,363,746	-	65,831,422
Furniture, fixtures and equipment	19,614,579	1,925,999	787,334	20,753,244
Transportation equipment	21,108,943	3,299,247	5	24,408,185
Information technology equipment	50,810,314	7,303,708	505,149	57,608,873
Leasehold improvements	3,944,955	550,601	1	4,495,555
	156,946,467	17,443,301	1,292,489	173,097,279
Net Book Value	104,773,517	7,380,073	642,896	111,510,694

Depreciation and amortization for the 2024 and 2023 amounting to ₱25,498,011 and ₱19,985,657 respectively, are presented under other operating expenses in the statements of profit or loss (See Note 20).

The details of depreciation expenses are as follows:

<i>December 31</i>	2024	2023
Bank premises, furniture and equipment	22,631,580	17,443,301
Right-of-use-asset	2,866,431	2,542,356
	25,498,011	19,985,657

The depreciation expense of the building, totaling ₱1,968,633, was subsidized and applied against the Bank's optional fund.

The Bank recognized gain on disposal of property equipment amounted to ₱350 and ₱9,500 as of December 31, 2024 and 2023, respectively (See Note 19)

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The Bank recognizes a right-of-use asset on its existing lease contracts as follows:

December 31	Notes	2024	2023
Cost		14,915,149	19,429,038
Accumulated Depreciation			
Beginning balance		8,808,375	-
Depreciation charged for the year	20	2,866,431	2,542,356
Adjustments	16	(5,730,676)	6,266,019
End Balance		5,944,130	8,808,375
Net Book Value		8,971,019	10,620,663

The Bank uses the modified retrospective approach in its adoption of PFRS 16, Leases. Under this approach, the Bank does not restate comparative information. Consequently, the date of initial application is the first day of the annual reporting period in which the Bank first applies the requirements of the new lease standard.

The adjustments include the accumulated depreciation from the previous year and other corrections to align with the amortization schedule of the right-of-use asset.

The balances of the right-of-use-asset at the end of the year is as follows:

December 31	2024	2023
General Santos City	3,842,577	3,842,577
Bayugan	3,370,272	3,370,271
Alae	1,842,446	1,842,446
Iligan	1,767,608	3,507,028
Surigao	1,690,726	369,194
Villanueva	1,289,630	1,289,630
Panabo	860,242	860,242
Cagayan de Oro City	251,648	251,648
Calinan	-	1,904,973
Tagum	-	2,191,029
Total	14,915,149	19,429,038

Note 7**Investment Properties**

Investment properties consist of parcels of land, cars and jewelries acquired in settlement of loans which are held for capital appreciation. Per MORB Section 382, the carrying amount of ROPA shall be allocated to land, building, other non-financial assets and financial assets. Buildings and other non-financial assets shall be depreciated over the remaining useful life of the assets, which shall not exceed ten (10) years and three (3) years from the date of acquisition, respectively. Land, buildings and other non-financial assets shall be subject to the impairment provisions of PAS 36 "Impairment".

The reconciliation of the carrying amount of investment properties is as follows:

December 31	2024	2023
Land	228,019,384	129,143,721
Building	7,615,389	36,387,361
Other non-financial assets	16,527,935	9,572,875
Total	252,162,708	175,103,957
Accumulated depreciation:		
Building	(271,696)	(407,620)
Other non-financial assets	(7,225,119)	(183,319)
Net	244,665,893	174,513,018

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December 31	2024	2023
Balance at beginning of year	174,513,018	56,425,654
Additions	103,490,408	128,489,031
Disposal/adjustments	(25,840,718)	(9,810,728)
Total	252,162,708	175,103,957
Accumulated depreciation	(7,496,815)	(590,939)
Net	244,665,893	174,513,018

The movement of the accumulated depreciation at the end of the year is as follows:

December 31	Notes	2024	2023
Accumulated Depreciation			
Beginning balance		590,939	-
Depreciation charged for the year	20	1,139,728	486,010
Adjustments	16	5,766,148	104,929
End Balance		7,496,815	590,939

Real and other properties acquired (ROPA) are acquired by the Bank in settlement of loans through foreclosure or dation in payment and/or for other reasons, whose carrying amount will be recovered principally through a sale transaction. ROPA in settlement of loans through foreclosure or dation in payment shall be booked when: (1) upon entry of judgment in case of judicial foreclosure; (2) upon execution of the sheriff's certificate of sale in case of extrajudicial foreclosure; and (3) upon notarization of the deed of dacion in case of dation in payment (*dacion en pago*).

The Bank recognized gain on disposal of investment properties amounting to ₱16,128,676 and ₱9,724,430 as of December 31, 2024 and 2023, respectively (See Note 19).

The investments properties are attributable to the following:

December 31	2024	2023
Land	228,019,384	129,143,721
Building	7,615,389	36,387,361
Other non-financial assets:		
Car	15,576,602	8,621,542
Jewelries	951,333	951,333
Total	252,162,708	175,103,957

ROPA are booked initially at the carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium or discount less allowance for impairment losses based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for impairment losses plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure of the acquired real estate property).

Before foreclosing or acquiring any property in settlement of loans, the Bank properly appraised the property to determine its true economic value. If the amount of return properties acquired (ROPA) to be booked exceeds ₱5 million, an independent appraiser acceptable to the BSP conducts the appraisal. The Bank made an in-house appraisal of all ROPA at least every other year. Moreover, immediate reappraisal is conducted on ROPA, which materially declines in value. Allowance for impairment loss is set up for any anticipated losses based on appraisal reports, current negotiations and programs to dispose of these properties. Moreover, the Bank determines that there is no indication that an impairment loss had occurred on the investment properties for both years in 2024 and 2023. The latest appraisal date of ROPA was for the months of January to December 2024.

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The latest appraised value of these properties are as follows:

December 31	2024	2023
Land	336,040,275	212,530,050
Building	59,632,881	59,882,182
Other non-financial asset:		
Car	20,980,000	9,900,000
Jewelries	1,216,440	1,216,440
Total	417,869,596	283,528,672

Note 8
Goodwill

Goodwill is measured by the excess of the cost of investments over the fair value of the net tangible assets acquired. This approach is in accordance with PFRS 3 "*Business Combination*".

The Mindanao Consolidated Cooperative Bank was formed through the consolidation of Cooperative Bank of Misamis Oriental (CMIOR), Bukidnon Cooperative Bank (CKBDN) and Cooperative Bank of Agusan del Norte-Butuan City (AGNOR) under the provisions of PFRS 3, Business Combination and per BSP circulars that recognize the recording of goodwill for consolidation. The key steps in applying the acquisition method were undertaken as follows: (1.) identifying the acquirer, (2.) determine the acquisition date, (3.) recognition and measurement of the identifiable assets acquired, the liabilities assumed and any controlling interest in the acquiree, and (4.) recognition and measurement of goodwill or a gain from a bargain purchase option.

The CMIOR has been identified as the acquirer in the business consolidation who obtains control over the acquiree. The consolidation of the identifiable assets and liabilities between CMIOR and CBDKN was determined to have no goodwill.

