



2022

# ANNUAL REPORT



● Leope Building, Claro M. Recto Ave., Brgy. 25, Cagayan de Oro City, 9000, Misamis Oriental  
(088) 858 4252 | (0917) 623 6564 | (0917) 702 9656  
rb\_balingasag@yahoo.com ; binhiruralbank@gmail.com

## Table of Contents

<b>SECTION 1. CORPORATE PROFILE</b>	<b>3</b>
<b>SECTION 2. MESSAGE FROM THE PRESIDENT</b>	<b>5</b>
<b>FINANCIAL HIGHLIGHTS</b>	<b>6</b>
<b>SECTION 3. FINANCIAL &amp; OPERATING HIGHLIGHTS</b>	<b>7</b>
OUR STRATEGY & BUSINESS MODEL	8
2022 PERFORMANCE	12
REPORT ON OPERATIONS	13
<b>SECTION 4. RISK MANAGEMENT</b>	<b>14</b>
<b>SECTION 5. CORPORATE GOVERNANCE</b>	<b>20</b>
<i>BOARD OF DIRECTORS</i>	20
<i>BOARD COMPOSITION &amp; STATISTICS</i>	21
<i>BOARD PERFORMANCE</i>	21
<i>CONTINUING ORIENTATION AND EDUCATION PROGRAM</i>	22
<i>SUCCESSION PLANNING</i>	23
<i>REMUNERATION</i>	23
<i>RELATED PARTY TRANSACTIONS</i>	23
<i>DIVIDEND POLICY</i>	23
<i>CORPORATE SOCIAL RESPONSIBILITY INITIATIVES</i>	23
<i>SUSTAINABILITY INITIATIVES</i>	24
BOARD OF DIRECTORS	26
SENIOR MANAGEMENT & OFFICERS	27
BOARD COMMITTEES	28
<i>AUDIT COMMITTEE</i>	28
<i>CREDIT COMMITTEE</i>	28
INDEPENDENT CONTROL FUNCTIONS	29
<i>COMPLIANCE</i>	29
<i>INTERNAL AUDIT</i>	29
<i>CONSUMER PROTECTION PRACTICES</i>	29
<b>FINANCIAL STATEMENTS</b>	<b>31</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS	31
SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS	32
AUDITOR'S OPINION	33
STATEMENTS OF PROFIT OR LOSS	37
STATEMENTS OF CASH FLOWS	38
STATEMENTS OF CHANGES IN EQUITY	39
<b>SECTION 6. PRODUCTS AND SERVICES</b>	<b>40</b>
<b>ORGANIZATIONAL STRUCTURE</b>	<b>41</b>
<b>CORPORATE INFORMATION</b>	<b>42</b>
<i>MAJOR STOCKHOLDERS</i>	42
<i>BANKING UNITS - DIRECTORY</i>	42
<b>COMPLIANCE WITH APPENDIX 63C OF THE MORB-DISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED STATEMENT OF CONDITION</b>	<b>43</b>

## SECTION 1. CORPORATE PROFILE

Binhi Rural Bank, Inc., previously Rural Bank of Balingasag, is a domestic rural bank founded in 1970. We provide financial services such as: loans primarily for consumers, MSMEs, and agricultural purposes. We also accept savings and time deposits.

Renaming the bank “BINHI”, which is the Filipino word for seed, is the initial step towards aligning the bank’s identity and services to support and empower its clients towards growth. BRBI is driven to continuously develop financial programs to best address the community’s needs.

### CORPORATE VISION

- The BINHI Rural Bank, Inc. (“the Bank”) envisions to become the leading and innovative Rural Bank and micro-finance institution in the country, touching the lives of a great number of entrepreneurial poor.
- To become a Php1 Billion Rural Bank by 2025.

### CORPORATE MISSION

The BINHI Rural Bank, Inc. is a banking institution with the following aims:

- To help entrepreneurial poor to strive towards self-reliance by generating income and capital build-up.
- To be able to formulate innovative financial packages, addressing the needs of the market segments and giving a good financial return of investments for further expansion and growth.
- To be able to flow back retained earnings to operations & to be able to touch more lives in the process.
- To provide professionals milieu for all employees, assuring them good compensation commensurate to their contribution in the growth and development of the company. It shall not be limited to financial rewards but more importantly, the environment where each staff will have room for personal and professional growth.

## CORPORATE BELIEFS

- We believe that success is not measured by wealth, health, position and prestige one has, but by the number of lives we have touched in our lifetime.
- We believe that our existence depends on how we are able to help our clientele, and how relevant our innovative financial packages are to their personal needs.
- We believe that it is not only the financial compensation that we derive from our work that is important, but also our ability to find fulfilment and satisfaction that we realize we are helping a lot of people in the process.
- We believe that the Bank should have a decent return of investment, not for profit as an end, but as a means to be able to reach out more people who need our assistance.
- Lastly, we believe that for the company to sustain its growth and development, all its stakeholders-managers, employees, market, clientele, investors, and owners should be justly compensated.

## SECTION 2. MESSAGE FROM THE PRESIDENT

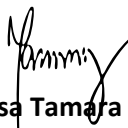
**Dear Fellow Shareholders,**

On behalf of the BRBI team, it is my pleasure to report that the Bank has continued to sustain positive income for its 6th year in 2022. The bank was able to grow its total resources, with deposits reaching the bank's all time high of ~ PHP201million. Moreover, despite the pandemic, loan asset quality slightly improved from the previous year with 10.35% past due rate better than industry benchmarks. However, net portfolio gradually remained flat at ~ PHP126million.

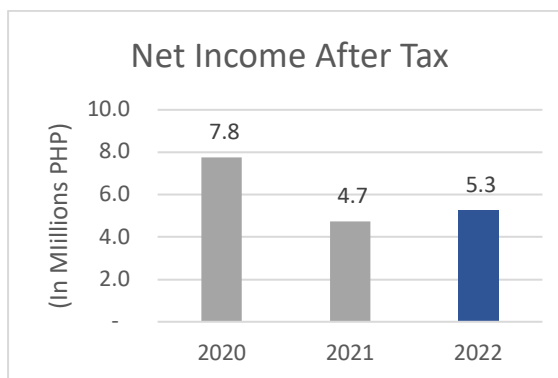
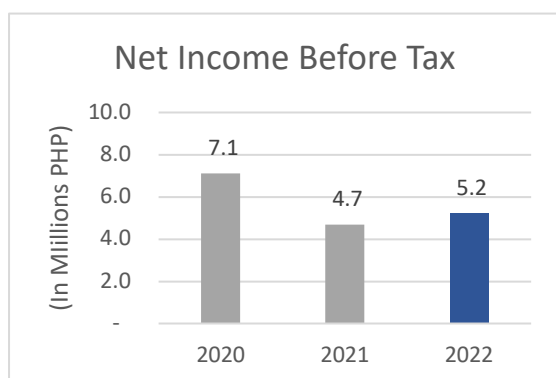
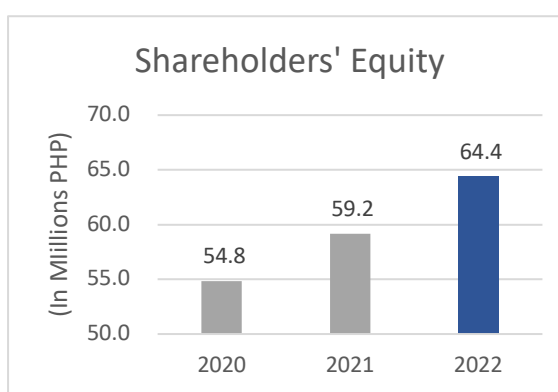
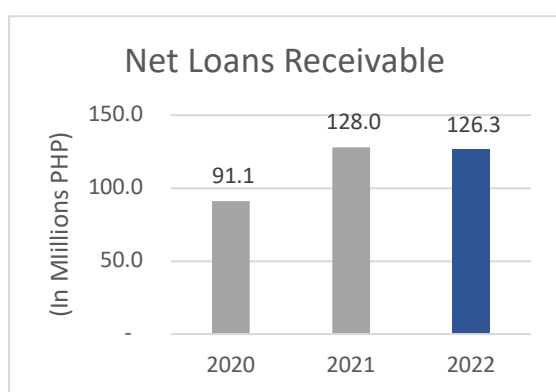
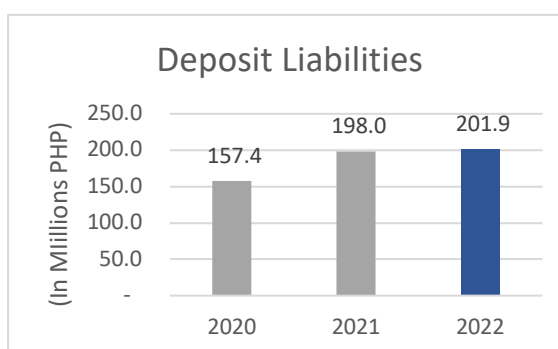
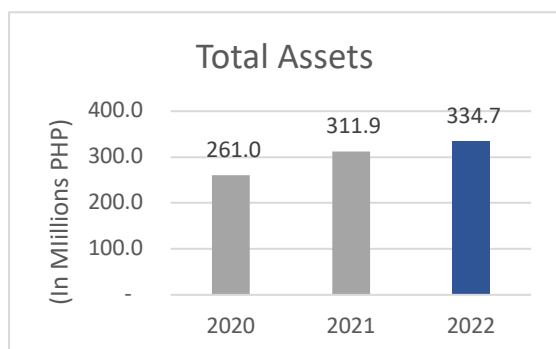
BRBI has also opened two (2) additional Branch Lite Units (BLUs) that have contributed to deposit growth and has begun providing financial services to Alubijid and Salay.

