

2023 ANNUAL REPORT



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Table of Contents

SECTION 1. CORPORATE PROFILE	3
SECTION 2. MESSAGE FROM THE PRESIDENT	5
FINANCIAL HIGHLIGHTS	6
SECTION 3. FINANCIAL & OPERATING HIGHLIGHTS	7
OUR STRATEGY & BUSINESS MODEL	8
2023 PERFORMANCE	12
REPORT ON OPERATIONS	13
SECTION 4. RISK MANAGEMENT	14
SECTION 5. CORPORATE GOVERNANCE	20
<i>BOARD OF DIRECTORS</i>	20
<i>BOARD COMPOSITION & STATISTICS</i>	21
<i>BOARD PERFORMANCE</i>	21
<i>CONTINUING ORIENTATION AND EDUCATION PROGRAM</i>	22
<i>SUCCESSION PLANNING</i>	23
<i>PERFORMANCE ASSESSMENT PROGRAM</i>	23
<i>REMUNERATION</i>	23
<i>RELATED PARTY TRANSACTIONS</i>	23
<i>MATERIAL RPTs</i>	24
<i>DIVIDEND POLICY</i>	24
<i>CORPORATE SOCIAL RESPONSIBILITY INITIATIVES</i>	24
<i>SUSTAINABILITY INITIATIVES</i>	24
FY 2023 BOARD OF DIRECTORS	26
FY 2023 SENIOR MANAGEMENT & OFFICERS	27
BOARD COMMITTEES	29
<i>AUDIT COMMITTEE</i>	29
<i>CREDIT COMMITTEE</i>	29
INDEPENDENT CONTROL FUNCTIONS	30
<i>COMPLIANCE</i>	30
<i>INTERNAL AUDIT</i>	30
<i>CONSUMER PROTECTION PRACTICES</i>	30
FINANCIAL STATEMENTS	32
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS	32
AUDITOR'S OPINION	33
STATEMENTS OF PROFIT OR LOSS	37
STATEMENTS OF CASH FLOWS	38
STATEMENTS OF CHANGES IN EQUITY	39
SECTION 6. PRODUCTS AND SERVICES	40
ORGANIZATIONAL STRUCTURE	41
CORPORATE INFORMATION	42
<i>MAJOR STOCKHOLDERS</i>	42
<i>BANKING UNITS - DIRECTORY</i>	42
COMPLIANCE WITH APPENDIX 63C OF THE MORB-DISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED STATEMENT OF CONDITION	43

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 **2028**.

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 7th year in 2023. The bank was able to grow its total resources, with deposits reaching the bank's all time high of ~ PHP273million. Moreover, despite the pandemic, loan asset quality slightly improved from the previous year with 9.75% past due rate, within the bank's target of <10%. This was achieved amid record high net loan portfolio ending at ~ PHP177million.