After assessing the identifiable assets and liabilities of Cooperative Bank of Agusan del Norte-Butuan (AGNOR), the fair value of its assets and liabilities were lower than the consideration given to the equity holders of AGNOR. Goodwill is recognized amounting to ₱7,655,984 and ₱55,032,396 for December 31, 2024 and 2023, respectively.

The Bank internally assessed the impairment of goodwill on January 23, 2024 under the provisions of PAS 36, 'Impairment of Assets'. Upon assessment of the Net Assets of Butuan branch, it is concluded that, the fair value less cost to sell exceeds the carrying amount. Thus, no impairment loss of goodwill is to be recognized for the year 2023.

As of December 31, 2024, the Bangko Sentral ng Pilipinas (BSP) agrees with the assessment of the bank about the impairment of goodwill under the provisions of PAS 36, 'Impairment of Assets.' Upon assessment of the net assets of the Butuan branch, it was concluded that the fair value less cost to sell is lower than the carrying amount. Thus, an impairment loss of goodwill amounting to ₱47,376,412 was recognized, charged to the undivided net surplus as a prior period adjustment. (See Note 16).

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Note 9 Other Assets

This account consists of the following:

December 31	Notes	2024	2023
Accrued interest receivable		29,180,630	-
Stationery and supplies		8,285,231	5,051,222
Equity investment in allied undertakings		7,830,793	8,014,523
Sinking Fund-LBP	13	7,698,956	7,195,928
Held to maturity financial assets at amortized cost		5,000,000	5,775,991
Sinking funds-treasury bonds		4,714,495	4,672,980
Security deposit		2,717,632	1,388,347
Prepaid insurance		1,796,508	1,773,205
Prepaid IT software		762,204	4,129,648
Other prepayments		403,692	277,212
Investment in non-marketable equity security-local		47,635	904,553
Investments in banks-legal reserve		10,000	10,000
Prepaid rent		-	140,000
Others		1,315,536	57,000
		69,763,312	39,390,609

Accrued interest receivable consists of various accrued interests on Bank's loan products.

Stationery and supplies on hand are composed of items used in bank's office such as bond papers, printer ribbon, thermal paper, and other items with minimal amounts.

Equity investment in allied undertaking consists of the equities to allied cooperatives.

Sinking fund - LBP represents the unrestricted fund deposited to the Land of the Philippines for retirement fund. The fund is not yet a registered plan to the Bureau of Internal Revenue (BIR).

Held to maturity financial assets at amortized cost represent the investments in government treasury bonds having a term of three (3) to five (5) years with various maturity dates.

Sinking Fund-treasury bonds pertains to the fund deposited to LBP for the provident fund.

Investment in non-marketable equity security-local consist of investments to various cooperatives and other corporations.

Prepayments consist of prepaid insurance, security deposit and prepaid expenses for information and technology.

Other assets include petty cash fund, returned checks and other cash items and other investments.

The management determines that there is an indication of loss on impairment that occurred during the year. As at December 31, 2024, a total impairment loss of ₱1,389,591 has been recognized (See Note 10).

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Note 10 Allowance for Impairment Losses

The accounting of the movement of the allowance for impairment losses consists of the following:

Years Ended December 31	Loans Receivable (Note 5)	Accounts Receivable (Note 5)	Sales Contract Receivable (Note 5)	Others (Note 8)	Total
December 31, 2022	151,300,535	21,996,776	2,331,382	-	175,628,693
Impairment losses	16,641,503	3,000	-	-	16,644,503
Write-off	(41,645,459)	-	-	-	(41,645,459)
Adjustments	-	7,000,000	-	-	7,000,000
Reversal	(225,398)	-	-	-	(225,398)
December 31, 2023	126,071,181	28,999,776	2,331,382	-	157,402,339
Impairment losses	19,368,482	8,181,806	-	1,455,349	29,005,637
Adjustments	-	-	-	47,376,412	47,376,412
December 31, 2024	145,439,663	37,181,582	2,331,382	48,831,761	233,784,388

Allowance for impairment losses for loans receivables is set up in accordance with BSP guidelines in the classification of loans, and the provisioning requirements for classified loan accounts.

In compliance with BSP Memorandum 2020 – 017 and 2020 – 068, the Bank has determined transfers on impairment of financial assets using the expected credit loss (ECL) model, in accordance with the provisions of PFRS 9. In this respect, the Bank recognized credit impairment/allowance for credit losses even before and objective evidence of impairment becomes apparent. The Bank considers past events, current conditions and forecasts of future economic conditions in assessing impairment.

Written off of delinquent loan accounts were approved by the Board of Directors on May 11, 2023 through Board Resolution No. 101-2023. As at December 31, 2024 no delinquent accounts were written off.

Other impairment loss relates to impairment loss on investment, subsidiaries, and associate amounting to ₱1,389,592 and impairment loss on real and other properties acquired (ROPA) amounting to ₱65,757.

Adjustments were made to recognize allowance for impairment losses for Goodwill charged to prior years under reserve account (See Note 16 and 8).

Note 11 Deposit Liabilities

This account consists of:

December 31	2024	2023
Savings deposits:		
Active	1,024,701,395	867,410,579
Dormant	66,605,055	62,548,089
Total savings deposit	1,091,306,450	929,958,668
Demand deposits	222,550,367	143,944,253
Time deposits	838,846,409	635,433,311
	2,152,703,226	1,709,336,232

The regular savings deposits interest rate is 0.375% per annum. This is withdrawable upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook. Time deposits

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earn fixed annual interest ranging from 1.25% to 7.00% and are due within thirty (30) days to five (5) years.

The Bank's deposit liabilities to Directors, Officers, Stockholders and Related Interests (DOSRI) amounting to ₱103,206,002 of December 31, 2024 (See Note 23).

The interest expense of the Bank related to the deposit liabilities amounted to ₱39,927,404 and ₱31,633,475 for 2024 and 2023, respectively (See Note 18).

The analysis of the residual maturity of deposit liabilities are as follows:

<i>December 31</i>	2024	%	2023	%
Due within one year	1,122,746,387	52.00	1,222,729,242	72.00
Over one year to five years	637,565,115	30.00	415,174,576	24.00
Due more than five years	392,391,724	18.00	71,432,414	4.00
Total	2,152,703,226	100.00	1,709,336,232	100.00

Note 12 **Bills Payable**

This account is a liability by the Bank to the following:

<i>December 31</i>	2024	2023
Land Bank of the Philippines	462,589,701	388,931,211
Philippine Business for Social Progress	5,833,333	29,166,666
Agricultural Credit Policy Council	-	1,041,167
Total	468,423,034	419,139,044

<i>December 31, 2024</i>		Maturity		
Name of Creditor	Type of Collateral	Amount	Due in 1 year	Due more than 1 year
LBP	Promissory Note	462,589,701	82,089,042	380,500,659
PBSP	Promissory Note	5,833,333	5,833,333	-
ACPC	Promissory Note	-	-	-
Total		468,423,034	87,922,375	380,500,659

<i>December 31, 2023</i>		Maturity		
Name of Creditor	Type of Collateral	Amount	Due in 1 year	Due more than 1 year
LBP	Promissory Note	388,931,211	246,568,556	142,362,655
PBSP	Promissory Note	29,166,666	23,333,333	5,833,333
ACPC	Promissory Note	1,041,167	1,041,167	-
Total		419,139,044	270,943,056	148,195,988

Bills payable to Land Bank of the Philippines, which were incurred to augment the Bank's working capital, is payable on installment basis and is subject to an average annual interest of 5.0% to 8.4%, with terms of four (4) months to ten (10) years. The bills payable is secured by the borrowers' secured promissory notes discounted at 80% and 85% of the face value. The Bank is compliant with the covenants and warranties on loans as of the end of the year.

