

Independent Auditors' Report

To the Board of Directors and Members of
STA. ANA MULTIPURPOSE COOPERATIVE
Samulco Building 1, Monteverde Avenue
Poblacion, Davao City

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **Sta. Ana Multipurpose Cooperative** (the "Cooperative"), which comprise the statements of financial condition as at December 31, 2025 and 2024, and the statements of operations and distribution of net surplus, statements of changes in members' equity, statutory funds and donations and grants, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Report for the year ended December 31, 2025, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 PFRF for Cooperatives, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Cooperative'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 Cooperative or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs and SASC 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 and SASC, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

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

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

Report on Supplementary Information required by the Bureau of Internal Revenue and the Cooperative Development Authority

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and the Cooperative Development Authority and are not a required parts of the basic financial statements. Such information are the responsibility of the management of **Sta. Ana Multipurpose Cooperative**. The information have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DIAZ MURILLO DALUPAN AND COMPANY

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until June 23, 2026

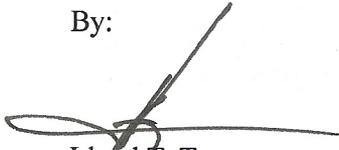
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and

valid in the audit of 2021 to 2025 financial statements of SEC covered institutions

CDA CEA No. 060-AF, effective until June 13, 2029

BIR Accreditation No. 08-001911-000-2025, effective until March 12, 2028

By:



Lloyd T. Tan

Partner

CPA Certificate No. 117307

Tax Identification No. 246-442-524

PTR No. 8573472, January 6, 2026, Cebu City

CDA CEA No. 1895-SP, effective until June 13, 2029

BIR Accreditation No. 13-239811-003-2024, effective until September 23, 2027

February 14, 2026

STA. ANA MULTIPURPOSE COOPERATIVE
Statements of Financial Condition
(Amounts in Philippine Pesos)

	As at December 31	
	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents - note 4	₱289,746,685	₱307,534,484
Investments in time deposits - note 5	93,759,291	127,750,991
Loans and receivables (net) - note 6	1,818,326,962	1,569,125,792
Inventories - note 7	181,706	39,380
Other current assets - note 8	6,351,039	6,025,908
	2,208,365,683	2,010,476,555
Noncurrent assets		
Other financial assets - note 9	262,101,752	172,759,927
Property, plant and equipment (net) - note 10	147,358,572	147,937,787
Investment properties (net) - note 11	60,889,464	60,981,032
Other funds and deposits - note 12	88,295,000	118,295,000
Other noncurrent assets (net) - note 13	31,874,070	24,191,639
	590,518,858	524,165,385
TOTAL ASSETS	₱2,798,884,541	₱2,534,641,940
LIABILITIES AND EQUITY		
Liabilities		
Deposit liabilities - note 14	₱1,494,621,185	₱1,346,364,850
Interest on share capital payable - note 17	55,461,322	49,779,039
Patronage refund payable - note 17	30,448,738	26,804,097
Loans payable (current portion) - note 15	37,559,552	12,562,344
Income tax payable	306,203	370,555
Other current liabilities - note 16	99,037,156	93,327,530
	1,717,434,156	1,529,208,415
Noncurrent liabilities		
Loans payable (net of current portion) - note 15	12,781,581	43,734,336
Retirement payable - note 21	4,804,802	549,044
	17,586,383	44,283,380
	1,735,020,539	1,573,491,795
Equity		
Members' equity - note 17	799,938,968	735,391,541
Deposits for share capital subscription - note 17	10,411,749	-
Donations and grants - note 17	500,000	500,000
Statutory funds - note 17	253,038,285	225,433,604
Net unrealized loss on investments - note 9	(25,000)	(175,000)
	1,063,864,002	961,150,145
TOTAL LIABILITIES AND MEMBERS' EQUITY	₱2,798,884,541	₱2,534,641,940

(The accompanying notes are an integral part of these financial statements)

STA. ANA MULTIPURPOSE COOPERATIVE
Statements of Operations and Distribution of Net Surplus
(Amounts in Philippine Pesos)

	For the Years Ended December 31	
	2025	2024
INCOME FROM CREDIT OPERATIONS		
Interest income from loans - note 6	₱221,176,918	₱198,511,350
Service fees	36,473,363	33,516,571
Fines, penalties and surcharges	7,167,710	9,623,657
	264,817,991	241,651,578
OTHER INCOME (net) - note 18	88,818,310	71,065,748
GROSS PROFIT	353,636,301	312,717,326
EXPENSES		
Interest on deposit liabilities and external borrowings - note 19	54,569,642	51,766,300
Administrative costs - note 20	182,380,791	155,727,876
	236,950,433	207,494,176
SURPLUS BEFORE TAX	116,685,868	105,223,150
INCOME TAX EXPENSE - note 24	(306,203)	(370,555)
NET SURPLUS BEFORE OTHER ITEMS	116,379,665	104,852,595
OTHER ITEMS - note 22	5,224,584	4,551,887
NET SURPLUS FOR THE YEAR	₱121,604,249	₱109,404,482
DISTRIBUTION OF NET SURPLUS - note 17		
Reserve fund	₱21,888,765	₱19,692,807
Cooperative education and training fund (CETF)	2,432,085	2,188,090
Community development fund (CDF)	3,648,127	3,282,134
Optional fund	8,512,297	7,658,314
Interest on share capital and patronage refund (ISCPR)	85,122,975	76,583,137
	₱121,604,249	₱109,404,482

(The accompanying notes are an integral part of these financial statements)

STA. ANA MULTIPURPOSE COOPERATIVE

Statements of Changes in Members' Equity, Statutory Funds and Donations and Grants

(Amounts in Philippine Pesos)

	For the Years Ended December 31	
	2025	2024
MEMBERS' SHARE CAPITAL - note 17		
Common shares: ₱100 par value		
Authorized: 8,000,000 shares, ₱800,000,000		
Subscribed: 8,000,000 shares in 2025	₱800,000,000	
7,384,018 shares in 2024		₱738,401,800
Subscription receivable	(1,205,752)	(4,156,955)
	798,794,248	734,244,845
Preferred shares: ₱100 par value		
Authorized: 2,000,000 shares, ₱200,000,000		
Subscribed: 13,360 shares in 2025	1,336,000	
13,338 shares in 2024		1,333,800
Subscription receivable	(191,280)	(187,104)
	1,144,720	1,146,696
	799,938,968	735,391,541
DEPOSITS FOR SHARE CAPITAL SUBSCRIPTION - note 17		
Balance at beginning of year	-	-
Additions	10,411,749	-
Balance at end of year	10,411,749	-
DONATIONS AND GRANTS - note 17		
	500,000	500,000
STATUTORY FUNDS - note 17		
Reserve fund		
Balance at beginning of year	154,486,099	133,817,869
Unclaimed interest on share capital and patronage fund	663,668	975,423
Allocation from net surplus	21,888,765	19,692,807
Balance at end of year	177,038,532	154,486,099
CETF		
Balance at beginning of year	1,193,880	1,383,033
Allocation from net surplus	2,432,085	2,188,090
CETF payable	(1,216,043)	(1,094,045)
Disbursements	(2,139,884)	(1,283,198)
Balance at end of year	270,038	1,193,880
CDF		
Balance at beginning of year	8,695,669	8,871,523
Allocation from net surplus	3,648,127	3,282,134
Disbursements	(3,699,914)	(3,457,988)
Balance at end of year	8,643,882	8,695,669
Optional fund		
Land and building fund		
Balance at beginning of year	61,057,956	53,399,642
Allocation from net surplus	4,256,149	7,658,314
Building fund subsidy - notes 10 and 22	(2,484,420)	-
Balance at end of year	62,829,685	61,057,956
Information technology program seed fund		
Balance at beginning of year	-	-
Allocation from net surplus	4,256,148	-
Balance at end of year	4,256,148	-
	253,038,285	225,433,604
NET UNREALIZED LOSS ON INVESTMENTS - note 9		
Balance at beginning of year	(175,000)	-
Fair value gain (loss) on financial assets at fair value through equity	150,000	(175,000)
Balance at end of year	(25,000)	(175,000)
TOTAL MEMBERS' EQUITY	₱1,063,864,002	₱961,150,145

(The accompanying notes are an integral part of these financial statements)

STA. ANA MULTIPURPOSE COOPERATIVE

Statements of Cash Flows

(Amounts in Philippine Pesos)