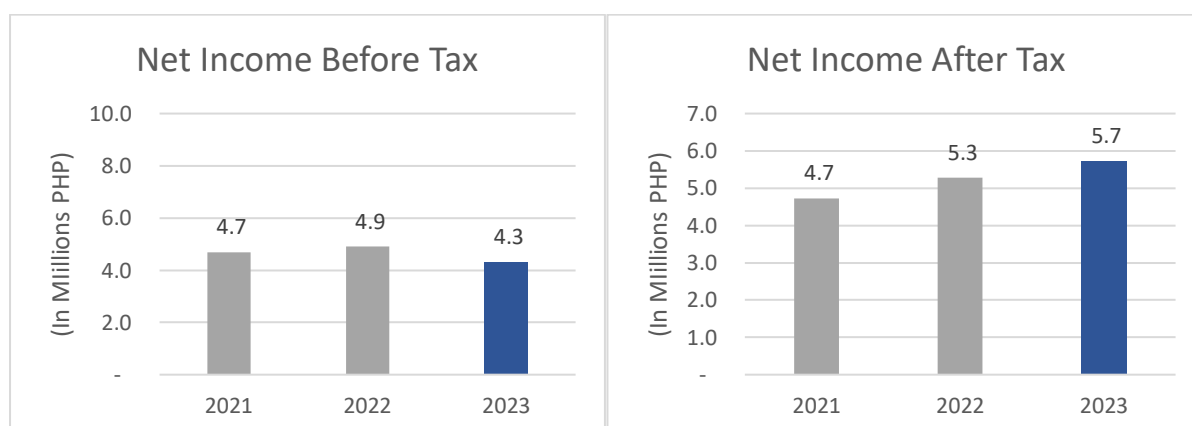
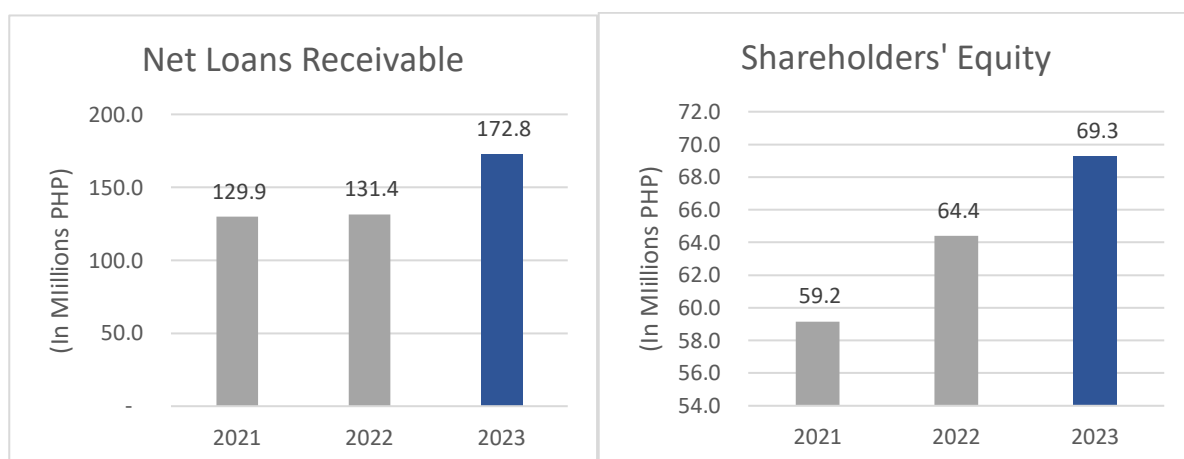
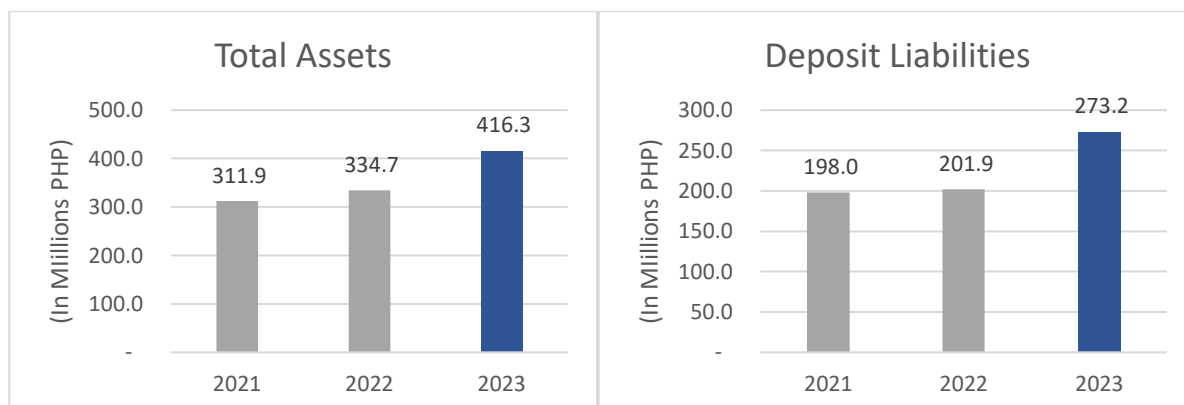
BRBI has also opened three (3) additional Branch Lite Units (BLUs) that have contributed to deposit growth and has begun providing financial services to Malitbog & Manolo fortich in Bukindon, and Medina in Misamis Oriental.