The interest expense of the Bank related to bills payable amounted to ₱31,071,720 and ₱25,862,857 for 2024 and 2023, respectively (See Note 18).

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Note 13 **Retirement Benefits Obligation**

The Bank maintains a fully funded, noncontributory post-employment benefit plan that is being administered through a depository bank which is unrestricted. The post-employment plan covers all qualified regular employees. As at December 31, 2024, the Bank has an ongoing engagement of actuarial valuation of its employees' retirement benefits required under PAS/IAS 19 *Employee Benefits* and PAS/IAS 26, *Accounting and Reporting by Retirement Benefit Plans*.

The normal retirement date of an employee shall be the first day of the month coincident with or next following the employee's 60th birthday. Employment shall not continue beyond normal retirement date unless extended by mutual agreement. The retirement benefits shall be lump sum amount equivalent to 100% of basic monthly salary of an employee prior to separation multiplied by the number of years in service provided that the employee provided that the employee has served the bank for at least ten (10) years of credited service.

Any employee prior to eligibility for retirement, voluntarily resigns from service or is separated without cause after completion of at least five (5) years but less than ten (10) years of service will be given an amount upon recommendation of the management.

The Bank's retirement benefit obligations were computed based on the accumulated benefit obligation method using assumptions authorized under R.A. 7641, instead of based on actuarial valuations using projected credit unit method as required under PAS/IAS 19, *Employees Benefits*. Since the Bank has only seven (8) years of operation as a consolidated bank, the management decided not to adopt PAS 19 in the meantime.

The Bank's retirement benefits obligation during the period was charged to operation. The Bank's retirement obligations are accounted for as follows:

<i>December 31</i>	<i>Note</i>	2024	2023
Balance at beginning of the year		6,078,056	4,224,398
Provisions during the year	20	1,853,658	1,853,658
Balance at end of year		7,931,714	6,078,056

The Retirement Benefit Obligation is funded by the Sinking Fund-LBP presented as other assets amounted to ₱7,698,956 (See Note 9).

Retirement benefits expense is presented as part of compensation and employees' benefits.

Note 14 **Finance Lease Liability**

This account represents the present value of the finance lease payments for the year ended December 31, 2024, amounting to ₱10,394,107. This amount consists of rental payments that are not paid as of the date of application of PFRS 16, *Leases*, discounted using the Bank's average incremental borrowing rate of 6.44%.

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<i>December 31</i>	2024	2023
Maturity analysis – contractual undiscounted cash flows		
Less than one year	2,627,847	3,218,176
One to two years	8,214,157	8,481,195
More than two years	1,401,400	1,863,400
Total undiscounted lease liabilities	12,243,404	13,562,771
Lease liabilities included in the statement of financial position		
Current	2,048,692	2,597,213
Non-current	8,345,415	8,767,574
Total	10,394,107	11,364,787

The following relates to the finance lease liability have been recognized in profit or loss:

<i>December 31</i>	<i>Notes</i>	2024	2023
Interest on lease liabilities	20	638,996	569,674
Expenses relating to lease of low-value assets, excluding short-term leases of low value assets	20	1,119,871	728,506

The Bank leases buildings for its office spaces. These lease contracts typically run for a period of 1-10 years, with an option for renewal for an additional period subject to mutual agreement between the Bank (lessee) and the lessors. There are no existing provisions for variable lease payments in any of the Bank's lease contracts.

Note 15 **Other Liabilities**

This account consists of the following:

<i>December 31</i>	2024	2023
Due to Agricultural Credit Policy Council (ACPC)	274,613,595	239,058,595
Accrued expenses	60,551,833	46,984,984
Accounts payable	10,550,983	6,791,447
Farm machineries	7,500,000	7,500,000
Deposit for stock subscription	6,254,179	5,368,585
Documentary stamp tax payable	1,429,940	691,634
Due to Union/Federation (<i>see below</i>)	1,400,679	2,105,915
SSS, Philhealth, and Pag-ibig Contributions Payable	1,399,877	1,098,136
Withholding tax payable	582,046	441,226
Dividends payable	-	9,008,885
Others	20,638,076	2,499,893
	384,921,208	321,549,300

As mandated under Executive Order No. 113 (EO 113) Series of 1986, Agricultural Credit Policy Council (ACPC) aims to assist the Department of Agriculture (DA) in synchronizing all credit policies and programs and to review and evaluate the economic soundness of all ongoing and proposed agricultural credit programs.

The Bank signed three (3) Memorandum of Agreement (MOA) with the ACPC in order to serve as a lending conduit of the agency to offer the following programs:

1) The Production Loan Easy Access (PLEA)

A special credit facility under the Program for Unified Lending To Agriculture (PUNLA), hereinafter referred to as PLEA, which is designed to address the financial needs of farmers and fisherfolk-borrowers that are classified as poor in a manner that is fast and convenient and at a cost that is affordable to intended borrowers. It is a non-collateralized

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loans for agri-fishery production and agri-microfinance available to poor farmers and fishers in the program pilot areas.

2) The Young Agripreneurs Loan Program also known as “Kapital Access for Young Agripreneurs (KAYA)”

A loan facility for qualified young Agripreneurs at zero (0%) interest to finance the capital requirements of start-up or existing farm/fishery business. KAYA aims to attract Filipino youth agripreneurs to be key players in attaining our vision of a food-secure Philippines with prosperous farmers and fishers.

3) Expanded SURE COVID-19 for Marginalized Small Farmers and fisherfolk (MSFF)

The Expanded SURE Aid and Recovery Project is a quick response support facility that cater to marginalized, small farmers and fisherfolk from areas identified by the Department of Agriculture (DA) as severely affected by the Enhanced Community Quarantine (ECQ) due to the COVID-19.

Accrued expenses represent payables that remain unpaid at the end of the year that are expected to be settled within 12 months from the end of the reporting period. This pertains to supervisory fees, light, power and water and management and professional fees.

Accounts payable pertains to insurance, notarial fees and other accounts with loan re-payments.

Deposit for stock subscription is cash received from shareholders pending its plan for increase in authorized share capital not yet fully subscribed.

Documentary stamp tax payable pertains to taxes withheld and unremitted to BIR at the end of the year.

SSS, Philhealth and Pag-ibig contribution payable represents the employer's share contributions outstanding at the end of the year.

Due to Union/Federation consists of the allocated fund from the net surplus to be remitted to the APEX organization where the Bank is affiliated.

The movement of Due to Union/Federation as follows:

<i>December 31</i>	2024	2023
Balance at beginning	2,105,915	4,915,774
Allocation	1,400,679	1,540,641
Disbursements	(2,105,915)	(4,350,500)
Balance at end of year	1,400,679	2,105,915

Withholding tax payable pertains to taxes withheld and unremitted to the BIR at the end of the year.