	For the Years Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus after other items before tax	₱121,910,452	₱109,775,037
Adjustments for:		
Probable losses on loan/accounts/installment receivables - note 20	15,151,071	17,052,251
Depreciation and amortization - note 20	12,920,484	9,234,703
Retirement benefits - note 20	4,255,758	1,820,385
Interest on external borrowings - note 19	1,228,271	120,513
Loss on derecognition of property, plant and equipment - note 18	70,289	-
Building fund subsidy - note 22	(2,484,420)	-
Operating income before working capital changes	153,051,905	138,002,889
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Loans and other receivables	(264,352,241)	(183,340,695)
Inventories	(142,326)	10,018,469
Other assets	(9,587,388)	(12,043,486)
Increase (decrease) in liabilities:		
Deposit liabilities	148,256,335	115,581,351
Accounts payable and other liabilities	5,157,251	(1,544,334)
Cash generated from operations	32,383,536	66,674,194
Income taxes paid	(370,555)	(491,511)
Net cash provided by operating activities	32,012,981	66,182,683
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Other financial assets - note 9	(163,621,825)	(9,521,303)
Investments in time deposits - note 5	(126,768,172)	(114,714,991)
Property, plant and equipment - note 10	(10,714,732)	(18,681,731)
Investment properties - note 11	(25,432)	(212,597)
Proceeds from sale/disposal of:		
Investments in time deposits - note 5	160,759,872	30,484,123
Other financial assets - note 9	74,430,000	-
Other funds and deposits - note 12	30,000,000	-
Net cash used in investing activities	(35,940,289)	(112,646,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable - note 15	50,000,000	50,000,000
Payments of loans payable - note 15	(55,955,547)	(36,422,070)
Payments of interest on loans payable - note 15	(1,228,271)	(120,513)
Receipts for members' share capital - note 17	139,750,510	118,013,665
Withdrawals of members' share capital - note 17	(75,203,083)	(1,742,059)
Receipts for deposits for share capital subscription - note 17	10,411,749	-
Payments of interest on share capital - note 17	(49,647,650)	(50,473,291)
Payments of patronage refund payable - note 17	(26,148,401)	(27,177,925)
Disbursements from statutory funds	(5,839,798)	(4,741,186)
Net cash provided by (used in) financing activities	(13,860,491)	47,336,621
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,787,799)	2,823,651
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	307,534,484	304,710,833
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱289,746,685	₱307,534,484

(The accompanying notes are an integral part of these financial statements)

STA. ANA MULTIPURPOSE COOPERATIVE

Notes to Financial Statements

As at and for the years ended December 31, 2025 and 2024

1. COOPERATIVE INFORMATION, TAX EXEMPTION AND AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS

Cooperative information

Sta. Ana Multipurpose Cooperative (the “Cooperative”) was organized on February 26, 1967 and was originally registered under Presidential Decree (PD) 175 with the then Bureau of Cooperative Development. It was re-registered with the Cooperative Development Authority (CDA) with Registration No. 1438 on July 30, 1991 as required under Republic Act (RA) No. 6938. The Cooperative was again re-registered with the CDA under Registration No. 9520-11002637 on November 16, 2009 as a primary, non-agricultural multi-purpose cooperative in accordance with the provisions of RA No. 9520, otherwise known as the “Philippine Cooperative Code of 2008”.

The Cooperative is presently engaged in the following:

- (a) to engage in encouraging thrift and savings mobilization among the members for capital formation;
- (b) to create funds in order to grant loans for productive and providential purposes to its members; and
- (c) to promote the Cooperative as a way of life for improving the social and economic well-being of its members.

The Cooperative’s registered office address is at Samulco Building 1, Monteverde Avenue, Poblacion, Davao City.

The Cooperative has the following offices:

	2025	2024
Main	1	1
Branches	4	4
Satellites	12	11
Business centers	1	1
Total	18	17

As at December 31, 2025, the Cooperative has 46,824 regular members and 4,717 associate members.

Tax exemption

In accordance with the New Code, cooperatives are exempted from the payment of all national, city, provincial, municipal or barangay taxes of whatever name and nature, including exemption from customs duties, advance sales of compensating taxes on its importation of machinery, equipment and spare parts, which are not available locally as certified by the Department of Trade and Industry. Cooperatives shall enjoy exemptions from government taxes or fees imposed under internal revenue laws provided that the cooperative does not transact business with non-members or the general public. Cooperatives, if transacting business with non-members or the general public, may be exempted from tax if their accumulated reserves and undivided net savings does not exceed ₱10,000,000 or up to 10 years from the date of registration if their accumulated reserves already exceeded ₱10,000,000.

The Cooperative serves both members and non-members. Accordingly, the Cooperative's transactions with non-members are subject to taxes, including income tax.

Authorization for the issuance of the financial statements

The financial statements of the Cooperative as at and for the year ended December 31, 2025 including the comparatives as at and for the year ended December 31, 2024, were approved for issue by the Cooperative's Board of Directors (BOD) on February 14, 2026.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared on the historical cost basis.

For assets, historical cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the asset at the time of its acquisition. For liabilities, historical cost is the amount of proceeds of cash or cash equivalents received or the fair value of non-cash assets received in exchange for the obligation at the time the obligation is incurred, or in some circumstances the amounts of cash or cash equivalents expected to be paid to settle the liability in the normal course of business. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in a normal transaction.

Statement of compliance

The financial statements of the Cooperative have been prepared in compliance with the Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives) as prescribed by Memorandum Circular (MC) No. 2015-06 of the CDA, which was amended on September 5, 2022 as prescribed by MC No. 2022-25. The PFRF for Cooperatives was developed from the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs). Modifications were made on several provisions of the standard taking into consideration the cooperative laws, rules, regulations and principles.

Revised Standard Chart of Accounts (SCA) for cooperatives

In conformity with the amended PFRF for Cooperatives, a revised SCA for cooperatives was prescribed by the CDA upon its issuance of MC No. 2022-24 on September 5, 2022, pursuant to RA No. 11364, RA No. 9520, RA No. 10744 and the respective implementing rules and regulations.

The CDA requires that the SCA be used as basis of accounting for accounts or transactions whenever PFRS for SMEs differs from the SCA. The following are the accounts or group of accounts or transactions relevant to the Cooperative that usually differ in treatment from PFRS for SMEs and for which Cooperatives are required to use SCA in accounting for them:

- (i) Revenue from credit operations (e.g. interest income, fines, service fees) - use the cash basis of accounting in conformity with Chapter II, Section 9.3 of the PFRF for Cooperatives;
- (ii) Prior period adjustments/correction of errors - are not applied retrospectively but rather prospectively through profit or loss in conformity with Chapter IX, Section 9 of the PFRF for Cooperatives;
- (iii) Classification of financial assets - the SCA classifies financial assets into five categories in conformity with Chapter X of the PFRF for Cooperatives as follow:
 - Loan commitments measured at cost less impairment;
 - Financial assets measured at fair value through profit or loss, which are investments in publicly traded securities with quoted price in the form of debt or equity that are held for trading purposes;
 - Financial assets that are debt instruments measured at amortized cost using the effective or straight-line interest amortization method;
 - Financial assets measured at fair value through equity, which are investments in publicly traded securities with quoted price in the form of debt or equity that are not intended to be disposed within 12-month period; and
 - Financial assets measured at cost less impairment including investments in non-publicly traded securities, mutual fund and other externally managed funds
- (iv) Classification of deposits for share capital subscription - classified as part of equity as prescribed in Chapter IV of the SCA;
- (v) Classification of donations and grants - classified as part of equity as prescribed in Chapter IV of the SCA; and
- (vi) Post-employment defined benefit expense and obligation - the use of the projected unit credit method is not required in determining retirement benefit expense and obligation, except when the Cooperative can apply the method without undue cost or effort; thus, the Cooperative presents limited disclosures as allowed by the framework as allowed by Chapter XXIV, Section 6.4 of the PFRF for Cooperatives.

The financial statements have been prepared using the measurement bases specified by the PFRF for Cooperatives for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in this note.

The Cooperative's financial statements are presented in Philippine Peso (₱), the Cooperative's functional and presentation currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Cash and cash equivalents

The Cooperative's cash and cash equivalents include cash on hand, checks and other items, petty cash fund, revolving fund, and ATM fund.

Financial instruments

The Cooperative determines the classification of its financial assets and financial liabilities on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date in conformity with Chapter X of the amended PFRF for Cooperatives and Chapter IV of the revised SCA.

Financial assets

(a) Loans and receivables

Loans and receivables are initially recognized at transaction price. These are subsequently measured at amortized cost less accumulated allowance for probable losses. An allowance for probable losses on loans and receivables is established when there is objective evidence that the Cooperative will not be able to collect all amounts due according to the original terms of the receivables. Objective evidence of impairment loss is based on CDA guidelines on aging of accounts and percentage of receivables. The related impairment loss is recognized immediately in the statements of operations and distribution of net surplus. The Cooperative's *Loans and receivables* net of allowance for probable losses are presented as such in the statements of financial condition.

(b) Financial assets at cost

The Cooperative's financial assets at cost include investment in shares of stock of cooperative banks, federations and insurance cooperatives, mutual fund and other externally managed funds or Unit Investment Trust Funds (UITF) that are not quoted in an active market wherein fair value cannot be readily measured. Accordingly, these investments are carried at cost, less impairment losses, if any. Impairment loss, which is the difference between the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. These are presented as part of the Cooperative's *Other financial assets* in the statements of financial condition.