Moving forward, the bank shall continue on formulating initiatives true to the core of rural banking, that is, rural and community development, by augmenting organizational structure and enhancing products, services and processes.

Presenting herewith, is BRBI's annual report for the year ended December 31, 2022. This report includes the organization's vision, mission and corporate values, including our two (2) year financial highlights.

  
**Melissa Tamara O. Argayoso**  
President

## FINANCIAL HIGHLIGHTS



## SECTION 3. FINANCIAL & OPERATING HIGHLIGHTS

	<b>2022</b>	2021	Change
<b>BALANCE SHEET (in thousands Php)</b>			
Assets	<b>334,746</b>	311,945	7%
Cash & Investments	<b>160,799</b>	149,386	8%
Gross Loans Receivable	<b>134,914</b>	135,352	0%
Deposits	<b>201,941</b>	198,031	2%
Equity	<b>64,389</b>	59,160	9%
<b>INCOME STATEMENT (in thousands Php)</b>			
Net Interest Income	<b>27,702</b>	22,798	22%
Non-Interest Income	<b>14,219</b>	16,022	-11%
Gross Operating Income	<b>41,921</b>	38,820	8%
Operating Expenses	<b>35,729</b>	29,220	22%
Impairment Losses	<b>1,280</b>	4,908	-74%
Net Profit	<b>5,244</b>	4,727	11%
<b>FINANCIAL PERFORMANCE INDICATORS</b>			
<b>Profitability</b>			
Return on Average Equity	<b>8.63%</b>	8.29%	0.34%
Return on Average Assets	<b>1.65%</b>	1.65%	0.00%
Earnings Per Share	<b>8.53</b>	7.69	0.84
<b>Margins &amp; Liquidity</b>			
Net Interest Margin	<b>11.06%</b>	11.06%	0.00%
<b>Asset Quality</b>			
Past Due Ratio	10.35%	13.35%	-3.00%
Past Due Provision Cover	54.70%	36.63%	18.07%
<b>Capital and Leverage</b>			
Total Qualifying Capital	62,697	57,220	10%
Capital Adequacy Ratio	22.98%	22.38%	0.60%
<b>DISTRIBUTION NETWORK &amp; MANPOWER</b>			
Branches	3	2	1
Branch Light Units (BLU)	7	6	1
Employees (Officers & Staff)	107	81	26

## OUR STRATEGY & BUSINESS MODEL

### Revenue Generation

#### a. Loan Portfolio

The Bank maintains its prudential credit granting procedures which resulted in near flat loan portfolio year on year, maintaining gross value of 134M.

- i. Branch/BLU Operating Officers (BOOs) with their Account Officers continue their marketing efforts for loan client acquisition.
- ii. New Product Offerings:
  1. Enhanced Clean Business Loan (UNLAD 1K) was introduced to provide business owners more convenient access to credit, unsecured with longer term, and without need for collateral.
- iii. Motorcycle Loans maintained a 20% share or approximately 26M gross loan portfolio.

#### b. Place liquid assets in interest bearing instruments

While loan portfolio growth may take time to materialize, BRBI's treasury officer continues to manage liquid assets to satisfy the different interests of the bank: (1) optimizing investment yields, (2) just-in-time availability of funds for operations, and (3) capital adequacy ratio requirements.

Due to the increasing interest rates available in the market despite Bank's preference for short term placements, Y-o-Y income from time deposits and government securities have improved, contributing ~PHP1.8M compared to around PHP1.2M from previous year.

#### c. Aggressive Recovery of Charged Off Accounts and Sale of ROPA

BRBI's net income has been driven in large part due to effective collections from ROPA and ROCOA accounts. However, their contribution has declined this year. Gain On Sale from ROPA Disposal amounted to ~PHP4.952Million in 2022 compared to ~PHP5.579Million the year prior. ROCOA also declined from PHP3.4M last year to ~PHP2M this year.

We plan to continue pursuing this revenue stream as there is still a sizeable number of accounts to be recovered. Moreover, developing the skill and expertise of the remedial group in capital recovery from delinquent accounts allows the bank more flexibility in its credit risk taking activities moving forward.



## Improve asset quality of loans receivable

The Bank has improved its asset quality this year, reducing PDR from 13.35% last year (with ~6.93% identified as Non Performing) down to 10.35% (with 4.172% identified as Non Performing). However, these figures are still above BRBI's internal 10% Past Due threshold, as documented in the 2022 Strategic Plan.

The drivers for the year end PDR are attributable to factors including but not limited to (1) cash flow issues of clients (2) tempered loan portfolio growth for the year, and (3) no writing off fully provided non-performing loans.

Moving forward, the Bank will aggressively continue its efforts to improve the asset quality of its loans receivable through the following:

- a. Build and continuously develop the credit risk middle office for centralized processing, administration, and risk mitigation of above Php100,000 loans, comprising of credit analysts, credit investigators and appraisers.
- b. Periodic asset quality review independently assessed by the compliance unit. Recommended allowance for credit losses shall be booked accordingly - after securing proper approvals.
- c. Proactive resolutions to delinquent accounts:
  - i. For past due performing loans:
    1. Reclassify to current through proper communication and enhanced collection arrangements with clients.
    2. Renew loan accounts on case-to-case basis.
  - ii. For non-performing loans:
    1. Unsecured Loans: Aggressive 100% booking of provision -> Write Off -> Remedial/Litigation/Compromise Agreements
    2. Secured Loans: Booking of provision -> Extrajudicial foreclosure of collateral -> Reclassification to ROPA -> ROPA disposal

## Expense Management

- a. BRBI targets a composite cost of money of 2%-3%. Strategies to retain this are as follows:
  - i. Drawdown on rediscounting and other standby credit lines on case-to-case basis, while maintaining a good record to become eligible to lower rates.
  - ii. Periodically (currently on an annual basis) review further deposit rate reduction for savings and time deposit products.
  - iii. Target a minimum 60:40 mix, in favor of low-cost deposits: savings and basic deposit accounts. This was achieved in 2022 ending with a 65:35 mix.
- b. As projected in previous years, operating expenses have increased at 22% this year (lower than the 26% posted in 2021). This is an expected result of management's decision to beef up its manpower – in key areas such as (1) bank network expansion, (2) sales & marketing, (3) credit operations, (4) accounting, and (5) other support groups. Moving forward, as the organization stabilizes, the following metric will be the goal to work towards:

Non-interest expense =  $\leq$  60% of Net Interest Margin plus Other Income from loans

## Deposit Generation

BRBI's total deposit grew slightly this year at 2%. Bank is expecting more growth in the coming years as market develops in the recently opened BLUs in the rural municipalities of Alubijid and Salay. Management projects that these operating units will continue to become a good source of deposits as they are currently unbanked/underbanked.

We understand that deposit growth will take time, however, the Bank remains committed to developing its presence in more rural communities as a long term campaign effort for low cost funding, as well as to carry out its mission to provide financial services that contribute and support the economic activities and growth in the area.

The management team targets to open one (1) to three (3) units per year starting 2022.

### Increase Available Rediscounting Lines with Different Institutions

BRBI continues to maintain its rediscounting and credit line facilities with different partners. This is for contingency in case of liquidity crunches in the future.

- a. Landbank of the Philippines (LBP)
- b. Department of Trade – Small Business Corporation (DTI – SBC)
- c. Bangko Sentral ng Pilipinas (BSP)
- d. Banco de Oro (BDO)
- e. Development Bank of the Philippines (DBP)

### Enhance and Optimize Information Technology System to support expansion program

BRBI's core banking system from Byte per Byte Software Center (BPB) allows the management and control units access to timely information necessary for decision and policy-making. At the time of writing, system and process enhancement and manpower training is a continuing work-in-progress.

### Augment manpower complement to support key functions in the bank

BRBI has begun the process of formalizing its organizational structure fit for its size and immediate expansion plans. By properly delineating the key roles and responsibilities, BRBI can grow faster with proper checks and balances wherein key officers focus and specialize on their functions and milestones.

## 2022 PERFORMANCE

With the bank's ten (10) operating units, we have posted our 6th consecutive profitable year, at PHP5.3Million net profit, despite the expenses brought by the bank's expansion.

Gross Loans Receivable remained flat ending the year at almost PHP134.9million. This is lower than bank's 2021's 45% YOY loan growth. As previously mentioned, Past Due Ratio declined to 10.35%. Year-End total deposits rose slightly by 2% to ~PHP202 million, with 65% comprising of low-cost Savings deposits.

Interest income from loan receivables grew by 24%, despite loan portfolio remaining flat YOY. Modest but steady loan releases gave the bank better continued growth. The bank projects that this uptrend in loan releases will boost the profitability of bank's lending operations.

Non-Interest income contributed PHP14.2 million, lower by 11% compared to previous year. Recoveries on Charged Off Assets and Gain on Sale both declined by 43% and 11%, respectively, while Miscellaneous Income improved by 23%.

Meanwhile, operating expenses also rose only by 22% to PHP35.7 million which is a slower rate than 2021's 26%. This is still primarily driven by the Bank's investment in manpower, and partly by the opening of the new BLUs.