Dividends payable represent unpaid dividends from prior years that remain outstanding to shareholders at the end of the year. As at December 31, 2024 the remaining amount on the dividend payable amounting to ₱8,990,032 was transferred to the undivided net surplus. This is upon management's assessment that these liabilities are no longer expected to result in an outflow of resources which was approved on March 19, 2025 with Board Resolution No. 76-2025. (See Note 16)

Movements of dividends payable as follows:

<i>December 31</i>	2024	2023
Dividends payable, beg	9,008,884	9,606,427
Less: Dividends paid	18,852	597,543
Adjustment	8,990,032	-
Dividends payable	-	9,008,884

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Other payable include accounts due to CTD-Rollover, MBA Instapay, MBA Bills payment, BancNet ATM, MDebt, BancNet Instapay, overages and unearned income-rental and refundable rental deposit that were outstanding at the end of the year.

Note 16 **Share Capital**

The details of the share capital are presented below:

<i>December 31</i>	Shares		Amount	
	2024	2023	2024	2023
Preferred - ₱100 par value				
Authorized				
Preferred Shares "A"	11,600	11,600	1,160,000	1,160,000
Preferred Shares "B"	656,205	656,205	65,620,500	65,620,500
Preferred Shares "C"	3,049,795	3,049,795	304,979,500	304,979,500
Preferred Shares "D"	282,400	282,400	28,240,000	28,240,000
Issued and fully paid				
Beginning	734,106	734,325	73,410,600	73,432,500
Issuance	1,737	3,935	173,700	393,500
Withdrawals	(95,815)	(4,154)	(9,581,500)	(415,400)
	640,028	734,106	64,002,800	73,410,600
Common - ₱100 par value				
Authorized	4,000,000	4,000,000	400,000,000	400,000,000
Issued and outstanding				
Beginning	2,534,780	2,273,606	253,478,000	227,360,600
Issuances	116,010	264,764	11,601,000	26,476,400
Withdrawals	(26,010)	(3,590)	(2,601,000)	(359,000)
	2,624,780	2,534,780	262,478,000	253,478,000
Total Share Capital	-	-	326,480,800	326,888,600

Statutory Reserve

This account consists of:

<i>December 31</i>	2024	2023
General reserve fund	7,216,005	4,414,648
Community education and training fund	1,400,679	2,490,199
Community development fund	3,467,464	3,518,358
Optional fund	8,900,158	8,907,841
	20,984,306	19,331,046

The Net Surplus of the Bank shall be distributed as follows:

Distribution of Net Profit

The net surplus of the Bank shall be distributed as follows:

- Reserve fund: At least ten percent (10%) of the net surplus provided for that for the first five (5) years of operation after registration, this amount shall not be less than fifty percent (50%) of the net Surplus,

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- b) Educational and training fund: An amount not exceeding ten percent (10%) of the net surplus. Half of this amount shall be spent by the Bank for its own education and training purposes; while the other half may be remitted to a union/federation chosen by the Bank, or of which it is a member,
- c) Community development fund: An amount which shall not be less than three percent (3%) of the net surplus,
- d) Optional fund: Land and building, and any other necessary funds, the total of which shall not exceed seven percent (7%) of the net surplus,
- e) The remaining net surplus shall be made available to the members in the form of interest on share capital/dividend not to exceed the normal rate of return on investments and patronage refunds, subject to existing BSP rules and regulations on the distribution of dividends,
- f) Any other remaining amount shall be credited to the Reserve Fund.

The distribution of net profit as mandated by the Cooperative Code is as follows:

December 31	Note	2024	2023
General reserve fund (10%)		2,801,357	3,081,281
Education and training fund (CETF – local) (5%)		1,400,679	1,540,641
Education and training fund (CETF – apex) (5%)	15	1,400,679	1,540,641
Optional fund (7%)		1,960,950	2,156,897
Community development fund (3%)		840,407	924,385
Surplus free (70%)		19,609,500	21,568,969
		28,013,572	30,812,813

Adjustments

December 31	Notes	2024	2023
Adjustments due to capitalization of leases (PFRS 16)			
Depreciation expense	14	5,730,676	(6,266,019)
Interest expense	14	638,995	(1,888,644)
Right of use asset	14	(3,285,287)	-
Rentals	14	(3,821,615)	7,468,091
Adjustments on the recorded dividends payable	15	8,990,032	-
Adjustments due to recognition of depreciation expense and reclassification of BFFE	6	(6,973)	-
Adjustments due to reclassification of ROPA	7	(65,136)	-
Adjustments due to recognition of additional depreciation expense from reclassified ROPA	7	(5,766,148)	(104,929)
Adjustment due to recognition of impairment loss of goodwill	8	(47,376,412)	-
Deficiency tax paid for the taxable year 2019		-	(1,008,609)
Other prior period adjustments		406,116	(25,334)
		(44,555,752)	(1,825,444)

The Bank has been recording its leases under rent expense instead of PFRS 16. Adjustments were made to ensure compliance with the correct recognition and to properly account for the related affected accounts.

The adjustment due to dividends payable pertains to declared dividends to members that remain unclaimed. Based on management's assessment, the payable no longer represents future cash outflows and has been reversed back into the undivided net surplus (See Note 15).

The adjustments related to the recognition of depreciation expense and the reclassification of bank premises, furniture, and equipment pertain to the additional accumulated depreciation recognized in accordance with the bank's policy on classification and proper depreciation.

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Adjustments have been made to reclassify and apply additional depreciation to the reclassified ROPA in order to correct the corresponding balances.

Upon assessment of the net assets of the Butuan branch, it was determined that the fair value less cost to sell was lower than the carrying amount. As a result, an impairment loss on goodwill was recognized and charged to the undivided net surplus as a prior period adjustment (See Note 8).

Deficiency tax in 2023 is the amount paid to BIR during the audit for the taxable year 2019.

Other prior period adjustments pertains to prior year's adjustments not booked by the Bank in 2022 and adjustments to reconcile and close the accounts payable balance, in alignment with the supplier's statement confirming that no outstanding amounts remain due from the Bank.

Note 17

Interest Income

This account consists of:

<i>Years Ended December 31</i>	<i>Notes</i>	2024	2023
Interest income on loan receivables	5	257,387,033	210,822,712
Interest income on bank's deposits and investments:			
Bank deposits	4	1,077,552	841,974
Investments		639,011	1,217,704
		1,716,563	2,059,678
Total interest income		259,103,596	212,882,390

Note 18

Interest Expense

This account consists of the following:

<i>Years Ended December 31</i>	<i>Notes</i>	2024	2023
Deposit liabilities	11	39,927,404	31,633,475
Borrowed funds	12	31,071,720	25,862,857
		70,999,124	57,496,332

Note 19

Other Income

This account consists of the following:

<i>Years Ended December 31</i>	<i>Notes</i>	2024	2023
Fees and commissions		36,893,073	38,255,395
Income from insurance and ATM charges		35,980,735	26,642,146
Recovery of charged-off assets		23,325,935	14,133,186
Gain on disposal of investment properties	7	16,128,676	9,724,430
Gain on disposal of property equipment	6	350	9,500
Miscellaneous income		9,179,899	8,150,504
		121,508,668	96,915,161

Miscellaneous income includes penalties and other charges.