(c) *Financial assets at amortized cost*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as financial assets at amortized cost when the Cooperative's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, these assets are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. These are presented as part of the Cooperative's *Investments in time deposits, Other financial assets* and *Other funds and deposits* in the statements of financial condition.

(d) *Financial asset at fair value through equity*

This includes financial assets with quoted price in the form of debt or equity securities that are not held for trading and not intended to be disposed within 12-month period. Financial assets at fair value through equity are stated at fair value, with any resultant unrealized gain or loss recognized in equity. These are presented as part of the Cooperative's *Other financial assets* in the statements of financial condition.

The cumulative changes in fair value of these investments are presented as *Net unrealized gains or losses on investments* in the equity section of the statements of financial condition.

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Cooperative neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Cooperative recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Cooperative retains substantially all the risks and rewards of ownership of a transferred financial asset, the Cooperative continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The Cooperative 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 group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

Financial liabilities

Liabilities, which include deposit liabilities, interest on share capital payable, patronage refund payable, income tax payable, loans payable, and other current liabilities (except tax-related payables) are recognized when the Cooperative becomes a party to the contractual terms of the instrument. All interest-related charges incurred on these liabilities are recognized as *Interest expense on deposits and external borrowings* in the statements of operations and distribution of net surplus.

Deposit liabilities, income tax payable, loans payable, and other current liabilities are initially recognized at their fair values and subsequently measured at amortized cost.

Interest on share capital and patronage refund payable to members is recognized as liability upon declaration by the BOD, subject to the concurrence of the members during the General Assembly.

Liabilities are derecognized from the statements of financial condition only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the liability derecognized and the consideration paid or payable is recognized in the statements of operations and distribution of net surplus.

Inventories

The Cooperative's inventories consist of general merchandise. These are initially recognized at cost and subsequently measured at the lower of cost and estimated selling price less costs to complete and sell.

At the end of each reporting period, inventories are assessed for impairment.

If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statements of operations and distribution of net surplus.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Property, plant and equipment

Property, plant and equipment are initially recognized at cost and subsequently measured, except for land, at cost less accumulated depreciation and any impairment in value. Land is measured at cost less any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as maintenance and repairs, are normally charged to the statements of operations and distribution of net surplus in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. Each part of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Building and improvements	5 to 35 years
Furniture, fixtures and equipment	3 to 5 years
Transportation equipment	3 to 5 years
Leasehold rights and improvements	2 to 5 years
Machineries, tools and equipment	2 to 5 years

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

When property, plant and equipment are sold or retired, their cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is recognized in the statements of operations and distribution of net surplus.

Investment properties

Investment properties, which pertain to parcels of land and building held for rentals, are initially recognized at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under *Investment properties* from foreclosure dates. Any gains or losses from acquisition of investment property are recognized in the statements of operations and distribution of net surplus.

Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses, except land. Depreciation of investment properties commences once the investment properties are available for capital appreciation and computed using the straight-line basis over a period of 45 years.

These are derecognized when either these have been disposed of or when these are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statements of operations and distribution of net surplus in the year of retirement or disposal.

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

Other assets

Other current assets are composed of prepaid expenses and unused supplies.

Prepaid expenses are expenses paid in cash and recorded as assets before these are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Supplies refer to supplies on hand, which are charged to *Office supplies* under *Administrative costs* in the statements of operations and distribution of net surplus in the period of consumption.

Other noncurrent assets are composed of personal properties acquired, refundable deposits, computerization cost, and other assets.

Personal properties acquired are non-real properties acquired in settlement of loans and receivables through foreclosure. These are initially measured at the carrying amount of the loan plus unpaid interest and transaction costs incurred upon acquisition.

Refundable deposits are expected to be realized for more than 12 months after the reporting date.

Computerization cost consists of acquired computer software licenses that are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years and presented as part of *Depreciation* under *Administrative costs* in the statements of operations and distribution of net surplus.

The amortization period and amortization method are reviewed when there are indicators that such has changed from the previous estimate. If current expectations differ from previous estimates, the amortization period and method will be amended. The Cooperative assumes that the residual values of these intangible assets are zero.

Computerization cost are derecognized upon disposal or when no future economic benefits are expected from its use and disposal. Any gain or loss on derecognition is recognized in the statements of operations and distribution of net surplus.

Impairment of non-financial assets

At each reporting date, investment properties, property, plant and equipment, and other non-financial assets are reviewed to determine whether there is an indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognized in the statements of operations and distribution of net surplus.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the statements of operations and distribution of net surplus.

Employee benefits

(a) Retirement payable

The Cooperative operates a defined benefit retirement plan. A defined benefit plan is a retirement plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, interest on the defined benefit liability and remeasurements of defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. Past service costs are recognized immediately in profit or loss. These amounts are calculated periodically by independent qualified actuaries.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in the statements of operations and distribution of net surplus.

Past-service costs are recognized immediately in the statements of operations and distribution of net surplus.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Cooperative before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Cooperative recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(c) Profit-sharing and bonus plans

The Cooperative recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Cooperative's members after certain adjustments. The Cooperative recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Equity

Share capital is determined using the nominal value of shares that have been issued.

Deposits for share capital subscription pertains to subscriptions received from members equivalent to the value of less than one share, and of which no share capital was issued yet. These are measured at the amount received.

Donations and grants pertain to the value of assets received from various organizations.

Statutory funds include all current and prior period results as disclosed in the statements of operations and distribution of net surplus. These funds composed of the following:

- (a) Reserve fund* is created to provide for the stability of the Cooperative and to absorb losses, if any, in its business operations.
- (b) Cooperative Education and Training Fund (CETF)* in which one-half of this amount shall be used by the Cooperative for education and training activities; while the other half shall be credited to the cooperative education and training fund of the Apex organization of which the Cooperative is a member.
- (c) Community Development Fund (CDF)* shall be used for projects or activities that will benefit the community where the Cooperative operates.
- (d) Optional fund* refers to land, building and information technology program seed fund, which is used for future acquisition of land, building or information technology program for the use of the Cooperative.

Revenue recognition

Revenue comprises interest income from loans granted to members. It also includes revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Cooperative for goods sold and services rendered.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Cooperative; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Interest income from loan* - Interest is recognized when earned and collected.
- (b) *Service fees, membership fees, fines, penalties and surcharges* - Fees arising from the administration and servicing of a loan are recognized as revenue as the service is provided and the revenue is collected. Sale of services are generally recognized when the service has been provided.
- (c) *Income on deposits and investments* - Income is recognized on a time proportion basis using the effective interest method and is presented under *Other income* in the statements of operations and distribution of net surplus.
- (d) *Recovery of accounts written-off* - Revenue is recognized when collected.
- (e) *Rental income* - Revenue is recognized on a straight-line basis over the lease terms and is presented under *Other income* in the statements of operations and distribution of net surplus.

Expense recognition

Cost and expenses are recognized in the statements of operations and distribution of net surplus upon utilization of goods or services or at the date they are incurred except for the provision for special purpose expenses. Certain amount is recognized as expense intended for special purpose as approved by the BOD. All finance costs are reported in statements of operations and distribution of net surplus on an accrual basis.

Foreign currency-denominated transactions and translations

(a) Functional and presentation currency

Items included in the financial statements of each of the Cooperative's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Philippine Peso (₱), the Cooperative's functional and presentation currency.

(b) Transactions and balances

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are retranslated using the applicable rate of exchange at the end of reporting period. Foreign exchange gains or losses are recognized in the statements of operations and distribution of net surplus.

Related parties and related party transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) the entity and the Cooperative are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the Cooperative; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the Cooperative or to the parent of the Cooperative; and (viii) a person identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Operating leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised, or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

(a) Cooperative as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset to the Cooperative are classified as operating leases. Operating lease payments are recognized as an expense in the statements of operations and distribution of net surplus on a straight-line basis over the lease term.

(b) Cooperative as a lessor

Leases where the Cooperative does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease receipts are recognized as an income in the statements of operations and distribution of net surplus on a straight-line basis over the lease term.

Provisions and contingencies

Provisions are recognized when the Cooperative has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Cooperative expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain, and its amount is estimable. The expense relating to any provision is presented in the statements of operations and distribution of net surplus, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events after the reporting date

Post year-end events that provide additional information about the Cooperative's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in compliance with PFRF for Cooperatives requires the management to make estimates and assumptions that affect the amounts reported in the financial statements. The estimates and assumptions used in the financial statements are based upon the management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

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

Significant accounting judgments in applying the Cooperative's accounting policies

(a) Functional currency

The management considers the Philippine Peso (₱) as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Cooperative operates. It is the currency in which the Cooperative measures its performance and reports its operating results.