In an effort to fortify the balance sheet, BRBI's provisions for credit losses now amounts to PHP8.6 million to cover for bad debts. Our SLL Provision cover for Past Due Loans is currently at 55% compared to the 37% rate the year prior.

The Bank's equity base is now at PHP 64.39million, with Capital Adequacy Ratio of 22.98%, well-above industry required 10%.

BRBI believes that with these metrics, it is positioned well for continued growth and expansion for the year 2023.

## REPORT ON OPERATIONS

BRBI provides basic banking products and services, specifically lending & deposit-taking.

### LENDING BUSINESS

BRBI's loan portfolio ended with a 57:43 mix, with PHP77 million secured loans to PHP58 million unsecured. Secured loans declined by 9% compared to the year prior, while unsecured loans rose by 13%.

The Motorcycle Finance product accounts for PHP26.3 million of the bank's PHP134M loan portfolio. The Bank is still aiming to capture the growing motorcycle market in the country. To further augment sales for this product, the bank enhanced policy to include financing of repossessed units (UNLAD 1FR).

Another contributor for the increase in unsecured loans is the introduction of the Enhanced Clean Business Loan (UNLAD 1K), as mentioned in the previous section. Since its introduction, the product contributed 6.5M loans and accounts for 5% of total gross portfolio, by end of year.

Looking ahead, BRBI intends to grow the secured SME and agricultural loan segment, while keeping the upward momentum of the motorcycle finance and UNLAD 1K product as well. Further, BRBI will continue to innovate and develop new loan products that will suit the needs of its customers, all while keeping the discipline to balance growth with loan quality and ensuring proper risk-return trade-offs are maintained.

### DEPOSIT TAKING BUSINESS

BRBI's deposit portfolio's upward trend has slowed this year, posting only a 2% YOY growth, compared to the 26% growth last year. The Bank is optimistic that in developing the deposit business as the market in the newly opened banking offices slowly mature.

### TREASURY ACTIVITIES

While BRBI's is gradually building its loan portfolio, excess liquidity have been placed in Time Deposits and Government securities. This has generated additional PHP1.8 million in interest income, ~53% higher than the year prior. This is brought by increasing interest rates.

Additionally, to diversify fund sourcing and future proofing for any liquidity gaps, BRBI has established and maintained standby credit and rediscounting lines.

## SECTION 4. RISK MANAGEMENT

BRBI's Board and Management is very conscious of the importance of sound business practices. Rooted in the pursuit of the Bank's growth and profitability is the sense of responsibility to its customers—especially depositors, its stakeholders—shareholders and employees, and to the regulators. As such, risk management is part and integral to our decision making processes as we formulate and implement strategies and plans.

### OVERALL RISK MANAGEMENT CULTURE AND PHILOSOPHY

In any environment, the existence of risk associated with uncertainty is prominent. In the regulated banking sector, its share of risk evolves daily as it exposes itself to the many financial and non-financial capsules that it lives on.

BRBI continues to evaluate and study critical areas of risk in banking for proper identification, measurement, monitoring and mitigation.

### RISK APPETITE AND STRATEGY

To achieve BRBI's vision, it is vital to ensure a fortified balance sheet while pursuing revenue generating risk activities.

- Maintaining a Capital Adequacy Ratio well above Industry Requirements
- Maintaining and Managing Stable and Growing Fund Sources to Ensure Liquidity
- Continuous Enhancement of Skills and Processes in Credit Management & Revenue Generation

The Board sets, approves, and monitors the risk limits of different Bank activities especially in terms of Credit and Liquidity management. Other risk factors including but not limited to Operational Risk, Interest Rate Risk, Market Risk, Regulatory Risk, Reputational Risk, Compliance Risk, and Technology Risk are being reviewed and improved as the Bank's operations and activities continue to develop.

Management, with Board Oversight, and counter checks conducted by our Internal Audit and Compliance Teams, work in concert to create a culture of risk mitigation and control, documented by policies and procedures. This will be a continuous work-in-progress to become more responsive to the bank's operations and regulatory environment.

### BANK-WIDE RISK GOVERNANCE STRUCTURE

BRBI's Board of Directors takes on the ultimate responsibility and oversight of establishing and maintaining an effective risk management system to ensure that sound business practices and ethical standards are upheld, while also ensuring that regulatory frameworks are complied. It

shall regularly identify, assess, monitor, mitigate, and control the different risk areas present in the practice of banking services.

New policies and procedures are ultimately approved by the Board of Directors to ensure that such activities are aligned to the business strategy set and within the bank's risk tolerance.

Due to the current number of BOD members, only the following Board Level Committees have been constituted:

1. *Credit Committee* – Responsible for the approval of Credit-Specific Bank Transactions.
2. *Audit Committee* – Responsible for assessing effectiveness and independence of the bank's internal audit function and evaluation of controls over (1) financial reporting, (2) effectiveness of operations, and (3) compliance with laws and regulations.

## RISK MANAGEMENT PROCESS

The Risk Management Process is cultivated by conducting monthly reviews of performance across the different areas and activities in the bank, as reported by Management, but checked further by Compliance and Internal Audit.

At the Business Level, the Board of Directors in conjunction with the Management Committee formulate limits and evaluate actual performance of the bank as a whole.

At the Transaction Level, risk is managed by ensuring that each risk-taking activity has certain levels of dual or multiple controls, commensurate with its potential effect on the Bank's condition and performance.

## AML GOVERNANCE AND CULTURE

Binhi Rural Bank, Inc., develop sound risk management policies and practices that ensure risks associated with money laundering such as counterparty, reputational, operational, and compliance risks are identified, assessed, monitored, mitigated, and controlled, as well as ensuring that the bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism.

The Four (4) areas of sound risk management practices are adequate and active board and senior management oversight, acceptable policies and procedures embodied in a money laundering and terrorist financing prevention compliance program, appropriate monitoring and Management Information System and Comprehensive internal controls and audit.

1. Board and Senior Management Oversight – notwithstanding the provisions specifying the duties and responsibilities of the Compliance office and internal audit, it shall be

the ultimate responsibility of the Board of Directors to fully comply with the provisions of AMLA, as amended, and its RIRR. It shall ensure that oversight on the covered AML/combating the financing of terrorism (CFT) compliance management is adequate. Senior Management shall oversee the day-to-day management of BINHI RURAL BANK, INC., ensure effective implementation of AML/CFT policies approved by the Board and alignment of activities with the strategic objectives, risk profile, and corporate values set by the Board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.

- a. Compliance office. Management of the implementation of the BINHI RURAL BANK, INC.'s Money Laundering and Terrorist Financing Prevention Program (MLPP) shall be a primary task of the compliance office. To ensure the independence of the office, it shall have a direct reporting line to the board of directors or any board-level or approved committee on all matters related to AML and TF compliance and their risk management. It shall be principally responsible for the following functions among other functions that may be delegated by senior management and the board, to wit:
  - i. Ensure compliance by all responsible officers and employees in the AMLA, as amended, the RIRR and its own MLPP. It shall conduct periodic compliance checking which covers, among others, evaluation of existing processes, policies and procedures including on-going monitoring of performance by staff and officers involved in ML and TF prevention, reporting channels, effectiveness of the electronic money laundering transaction monitoring system and record retention system through sample testing and review of audit or examination reports. It shall also report compliance findings to the board or any board-level committee;
  - ii. Ensure that infractions, discovered either by internally initiated audits, or by special or regular examination conducted by the Bangko Sentral, or other applicable regulators, are immediately corrected;
  - iii. Inform all responsible officers and employees of all resolutions, circulars and other issuances by the Bangko Sentral and the AMLC in relation to matters aimed at preventing ML and TF;
  - iv. Alert senior management, the board of directors, or the board-level or approved committee if it believes that the BINHI RURAL BANK, INC. is failing to appropriately address AML/CFT issues; and
  - v. Organize the timing and content of AML training of officers and employees including regular refresher trainings



## 2. Money Laundering and terrorist financing prevention program

BINHI RURAL BANK, INC. shall adopt a comprehensive and risk-based MLPP geared toward the promotion of highly ethical and professional standards and the prevention of the bank being used, intentionally or unintentionally, for money laundering and terrorism financing. The MLPP shall be consistent with the AMLA, as amended, its RIRR and the provisions set out and designed according to the BINHI RURAL BANK INC.'s corporate structure and risk profile. It shall be in writing, approved by the board of directors or by the country/regional head or its equivalent for local branches of foreign banks, and well disseminated to all officers and staff who are obligated by law and by their program to implement the same. Where BINHI RURAL BANK, INC. has branches, subsidiaries, affiliates or offices located within and/or outside the Philippines, there shall be a consolidated ML/TF risk management system to ensure the coordination and implementation of policies and procedures on a group-wide basis, taking into account local business considerations and the requirements of the host jurisdiction.