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Note 20
Other Operating Expenses

This account consists of the following:

<i>Years Ended December 31</i>	<i>Notes</i>	2024	2023
Compensation and employees' benefits:			
Salaries and wages and employees' benefits		117,811,088	98,613,662
SSS, Philhealth and Pag-ibig contributions		8,718,598	6,735,882
Employees provident fund		5,355,892	4,630,796
Medical, dental, hospitalization		1,897,325	1,783,662
Retirement benefits expense	13	1,853,658	1,853,658
Directors' fee		1,656,175	1,520,100
Mortuary fund		80,625	63,850
Depreciation and amortization:			
Bank premises, furniture and equipment	6	22,631,580	17,443,301
Investment properties	7	1,139,728	486,010
Right-of-use asset	6	2,866,431	2,542,356
Litigation and assets acquired		13,509,387	7,446,780
Information technology		8,662,492	4,641,827
Security services		8,219,163	7,604,430
Repairs and maintenance		7,289,214	5,334,695
Travel and transportation		6,621,047	5,190,545
Insurance	21	6,002,267	4,318,876
Light, power and water		5,356,022	5,629,939
Postage, telephone and telegram		4,976,538	4,259,096
Representation and entertainment		3,820,150	3,450,710
Management and other professional fees		3,391,700	1,147,894
Fuel, oil and lubricants		3,367,867	2,936,214
Training		2,605,583	2,088,521
Stationeries and supplies used		2,557,011	2,097,592
Rent	14	1,119,871	728,506
Advertising and publicity		861,379	522,231
Banking and supervision fees		725,159	90,989
Interest expense on finance lease liability	14	638,996	569,674
Taxes and licenses	29	610,189	536,316
Documentary stamps used		597,071	265,942
Fines, penalties and charges		381,319	520,586
Membership fees and dues		95,391	39,830
Periodicals and magazines		40,692	8,134
Donations		-	283,763
Others		9,102,956	9,457,536
		254,562,564	204,843,903

Security services amounts to ₱1,295,163 from the total ₱8,219,163 for security, messengerial, and janitorial expenses, ₱6,924,000 of which are for the salaries of the security guard.

Other operating expenses refer to miscellaneous expenses such as ATM thermal paper, ATM cards, PhilPass fees and other fees.

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Note 21 **Details of Insurance Expense**

This account consists of:

<i>Years Ended December 31</i>	2024	2023
Philippine Deposits Insurance Corporation	3,810,181	2,679,055
Others	2,192,086	1,639,821
	6,002,267	4,318,876

Other insurance expenses pertain to insurance paid on fidelity bonds, car and motorcycle, and building and furniture and fixtures.

Note 22 **Earnings Per Share**

Basic earnings per share, computed by dividing earnings for the year by the weighted average number of common shares during the year as follows:

<i>Years Ended December 31</i>	<i>Notes</i>	2024	2023
Income for the year		28,013,572	30,812,813
Outstanding common shares during the year	16	2,624,780	2,534,780
Earnings per common share		10.67	12.16

As of December 31, 2024, the Bank has no outstanding potentially dilutive securities, hence, basic earnings per share is equal to diluted earnings per share.

Note 23 **Related Party Transactions**

In the ordinary course of business, the Bank has loans, deposits and other transactions with its related parties and with certain DOSRI.

i. Loans to related parties

The Bank's related parties include its Directors, Officers, Stockholders and Related Interests (DOSRI) and key management as described below. None of the transactions incorporates special terms and conditions and gives or receives no guarantee. Outstanding balances are generally settled in cash. Under Bank's policy, these loans and other transactions are made substantially on the same terms and conditions as with other individuals and businesses of comparable risks.

The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Bank. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Bank, whichever is lower.

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ii. *Other transactions with related parties*

The key management compensation and employees' benefits is as follows:

<i>Years Ended December 31</i>	2024	2023
Salaries and wages	24,485,083	19,358,506
Benefits and allowances	9,891,774	9,935,626
	34,376,857	29,294,132

Key management personnel compensations are presented as part of compensation and employees' benefits under other operating expenses in the statements of profit or loss (See Note 20). There are no outstanding liabilities related to key management compensation in 2024.

Note 24

Risk Management Objectives and Policies

The Bank is exposed to a variety of financial risks in performing its activities. The main types of risks to which the Bank is exposed to include market risk, credit risk, liquidity risk, operations risk and legal and regulatory risk.

The Bank's risk management is coordinated in close cooperation with the BOD, and focuses on actively securing the Bank's short to medium-term cash flows by minimizing the exposure to financial markets.

The Bank does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Bank is exposed to are described below and in the succeeding pages.

The BOD is primarily responsible for approving the credit policies and the overall risk capacity of the Bank. Board Committees have been established by the BOD to oversee the increasingly varied risk management activities of the Bank with the active participation of senior management.

The Audit Committee is an advisory committee whose main function is to assist and act on behalf of the BOD and provides oversight of the Bank's financial reporting. It serves as principal agent of the BOD in ensuring independence of the Bank's external auditors and the internal audit function, the integrity of management, and the adequacy of disclosures and reporting to stockholders.

The Corporate Governance Committee is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and guidelines. It oversees the periodic performance evaluation of the BOD and its committees and executive management.

In compliance with BSP Circular 747, the Bank has revised its compliance manual to incorporate the revised compliance framework for banks. The manual is designed to guide the identification of business risks to mitigate factors that might be detrimental to the Bank's business model and its ability to generate returns from operations.

These are summarized below:

Market Risk

The Bank is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing and financing activities.

(a) **Foreign Currency Risk**

Most of the Bank's transactions are carried out in Philippine pesos, its functional currency. The Bank's exposures to currency exchange rates may arise from deposits with other banks denominated in currencies other than the Philippine peso. As of December 31, 2024 and 2023,

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the Bank has no significant foreign currency risk exposure as it has no significant foreign currency denominated deposits with other banks.

(b) Interest Rate Risk

The Bank's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. As of December 31, 2024 and 2023, the Bank has no significant exposure to interest rate risk as most of its financial instruments have fixed rates.

Liquidity risk

Liquidity risk is the risk that there could be insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

The analysis of maturity groupings of financial resources, financial liabilities as at December 31, 2024 and 2023 are presented below:

<i>December 31, 2024</i>	<i>Notes</i>	<i>One year and below</i>	<i>Over one year</i>	<i>Total</i>
Cash and cash equivalents	4	769,885,110	-	769,885,110
Loans receivable	5	227,015,370	2,004,808,504	2,231,823,874
		996,900,480	2,004,808,504	3,001,708,984
Deposit liabilities	11	1,122,746,387	1,029,956,839	2,152,703,226
<i>December 31, 2023</i>	<i>Notes</i>	<i>One year and below</i>	<i>Over one year</i>	<i>Total</i>
Cash and cash equivalents	4	521,206,084	-	521,206,084
Loans receivable	5	281,103,015	1,682,349,041	1,963,452,056
		802,309,099	1,682,349,041	2,484,658,140
Deposit liabilities	11	1,222,729,242	486,606,990	1,709,336,232

Minimum Liquidity Ratio (MLR)

Pursuant to section 145-A of the Manual of Regulations for Banks, the Bank has fully complied with the 20% minimum liquidity ratio requirement on all banking/business days of the month/quarter ended December 31, 2024.