(b) Classification of investments as financial assets at amortized cost

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as financial assets at amortized cost the Cooperative evaluates its intention and ability to hold such investments up to maturity. The management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Cooperative fails to keep these investments to maturity other than for specific circumstances as allowed under the standards, it will be required to reclassify the whole class as financial assets at fair value through profit or loss or financial assets at cost. In such a case, the investments would therefore be measured at fair value or at cost, not amortized cost.

(c) Impairment of financial assets

The determination when a financial asset is other-than-temporarily impaired requires significant judgment. In making this judgment, the Cooperative evaluates, among other factors, the duration and extent to which the fair value of investment is less than its cost; and the financial condition 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.

Based on the recent evaluation of information and circumstances affecting the Cooperative's financial assets, the management concluded that the assets are not impaired as at December 31, 2025 and 2024. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(d) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exist that the carrying amount is not recoverable.

The management believes that there are no indicators that the property, plant and equipment are impaired as at December 31, 2025 and 2024.

(e) Operating lease commitments

Cooperative as lessee

The Cooperative has entered into contract of lease for some of the office space it occupies. The Cooperative has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Cooperative considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Cooperative accordingly accounted for these as operating leases.

Cooperative as lessor

The Cooperative has entered into commercial property leases on its investment property portfolio. The Cooperative has determined that it retains all significant risks and rewards of ownership of these properties as the Cooperative considered among others the length of the lease term as compared with the estimated useful life of the assets. The Cooperative accordingly accounted for these as operating leases.

(f) Distinction between investment properties and owner-occupied properties

The Cooperative determines whether a property qualifies as investment property. In making its judgment, the Cooperative considers whether the property generated cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rental or capital appreciation and another portion that is held for use in the supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), then the Cooperative accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Cooperative considers each property separately in making its judgment.

(g) Recognition of provisions and contingencies

Judgment is exercised by the management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in note 2 and disclosures on relevant contingencies are presented in note 25.

Significant accounting estimates and assumptions

(a) Allowance for probable losses of loans and receivables

The Cooperative evaluates the loans and receivables based on the available facts and circumstances, including, but not limited to, the length of the Cooperative's relationship with the customers or members-borrowers, current credit status based on third party credit reports and known market forces, average age of the accounts, collection experience and historical loss experience.

The carrying value of loans and receivables (net of allowance for probable losses of ₱82,652,692 in 2025 and ₱87,706,493 in 2024) amounted to ₱1,818,326,962 and ₱1,569,125,792 as at December 31, 2025 and 2024, respectively (see note 6).

(b) Useful lives of property, plant and equipment and investment properties

The Cooperative estimates the useful lives of the assets based on the period over which the assets are expected to be available for use. The estimated useful lives of the assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Based on the management's assessment, there is no change in estimated useful lives of the assets during the reporting periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The carrying value of property, plant and equipment, except for land of ₱17,980,705 in 2025 and 2024, (net of accumulated depreciation of ₱101,136,074 in 2025 and ₱96,442,699 in 2024) amounted to ₱129,377,867 and ₱129,957,082 as at December 31, 2025 and 2024, respectively (see note 10).

The carrying value of investment properties, except for land of ₱46,454,030 in 2025 and ₱46,428,598 in 2024, (net of accumulated depreciation of ₱1,751,120 in 2025 and ₱1,634,120 in 2024) amounted to ₱14,435,434 and ₱14,552,434 as at December 31, 2025 and 2024, respectively (see note 11).

(c) Retirement payable

The determination of the Cooperative's retirement payable is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in note 21 and include among others, discount rates, expected return on plan assets and rates of compensation increase.

The carrying amount of the Cooperative's retirement payable amounted to ₱4,804,802 and ₱549,044 as at December 31, 2025 and 2024, respectively (see note 21).

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2025	2024
Cash on hand	₱4,971,965	₱13,770,860
Operational fund	9,166,500	8,861,500
Cash in bank	202,228,013	161,416,787
Cash equivalents	73,380,207	123,485,337
Total	₱289,746,685	₱307,534,484

Cash in bank earns interest at the bank deposit rates.

Total interest income earned from deposits amounted to ₱461,412 in 2025 and ₱187,801 in 2024, and is presented as part of *Interest and dividend on deposits and investments* under *Other income* in the statements of operations and distribution of net surplus (see note 18).

5. INVESTMENTS IN TIME DEPOSITS

This account consists of time deposits with maturities of more than three months to one year from the date of acquisition and earn interest at the rates ranging from 4.10% to 5% per annum in 2025 and 4.25% to 8% per annum in 2024. The movement of this account is as follows:

	2025	2024
Balance at beginning of year	₱127,750,991	₱43,520,123
Additions	126,768,172	114,714,991
Withdrawals	(160,759,872)	(30,484,123)
Balance at end of year	₱93,759,291	₱127,750,991

Total interest income earned from these short-term deposits amounted to ₱6,567,298 in 2025 and ₱1,506,564 in 2024, and is presented as part of *Interest and dividend on deposits and investments* under *Other income* in the statements of operations and distribution of net surplus (see note 18).

6. LOANS AND RECEIVABLES (NET)

This account consists of:

	2025	2024
Loans receivables		
Current	₱1,834,764,427	₱1,585,774,209
Past due	18,992,101	25,249,902
Mediated	8,472,414	10,462,506
Restructured	448,420	624,620
Loans in litigation	183,672	194,172
	1,862,861,034	1,622,305,409
Allowance for probable losses on loans receivables	(67,453,181)	(75,272,500)
	1,795,407,853	1,547,032,909
Trade and other receivables		
Receivables from members	15,294,827	12,859,299
Advances to officers and employees	2,824,365	2,516,906
Others	19,999,428	19,150,671
	38,118,620	34,526,876
Allowance for probable losses on trade and other receivables	(15,199,511)	(12,433,993)
	22,919,109	22,092,883
Total	₱1,818,326,962	₱1,569,125,792

The Cooperative grants the following types of loans to its members (gross of allowance for probable losses):

	2025	2024
Providential	₱1,378,335,697	₱1,148,474,050
Commercial	483,800,302	472,703,419
Real estate	725,035	1,127,940
Total	₱1,862,861,034	₱1,622,305,409

Providential loans are offered for personal use, which have a term of one month to seven years, with loanable amounts based on the types of providential loan. Interest rates range from 0.63% to 3.5% per month for 2025 and 0.33% to 3.5% per month for 2024. These loans are secured by real estate and chattel mortgages.

Commercial loans are offered for business-related purposes like working capital loan, fixed asset acquisition and microfinance loan, which have a term of one year to three years, with loanable amounts based on the types of commercial loan. Interest rates range from 0.5% to 5% per month for 2025 and 0.33% to 5% per month for 2024. These loans are secured by real estate and chattel mortgages on the items being financed.

Real estate loans are offered for purchase, construction and repair of houses, which have a maximum term of five years, with loanable amounts based on the purchase price or the construction estimate. Interest rates is 1% per month for 2025 and 2024. These loans are secured by real estate mortgages.

Total interest income earned from loans receivables amounted to ₱221,176,918 in 2025 and ₱198,511,350 in 2024, and is presented under *Income from credit operations* in the statements of operations and distribution of net surplus.

Outstanding balance of loans granted to directors, officers and related parties (DOSRI) amounted to ₱48,414,444 and ₱41,446,525 as at December 31, 2025 and 2024, respectively, which represents 2.60% and 2.25% of the total loan portfolio as at December 31, 2025 and 2024, respectively (see note 23).

The breakdown of loans receivables (gross of allowance for probable losses) as to secured and unsecured follows:

	2025	2024
Secured by:		
Hold-out on savings, time deposits and share capital	₱417,853,720	₱303,463,657
Real estate mortgage	353,991,170	351,170,525
Chattel mortgage	107,284,773	154,454,551
	879,129,663	809,088,733
Unsecured	983,731,371	813,216,676
Total	₱1,862,861,034	₱1,622,305,409

The Cooperative accepts the following collaterals and guarantees on its loans receivables as at December 31, 2025 and 2024:

- (a) Real estate properties by way of real estate mortgage;
- (b) Vehicles by way of chattel mortgage;
- (c) Hold out on members' savings, time deposits and share capital by way of withdrawal restrictions; and
- (d) Salary by way of payroll deductions

The maturity profile of the Cooperative's loans and receivables (gross of allowance for probable losses) is shown below:

	2025	2024
One year and below	₱728,939,175	₱688,033,877
Over one year	1,172,040,479	968,798,408
Total	₱1,900,979,654	₱1,656,832,285

All of the Cooperative's loans and receivables have been reviewed for indicators of impairment. A reconciliation of the allowance for probable losses on loans and receivables is as follows:

	2025	2024
Balance at beginning of year	₱87,706,493	₱120,918,160
Additional provision	15,151,071	17,052,251
Write-off of loans	(20,204,872)	(50,263,918)
Balance at end of year	₱82,652,692	₱87,706,493

The aging schedule of the Cooperative's loans receivables using portfolio at risk is as follow:

	2025	2024
Current	₱1,765,548,980	₱1,520,042,959
One to 30 days past due	11,359,135	9,100,285
31 to 60 days past due	6,128,885	5,744,866
61 to 90 days past due	4,482,156	4,127,978
91 to 180 days past due	9,509,494	7,064,927
181 to 365 days past due	14,457,059	15,475,737
Over 365 days past due	51,375,325	60,748,657
Total	₱1,862,861,034	₱1,622,305,409

The provision for probable losses pertains to accounts that the management believes to be doubtful of collections. While accounts written-off pertains to receivables which are no longer collectible after conducting all collection efforts.