The MLPP shall also be readily available in user-friendly form, whether in hard or soft copy. The BINHI RURAL BANK, INC. must put up a procedure to ensure an audit trail evidencing dissemination process for new and amended policies and procedures. The program shall embody the following at a minimum:

- a. Detailed procedures of the BINHI RURAL BANK, INC.'s compliance and implementation of the following major requirements of the AMLA, as amended, its RIRR, and this section, to wit:
  - i. Customer identification process including acceptance policies and on-going monitoring processes;
  - ii. Record keeping and retention;
  - iii. Covered transaction reporting; and
  - iv. ST reporting including the adoption of a system, electronic or manual, of flagging, monitoring and reporting of transactions that qualify as suspicious transactions, regardless of amount or that will raise a "red flag" for purposes of conducting further verification or investigation, or transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breach the threshold. The ST reporting shall include a reporting chain under which a ST will be processed and the designation of a board-level or approved committee who will ultimately decide whether or not the BINHI RURAL BANK, INC. should file a report to the AMLC. If the resources of the BINHI RURAL BANK, INC. do not permit the designation of a committee,

it may designate the compliance officer to perform this function instead: Provided, That the board of directors is informed of his decision.

- v. An effective and continuous AML/CFT training program for all directors, and responsible officers and employees, to enable them to fully comply with their obligations and responsibilities under this section, the AMLA, as amended, its RIRR and their internal policies and procedures as embodied in the MLPP. The training program shall also include refresher trainings to remind these individuals of their obligations and responsibilities as well as update them of any changes in AML laws, rules and internal policies and procedures.
- vi. An adequate screening and recruitment process to ensure that only qualified personnel who have no criminal record/s are employed to assume sensitive banking functions;
- vii. An internal audit system in accordance with this Section;
- viii. An independent audit program with written scope of audit that will ensure the completeness and accuracy of the information and identification documents obtained from clients, the covered and suspicious transactions reports submitted to the AMLC, and the records retained in compliance with this section as well as adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing;
- ix. A mechanism that ensures all deficiencies noted during the audit and/or Bangko Sentral regular or special examination or other applicable regulator's examination are immediately corrected and acted upon;
- x. Cooperation with the AMLC;
- xi. Designation of an AML compliance officer, who shall at least be at senior officer level, as the lead implementor of the program within an adequately staffed compliance office. The AML compliance officer may also be the liaison between the BINHI RURAL BANK, INC., the Bangko Sentral and the AMLC in matters relating to the BINHI RURAL BANK, INC.'s AML/CFT compliance. Where resources of the BINHI RURAL BANK, INC. do not permit the hiring of an AML compliance officer, the compliance officer shall also assume the responsibility of the former; and
- xii. A mechanism where information required for customer due diligence and ML/TF risk management are accessible by the parent bank/entity and information are freely shared among branches, subsidiaries, affiliates and offices located within and/or outside the Philippines. Exchange of information among branches, subsidiaries, affiliates, and offices located within and/or

outside the Philippines shall not be deemed a violation of Rule 9, Item C of the RIRR as long this is done within the group. The MLPP may require a potential and/or existing customer to sign a waiver on the disclosure of information within the group.

3. Monitoring and Reporting Tools – BINHI RURAL BANK, INC. shall adopt an AML/CFT monitoring system that is appropriate for their risk profile and business complexity and in accordance with this section. The system should be capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks, and to regularly apprise the board of directors and senior management on AML/CFT compliance.
4. Internal audit. The internal audit function associated with money laundering and terrorist financing should be conducted by qualified personnel who are independent of the office being audited. It must have the support of the board of directors and senior management and have a direct reporting line to the board or a board-level audit committee.
5. Risk assessment. Consistent with a risk-based approach, BINHI RURAL BANK, INC. is required to identify, understand and assess their ML/TF risks, arising from customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels. The assessment methodology shall be appropriate to the nature of operations and complexity of the business of the BINHI RURAL BANK, INC.

## SECTION 5. CORPORATE GOVERNANCE

As a fiduciary institution, BRBI is committed towards building an organization that upholds ethical standards, grounded by the principles of integrity, transparency and accountability.

### *GOVERNANCE STRUCTURE*

#### BOARD OF DIRECTORS

BRBI's Board of Directors takes on the ultimate responsibility and oversight for good governance, while providing direction and strategic guidance towards the long-term success of the organization by formulating the Bank's vision, mission, strategic objectives, policies and procedures.

It shall regularly review the financial plans and budgets, as well as evaluate and oversee capital expenditures, senior management performance, internal control systems, risk management systems, financial reporting and compliance, related party transactions, and other such key business affairs essential to sustain competitiveness and profitability consistent with corporate objectives and the best interest of its stakeholders.

The Board is composed of 5 members. It is led by a Non-Executive Chairperson with 2 Independent Directors, 1 Non-Executive Director and 1 Executive Director who concurrently serves as Bank President. Non-Executive Directors, who include Independent Directors, comprise 80% of the board. The two Board Committees namely the Audit Committee and Credit Committee are chaired by Independent Directors. This provides independent and objective judgement on key issues.

The Board is responsible for selection of nominees for directors, for eventual appointment or election. It leads the process of evaluating the qualifications, background, skills, knowledge, experience of any incoming director against the requirements of the Bank, as well as the individuals.

The Board is also responsible for approving the appointment of competent senior management led by the President, as well as control function heads such as the Chief Compliance Officer and the Chief Audit Executive. Likewise, proper standards are applied in this selection process giving utmost importance to integrity and technical expertise.

The Chairman of the Board provides leadership among the Board of Directors to ensure effective functioning of the board and ensuring that decisions made are sound and informed.

Annual review of Board composition will be conducted to ensure appropriate balance of skills, experience, and compliance to new regulations.

During the year, Board composition was not changed.

## BOARD COMPOSITION & STATISTICS

Name of the Member of the Board	Director Independence	Years Serving	Number of direct and indirect shares held	Percent to Total Outstanding Shares	Age	Background	Director Diversity
Ofelia A. Paguio	Non-Executive	9	123,138.00	20.02%	62	Entrepreneur	Female
Edward V. Argayoso	Non-Executive	9	122,860.00	19.98%	59	Entrepreneur	Male
Melissa Tamara O. Argayoso	Executive	4	92,250.00	15.00%	30	Banker	Female
Leonardo C. Sescon, Jr.	Independent Director	7	1.00	0.00%	68	Banker	Male
Manolo G. De Leon	Independent Director	6	1.00	0.00%	74	Entrepreneur	Male

Name of the Member of the Board	Director Independence	No of Meetings Attended	% Attendance
Ofelia A. Paguio	Non-Executive	12	100%
Edward V. Argayoso	Non-Executive	12	100%
Melissa Tamara O. Argayoso	Executive	12	100%
Leonardo C. Sescon, Jr.	Independent Director	12	100%
Manolo G. De Leon	Independent Director	12	100%

## BOARD EFFECTIVENESS

### BOARD PERFORMANCE

Annual self-assessment is conducted to evaluate performance of the Board, Directors, Committees and Senior Management, using a standard set of questionnaires. For 2022, the self-assessment test has been duly complied.

## CONTINUING ORIENTATION AND EDUCATION PROGRAM

The continuing education program ensures enhancement of skills and training from directors to employees. Each Director is required to attend a corporate governance seminar. Listed below are the training and seminars attended as of 2022:

Name of Director	Position	Birthdays	Date Elected/	Educational	Shares	BSP & Other
			Appointed	Attainment	Held	Trainings Attended
Ofelia A. Paguio	Director	March 13, 1961	November 6, 2013	BSBA Banking & Finance	123,138	New Accounts Clerk
						Corporate Governance
						Seminar-Workshop on Anti-Money Laundering (AML) and Briefing on the New AML Reporting Template
Edward V. Argayoso	Chairman of the Board	December 24, 1963	November 6, 2013	BS Mathematics	122,860	Rural Bank Management Course
						Corporate Governance
						Seminar-Workshop on Anti-Money Laundering (AML) and Briefing on the New AML Reporting Template
						Corporate Governance
						Asset and Liability Management for Countryside Financial Institutions
						Credit Risk Management
						Remedial Management Seminar
						36th Annual Mindanao Credit Conference
						Advance Corporate Governance Course (Condensed Professional Directors Program for Rural Banks)
						Annual Credit Conference
Melissa Tamara O. Argayoso	President/Director	December 13, 1992	March 23, 2018	BS Management	92,250	Treasury Certification Program
						36th Annual Mindanao Credit Conference
						Seminar-Workshop on Anti-Money Laundering (AML) and Briefing on the New AML Reporting Template
						Risk-Based Compliance Program Seminar
						Strengthening Internal Control System in Rural Banks
						Corporate Governance Course For Rural Bank Directors And Officers
						Delinquency and Fraud Management in Rural Banks
Leonardo C. Sescon, Jr.	Independent Director/Credit Committee Chairman	September 30, 1954	February 13, 2015	BS Commerce/Accounting	1	Core Credit Seminar
						Credit Initiation Process
						Customer Service Excellence
						Residential Free Patent Act of 2010
						Corporate Governance
						Seminar-Workshop on Anti-Money Laundering (AML) and Briefing on the New AML Reporting Template
						Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Training workshop
Manolo G. De Leon	Independent Director/Audit Committee Chairman	August 28, 1948	August 18, 2016	BS Industrial Engineering	1	Corporate Governance
						Seminar-Workshop on Anti-Money Laundering (AML) and Briefing on the New AML Reporting Template
						Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Training workshop
						Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Training workshop

## SUCCESSION PLANNING

The Board of Directors is responsible for the Bank's succession plan for the Board and senior management and setting up the succession framework and spearheading leadership development plans for senior and middle management. The succession framework and program shall be subjected to periodic review and as the need arises.