Moving forward, the bank shall continue 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, 2023. 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

	2023	2023	Change
BALANCE SHEET (in thousands Php)			
Assets	416,281	334,746	24%
Cash & Investments	202,407	160,799	26%
Gross Loans Receivable	177,916	134,914	32%
Deposits	273,198	201,941	35%
Equity	69,284	64,389	8%
INCOME STATEMENT (in thousands Php)			
Net Interest Income	32,137	27,702	16%
Non-Interest Income	18,060	14,219	27%
Gross Operating Income	50,197	41,921	20%
Operating Expenses	44,748	35,729	25%
Impairment Losses	1,119	1,280	-13%
Net Profit	5,715	5,245	9%
FINANCIAL PERFORMANCE INDICATORS			
Profitability			
Return on Average Equity	8.82%	8.63%	0.19%
Return on Average Assets	1.57%	1.65%	-0.08%
Earnings Per Share	9.29	8.53	0.76
Margins & Liquidity			
Net Interest Margin	10.52%	11.06%	-0.54%
Asset Quality			
Past Due Ratio	9.75%	10.35%	-0.60%
Past Due Provision Cover	48.21%	54.70%	-6.49%
Capital and Leverage			
Total Qualifying Capital	65,435	62,697	4%
Capital Adequacy Ratio	18.85%	22.98%	-4.13%
DISTRIBUTION NETWORK & MANPOWER			
Branches	3	3	0
Branch Light Units (BLU)	10	7	3
Employees (Total)	129	109	20
Officers	33	29	4
Staff	96	80	16

OUR STRATEGY & BUSINESS MODEL

Revenue Generation

a. Loan Portfolio

The Bank maintains its prudential credit granting procedures, and with the contribution of our 13-unit network, we have posted our record high loan portfolio of 177.9M.

- i. Branch/BLU Operating Officers (BOOs) with their Account Officers continue their marketing efforts for loan client acquisition.
- ii. New Product Offerings:
 1. LAP 2 (Loans Against Deposit Placement 2) was introduced as a cross sell product for bank's micro depositors so they can borrow against their deposits with BRBI. This was made as initial step to packaging more loan products geared towards the micro sized markets. Note: At the time of writing, this product has not yet been actively marketed.
- iii. Motorcycle Loans Portfolio has grown by 39% year on year with approximately 36.68M gross loan portfolio. Motorcycle loans now comprise 21% of the bank's total gross loans.

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 ~PHP3M compared to around P~HP1.8M 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. Gain On Sale from ROPA Disposal amounted to ~PHP7.48 Million in 2023 compared to ~PHP4.95 Million the year prior. However, ROCOA declined from PHP1.97M last year to ~PHP1.14M 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 10.35% last year (with ~4.17% identified as Non Performing) down to 9.75% (with ~6.14% identified as Non Performing). We have achieved BRBI's internal 10% Past Due threshold, as documented in the 2022 Strategic Plan, bank's NPL ratio needs more improvement.

It can be noted that the bank has not written off its fully provided non-performing loans. Once this is done, Bank's NPL ratio will improve.

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, and in 2023 ending with 69:31 mix.
- b. As projected in previous years, operating expenses have increased at 25% this year (higher than the 22% posted in 2022, but 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 = ≤ 60% of Net Interest Margin plus Other Income from loans

Deposit Generation

BRBI's total deposit grew faster than loans this year at 35%. Bank is expecting more growth in the coming years as market develops in the recently opened BLUs in the rural municipalities of Malitbog, Manolo and Medina. 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. To report, two (2) units were opened in 2022, while three (3) units were opened in 2023.

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.

2023 PERFORMANCE

With the bank's thirteen (13) operating units, we have posted our 7th consecutive profitable year, at PHP5.7Million net profit, despite the increased expenses brought by the bank's expansion.