7. INVENTORIES

This account consists of general merchandise.

The cost of inventories recognized as expense amounted to ₱43,123 in 2025 and ₱29,874,271 in 2024, and is presented as part of *Sales from buying club (net)* under *Other income* (see note 18). There were no inventory write-downs in 2025 and 2024.

8. OTHER CURRENT ASSETS

This account consists of:

	2025	2024
Unused supplies	₱3,712,430	₱4,125,391
Prepaid expenses	2,638,609	1,900,517
Total	₱6,351,039	₱6,025,908

9. OTHER FINANCIAL ASSETS

This account consists of:

	2025	2024
Financial assets at cost:		
Investments in non-marketable equity securities	₱66,541,752	₱59,494,927
Financial assets at fair value through equity:		
Investments in publicly traded securities	39,160,000	4,825,000
Financial assets at amortized cost (debt securities):		
Corporate bonds	156,400,000	34,010,000
Retail treasury bonds	-	74,430,000
Total	₱262,101,752	₱172,759,927

Financial assets at cost are investments in equity securities denominated in Philippine Peso and are not quoted in active markets. These financial assets are measured at cost less any impairment in value.

Financial assets at fair value through equity include investments in publicly traded securities, in accordance with the investment program approved by the BOD.

Financial assets at amortized cost are investments in debt securities with fixed or determinable payments and fixed maturities.

Gain or loss on financial assets at fair value through equity recognized in the statements of changes in members' equity, statutory funds and donations and grants amounted to a gain of ₱25,000 in 2025 and a loss of ₱175,000 in 2024, and is presented as *Fair value gain or loss on financial assets at fair value through equity* under *Net unrealized loss on investments*. In accordance with the revised SCA, the cumulative fair value changes in financial assets at fair value through equity is recognized under equity and excluded from the distribution of net surplus.

Income earned from these investments amounted to ₱27,894,247 in 2025 and ₱18,025,173 in 2024, and is presented as part of *Interest and dividend on investments* under *Other income* in the statements of operations and distribution of net surplus (see note 18).

The movement of this account is as follows:

	2025	2024
Balance at beginning of year	₱172,759,927	₱163,413,624
Additions	163,621,825	9,521,303
Withdrawals	(74,430,000)	-
Fair value gain (loss)	150,000	(175,000)
Balance at end of year	₱262,101,752	₱172,759,927

Portion of the financial assets at amortized cost were restricted and presented under *Other funds and deposits* amounting to ₱88,295,000 in 2025 and ₱118,295,000 in 2024 (see note 12).

10. PROPERTY, PLANT AND EQUIPMENT (NET)

The reconciliation of this account follows:

December 31, 2025

	Land	Building and improvements	Leasehold rights and improvements	Transportation equipment	Machineries, tools and equipment	Furniture, fixture and equipment	Construction in-progress	Total
Cost								
Balance at beginning of year	₱17,980,705	₱143,918,158	₱7,331,332	₱19,841,164	₱50,487,389	₱4,821,738	₱ -	₱244,380,486
Additions	-	406,615	757,638	1,591,648	4,911,544	939,598	2,107,689	10,714,732
Write-off	-	(830,092)	(818,034)	(86,666)	(3,965,433)	(900,347)	-	(6,600,572)
Balance at end of year	17,980,705	143,494,681	7,270,936	21,346,146	51,433,500	4,860,989	2,107,689	248,494,646
Accumulated depreciation								
Balance at beginning of year	-	31,166,720	6,154,620	14,936,334	39,759,337	4,425,688	-	96,442,699
Depreciation	-	4,796,674	617,731	1,699,199	4,110,054	-	-	11,223,658
Write-off	-	(830,092)	(818,034)	(86,666)	(3,965,433)	(830,058)	-	(6,530,283)
Balance at end of year	-	35,133,302	5,954,317	16,548,867	39,903,958	3,595,630	-	101,136,074
Net carrying amount	₱17,980,705	₱108,361,379	₱1,316,619	₱4,797,279	₱11,529,542	₱1,265,359	₱2,107,689	₱147,358,572

The depreciation on property, plant and equipment is presented as part of *Depreciation* under *Administrative costs* in the statements of operations and distribution of net surplus amounting to ₱11,223,658 in 2025 and ₱7,588,017 in 2024 (see note 20).

In 2025, the Cooperative has written-off its non-existing property, plant and equipment with total cost of ₱6,600,572. This resulted to a *Loss on derecognition of property, plant and equipment* amounting to ₱70,289, and is presented net against *Other income* in the statements of operations and distribution of net surplus (see note 18).

In order to subsidize the depreciation charges of the Cooperative's building and improvements, the Cooperative recognized the *Building fund subsidy* under *Other items* in the statements of operations and distribution of net surplus amounting to ₱2,484,420 in 2025 (see note 22).

11. INVESTMENT PROPERTIES (NET)

The reconciliation of this account follows:

December 31, 2025

	Land	Building held for rentals	Real properties acquired	Total
Cost				
Balance at beginning of year	₱46,428,598	₱5,266,935	₱10,919,619	₱62,615,152
Additions	25,432	-	-	25,432
Balance at end of year	46,454,030	5,266,935	10,919,619	62,640,584
Accumulated depreciation				
Balance at beginning of year	-	1,634,120	-	1,634,120
Depreciation	-	117,000	-	117,000
Balance at end of year	-	1,751,120	-	1,751,120
Net carrying amount	₱46,454,030	₱3,515,815	₱10,919,619	₱60,889,464

The depreciation on investment properties is presented as part of *Depreciation* under *Administrative costs* in the statements of operations and distribution of net surplus amounting to ₱117,000 in 2025 and 2024 (see note 20).

12. OTHER FUNDS AND DEPOSIT

This account consists of:

	2025	2024
Financial assets at amortized cost (debt securities)		
Fixed rate treasury notes	₱88,295,000	₱94,545,000
Retail treasury bonds	-	23,750,000
Total	₱88,295,000	₱118,295,000

The movement of this account is as follows:

	2025	2024
Balance at beginning of year	₱118,295,000	₱118,295,000
Withdrawals	(30,000,000)	-
Balance at end of year	₱88,295,000	₱118,295,000

Income earned from the debt securities amounted to ₱3,414,101 in 2025 and ₱4,140,325 in 2024, and is presented as part of *Interest and dividend on investments* under *Other income* in the statements of operations and distribution of net surplus (see note 18). The interest rates on these investments is 2.90% in 2025 and 3.50% in 2024.

13. OTHER NONCURRENT ASSETS (NET)

This account consists of:

	2025	2024
Real and other properties acquired	₱27,332,960	₱19,512,481
Computerization cost	2,111,054	3,211,091
Refundable deposits	155,482	155,482
Unused office supplies	102,798	-
Others	2,171,776	1,312,585
Total	₱31,874,070	₱24,191,639

Computerization cost pertains to the Cooperative's accounting system, which is amortized over its useful life. As at December 31, 2025 and 2024, the carrying amounts of computerization cost amounted to ₱2,111,054 and ₱3,211,091, respectively, net of accumulated amortization amounting to ₱15,585,120 and ₱14,005,294, respectively. The amortization amounted to ₱1,579,826 in 2025 and ₱1,529,686 in 2024, and is presented as *Amortization* under *Administrative costs* in the statements of operations and distribution of net surplus (see note 20).

14. DEPOSIT LIABILITIES

This account consists of:

	2025	2024
Time deposits	₱1,106,695,642	₱1,015,885,631
Savings deposits	387,925,543	330,479,219
Total	₱1,494,621,185	₱1,346,364,850

Savings deposits bear interest is 2% per annum in 2025 and 2024, while time deposits bear interest ranging from 3.25% to 5% per annum in 2025 and 2024. Time deposit liabilities have maturities of 30 days up to 730 days.

Total interest incurred amounted to ₱53,341,371 in 2025 and ₱51,645,787 in 2024, and is presented as part of *Interest expense on deposit liabilities and external borrowings* in the statements of operations and distribution of net surplus (see note 19).