## REMUNERATION

BRBI's remuneration policy is approved by the Board geared towards retaining and motivating employees and members of the Board, as well as to start attracting new talent on board. The framework includes fixed-pay, performance-based increases, as well as provision for performance-driven incentives.

## RELATED PARTY TRANSACTIONS

BRBI's approved RPT policy includes the definition of related parties, the transactions covered by the policy, guidelines in ensuring proper arm's-length treatment of every transaction, identification and sound judgement to curb potential conflicts of interests, setting of internal limits for individual and aggregate exposures as prescribed in the MORB, establishment of whistle blowing mechanisms to encourage employees to raise questionable RPTs, and restitution of losses and other remedies for abusive RPTs.

BRBI ensures thorough evaluation of RPTs, and likewise submits to the BSP material exposures to related parties.

## DIVIDEND POLICY

BRBI has not yet begun declaring dividends.

## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

BRBI has not yet begun CSR activities.

## SUSTAINABILITY INITIATIVES

BRBI, as a good corporate citizen, is committed to its social and environmental responsibilities, balancing these non-financial factors in the conduct of its business. The bank has identified five (5) out of the seventeen (17) sustainability goals of the United Nations it can partially and gradually impact positively, particularly:

1. UN Goal 2: Zero Hunger
2. UN Goal 5: Gender Equality
3. UN Goal 7: Affordable and Clean Energy
4. UN Goal 8: Decent and Economic Growth
5. UN Goal 11: Sustainable Cities and Communities

Here are the short term metrics evaluated by the bank for year 2022:

Particular	UN Goal	Metric	2022 Performance
Bank Expansion	<i>Zero Hunger; Decent Work and Economic Growth; Sustainable Cities &amp; Communities</i>	<ol style="list-style-type: none"> <li>1. Number of Banking Units Opened in Rural (Un- / Under-Banked) Communities</li> <li>2. Deposit Portfolio Generated</li> <li>3. Loan Portfolio Generated</li> <li>4. Economic Value Distributed Given the Increased Bank footprint (salaries, taxes, supplier, dividend payouts)</li> </ol>	<ol style="list-style-type: none"> <li>1. 2 (Alubijid and Salay)</li> <li>2. ~3M (Alubijid and Salay)</li> <li>3. ~1.5M (Alubijid and Salay)</li> <li>4. ~28.8M (Bankwide)</li> </ol>
Human Resource Development	<i>Gender Equality; Decent Work and Economic Growth;</i>	<ol style="list-style-type: none"> <li>5. % of Male and Female in the Board</li> <li>6. % of Male and Female in the Senior and Junior Management</li> <li>7. % of Male and Female in the Rank and File</li> </ol>	<ol style="list-style-type: none"> <li>5. 40:60, F:M ratio</li> <li>6. 69:31, F:M ratio</li> <li>7. 58:43, F:M ratio</li> </ol>



		8. Number of employees hired	8. 56 employees hired
		9. Employee turnover rate (computed as number of employees who left / average number of employees)	9. 30%
Lending Operations	<i>Zero Hunger; Decent Work and Economic Growth; Sustainable Cities &amp; Communities</i>	10. Loans granted to MSMEs	10. ~56.8M (Bankwide)
		11. Loans granted to Agri and Fisher Folks	11. ~49.7M (Bankwide)

## BOARD OF DIRECTORS

### EDWARD V. ARGAYOSO

CHAIRMAN

Non – Executive Director

Edward is 59 years old and has been a member of the Board of Directors for 9 years and serves as Chairman of the Board. Concurrently, he is a member of the Credit Committee. Outside the finance industry, he has other businesses in agriculture, real estate and food sectors.

### OFELIA A. PAGUIO

Non – Executive Director

Ofelia is 62 years old and has been a member of the Board of Directors for 9 years. Concurrently, she is member of the Audit Committee. Outside the Bank, she has other businesses in agriculture and food sectors.

### MELISSA TAMARA O. ARGAYOSO

Executive Director

Melissa is 30 years old and has been a member of the Board of Directors for almost 5 years. Concurrently, she is member of the Credit Committee. Prior to BRBI, she began her career in banking with Unionbank of the Philippines.

### LEONARDO C. SESCON, JR.

Non - Executive Director

Leonardo is 68 years old and has been a member of the Board of Directors for 7 years. Concurrently, he is Chairman of the Credit Committee. Prior to joining the Board of BRBI, he has a storied career in banking, particularly in lending operations, having been previously connected with Secured Savings Bank, PCI Bank, Siam Bank, Penbank and Queenbank.

### MANOLO G. DE LEON

Non - Executive Director

Manolo is 74 years old and has been a member of the Board of Directors for 6 years. Concurrently, he is Chairman of the Audit Committee. Prior to joining the Board of BRBI, he served in various Boards including Copel and Ilipco, and has agri-related businesses.

## Senior Management & Officers

### CALVIN CEAZAR D. EMATA

#### VP-Operations

Calvin is 43 years old and has been with the bank since 2012. He has officially served as the bank's VP for Operations for 6 years. He concurrently leads the remedial activities for the Bank, and member of the Management Committee. Prior to BRBI, he has a deep understanding in rural banking having been previously connected with Siam Bank and RB Kinoguitan.

### MERLYN D. CADELIÑA

#### Chief Compliance Officer

Merlyn is 47 years old and has been with the bank since 2007. She has been officially confirmed as the Bank's Chief Compliance Officer for 6 years already, since 2016. She likewise handles the risk management activities of the bank. Her tenure in rural banking covers key areas in accounting, auditing and compliance.

### FRANCES JOY G. TAN, CPA

#### Treasurer

France is 31 years old and has been with the bank since 2019. She is the Bank's Treasurer and concurrently serves as the Bank's Corporate Planning Officer, and member of the Management Committee. She is a Certified Public Accountant who started as a Junior Auditor of SGV and Co. She later on built her career in Synnex Concentrix Services Corp and Argayoso Group of Companies before officially joining the bank.

### MARISSA O. ARGAYOSO

#### Corporate Secretary

Marissa is 58 years old and has served the Bank as Corporate Secretary since 2015, 7 years. She is a stockholder for the Bank. Outside the Bank, she is engaged in other businesses in food, real estate, and hospitality sectors.

## Board Committees

The Board has established two (2) committees to help in discharging of its duties and responsibilities. These committees derive their authority from and report directly to the Board, with specific scopes of responsibility. They are subject to annual review, update and or change. The committee is chaired by an Independent Director.

### AUDIT COMMITTEE

A 3-person committee chaired by Manolo G. De Leon, with Leonardo C. Sescon, Jr. and Ofelia A. Paguio as members. Functions are:

1. Investigation of any matter within its terms of reference, with full access to and cooperation by management.
2. Ensuring annual review of the soundness and effectiveness of internal controls, including financial, operations and compliance controls, risk management.
3. Setting up and organizing the internal audit department.
4. Assisting the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws and regulations.
5. Providing oversight over Management's activities in managing credit, market, liquidity, operation, legal and other risks of the Bank.
6. Performing oversight functions over the corporation's internal and external auditors, ensuring that they act independently from each other, and reviewing reports submitted
7. Reviewing and approving the internal audit plan including all major changes thereafter, to ensure its conformity with the objectives of the Bank.

In 2022, there was no independent Audit Committee Meeting. All topics were included in the Bank's regular board meetings.

### CREDIT COMMITTEE

A 3-person committee chaired by Leonardo C. Sescon, Jr. with Edward V. Argayoso and Melissa Tamara O. Argayoso as members. The Credit Committee is responsible for the credit decision for loan application with endorsements above PHP1 Million up to PHP 5 Million.

In 2022, all Credit Committee agenda were taken up during Board Meetings.

## Independent Control Functions

### COMPLIANCE

BRBI's Compliance Office, through the Chief Compliance Officer (CCO) designs the Bank's Compliance System with review of implementation through a Compliance Program. The CCO reports directly to the Board of Directors & Audit Committee. This unit is responsible in the review of the (1) minutes of the Board of Directors and Audit Committee meeting (2) Internal audit's results of examinations; (3) Results of Bangko Sentral ng Pilipinas regular and special examinations; (4) compliance of products, services and processes; (5) compliance of filing of income tax returns and remittance of taxes due to the Bureau of Internal Revenue (BIR). The Compliance unit also (a) conducts visitation operating units / branches / units / departments of the Bank; (b) reviews submission of mandatory reports to the regulatory bodies by the accounting department to the BSP, PDIC, AMLC and Other agencies; (c) undertakes all other activities to measure and record the results of the compliance and non-compliance with banking laws, rules and regulations.

The Bank, through Compliance, aims to enhance profitability within the limitation of regulatory requirements and good business practice. Given the importance of this role, the compliance function remains independent at all times from the business activities of the Bank, but shall have right (1) to access information to carry out its responsibilities, (2) to conduct investigations of possible breaches of the compliance policy.

### INTERNAL AUDIT

The Audit function of BRBI is supervised by and directly reports to the Board Audit Committee. It provides reasonable assurance on (1) the achievement of objectives through efficient and effective operations, (2) reliable, complete and timely financial and management information; and (3) compliance with applicable laws, regulations, supervisory requirements and Bank's policies and procedures.

### CONSUMER PROTECTION PRACTICES

The Board and Senior Management are responsible for developing the bank's consumer protection strategy and establishing an effective oversight over the bank's consumer protection programs.