MLR is computed as follows:

<i>December 31</i>	2024	2023
Stock of liquid assets	729,136,946	504,800,043
Qualifying liabilities	2,549,037,104	1,675,205,469
Minimum Liquidity Ratio (MLR)	28.60%	30.13%

Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by defaulting on an obligation. Significant changes in the economy, or in the prospects of a particular industry segment that may represent a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date.

The Bank has no significant concentrations on credit risk. There are no risks involved on cash, due from BSP and due from other Banks since the counterparties are reputable Banks.

The Bank mitigates its credit risk by requiring security, particularly for loans. The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal

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collateral types for loans are mortgages over real estate properties. In order to minimize credit loss, the Bank seeks additional collateral from the counterparty when impairment indicators are observed for the relevant individual loans. The Bank's maximum exposure to credit risk before collateral held or other credit enhancement is shown below:

<i>December 31, 2024</i>	<i>Notes</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Loans receivable	5	1,852,901,890	378,921,984	2,231,823,874
Due from other Banks and BSP	4	528,345,609	-	528,345,609
Financial assets at amortized cost	9	5,000,000	-	5,000,000
		2,386,247,499	378,921,984	2,765,169,483
		86.30%	13.70%	100.00%

<i>December 31, 2023</i>	<i>Notes</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Loans receivable	5	1,654,667,125	308,784,931	1,963,452,056
Due from other Banks and BSP	4	368,221,774	-	368,221,774
Financial assets at amortized cost	9	5,775,991	-	5,775,991
		2,028,664,890	308,784,931	2,337,449,821
		86.79%	13.21%	100.00%

High grade cash and cash equivalents are short-term placements and working cash fund; and special Bank deposit which are placed, invested, or deposited in local Banks belonging to the top ten (10) Banks in the Philippines in terms of resources and profitability. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with propensity of deteriorating to mid-range age brackets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

As part of Bank's policy, deposits with other Banks are only maintained with reputable financial institutions.

In respect for loans and receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans and receivables that are not past due or impaired to be good.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

The Bank's loans are actively monitored to avoid significant concentrations of credit risk in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of persons exceeding 25% of its net worth.

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Loans receivable of Mindanao Consolidated Cooperative Bank are summarized as follows:

	<i>Agri/Agra Loan</i>	<i>Small and Medium Entities</i>	<i>Microfinance</i>	<i>Other Purpose Loan</i>
Security of Loans	Real Estate Mortgage / Unsecured	Real Estate Mortgage/ Unsecured	Unsecured	Real Estate Mortgage /Jewelry/Unsecured
Term of Loans	1 to 3 years	1 to 5 years	6 months to 1 year	1 to 10 years
Interest Rate	9% - 15% per annum	9%-10% per annum	10%	7.8% to 27.6%
Purpose	Farm production/ Land improvement/ Working capital for Livestock Production	Additional Working Capital for trading business/agri-business /livestock production/purchase of machineries & equipment/ purchase of fixed assets and other profitable undertakings and business expansion.	To support micro business operation-sari-sari store/ bakery/ livelihood projects.	House repair/ renovation/agri production/purchase of farm and fishing equipment/providential/ other purposes /commercial and business loan.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Bank's financial strength and undermine public confidence.

Given the Bank's diverse base of counterparties, mostly various individual buyers of real estates, it is not exposed to large concentration of credit risks.

Impairment assessment

The Bank recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue, if any, beyond a certain threshold. These and other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Bank in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Bank assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Bank when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and, (f) the existing realizable value of collateral, if any. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective

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assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write off; (b) losses which are likely to occur but has not yet occurred; and, (c) the expected receipts and recoveries once impaired.

Note 25

Capital Management Objectives, Policies and Procedures

i. Objectives, Policies and Procedures

The Bank manages its capital to ensure that it has the ability to continue as a going concern while maximizing the return to shareholders. The Bank's Board of Directors reviews regularly its capital structure on the basis of the carrying amount of equity, less cash and cash equivalents, as presented on the face of the statement of financial condition. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

The Bank balances its overall capital structure principally through the payment of interest on share capital (the Bank may adjust the amounts to be paid as interest on share capital or increase the amounts allocated for statutory reserves, as needed), campaign for additional deposits and intensify its capital build-up programs.

The Bank's overall strategy remains unchanged for several years. Its reported capital as at December 31, 2024 and 2023 is summarized as follows:

<i>December 31</i>	<i>Note</i>	2024	2023
Total shareholders' equity		353,145,326	376,846,118
Less cash on hand and other cash items	4	241,539,501	152,984,310
Capital		111,605,825	223,861,808
Total shareholders' equity		353,145,326	376,846,118
Borrowings (total liabilities)		3,024,373,289	2,467,467,419
Overall financing		3,377,518,615	2,844,313,537
Capital-to-Overall Financing Rate		3.30%	7.87%

ii. Regulatory Capital

The lead regulator of the Bank, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

Under current Banking regulations, the combined capital accounts of each Bank should not be less than an amount equal to ten percent of its risk assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total equity excluding:

- Un-booked valuation reserves and other capital adjustments as may be required by the BSP;
- Total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
- Deferred tax asset or liability;
- Goodwill;
- Sinking fund for redemption of redeemable preferred shares; and
- Other regulatory deductions.

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

The Bank's regulatory capital position as of December 31, 2024 and 2023 follows:

<i>Years Ended December 31</i>	2024	2023
Tier 1 capital		
CET1 capital	281,486,542	247,899,087
Additional Tier 1 Capital	64,002,800	73,410,600
Total Tier 1 Capital	345,489,342	321,309,687
Total Tier 2 Capital	16,801,265	14,387,154
Total qualifying capital	362,290,607	335,696,841
Risk weighted assets	2,846,461,383	2,309,091,329
Tier 1 ratio	12.14%	13.91%
CET1 ratio	9.89%	10.74%
Capital adequacy ratio	12.73%	14.54%

Note 26

Events After the Reporting Date

Any post year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Note 27

Reclassification

Certain amounts and figures as of December 31, 2023 financial statements had been reclassified to conform to the presentation of the Bank's financial statements for the period ended December 31, 2024.

Note 28

Supplementary Information Required by the Bangko Sentral ng Pilipinas (BSP)

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular 1074, Amendments to Regulations on Financial Audit of Banks.