15. LOANS PAYABLE

The outstanding balances are as follows:

	2025	2024
Current portion	₱37,559,552	₱12,562,344
Noncurrent portion	12,781,581	43,734,336
Total	₱50,341,133	₱56,296,680

The movements of the loans payable are as follows:

	2025	2024
Balance at beginning of year	₱56,296,680	₱42,718,750
Proceeds from loans payable	50,000,000	50,000,000
Payment of loans payable	(55,955,547)	(36,422,070)
Balance at end of year	₱50,341,133	₱56,296,680

On July 14, 2023, the Cooperative entered into a credit line agreement with the Small Business Corporation, a government financial institution duly organized and existing by virtue of RA No. 6977, otherwise known as “Magna Carta for Small Enterprises”, engaged in wholesale financing through rediscounting, lending and microfinancing through a program known as the “Pondo sa Pagbabago at Pag-asenso (P3)”. Briefly, the participation of the Cooperative as an accredited financial institution under the Microfinance Wholesale Lending Facility entitles the Cooperative the grant of a Credit Line. The P3 program makes available loan funds to accredited financial institutions for relending to their eligible micro enterprises and other beneficiaries borrowers.

In 2024 and 2023, the Cooperative has entered into loan agreements which are payable quarterly and bears an interest rate of 2%. The loan is used for working capital purposes.

In 2025, the Cooperative has entered into another loan agreements which are payable quarterly and bears an interest rate of 3% per annum. The loan is used for working capital purposes.

Interest charged to operations amounted to ₱1,228,271 in 2025 and ₱120,513 in 2024, and is presented as part of *Interest on deposit liabilities and external borrowings* in the statements of operations and distribution of net surplus (see note 19).

16. OTHER CURRENT LIABILITIES

This account consists of:

	2025	2024
Accrued expenses		
Interest on deposit liabilities	₱6,461,024	₱5,372,626
Employees benefits	516,667	854,111
	6,977,691	6,226,737
Special funds	39,910,089	45,168,973
Payable to members	30,537,886	26,989,440
Payable to insurance company	12,570,882	6,634,561
Due to union/federation	4,199,015	3,670,875
Due to government agencies	612,731	441,697
Payable to suppliers	3,104	824,782
Others	4,225,758	3,370,465
Total	₱99,037,156	₱93,327,530

Special funds comprised mortuary fund, BASKUG 365, and members' benefit and other fund. Mortuary fund, members' benefit and other fund pertains to trust funds set up for specific purposes, which includes among others funeral care assistance, scholarship program, healthcare assistance, and livelihood programs of the Cooperative. BASKUG 365 pertains to the healthcare program for all members of the Cooperative, which includes financial assistance in case of hospital admission, free annual physical examination and other laboratory services.

17. EQUITY

Members' equity

The Cooperative has total members' contributions of ₱810,350,717 and ₱735,391,541 as at December 31, 2025 and 2024, respectively. The details of the members' share capital are presented below:

	2025	2024
Common shares		
Issued and outstanding:		
Balance at beginning of year	₱734,244,845	₱618,042,207
Additional members' contributions	139,553,854	117,926,560
Withdrawal of members' contributions	(75,004,451)	(1,723,922)
Balance at end of year	798,794,248	734,244,845
Preferred shares		
Issued and outstanding:		
Balance at beginning of year	1,146,696	1,077,728
Additional members' contributions	196,656	87,105
Withdrawal of members' contributions	(198,632)	(18,137)
Balance at end of year	1,144,720	1,146,696
Deposits for share capital subscription		
Balance at beginning of year	-	-
Additional members' contributions	10,411,749	-
Balance at end of year	10,411,749	-
Total	₱810,350,717	₱735,391,541

As at December 31, 2025, the Cooperative received contributions from members as deposits for share capital subscription on common shares equivalent to the value of less than one share additional and subscriptions in excess of authorized capital pending the amendments to increase the authorized share capital amounting to ₱10,411,749, and is presented as *Deposits for share capital subscription* in the statements of financial condition. These deposits were considered in the computation of interest on share capital and patronage refund.

Donations and grants

The Cooperative receives subsidies, grants, aids and others from different institutions or organizations, and these are not available for distribution as interest on share capital and patronage refund.

Optional fund

Optional fund is set aside for acquisition of land, building and information technology program and subsidization of depreciation on buildings and leasehold improvements amounting to ₱2,484,420 in 2025 (see notes 10 and 22).

Allocation and distribution of net surplus

The Cooperative's By-laws provide the following allocation and distribution of its net surplus:

- (a) A minimum of ten percent (10%) shall be set aside as *General reserve fund*. This general fund is created to provide for the stability of the Cooperative and to absorb losses, if any, in its business operations.
- (b) A maximum of ten percent (10%) shall be set aside for *CETF*. One-half of this amount shall be used by the Cooperative for education and training activities; while the other half shall be credited to the cooperative education and training fund of the Apex organization of which the Cooperative is a member.

The Cooperative utilized ₱2,139,884 and ₱1,283,198 of its CETF in 2025 and 2024, respectively, for trainings and seminars, officers' honorarium, gas, oil and lubricants, office supplies, and travel and transportation.

The Cooperative's rate of utilization for its CETF is as follows:

	2025	2023
Members	31%	31%
Officers and staff	69%	69%
Total	100%	100%

- (c) A mandatory allocation of three percent (3%) shall be set aside for *CDF*. This fund shall be used for projects or activities that will benefit the community where the Cooperative operates.

The Cooperative's utilization for its CDF is as follows:

	2025	2024
Balance at beginning of year	₱8,695,669	₱8,871,523
Utilizations from prior year's unutilized portion	(3,699,914)	(3,457,988)
Unutilized portion before current year allocation		
from net surplus	4,995,755	5,413,535
Allocation from net surplus	3,648,127	3,282,134
Balance for utilization within the next 12 months	₱8,643,882	8,695,669

The Cooperative utilized ₱3,699,914 in 2025 and ₱3,457,988 in 2024 of its CDF for social and community services, members' benefits, communication, light and water, gas, oil and lubricants, office supplies, and travel and transportation.

- (d) A maximum of seven percent (7%) shall be set aside for *Optional fund for Land, building and Information technology program seed fund*.

- (e) The remaining net surplus shall be made available to members in the form of interest on paid/contributed capital not to exceed the normal rate of return on investments prescribed by the CDA, and patronage refunds, as determined by the BOD under certain conditions.

The members during the General Assembly resolved to approve that the allocation and distribution of net surplus is as follows:

	2025	2024
General reserve fund	18%	18%
CETF	2%	2%
Community development fund	3%	3%
Land and building fund	7%	7%
Interest on share capital and patronage fund	70%	70%

Interest on share capital payable is as follow:

	2025	2024
Balance at beginning of year	₱49,779,039	₱50,473,290
Allocation from net surplus	55,329,933	49,779,040
Payments	(49,647,650)	(50,473,291)
Balance at end of year	₱55,461,322	₱49,779,039

Patronage refund payable is as follow:

	2025	2024
Balance at beginning of year	₱26,804,097	₱27,177,925
Allocation from net surplus	29,793,042	26,804,097
Payments	(26,148,401)	(27,177,925)
Balance at end of year	₱30,448,738	₱26,804,097

As a result of the approved allocation and distribution of net surplus, the rates of interest on share capital are as follow:

	2025	2024
Rate of interest on share capital	8.28%	7.43%
Average national inflation rate	3.20%	3.20%
Excess over inflation rate	5.08%	4.23%

18. OTHER INCOME (NET)

This account consists of:

	2025	2024
Interest and dividend on investments (notes 4, 5, 9 and 12)	₱38,337,058	₱23,859,863
Notarial and processing fees	23,242,182	20,180,169
Income from Baskug 365	9,239,394	6,692,697
Consultation, ECG, laboratory and x-ray fees	6,754,295	6,397,024
Rent income (note 25)	1,610,723	2,251,120
Sales from buying club (net) (note 7)	47,294	1,222,407
Loss on derecognition of property, plant and equipment (note 10)	(70,289)	-
Miscellaneous income	9,657,653	10,462,468
Balance at end of year	₱88,818,310	₱71,065,748

Interest and dividend on deposits and investments is composed as follows:

	2025	2024
Other financial assets (note 9)	₱27,894,247	₱18,025,173
Interest income from investments in time deposits (note 5)	6,567,298	1,506,564
Other funds and deposits (note 12)	3,414,101	4,140,325
Interest on bank deposits (note 4)	461,412	187,801
Total	₱38,337,058	₱23,859,863

Sales from buying club consists of:

	2025	2024
Gross sales	₱90,417	₱31,096,678
Cost of sales (note 7)	(43,123)	(29,874,271)
Net	₱47,294	₱1,222,407

19. INTEREST EXPENSE ON DEPOSIT LIABILITIES AND EXTERNAL BORROWINGS

This account consists of:

	2025	2024
Deposit liabilities (note 14)		
Time deposits	₱46,891,168	₱47,728,880
Savings deposits	6,450,203	3,916,907
	53,341,371	51,645,787
Loans payable (note 15)	1,228,271	120,513
Net	₱54,569,642	₱51,766,300