While Senior Management is responsible for the implementation of the consumer protection policies approved by the Board, the latter shall be responsible for monitoring and overseeing the performance of Senior Management in managing the day to day consumer protection activities of the bank. The Board may also delegate other duties and responsibilities to Senior

Management and/or Committees created for the purpose but not to the function of overseeing compliance with the BSP-prescribed Consumer Protection Framework and the bank's own Consumer Protection Framework.

The Board and Senior Management periodically review the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight. The Board and Senior Management also ensure that sufficient resources have been devoted to the program. The Board and Senior Management also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

Continuing education of personnel about Consumer Protection laws, rules and regulations as well as related bank policies and procedures is essential to maintaining a sound Consumer Protection Compliance Program. Bank ensure that all relevant personnel, specifically those whose roles and responsibilities have customer interface, receive specific and comprehensive training that reinforces and helps implement written policies and procedures on consumer protection. The bank institutes a Consumer Protection Training Program that is appropriate to its organization structure and the activities it engages. The training program is able to address changes in consumer protection laws, rules and regulations, and to policies and procedures and should be provided in a timely manner.

Effective implementation is reviewed by the Internal Audit and Compliance Units, independently.

Consumer Assistance Group/Head Consumer Assistance Officer. The Consumer Assistance Group/Head Consumer Assistance Officer shall, as a minimum, perform the following:

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

## FINANCIAL STATEMENTS

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

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

The management of Binhi Rural Bank, Inc. [Formerly: Rural Bank of Balingasag (Misamis Oriental), Inc.] is responsible for the preparation and fair presentation of its financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with Philippine Financial Reporting Standards (PFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing (as applicable) matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the financial statements and submits the same to the shareholders of the Bank.

Lope Laranjo Bato & Co., CPAs, the independent auditors appointed by the Board of Directors for the period December 31, 2022 and 2021, have audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in their reports to the Board of Directors, have expressed their opinions on the fairness of presentation upon completion of such audits.

March 24, 2023, Cagayan de Oro City, Philippines



**EDWARD V. ARGAYOSO**  
Chairman of the Board



**MELISSA TAMARA O. ARGAYOSO**  
President / CEO



**CALVIN CEAZAR D. EMATA**  
VP-Operations/Acting CFO

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

**Branches:**

**Metro Manila Office**

Unit 827, South Star Plaza  
Oronoda Highway  
Bungkal, Makati City  
Cell: (+63)9177024175  
jbatato@yahoo.com

**Cebu Branch**

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

**Davao Branch**

2/F BP Outsourcing Building  
Aurora Quason corner  
Basilico Streets  
Davao City 8000 Philippines  
Tel. No.: (082)300-5509

**Butuan Branch**

2F MCAGA Building  
Purok 4 LP Rosales Avenue  
Limasabon Pob. (Brgy. 14)  
Butuan City 8600  
Tel. No.: (085)342-1946

**Ozamis Branch**

2/F Medina Building  
Gallardo Street  
Ozamis City  
Tel. No.: (086)544-3481

**Malaybalay Branch**

2F Janstar Building  
Judge P. Carrillo Street  
Malaybalay City, Bukidnon  
Tel. No.: (088)314-0494

**Ipiil Branch**

2nd Floor Avery Arcade South  
3rd San Roque Village  
7001 Ipiil  
Tel. No.: 0679574281  
Cell: (+63) 09294099091

**SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS**

The Board of Directors  
**Binhi Rural Bank, Inc.**  
Leope Building, Claro M. recto Avenue, Brgy. 25  
Cagayan de Oro City, Misamis Oriental

We have audited the financial statements of **Binhi Rural Bank, Inc** for the year ended December 31, 2022, in accordance with the Philippine Standards in Auditing (PSA) on which we have rendered the attached report dated March 24, 2023. We obtained a certification from the Bank's Corporate Secretary as to the number of shareholders and their corresponding shareholdings as at December 31, 2022 and conducted certain tests necessary to validate the related Bank's entries and balances.

In compliance with Revised SRC Rule 68, we are stating that the said Bank has a total of six (6) shareholders owning 100 or more shares each as of December 31, 2022.

**LOPE LARANJO BATO & Co.**

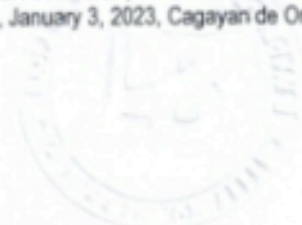
BY:   
**LOPE L. BATO, JR.**  
Partner  
CPA Cert. No. 73964  
TIN 102-081-516

BIR Accreditation No. 16-006925-001-2020, valid until September 22, 2023  
SEC Accreditation No. 73964-SEC, valid until December 31, 2025  
BSP Accreditation No. 73964-BSP, valid until December 31, 2025  
PTR No. 5509519-A, January 3, 2023, Cagayan de Oro City, Philippines

March 24, 2023  
Cagayan de Oro City, Philippines

**Firm's Accreditations:**

BSA Accreditation No. 6398  
Valid until September 13, 2024  
BIR Accreditation No. 16-006925-001-2020  
Valid until September 22, 2023  
SEC Group C Accreditation No. 6398-SEC  
Valid until December 31, 2025  
BSP Group B Accreditation No. 6398-BSP  
Valid until December 31, 2025  
CDA CEA Accreditation No. 120-A7  
Valid until April 7, 2024  
NEA Accreditation No. 2021-12-00048  
Valid until December 10, 2025







**LOPE LARANJO BATO & Co.**

**Certified Public Accountants**  
(A Member Firm of Leading Edge Alliance Global)

2/F Bato Building, Coastal Road, Zone 1, Kauswagan  
Cagayan de Oro City, 9000 Philippines  
Tel. Nos. (088)882-7439 & (+63)917-702-4175, (+63918-888-7070)  
Email: [lbaandcpcpas@gmail.com](mailto:lbaandcpcpas@gmail.com) and [junbato.llb@gmail.com](mailto:junbato.llb@gmail.com)  
Website: [www.llbato-cpas.com](http://www.llbato-cpas.com)



**leading edge alliance**  
innovation • quality • excellence

**Firm's Accreditations:**  
BCA Accreditation No. 6358  
Valid until September 13, 2024  
BIR Accreditation No. 16-006925-000-2020  
Valid until September 22, 2023  
SEC Group C Accreditation No. 6358-SEC  
Valid until December 31, 2025  
BSP Group B Accreditation No. 6358-BSP  
Valid until December 31, 2025  
CDA Accreditation No. 120-AF  
Valid until April 7, 2024  
NEA Accreditation No. 2020-12-00068  
Valid until December 10, 2023

**Branches:**

**Metro Manila Office**  
Unit 827, South Star Plaza  
Osmeña Highway  
Bangkal, Makati City  
Cell (063)9177024175  
[junbato@yahoo.com](mailto:junbato@yahoo.com)

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

**Davao Branch**  
2/F HP Outsourcing Building  
Aurora Quason corner  
Bonifacio Streets  
Davao City 8000 Philippines  
Tel. No.: (082)300-5509

**Butuan Branch**  
2F McAga Building, Pursok 4  
J.P. Rosales Avenue, Limaha Pob.,  
Butuan City 8600  
Tel. No.: (085)342-1946

**Osmeña Branch**  
G/F Medina Building  
Gallardo Street  
Ozamiz City  
Tel. No.: (080)564-3481

**Malaybalay Branch**  
2/F Janstar Building  
Judge P. Carrillo Street  
Malaybalay City, Bukidnon  
Tel. No.: (088)314-0694

**Ipilil Branch**  
2<sup>nd</sup> Floor Avery Arcade Sanito  
Ipil Zamboanga Sibugay  
7001 Philippines  
Tel.No.: 0629574281  
Cell: (+63) 09296089081

**REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Shareholders  
**Binhi Rural Bank, Inc.**

Leope Building, Claro M. Recto Avenue, Brgy. 25  
Cagayan de Oro City, Misamis Oriental

**Report on the Audit of the Financial Statements**

Opinion

We have audited the financial statements of Binhi Rural Bank, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of profit or loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to 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 Binhi Rural Bank, Inc. as of December 31, 2022 and 2021, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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

LLB & Co.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required for the years ended December 31, 2022 and 2021 required by the BSP and by the BIR as disclosed in Note 29 and 30 to the financial statements, respectively, is presented in accordance with PFRS. Such supplementary information is the responsibility of the management of Binhi Rural Bank, Inc. and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole in accordance with Philippine Financial Reporting Standards.

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

Report on the Supplementary Information Required by Revised SRC Rule 68

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the reconciliation of retained earnings available for dividend declaration as required by the Securities and Exchange Commission (SEC) under the Revised Securities Regulation Code (SRC) Rule 68 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the management of Binhi Rural Bank, Inc. The information in such supplementary schedule has been subjected to the auditing procedures applied in the audit of basic financial statements. In our opinion, the information is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

**LOPE LARANJO BATO & Co.**

  
By: **LOPE L. BATO, JR.**  
Managing Partner

CPA Cert. No. 73964

TIN 102-081-516

BIR Accreditation No. 16-006925-001-2020, valid until September 22, 2023

SEC Group C Accreditation No. 73964-SEC, valid until December 31, 2025

BSP Group B Accreditation No. 73964-BSP, valid until December 31, 2025

PTR No. 5509519-A, January 3, 2023, Cagayan de Oro City, Philippines

March 24, 2023

Cagayan de Oro City, Philippines

LLB-0081-2022-CDO

## STATEMENTS OF FINANCIAL POSITION

### STATEMENTS OF FINANCIAL POSITION

Binhi Rural Bank, Inc.