Gross Loans Receivable grew by 32% this year ending at PHP177.9million. This is much better than bank's 2022's flat YOY performance. As previously mentioned, Past Due Ratio declined to 9.75%. Year-End total deposits rose by 35% to ~PHP273 million, with 68% comprising of low-cost Savings deposits.

Interest income from loan receivables grew by 11%. Steady loan releases gave the bank continued growth. The bank projects that this uptrend in loan releases will boost the profitability of bank's lending operations.

Non-Interest income contributed PHP18.06 million, growing 27% compared to previous year. Recoveries on Charged Off Assets declined 42% while Gain on Sale grew by 51. Miscellaneous Income improved by 10%.

Meanwhile, operating expenses also rose 25% to PHP44.7 million which is slightly higher rate than 2022's 22%. This is still primarily driven by the Bank's investment in manpower, and partly by the opening of the three (3) new BLUs.

In an effort to fortify the balance sheet, BRBI's provisions for credit losses now amounts to PHP9.7 million to cover for bad debts. Our SLL Provision cover for Past Due Loans is currently at 48% compared to the 55% rate the year prior.

The Bank's equity base is now at PHP 69.3million, with Capital Adequacy Ratio of 18.85%, well-above industry required 10%.

BRBI believes that with these metrics, it is positioned well for continued growth and expansion for the year 2024.

REPORT ON OPERATIONS

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

LENDING BUSINESS

BRBI's loan portfolio ended with a 53:47 mix, with PHP94 million secured loans to PHP84 million unsecured. Secured loans increased by 22% compared to the year prior, while unsecured loans rose by 45%.

The Motorcycle Finance product accounts for PHP36.8 million of the bank's PHP177.9M loan portfolio. The Bank is still aiming to capture the growing motorcycle market in the country.

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 16.4M loans and accounts for 9% 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 continued this year, posting 35% YOY growth, much improved compared to near flat 2% 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 PHP3million in interest income, ~69% higher than the year prior. This is brought by increasing interest rates, and increased liquidity brought by the faster growth of deposits compared to loans.

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.

In 2022, the Board has approved BRBI's Money Laundering and Terrorism Financing Prevention Program (MTPP), under BR-2022-086, approved last May 16, 2022.

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 (MTPP) 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 MTPP. 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 MTPP 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 MTPP 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 MTPP 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 MTPP. 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 MTPP 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.

We would like to further update that the 2023 Edition for BRBI's Good Corporate Governance manual was approved, documented under BR-2023-084, approved last May 12, 2023.

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. However, it shall be noted that in September of 2023, the 1 Independent Director has passed away.

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%	63	Entrepreneur	Female
Edward V. Argayoso	Non-Executive	9	122,860.00	19.98%	60	Entrepreneur	Male
Melissa Tamara O. Argayoso	Executive	4	92,250.00	15.00%	31	Banker	Female
<i>Leonardo C. Sescon, Jr. (deceased)</i>	Independent Director	7	1.00	0.00%	69	Banker	Male
Manolo G. De Leon	Independent Director	6	1.00	0.00%	75	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%
<i>Leonardo C. Sescon, Jr. (deceased)</i>	Independent Director	8	67%
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 2023, 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 2023:

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 for Rural Bank Directors
						Seminar-Workshop on Anti-Money Laundering (AML) and Briefing on the New AML Reporting Template
						Corporate Governance for Rural Bank Directors
						Asset and Liability Management for Countryside Financial Institutions (CFIs)
						Credit Risk Management for Rural Banks
						Remedial Management Seminar
						36th Annual Mindanao Credit Conference
						Advance Corporate Governance Course (Condensed Professional Directors Program for Rural Banks)
						Annual Credit Conference
						RBAP Symposiums
						Basic Corporate Governance Course for Rural Bank Directors & Officers
						Melissa Tamara O. Argayoso
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						
RBAP Symposiums						
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

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.

PERFORMANCE ASSESSMENT PROGRAM

The Board approves its targets for the next fiscal year every December. This is aligned with the Bank's approved Strategic Plan – covering a three (3) year period. Every month the board assesses the actual performance against target and recalibrates accordingly.