20. ADMINISTRATIVE COSTS

This account consists of:

	2025	2024
Salaries and wages	₱54,598,111	₱45,488,493
Employee benefits	17,329,092	12,762,651
Probable losses on loan/accounts/installment receivables (note 6)	15,151,071	17,052,251
Meetings and assemblies	12,684,934	7,592,974
Depreciation (notes 10 and 11)	11,340,658	7,705,017
General support services	10,780,968	9,274,718
Members benefits	7,426,142	10,300,159
SSS, PHIC and HDMF premium	6,647,107	5,337,058
Rentals (note 25)	6,366,918	5,157,072
Power, light and water	4,799,031	4,597,890
Retirement benefits (note 21)	4,255,758	1,820,385
Office supplies	4,227,792	4,062,818
Communications	4,166,919	3,913,822
Professional fees	3,695,738	2,975,972
Travel and transportation	3,587,612	2,842,705
Honorarium and allowances	3,028,388	3,290,450
Repairs and maintenance	2,381,116	2,047,970
Promotions and subscription	2,048,572	2,322,135
Amortization (note 13)	1,579,826	1,529,686
Insurance	979,560	862,598
Taxes, fees and charges	411,380	390,155
Collection	229,939	226,245
Miscellaneous	4,664,159	4,174,652
Total	₱182,380,791	₱155,727,876

Miscellaneous include all other expenses incurred by the Cooperative, which are not classified under any of the specified expense accounts.

21. RETIREMENT BENEFITS

The Cooperative maintains a defined benefit plan covering all its regular employees with at least 10 years of tenure. The plan provides for payment of benefits in lump sum amount upon attainment of the normal retirement age of 60 or upon retirement or separation at an earlier age. The fund is administered under an insured plan. The retirement plan is intended to provide employee benefits based on the years of service and percentage of latest monthly salary.

The Cooperative's latest actuarial valuation is as at December 31, 2025.

The amount recognized as expense is as follows:

	2025	2024
Current service cost	₱1,703,099	₱1,508,020
Interest cost (income) (net)	33,546	(76,808)
Actuarial loss	2,519,113	389,173
Total	₱4,255,758	₱1,820,385

The amount of retirement payable and prepaid benefit cost in the statements of financial condition as at December 31, 2025 and 2024 is presented as follows:

	2025	2024
Present value of defined benefit obligation	₱19,485,672	₱15,383,428
Fair value of plan assets	(14,680,870)	(14,834,384)
Retirement payable (prepaid benefit cost)	₱4,804,802	₱549,044

The plan assets are invested in a retirement plan managed by a trustee who invests the contributions in various treasury bills and bonds issued by government banks. Treasury bills generally mature within one year while treasury bonds generally mature within two to 25 years from date of issuance. As at December 31, 2025, treasury bills and bonds have rates of return ranging from 5.48% to 6.24% and 5.87% to 6.12%, respectively, based on published rates.

The movement in retirement payable for the year 2025 is as follows:

	Present value of defined benefit obligation	Less: Fair value of plan assets	Retirement payable
Current service cost	₱1,703,099	₱ -	₱1,703,099
Interest cost (net)	939,927	906,381	33,546
Actuarial gain or loss	2,193,477	(325,636)	2,519,113
Retirement benefits	4,836,503	580,745	4,255,758
Benefits paid	(734,259)	(734,259)	-
Movements during the year	4,102,244	(153,514)	4,255,758
Balance at beginning of year	15,383,428	14,834,384	549,044
Balance at end of year	₱19,485,672	₱14,680,870	₱4,804,802

The significant actuarial assumptions used in 2025 and 2024 are as follow:

	2025	2024
Discount rate	6.31%	6.11%
Salary increase rate	3.00%	3.00%

The discount rate as at December 31, 2025 and 2024 was calculated as the resulting single effective interest rate determined by discounting the projected benefit payments using different term-dependent derived zero-coupon rate. Assumptions regarding mortality experience are based on the 1960 Standard Group Mortality Table.

The sensitivity of the defined benefit obligation to changes in the actuarial assumptions by one percent (1%) is:

	2025	2024
Discount rate +1%	(P1,752,683)	(P1,430,054)
Discount rate -1%	2,061,032	1,668,294
Salary increase rate +1%	2,138,436	1,727,647
Salary increase rate -1%	(1,870,968)	(1,524,202)

The sensitivity analyses have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The weighted average duration of the defined benefit obligation is 17 years.

The expected maturity analysis of undiscounted retirement payable follows:

	One year and less	Between one year to five years	Between five to ten years	Over ten years	Total
Retirement payable	P3,095,027	P7,228,964	P14,693,968	P128,866,112	P153,884,071

22. OTHER ITEMS

This account consists of:

	2025	2024
Subsidized project expenses	P2,740,164	P747,296
Building fund subsidy (note 10)	2,484,420	-
Prior year adjustment	-	3,804,591
Total	P5,224,584	P4,551,887

The prior year adjustment pertains to corrections of loans payable and reversal of incorrectly recorded receivables and payables.

23. RELATED PARTY TRANSACTIONS

The Cooperative's related parties include its BOD, members of various committees, and officers as described below. None of the transactions incorporate special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash.

Loans

In the ordinary course of trade or business, the Cooperative has loan transactions with certain officers and directors. These loan transactions are made substantially on the same terms and conditions as with other individuals and businesses of comparable risks. The breakdown of these loans is as follows:

	Amount of transactions		Outstanding balances	
	2025	2024	2025	2024
Related interest	₱19,335,752	₱12,590,435	₱13,305,167	₱9,038,057
Staff	41,265,091	39,087,498	35,109,277	32,408,468
Total	₱60,600,843	₱51,677,933	₱48,414,444	₱41,446,525

The above accounts will be settled in cash and payable based on the individual terms agreed with the individual directors and other related parties.

Key management compensation

The remuneration of key management personnel is set out below in total for each of the following categories:

	2025	2024
Short-term employee benefits	₱14,258,655	₱12,459,913
Post-employment benefits	863,532	1,038,326
Total	₱15,122,187	₱13,498,239

24. INCOME TAXES

The reconciliation of tax on pre-tax surplus computed based on the applicable statutory income tax rate and recognized as income tax expense in the statements of operations and distribution of net surplus is as follows:

	2025	2024
Surplus after other items before tax	₱121,910,452	₱109,775,037
At statutory income tax rate	30,477,613	27,443,759
Reductions in income tax resulting from		
Surplus from tax exempt operations	(30,171,410)	(27,073,204)
Reported income tax expense	₱306,203	₱370,555

25. COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Cooperative as lessor

The Cooperative entered into lease agreements on its investment properties. The lease contracts are for periods ranging from one year up to three years and are renewable upon mutual agreement of both parties. Rental income recognized amounted to ₱1,610,723 in 2025 and ₱2,251,120 in 2024, and is presented as *Rental income* under *Other income* in the statements of operations and distribution of net surplus (see note 18).

Operating lease commitments - Cooperative as lessee

The Cooperative leases building and office spaces from certain individuals for the location occupied by its branches. The lease contracts are for periods ranging from one year up to five years and are renewable upon mutual agreement of both parties. Rental expense charged to operations amounted to ₱6,366,918 in 2025 and ₱5,157,072 in 2024, and is presented as *Rentals* under *Administrative costs* in the statements of operations and distribution of net surplus (see note 20).

Contingencies

There are contingent liabilities such as litigation and claims that arise in the normal course of the Cooperative's operations which are not reflected in the accompanying financial statements. As at December 31, 2025, the Cooperative's management is of the opinion that losses, if any, from these claims will not have any material effect on the Cooperative's financial statements.

26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR AND THE CDA

Supplementary information required by Revenue Regulation (RR) No. 15-2010

On December 28, 2010, the BIR issued RR No. 15-2010, which amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by the PFRF for Cooperatives.

- (a) In accordance with RA No. 9520, cooperatives are exempt from the payment of all national taxes. In addition, pursuant to Section 109 of the 1997 Tax Code, as amended, *Exempt transactions*, cooperatives duly registered with the CDA are exempt from VAT. However, under Revenue Memorandum Order (RMO) 76-2010, Section 8, *Taxability/exemption of duly registered cooperatives which transact business with members and non-members*, cooperatives with accumulated reserves and undivided net savings of more than ₱10,000,000 shall be subject to VAT on transactions with non-members.

The Cooperative transactions with non-members subject to VAT in 2025 are as follow:

	VATable	Exempt	Zero-rated	Total
Sale of services	₱1,074,142	₱269,573,217	₱ -	₱270,647,359
Rental operations	1,447,093	149,333	-	1,596,426
Sale of goods	-	90,416	-	90,416
Total	₱2,521,235	₱269,812,966	₱ -	₱272,334,201

In 2025, the total amount of VAT output taxes amounted to ₱302,548.