<i>December 31</i>	<b>2022</b>	2021
<b>ASSETS</b>		
<b>Cash</b> <i>(Note 4)</i>	<b>₱79,649,728</b>	₱79,966,702
<b>Loans and Receivables</b> <i>(Note 5)</i>	<b>131,371,803</b>	129,893,933
<b>Financial Assets at Amortized Cost</b> <i>(Note 6)</i>	<b>81,149,920</b>	68,249,194
<b>Bank Premises, Furniture and Equipment</b> <i>(Note 7)</i>	<b>27,691,283</b>	25,145,093
<b>Investment Properties</b> <i>(Note 8)</i>	<b>8,436,817</b>	3,837,563
<b>Other Assets</b> <i>(Note 9)</i>	<b>6,446,913</b>	4,853,018
<b>Total Assets</b>	<b>₱334,746,464</b>	₱311,945,503
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Deposit Liabilities</b> <i>(Note 11)</i>	<b>₱201,941,878</b>	₱198,031,600
<b>Bills Payable</b> <i>(Note 12)</i>	<b>41,617,942</b>	31,794,262
<b>Retirement Benefits Obligation</b> <i>(Note 13)</i>	<b>1,313,826</b>	1,157,318
<b>Finance Lease Liabilities</b> <i>(Note 14)</i>	<b>21,032,906</b>	18,815,227
<b>Other liabilities</b> <i>(Note 15)</i>	<b>4,450,321</b>	2,986,880
<b>Total Liabilities</b>	<b>270,356,873</b>	252,785,287
<b>Shareholders' Equity</b>	<b>64,389,591</b>	59,160,216
<b>Total Liabilities and Shareholders' Equity</b>	<b>₱334,746,464</b>	₱311,945,503

*See Notes to Financial Statements.*

STATEMENTS OF PROFIT OR LOSS

**STATEMENTS OF PROFIT OR LOSS AND  
COMPREHENSIVE INCOME**

Binhi Rural Bank, Inc.

<i>Years Ended December 31</i>	<b>2022</b>	<b>2021</b>
<b>INTEREST INCOME</b> <i>(Note 17)</i>		
On loans and receivables	<b>₱30,794,596</b>	<b>₱25,551,929</b>
On bank deposits and investments	<b>1,786,257</b>	<b>1,162,518</b>
Total interest income	<b>32,580,853</b>	<b>26,714,447</b>
<b>INTEREST EXPENSE</b> <i>(Note 18)</i>	<b>4,879,138</b>	<b>3,916,358</b>
<b>NET INTEREST INCOME</b>	<b>27,701,715</b>	<b>22,798,089</b>
<b>OTHER INCOME</b> <i>(Note 19)</i>	<b>14,218,871</b>	<b>16,022,253</b>
<b>INCOME BEFORE IMPAIRMENT LOSS</b>	<b>41,920,586</b>	<b>38,820,342</b>
<b>LESS IMPAIRMENT LOSS</b> <i>(Note 10)</i>	<b>1,280,103</b>	<b>4,908,361</b>
<b>INCOME AFTER IMPAIRMENT LOSS</b>	<b>40,640,483</b>	<b>33,911,981</b>
<b>OPERATING EXPENSES</b> <i>(Note 20)</i>	<b>35,729,029</b>	<b>29,220,442</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>4,911,454</b>	<b>4,691,539</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b> <i>(Note 22)</i>		
Current	<b>215,467</b>	<b>540,754</b>
Deferred	<b>(547,818)</b>	<b>(576,571)</b>
<b>PROFIT FOR THE YEAR</b>	<b>₱5,243,805</b>	<b>₱4,727,356</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:		
Gain on remeasurement of post-employment <i>(Note 13)</i>	<b>₱34,162</b>	<b>₱32,795</b>
Interest income <i>(Note 13)</i>	<b>1,320</b>	<b>1,367</b>
Other comprehensive income – net of tax	<b>35,482</b>	<b>34,162</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,279,287</b>	<b>₱4,761,518</b>
<b>EARNINGS PER SHARE</b> <i>(Note 24)</i>	<b>₱8.53</b>	<b>₱7.69</b>

See Notes to Financial Statements.

## STATEMENTS OF CASH FLOWS

**STATEMENTS OF PROFIT OR LOSS AND  
COMPREHENSIVE INCOME**

Binhi Rural Bank, Inc.

<i>Years Ended December 31</i>	<b>2022</b>	<b>2021</b>
<b>INTEREST INCOME</b> <i>(Note 17)</i>		
On loans and receivables	<b>₱30,794,596</b>	₱25,551,929
On bank deposits and investments	<b>1,786,257</b>	1,162,518
Total interest income	<b>32,580,853</b>	26,714,447
<b>INTEREST EXPENSE</b> <i>(Note 18)</i>	<b>4,879,138</b>	3,916,358
<b>NET INTEREST INCOME</b>	<b>27,701,715</b>	22,798,089
<b>OTHER INCOME</b> <i>(Note 19)</i>	<b>14,218,871</b>	16,022,253
<b>INCOME BEFORE IMPAIRMENT LOSS</b>	<b>41,920,586</b>	38,820,342
<b>LESS IMPAIRMENT LOSS</b> <i>(Note 10)</i>	<b>1,280,103</b>	4,908,361
<b>INCOME AFTER IMPAIRMENT LOSS</b>	<b>40,640,483</b>	33,911,981
<b>OPERATING EXPENSES</b> <i>(Note 20)</i>	<b>35,729,029</b>	29,220,442
<b>PROFIT BEFORE INCOME TAX</b>	<b>4,911,454</b>	4,691,539
<b>INCOME TAX EXPENSE (BENEFIT)</b> <i>(Note 22)</i>		
Current	<b>215,467</b>	540,754
Deferred	<b>(547,818)</b>	(576,571)
<b>PROFIT FOR THE YEAR</b>	<b>₱5,243,805</b>	₱4,727,356
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:		
Gain on remeasurement of post-employment <i>(Note 13)</i>	<b>₱34,162</b>	₱32,795
Interest income <i>(Note 13)</i>	<b>1,320</b>	1,367
Other comprehensive income – net of tax	<b>35,482</b>	34,162
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,279,287</b>	₱4,761,518
<b>EARNINGS PER SHARE</b> <i>(Note 24)</i>	<b>₱8.53</b>	₱7.69

*See Notes to Financial Statements.*

STATEMENTS OF CHANGES IN EQUITY

**STATEMENTS OF CHANGES IN EQUITY**

Binhi Rural Bank, Inc.

<i>December 31</i>	<b>2022</b>	2021
<b>SHARE CAPITAL</b> <i>(Note 16)</i>	<b>₱48,172,700</b>	₱48,172,700
<b>POST-EMPLOYMENT DEFINED BENEFIT RESERVE</b> <i>(Note 16)</i>	<b>35,482</b>	34,162
<b>SURPLUS FREE</b>		
Balance at beginning of year	<b>10,953,354</b>	6,671,420
Profit for the year	<b>5,243,805</b>	4,727,356
Adjustments <i>(Note 23)</i>	<b>(15,750)</b>	(445,422)
Balance at end of year	<b>16,181,409</b>	10,953,354
	<b>₱64,389,591</b>	₱59,160,216