Management likewise conducts performance evaluations on employees on a semi-annual basis. For newly hired employees, there are 2 evaluation cycles conducted during the 5 month probationary period.

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 was included in the 2023 Good Corporate Governance Manual, Section IX, documented under BR-2023-084 and BR-2023-086, approved last May 12, 2023. This was further amended in 2024, under BR-2024-041, last Feb 23, 2024.

Under this policy, we have updated 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.

MATERIAL RPTs

Nature of Transaction	Terms & Conditions	Related Party
Sales Contract Receivable	Installment Sale of various ROPA. Original exposure ~5.78M, approved under bank's standard SCR package. Outstanding balance of ~4.8M	Edward V. Argayoso
Loans Against Placement	4M, 0% risk loan against Time Deposit, approved under bank's standard LAP package	Ofelia A. Paguio
Sale of Repossessed Motorcycle Units	~8.5M for 130 units of motorcycles, sold at the prevailing outstanding balance of the underlying PNs	Ryde N' Go Corporation
Remittance of Employee Contributions	PHP703.5K total remittances to APF - conduit transaction	Argayoso Poultry Farm
Sublease Contract - Alubijid	PHP37.5K monthly rental expense for Alubijid BLU subleased from Newleaf Bakeshop, Inc.	Newleaf Bakeshop Inc.
Sublease Contract - CM Recto	PHP75K monthly rental income for portion of head office sublet to Newleaf Bakeshop.	Newleaf Bakeshop Inc.

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 2023:

Particular	UN Goal	Metric	2023 Performance
Bank Expansion	<i>Zero Hunger; Decent Work and Economic Growth;</i>	1. Number of Banking Units Opened in Rural (Un- / Under-Banked) Communities	1. 3 (Malitbog, Manolo, Medina)

	<i>Sustainable Cities & Communities</i>	<p>2. Deposit Portfolio Generated</p> <p>3. Loan Portfolio Generated</p> <p>4. Economic Value Distributed Given the Increased Bank footprint (salaries, taxes, supplier, dividend payouts)</p>	<p>2. ~15.9M (Malitbog, Manolo, Medina)</p> <p>3. ~2M (Malitbog, Manolo, Medina)</p> <p>4. ~37.4M (Bankwide)</p>
Human Resource Development	<i>Gender Equality; Decent Work and Economic Growth;</i>	<p>5. % of Male and Female in the Board</p> <p>6. % of Male and Female in the Senior and Junior Management</p> <p>7. % of Male and Female in the Rank and File</p> <p>8. Number of employees hired</p> <p>9. Employee turnover rate (computed as number of employees who left / average number of employees)</p>	<p>5. 40:60, F:M ratio</p> <p>6. 73:27, F:M ratio</p> <p>7. 58:42, F:M ratio</p> <p>8. 70 employees hired</p> <p>9. 39%</p>
Lending Operations	<i>Zero Hunger; Decent Work and Economic Growth; Sustainable Cities & Communities</i>	<p>10. Loans granted to MSMEs</p> <p>11. Loans granted to Agri and Fisher Folks</p>	<p>10. ~73.51M (Bankwide)</p> <p>11. ~62.47M (Bankwide)</p>

FY 2023 BOARD OF DIRECTORS

EDWARD V. ARGAYOSO

CHAIRMAN

Non – Executive Director

Edward is 60 years old and has been a member of the Board of Directors for 10 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 63 years old and has been a member of the Board of Directors for 10 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 31 years old and has been a member of the Board of Directors for almost 6 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. (deceased – Sept 3, 2023)

Non - Executive Director, Independent

Leonardo was 69 years old and had been a member of the Board of Directors for 8 years. He served as the Chairman of the Credit Committee until his death. Prior to his membership to the Board of BRBI, he had 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, Independent

Manolo is 75 years old and has been a member of the Board of Directors for 7 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.