Details of VAT input taxes are as follow:

	2025
Balance at beginning of year	₱ -
Current year's domestic purchases	55,903
Claims for tax credit or refund	(55,903)
Balance at end of year	₱ -

- (b) The Cooperative does not have importation during the year 2025, since it does not have any transactions, which are subject to importation tax.
- (c) The Cooperative does not have excise tax during the year 2025, since it does not have any transactions, which are subject to excise tax.
- (d) The details of taxes and licenses account are broken down as follows:

	2025
Business permit	₱167,792
Business taxes	114,670
Motor vehicle registration fees	83,971
Certificates/clearance	17,070
Others	27,877
Total	₱411,380

- (e) Details of the Cooperative's withholding taxes for the year are as follow:

	2025
Tax on compensation and benefits	₱1,758,461
Expanded withholding taxes	786,282
Total	₱2,544,743

Supplementary information required by CDA MC No. 2025-12

In compliance with CDA MC No. 2025-12 issued on September 25, 2025, the Cooperative performed an internal assessment of its Enhanced PESOS Rating, which is disclosed as part of the Notes to Financial Statements in addition to what is mandated by the PFRF for Cooperatives.

The Enhanced PESOS Rating is a performance assessment framework prescribed by the CDA to evaluate the overall financial condition, operational effectiveness, and sustainability of cooperatives. The framework assesses five key components, namely Portfolio Quality (P), Efficiency (E), Stability (S), Operations (O), and Structure of Assets (S), using prescribed financial ratios and indicators.

- Portfolio Quality (P) evaluates the quality and protection of the Cooperative’s loan portfolio, including the adequacy of provisions for loan losses relative to delinquent accounts, given that loans comprise a significant portion of the Cooperative’s assets.
- Efficiency (E) measures the Cooperative’s operating and administrative efficiency in delivering financial services to members and its ability to generate sufficient income to cover operating expenses.
- Stability (S) assesses the Cooperative’s financial soundness and sustainability, including the buildup of institutional capital and the maintenance of adequate liquidity to meet members’ financial needs.
- Operations (O) focuses on the effectiveness of the Cooperative’s operations in generating income, returning value to members, and sustaining overall financial and operational performance.
- Structure of Assets (S) examines the composition and quality of the Cooperative’s assets, including the effectiveness of asset deployment in generating revenues.

As at December 31, 2025, the Cooperative’s Enhanced PESOS Rating was determined by based on the CDA-prescribed Enhanced PESOS framework and criteria and is presented as follows:

	2025
Portfolio quality	25
Efficiency	13
Stability	22
Operations	7
Structure of assets	16
Total	83

The overall Enhanced PESOS Rating is derived from the aggregate score of the above components and is classified into adjectival ratings based on CDA-prescribed thresholds. For medium and large cooperatives, a total score of 80 to 89 corresponds to a “Satisfactory” rating.

The rating and computation are determined as follows:

Indicators	Formula	Standard Point	December 31, 2025			
			Amounts in Pesos	Ratio	Points	
P - Portfolio Quality						
1 Portfolio at risk	<u>Balance of loans for over 30 days missed payments</u> <u>Total Gross Loans Outstanding</u>	5% or less	10	<u>85,952,919</u> 1,862,861,034	4.61%	10
		> 5% to 10%	8			
		> 10% to 15%	6			
		> 15% to 20%	4			
		> 20% to 25%	2			
>25%	0					
2 Portfolio at risk - DOSRI loans	<u>Balance of DOSRI Loans for over 30 days missed payment</u> <u>Total DOSRI LOANS Outstanding</u>	0%	5	<u>0</u> 48,414,444	0.00%	5
		1% and more	(2)			
3 Adequacy of Provisioning of APLL (over 12 months past due)	<u>APLL for over 12 months</u> <u>Total Past Due Loans over 12 months + Restructured Loans</u>	100%	5	<u>51,375,325</u> 51,375,325	100%	5
		80% to < 100%	4			
		60% to < 80%	3			
		35% to < 60%	2			
		10% < 35%	1			
< 10%	0					
4 Adequacy of Provisioning for over 30 days to 1 year past due	<u>Total amount of allowance - Required Amount of Allowance for Loans over 12 months past due</u> <u>Total Past Due Loans from over 30 days to 1 year + Restructured Loans</u>	35%	5	<u>16,077,856</u> 34,577,594	46.50%	5
		25% to < 35%	4			
		5%	0			
E - Efficiency						
1 Asset yield	<u>Net Surplus*</u> <u>Average Total Assets</u>	At least inflation rate	5	<u>121,604,249</u> 2,666,763,241	4.56%	5
		1 to 2 percentage points below inflation rate	4			
		3 to 4 percentage points below inflation rate	3			
		*Net Surplus refers to net of required provisioning shall get 0	1			
		More than 4 percentage points below inflation rate	0			
<i>2025 average national inflation rate of 1.70%</i>						
2 Administrative efficiency	<u>Administrative Costs - Provision for Probable Losses</u> <u>Members Benefit Expense - Social Service Expense</u> <u>Average Total Assets</u>	7% and below	5	<u>190,105,720</u> 2,666,763,241	7.13%	3
		Above 7% - 10%	3			
		Above 10% - 15%	1			
		Over 15%	0			
3 Loan portfolio profitability	<u>Income from Loans + Service Fees, Filing Fees + Fines, Penalties and Surcharges</u> <u>Ave. Total Loans Outstanding</u>	20% and above	4	<u>264,817,991</u> 1,742,583,222	15.20%	3
		15% to < 20%	3			
		10% to < 15%	2			
		5% to < 10%	1			
		< 5% or negative	0			

Indicators	Formula	Standard Point	December 31, 2025				
			Amounts in Pesos	Ratio	Points		
4 Cost per peso loan	Financing Costs + (Admin Costs-Members Benefit Expense-Social Service Expense)	0.10 and below	3	229,524,291	0.13	2	
		> 0.10 to 0.15	2				
	Average Total Loans Outstanding	> 0.15 to 0.20	1				1,742,583,222
		Above 0.20	0				
S - Stability							
1 Liquidity	Liquid Assets - Short Term Payable	15% to 20%	10	153,149,977	10.25%	6	
		12% to < 15%	8				
	Total Deposits	9% to < 12%	6				
		6% to < 9%	4				
		1% to < 6%	2				
Below 1%	0						
2 Solvency	(Total Assets + Allowance for Probable Losses on Loans) - (Total Liabilities - Deposits + Past Due Loans + Restructured Loans + Loans Under Litigation + Impaired Assets)	110% and above	10	2,539,353,357	110.17%	10	
		100% to < 110%	8				
	Deposit Liabilities + Share Capital + Deposit for Share Capital Subscription	90% to < 100%	4				
		80% to < 90%	6				
	<i>Impaired assets = net of impairment losses</i>	70% to < 80%	2				
		below 70%	0				
		<i>Past Due Loans = 31 days and above</i>					
O - Operations							
1 Return on members' shares	Interest on Share Capital	Higher than inflation rate	4	55,461,322	7.33%	4	
		Equal to inflation rate	2				
	Total Average Share Month	Below inflation rate	0				
		<i>2025 average national inflation rate of 1.70%</i>					
2 Operational self sufficiency	Income from Loans + Service Fees + Filing Fees + Fines, Penalties and Surcharges	120% and above	4	264,817,991	111.76%	3	
		110% to < 120%	3				
	Financing Costs + Admin. Costs	100% to < 110%	2				
		100%	1				
		< 100%	0				
S - Structure of Assets							
1 Non-earning assets ratio	Non-earning assets	5% and below	5	185,765,387	6.64%	4	
		> 6% to 8%	4				
	Total Assets	> 8% to 10%	3				
		> 10% to 12%	2				
> 12%	1						
				2,798,884,541			

Indicators	Formula	Standard Point	December 31, 2025			
			Amounts in Pesos	Ratio	Points	
2 Extent of assets financed by deposit liabilities (asset structure - deposits)	$\frac{\text{Total Deposit Liabilities}}{\text{Total Assets}}$	> 55% to 80%	5	<u>1,494,621,185</u> <u>2,798,884,541</u>	53.40%	3
		> 45% to 55%	3			
		> 35% to 45%	1			
		35% and below	0			
3 Asset structure loans	$\frac{\text{Loans Receivable}}{\text{Total Assets}}$	> 70% to 80%	5	<u>1,862,861,034</u> <u>2,798,884,541</u>	66.56%	4
		> 60% to 70%	4			
		> 50% to 60%	3			
		> 40% to 50%	2			
4 Asset structure – share capital	$\frac{\text{Total Share Capital + Deposit for Share Capital Subscription}}{\text{Total Assets}}$	20% to 45%	5	<u>810,350,717</u> <u>2,798,884,541</u>	28.95%	5
		> 10% to > 20%	3			
		below 10%	0			
Total points						83

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