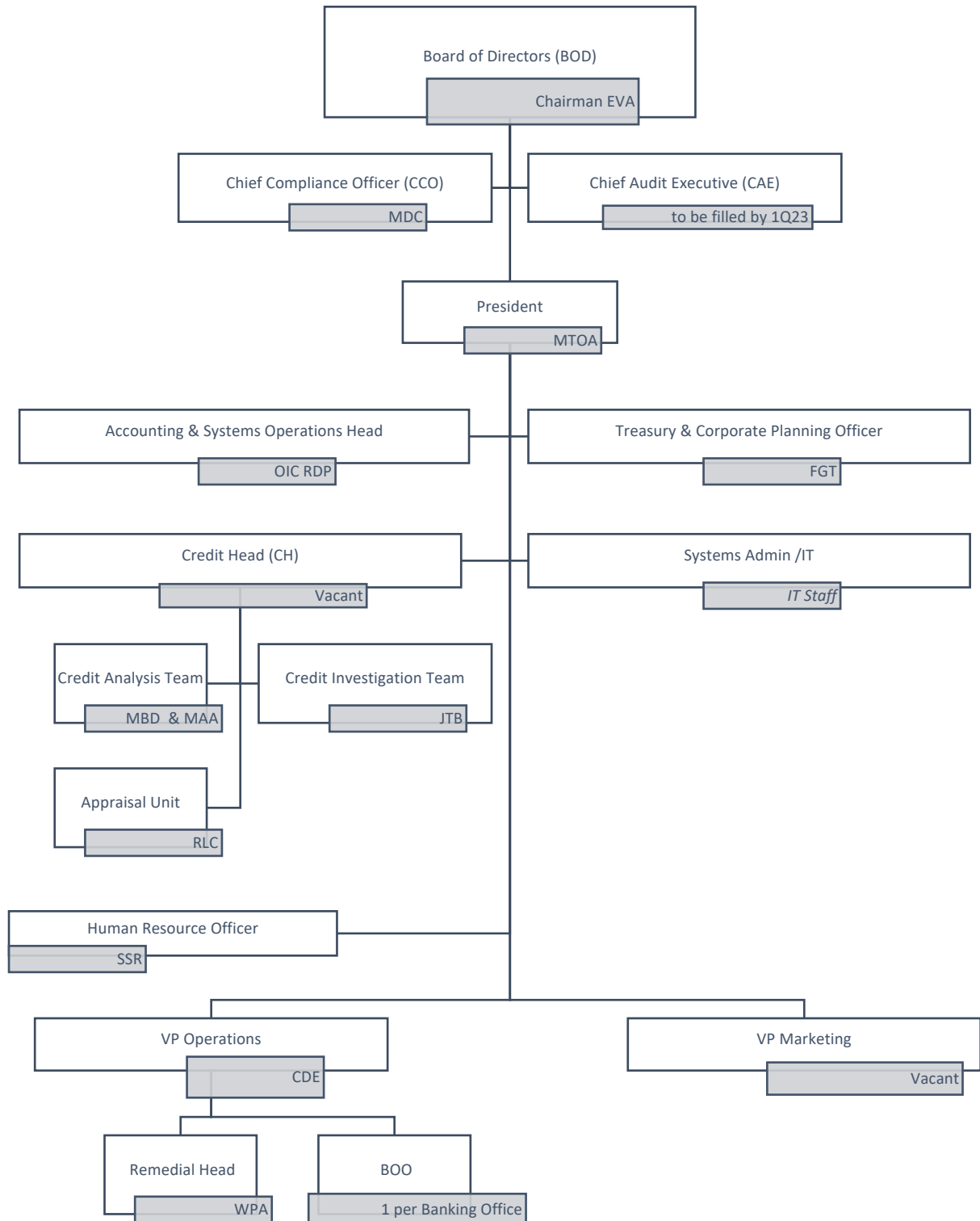
*See Notes to Financial Statements.*

## SECTION 6. PRODUCTS AND SERVICES

Products/Services	Description
UNLAD I	Business/Personal Clean Loan, maximum of one (1) year, with PDC
UNLAD I-A	SPC Salary Loan, maximum of two (2) years, payroll deduction <b>(LIMITED TO RENEWALS ONLY)</b>
UNLAD I-B	Exclusive for Velez BLU, maximum of four (4) months, with PDC
UNLAD I-C	ATM Loan, maximum of two (2) years, with ATM card <b>(LIMITED TO RENEWALS ONLY, RELOANS ARE ALLOWED BUT LIMITED TO BORROWERS WITH CLEAN RECORDS)</b>
UNLAD I-C - 1	Revised ATM Loan, maximum of one (1) year, with ATM card <b>(LIMITED TO RENEWALS ONLY)</b>
UNLAD I-C - 2	ATM Loan for Private Corporate Regular Employee, max two (2) years with ATM Card <b>(TEMPORARILY SUSPENDED)</b>
UNLAD I-C - 3	ATM Loan for Government Employees, max two (2) years with ATM Card <b>(TEMPORARILY SUSPENDED)</b>
UNLAD I-D	Business Loan, maximum of four (4) months, cash payment (daily or weekly)
UNLAD I-E	AY Security Agency Salary Loan, maximum of two (2) years, payroll deduction <b>(LIMITED TO RENEWALS ONLY)</b>
UNLAD I-F	Motorcycle Finance Loan
UNLAD I-FR	Motorcycle Finance Loan (Repossessed Units)
UNLAD I-G	Rice Loan <b>(TEMPORARILY SUSPENDED)</b>
UNLAD I-H	Barangay Loan <b>(TEMPORARILY SUSPENDED)</b>
UNLAD I-J-1	Limited unsecured COVID assistance loan package during COVID to targeted accounts <b>(TERMINATED ALREADY)</b>
UNLAD I-J-2	Unsecured urban or rural essential business during COVID <b>(TERMINATED ALREADY)</b>
UNLAD I-K	Enhanced Business Clean Loan
UNLAD II	Chattel Mortgage, maximum of two (2) years, with PDC
UNLAD II - A	Bongo Pangkabuhayan Loan, Chattel Mortgage, max of three (3) years <b>(TEMPORARILY SUSPENDED)</b>
UNLAD III	Real Estate Mortgage, maximum of three (3) years, with PDC
REVOLVING CREDIT LINE	Credit Line for established business owners - can be clean, chattel secured, real estate secured
BUILDING CONSTRUCTION SUPERVISED CREDIT	Credit Facility released for the purpose of commercial building construction, staggered based on actual completion.
LAP	Loans Against Deposit Placement
SAVINGS DEPOSIT	Savings Deposit is a regular savings deposit offered to clients. It is evidenced by a passbook. The minimum amount required to open a savings account with the Bank is P100.00. However, a minimum of P500.00 should be deposited to start gaining interest. It bears an interest rate 0.30% per annum. Interest is paid at the end of every quarter.
TIME DEPOSIT	Time Deposit refers to a deposit account, which requires the issuance of certificate, with a fixed term and interest rate over the period it is placed. Minimum maintaining balance and interest rate are set by the Board of Directors from time-to-time
POS	BRBI has a POS machine terminal which caters existing ATM Salary Loan borrowers. This POS facilitates the transfer of net salary amounts of borrowers to their respective cash cards issued by the Bank as replacement of their ATM
ATM MACHINE	BRBI has an automated teller machine (ATM)- It is a self-service electronic telecommunications device that dispenses cash. Also known as a cash machine, an ATM enables account holders to do financial transactions without passing through a bank teller. It caters other bank's atm cards.
Pick Up Deposit Service	Offered to select clients, the Bank may offer a pick up deposit service to provide customer convenience.



# ORGANIZATIONAL STRUCTURE



## CORPORATE INFORMATION

### MAJOR STOCKHOLDERS

Name of Stockholder	Nationality	% of Stockholding	Voting Status
Ofelia A. Paguio	Filipino	20%	Common
Edward V. Argayoso	Filipino	20%	Common
Marissa O. Argayoso	Filipino	15%	Common
Jose Edison O. Argayoso III	Filipino	15%	Common
Melissa Tamara O. Argayoso	Filipino	15%	Common
Marielle Clarence O. Argayoso	Filipino	15%	Common

### BANKING UNITS - DIRECTORY

Company website: [binhiruralbank.com](http://binhiruralbank.com)

BRANCHES	ADDRESS	CONTACT DETAILS
Head Office	Leope Building, #833, CM Recto Avenue, Cagayan de Oro City (Formerly Sacred Heart of Jesus Montessori School)	(0917)-702-9656 (088) 8584252
Balingasag Branch	RBBI Building, Rizal corner Malvar St., Brgy. 5, Poblacion, Balingasag, 9005 Misamis Oriental	088-3332268 088-3335428
Baungon Branch	RBBI Building, Imbatug, Baungon, Bukidnon	(0917)-635-2346
Tiano-BLU	Tiano-Cruz Taal St., Cagayan de Oro City	(0917)-713-2486
Balingasag-BLU	National Highway, Barangay 4, Balingasag, Misamis Oriental	(0917)-633-7672
Tin-ao-BLU	Tin-ao, Agusan, Cagayan de Oro City	(0917)-114-3208
Sugbongcogon BLU	Zone 1, Poblacion, Sugbongcogon, Misamis Oriental	(0917)-631-3794
Claveria BLU	Purok 9, 2nd Floor, Calingin Building, Poblacion, Claveria, Misamis Oriental	(0916)-126-1083
Alubijid BLU	Ground Floor, Commercial Building, Poblacion Highway, Alubijid, Misamis Oriental (Between Newleaf and 7-Eleven)	(0917)-712-7861
Salay BLU	Poblacion Salay, along National Highway, Misamis Oriental	(0917)-636-3205

## COMPLIANCE WITH APPENDIX 63c of the MORB-DISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED STATEMENT OF CONDITION

Qualifying Capital		
	2022	2021
Tier 1 Capital		
Paid up common stock	48,172,700.00	48,172,700.00
Retained earnings	10,937,604.03	6,226,197.59
Undivided profits	5,990,844.32	5,283,644.75
Less: Deferred tax asset, net of deferred tax liability	-3,440,989.34	-3,290,223.43
Total Core Tier 1 Capital	61,660,159.01	56,392,318.91
Tier 2 (Supplementary) Capital		
Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption	52,900.00	52,900.00
General loan loss provision	983,615.49	774,856.94
Total Upper Tier 2 Capital [B.a (10 minus B.2 (5))]	1,036,515.49	827,756.94
Total Qualifying Capital [c minus D (6)]	62,696,674.50	57,220,075.85

### Risk-based capital ratios:

	2022	2021
Net Tier 1 Capital	61,660,159.01	56,392,318.91
Net Tier 2 Capital	1,036,515.49	827,756.94
Total Qualifying Capital	62,696,674.50	57,220,075.85
Risk Weighted Assets	272,780,370.76	255,618,592.97
Tier 1 Capital Ratio	22.60%	22.06%
Total Capital Ratio	22.98%	22.38%

### The capital requirements for Credit, Market and Operational Risk are listed below:

Capital Requirement		
	2022	2021
Credit Risk	237,777,998.15	227,752,530.96
Market Risk		
Operational Risk	35,002,372.61	27,866,062.01
Total Capital Requirements	272,780,370.76	255,618,592.97