Selected Financial Performance Indicators

<i>December 31</i>	2024	2023
Return on average equity (<i>Net profit / Average total capital accounts</i>)	7.68%	8.70%
Return on average assets (<i>Net profit / Average total assets</i>)	0.90%	1.15%
Net interest margin (<i>Net interest income / Average interest earning assets</i>)	11.93%	11.51%
Debt-to-equity ratio (<i>Total liabilities / Shareholders' equity</i>)	8.56:1	6.55:1
Minimum liquidity ratio (<i>Liquid assets/qualifying liabilities</i>)	28.60:1	30.13:1
Capital adequacy ratio	12.73:1	14.54:1

(a.) Description of capital instruments issued

A. Common Shares

1. Shall be issued only to duly registered primary cooperatives, federation of cooperatives, and cooperative unions;

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2. Shall have voting rights; and
 3. Any interest on share capital may be credited to the member's unpaid subscriptions, outstanding obligations, additional shares, or to the revolving fund of the Bank.
- B. Preferred Shares "A"
1. Shall be issued only against investments of the Development Bank of the Philippines (DBP) shall preference over common shares in the assets of the Bank in the event of liquidation.
 2. Shall be non-voting. However, these shares maybe converted to common shares if sold to qualified cooperatives at par value, after compliance with legal requirements. The Articles of Cooperation of the Bank shall be amended to reflect the conversion of the said preferred shares into common shares.
 3. Shall be entitled to a maximum of two percent (2%) interest on share capital, subject to the declaration of interest on common shares.
 4. No retirement or purchase by the Bank of the shares subscribed by the stockholders shall be made unless an equal amount of preferred shares "A" is retired or purchased and for as long as the DBP holds such shares in the Bank.
- C. Preferred Shares "B"
1. Shall be issued only against investments of the Cooperative Development Authority, Land Bank of the Philippines (LBP) and the Philippine Deposit Insurance Corporation (PDIC) in the share capital of the Bank and shall have preference over common shares in the assets of the Bank in the event of liquidation;
 2. Shall be non-voting. However, when the shares are sold to qualified cooperatives, they shall automatically become common shares;
 3. Shall be entitled to interest on share capital as determined by the Board of Directors, which should be equivalent to the average rate of the 364-day government treasury bills rate + 1% per annum or at 6% per annum whichever is lower, and such interest on share shall be non-cumulative;
 4. Maybe converted to common shares after the tenth (10th) year of incorporation of the Bank at par value, after compliance with the legal requirements. The Articles of Cooperation of the Bank shall be amended to reflect the conversion of said preferred shares into common shares;
 5. Maybe sold at par value to any existing shareholders of the Bank in proportion to their shareholdings or to any interested party qualified to be a member of the Bank;
 6. Shall be redeemable in part or in full at any time during the ten-year period, provided that the said redemption shall not diminished the paid-up capital level existing at that time of said redemption, or the required minimum capital, whichever is higher;
 7. No retirement or purchase of the Bank of the shares subscribed by the members shall be made unless an equal amount of Preferred Shares "B" is retired or purchased and for as long as LBP and PDIC holds such shares in the Bank.
- D. Preferred Shares "C"
1. Shall be issued only against the investment of a natural person in the share capital of the Bank and shall have preference over the common shares in the event of liquidation;
 2. Shall be non-voting;

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3. Shall be entitled to interest on share capital as determined by the Board of Directors, which should be equivalent to the of average rate of the 364-day government treasury bills rate + 1% per annum or at 6% per annum whichever is lower, and such interest on share shall be non-cumulative;
4. Convertible into common shares with voting rights if the member opts to join in a cooperative which has investment in the Bank investors or be converted into common shares of stock to the cooperative where he is a member.

E. Preferred Shares "D"

1. Shall be issued only against the investments of Samahang Nayon in the share capital of the Bank and shall have preference over the common shares in the event of liquidation;
2. Shall be non-voting. However, in case of conversion of Samahang Nayon into a duly registered cooperative, such shares shall be automatically become common shares; and
3. Shall be entitled to interest on share capital as determined by the Board of Directors, which should equivalent to the of average rate of the 364-day government treasury bills rate + 1% per annum or at 6% per annum whichever is lower, and such interest on share shall be non-cumulative.

In the event of liquidation, dissolution, receivership, bankruptcy, or winding up of the affairs of the Bank, voluntary or involuntary, the assets of the Bank remaining after payments have been made to its creditors, shall be proportionately distributed first to the preferred shareholders at par value in so far as the assets of the Bank shall permit. The remaining assets, after the interests of preferred shareholders or members are satisfied, shall be proportionately distributed to the holders of common shares. The above rights, preferences, and restrictions are printed on the back of the share certificate to be issued by the Bank.

In no event shall the retirement of preferred shares be made if the paid-up capital of the Bank shall be reduced below the amount of what is required by the Bangko Sentral ng Pilipinas.

(b.) Significant Credit Exposures for Loans

The breakdown of this account classified as to concentration of credit is as follows:

December 31	2024	%	2023	%
Wholesale/retail, trade of motor vehicle	922,410,592	41.33	660,160,063	33.62
Agriculture, forestry and fishing	768,933,290	34.45	737,043,161	37.54
Real estate, renting and business activities	108,177,708	4.85	117,352,510	5.98
Other service activities	432,302,284	19.37	448,896,322	22.86
	2,231,823,874	100.00	1,963,452,056	100.00

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

No individual borrower gives significant credit exposures for Loans that comprise 30.0 percent of the total loan portfolio or 10.0 percent of Tier 1 capital as to industry/economic sector as of December 31, 2024.

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(c.) Credit Status of Loans

The breakdown of total loans as to status

<i>December 31, 2024</i>	<i>Performing Loans</i>	<i>Past Due Non-Performing Loans</i>	<i>Total</i>
Agrarian reform	69,814,107	8,949,390	78,763,497
Other agricultural credit	384,881,111	93,811,624	478,692,735
Small and medium enterprise	834,556,672	87,853,919	922,410,591
Others	605,450,197	146,506,854	751,957,051
Total	1,894,702,087	337,121,787	2,231,823,874

<i>December 31, 2023</i>	<i>Performing Loans</i>	<i>Past Due Non-Performing Loans</i>	<i>Total</i>
Agrarian reform	71,512,740	8,980,769	80,493,509
Other agricultural credit	510,202,618	146,347,035	656,549,653
Small and medium enterprise	591,202,266	68,957,797	660,160,063
Others	524,376,046	41,872,785	566,248,831
Total	1,697,293,670	266,158,386	1,963,452,056

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

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests are probable and payments of interests and/or principal are received for at least six (6) months; or (b) written-off.

Portion of the past due accounts and accounts under litigation are covered by real estate mortgages, which could be foreclosed to reduce possible losses from non-collection.

(d.) Analysis of Loan Portfolio as to Type of Security

<i>December 31</i>	2024	%	2023	%
Secured:				
Real Estate and Chattel Mortgage	1,393,570,202	62.44%	1,223,165,615	62.30
Jewelry	91,118,219	4.08%	3,197,958	0.16
Hold-out Deposit	365,056,869	16.36%	365,554,098	18.62
Others-CARMO	10,128,577	0.45%	2,101,740	0.10
Total	1,859,873,867	83.33%	1,594,019,411	81.18
Unsecured	371,950,007	16.67%	369,432,645	18.82
Total	2,231,823,874	100.00	1,963,452,056	100.00

(e.) Information on Related Party Loans

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31, 2024 and 2023 as reported to the BSP:

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<i>December 31</i>	2024	2023
Total Outstanding Loans	2,231,823,874	1,963,452,056
Total Outstanding DOSRI/Related party loans	103,206,002	73,249,379
Percent of DOSRI/Related party loans to total loans	4.62%	3.73%
Percent of unsecured DOSRI/Related party loans to total DOSRI/Related party loans	0.00%	0.69%
Percent of past-due DOSRI/Related party loans to total DOSRI/Related party loans	0.00%	0.00%
Percent of non-performing DOSRI/Related party loans to total DOSRI/Related party loans	0.00%	0.69%

The Bank has complied with the requirements set by BSP with regard to limits on DOSRI loans. Total interest income on DOSRI loans is presented as part of interest income on loans in the statement of profit or loss. The outstanding balance of these loans is presented as part of others under loans and receivables in the statement of financial position (See Note 5). The management has determined that no impairment loss is required to be provided on DOSRI loans in 2024.