FY 2023 Senior Management & Officers

MERLYN D. CADELIÑA

Chief Compliance Officer

Merlyn is 48 years old and has been with the bank since 1998. She has been officially confirmed as the Bank's Chief Compliance Officer for 7 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.

ROLAND JUDE P. PASCUAL, CPA

Chief Audit Executive

Jude is 29 years old and has been with the bank since 2021. He has been officially confirmed as the Bank's Chief Audit Executive in 2023. Prior to holding this position, Jude was the Bank's Accounting OIC. He is an active member of the PICPA CDO Mis Or Chapter – serving as Board of Director and Vice President for Membership. He is a CPA and has gained experience and expertise in the accounting and audit field during his stint with Baconga Patriana and Co from 2015-2021.

CALVIN CEAZAR D. EMATA

VP-External Operations

Calvin is 44 years old and has been with the bank since 2012. He has officially served as the bank's VP for External Operations for 7 years. He is responsible for the bank's marketing and branching initiatives. 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.

KARLIN MALAYA E. DALENA, CPA

VP-Internal Operations

KM is 36 years old and has rejoined BRBI in August 2023. She was previously employed with the Bank in 2020 until 2021 as Systems Operations and Accounting Head. Upon her return, she is now the VP of Internal Operations with several departments under her purview – including the Financial Reporting / Accounting Group, Credit Operations, IT and Systems, as well as Cash Operations. KM is a CPA and was previously trained in Citibank NA ROHQ as Fin Rep Analyst from 2009-2013. She also took up graduate studies, Bachelor of Laws in 2014-2018.

FRANCES JOY G. TAN, CPA

Treasurer

France is 32 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 59 years old and has served the Bank as Corporate Secretary since 2015, 8 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 (until August 2023 before his passing). 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 2023, 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. (until August 2023 before his passing) 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 2023, 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.

In Dec 11, 2023, documented under BR-2023-212, The Board has approved the Financial Consumer Protection Manual (FCPM): 2023 Edition, with the following sections:

1. Key Principles of & Policies on Financial Consumer Protection
2. Customer Protection Risk Management System (CPRMS)
3. Financial Consumer Protection Assistance Mechanism (FCPAM)

4. Compliance Program
5. Internal Audit Program
Other HR Related Activities
6. Product Design Guidelines
7. Annex A. Security Breach Response Plan

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, 2023 and 2022, 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, 2023 and 2022, 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.

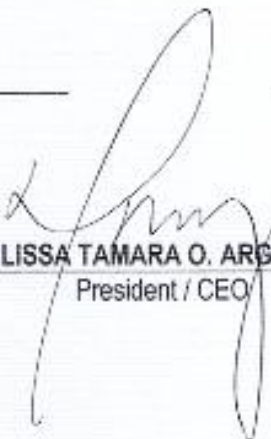
March 07, 2024, Cagayan de Oro City, Philippines



EDWARD V. ARGAYOSO
Chairman of the Board



CALVIN GEAZAR D. EMATA
VP-External Operations/ Acting CFO



MELISSA TAMARA O. ARGAYOSO
President / CEO

AUDITOR'S OPINION

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, 2023 and 2022, 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, 2023 and 2022, 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.

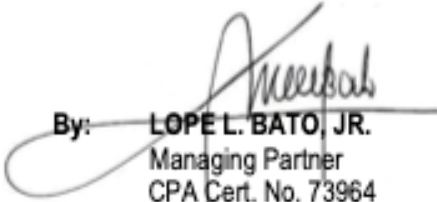
Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the Bureau of Internal Revenue (BIR) and the Bangko Sentral ng Pilipinas (BSP) as disclosed in Notes 29 and 30 to the financial statements, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of the management of Binhi Rural Bank, Inc. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

LOPE LARANJO BATO & Co.

By:


LOPE L. BATO, JR.

Managing Partner

CPA Cert. No. 73964

TIN 102-081-516

BIR Accreditation No. 16-006925-001-2023, valid until September 29, 2026

SEC Group C Accreditation No. 73964-SEC, valid until Financial Audit 2025

BSP Group B Accreditation No. 73964-BSP, valid until Financial Audit 2025

PTR No. 5750241-A, January 2, 2024, Cagayan de Oro City, Philippines

March 7, 2024

Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

STATEMENTS OF FINANCIAL POSITION

Binhi Rural Bank, Inc.