Deposits received from DOSRI are presented as part of deposit liabilities in the statements of financial position (See Note 11). Total interest expense on DOSRI deposits is presented as part of interest expense on deposit liabilities in the statements of profit or loss.

(f.) Secured Liabilities and Assets Pledged as Security

The Bank has secured liabilities consisting of bills payable amounted to ₱468,423,034 and ₱419,139,044 for the year ended December 31, 2024 and 2023, respectively. The related assets pledged as security amounted to ₱548,889,843 and ₱494,024,463 for the year 2024 and 2023, respectively.

(g.) Contingencies and Commitments Arising from Off-balance Sheet Items

The Bank has no contingent liabilities arising in the ordinary course of business. It is not anticipated that any material liabilities will arise as contingent liabilities.

Note 29

Supplementary Information Required by Bureau of Internal Revenue (BIR)

Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002. The regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The following is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

The Bank reported and/or paid the following types of taxes for the year:

a. Gross receipts tax

The Bank is exempted from paying Gross Receipts Tax (GRT).

b. Tax on importation

The Bank has no landed cost, customs duties and tariff fees in 2024 since it has no importation during the year.

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c. Excise tax

The Bank does not have any transactions in 2024 which are subject to excise tax.

d. Documentary stamp tax

The Bank remitted documentary stamp tax amounting to ₱9,012,510 for 2024 of which was shouldered and passed on to the other party.

e. Taxes and licenses

<i>Years Ended December 31</i>	2024	2023
Business permit/licenses	347,283	379,776
Vehicle registration fees	99,381	95,205
Real property tax	82,141	47,193
Others	81,384	14,142
	610,189	536,316

f. Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2024 and 2023 consist of the following:

<i>Year Ended December 31, 2024</i>	Tax base	Amount paid
Salaries and wages	68,438,067	3,219,204
Deposits	16,952,213	3,390,443
Rental	3,883,051	194,153
Management and professional fees	2,864,302	100,501
	92,137,633	6,904,301

<i>Year Ended December 31, 2023</i>	Tax base	Amount paid
Salaries and wages	97,977,732	2,162,234
Deposits	20,721,822	4,144,364
Rental	3,421,747	171,087
Management and professional fees	1,147,894	73,487
	123,269,195	6,551,172

g. Deficiency tax assessment

As of December 31, 2024, the Bank does not have any final deficiency tax assessments from the BIR nor tax cases outstanding or pending in courts or bodies outside of the BIR.

Revenue Regulations (RR) No. 34-2020

The Bank is not covered by the requirements and procedures for related party transactions under Section 2 of Revenue Regulations No. 34-2020.

MCCB BOARD OF DIRECTORS AND THE MANAGEMENT

BOARD OF DIRECTORS



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Oro Integrated Cooperative (OIC)



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(CLIMBS)



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- Multi-Purpose Cooperative (PITAC MPC)



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ACDI Multipurpose Cooperative (ACDI)



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BOARD SECRETARY

TOP MANAGEMENT



MYRNA A. SESCON

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BANAYNAL**

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Corporate Services
Group and
Concurrent HR Manager



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VICE PRESIDENT
Lending Group



WILMAN V. LAGDAMIN

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Credit Services and
Asset Recovery Group



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Risk Management Officer



REZIL C. MEJORADA, CPA
Controller



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In-House Legal Counsel



LUTZIE MARIE E. MARFORI
Treasury Manager



RONELL A. BACLAAN
IT Manager Concurrent
Group Head



JASMINE ANTHEA M. MACOSE
Banking Operations
Support Manager



NOLVEN B. SEGOVIA
Lending Services Manager



LIBBY MARIO M. ABESAMIS
Asset Recovery Manager



JUDY MAE T. BORRES
Assistant Accounting Manager



JORAM M. BARRUN
Credit Services Manager

CORPORATE MANAGERS



AMANDA MARIE B. HORA, CPA
Junior Internal Auditor

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CDO City Cluster -
Lending Center Manager



ENRIQUE T. JAMIN
Davao City Cluster -
Lending Center Manager



ORVILLE S. ASPIRAS
Butuan City Cluster -
Lending Center Manager



BENJIE L. DIAGRO
Malaybalay City Cluster -
Lending Center Manager

CLUSTER HEADS (BRANCH BANKING GROUP)



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CDO City Cluster -
Cluster Head



KRISTINE N. VALDEVILLA
Davao City Cluster -
Cluster Head



MARISSA T. ACHACOSO
Butuan City Cluster -
Cluster Head



PABLO C. MAÑACAP JR.
Malaybalay City Cluster -
Cluster Head

BRANCH HEADS



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ALAE—Branch Head



FERMIN J. BARIQUIT JR.
ALUBIJID—Branch Head



ELAINE GRACE A. ROSALES
BUTUAN—OIC/Asst. Branch
Head



JEMSON D. SUICO
CALINAN—OIC/Asst. Branch
Manager Trainee



ROWENA T. ADAME
CDO-MAIN—Branch Head



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DAVAO—OIC/Asst. Branch
Head



ELAINE MAY A. HENRY
GENSAN—Branch Head



DIONEDEL P. AMOLATO
GINGOOG—OIC/Asst. Branch
Head



ERNAN C. DORIEGA
ILIGAN—OIC/Asst. Branch
Head



RAMIR JAY B. GONZALES
KIBAWÉ—OIC/Asst. Branch
Head



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MALAYBALAY—Branch Head



HEDWIG C. SAMSON
MANTICAO—Branch Head

BRANCH HEADS



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MARAMAG—OIC/Asst. Branch
Head



ROY P. BATINGAL
PANABO—OIC/Asst. Branch
Head



RANDY R. MARABABOL
PROSPERIDAD—Branch Head



MARY JANE A. ASENIERO
PUERTO—Branch Head



MAY LADY A. LEPPAGO
QUEZON—OIC/Asst. Branch
Head



JOHN RAY L. TACOBO
SURIGAO—Branch Head



ANTHONY C. CAYABCAB
TAGUM—Branch Head



HERCRIS S. BONGBONG
VALENCIA—OIC/Asst. Branch
Head



MICHELLE G. BORROMEO
VILLANUEVA—Branch Head

COOPERATIVE PLEDGE

As a Filipino,
I am and I believe in the Cooperative.
Alone I am weak,
But with others I am strong.

So I commit myself to work to cooperate,
For all to be prosperous.
Harmony, industry, I will value.
Cooperative affairs I will attend.
Responsibilities I will assume.
The cooperative philosophy I will Live.

One Vision, One belief, One feeling,
In cooperativism, my life I pledge.

SO HELP ME GOD.



Head Office

A. Luna-Velez Sts., Provincial Capitol Compound
Cagayan de Oro City, Philippines

MCCB Hotline: **(088) 858 3206**
Email: **customersupport@mccb.com.ph**

You may also visit our website: **www.mccb.com.ph**