<i>December 31</i>	2023	2022
ASSETS		
Cash <i>(Note 4)</i>	₱114,688,376	₱79,649,728
Loans and Receivables <i>(Note 5)</i>	172,787,933	131,371,803
Financial Assets at Amortized Cost <i>(Note 6)</i>	87,719,178	81,149,920
Bank Premises, Furniture and Equipment <i>(Note 7)</i>	25,116,249	27,691,283
Investment Properties <i>(Note 8)</i>	7,515,130	8,436,817
Other Assets <i>(Note 9)</i>	8,453,932	6,446,913
Total Assets	₱416,280,798	₱334,746,464
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposit Liabilities <i>(Note 11)</i>	₱273,198,094	₱201,941,878
Bills Payable <i>(Note 12)</i>	48,484,282	41,617,942
Retirement Benefits Obligation <i>(Note 13)</i>	1,478,206	1,313,826
Finance Lease Liabilities <i>(Note 14)</i>	18,153,958	21,032,906
Other Liabilities <i>(Note 15)</i>	5,682,236	4,450,321
Total Liabilities	346,996,776	270,356,873
Shareholders' Equity	69,284,022	64,389,591
Total Liabilities and Shareholders' Equity	₱416,280,798	₱334,746,464

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>	2023	2022
INTEREST INCOME <i>(Note 17)</i>		
On loans and receivables	₱35,034,603	₱30,794,596
On bank deposits and investments	3,021,815	1,787,577
Total interest income	38,056,418	32,582,173
INTEREST EXPENSE <i>(Note 18)</i>	5,919,864	4,879,138
NET INTEREST INCOME	32,136,554	27,703,035
OTHER INCOME <i>(Note 19)</i>	18,060,468	14,218,871
INCOME BEFORE IMPAIRMENT LOSS	50,197,022	41,921,906
LESS IMPAIRMENT LOSS <i>(Note 10)</i>	1,118,917	1,280,103
INCOME AFTER IMPAIRMENT LOSS	49,078,105	40,641,803
OPERATING EXPENSES <i>(Note 20)</i>	44,748,197	35,729,029
PROFIT BEFORE INCOME TAX	4,329,908	4,912,774
INCOME TAX EXPENSE (BENEFIT) <i>(Note 22)</i>		
Current	-	215,467
Deferred	(1,385,202)	(547,818)
PROFIT FOR THE YEAR	₱5,715,110	₱5,245,125
EARNINGS PER SHARE <i>(Note 24)</i>	₱9.29	₱8.53

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

STATEMENTS OF CASH FLOWS

Binhi Rural Bank, Inc.

Years Ended December 31	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	₱4,329,908	₱4,912,774
Adjustments for:		
Impairment loss (Note 10)	1,118,917	1,280,103
Recoveries of impairment losses (Note 10)	(989,726)	-
Depreciation (Note 7 and 8)	6,583,501	5,656,960
Adjustment to surplus (Note 23)	(820,679)	18,412
Retirement benefit expense (Note 13)	164,380	156,508
Gain on sale of investment properties	(7,457,609)	(4,952,244)
Changes in working capital:		
Increase in loans and receivables (Note 5)	(42,535,047)	(2,757,974)
Increase in other assets (Note 9)	(621,817)	(1,135,798)
Increase in finance liability (Note 14)	(2,878,948)	2,217,679
Increase in deposit liabilities (Note 11)	71,256,216	3,910,277
Increase in other liabilities (Note 15)	1,231,915	1,478,199
Cash generated from operation	29,381,011	10,784,896
Income tax refund (paid) (Note 22)	-	(174,664)
Net Cash generated from Operating Activities	29,381,011	10,610,232
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions to bank premises, furniture and equipment (Note 7)	(3,988,224)	(8,203,150)
Additions to financial asset (Note 6)	(6,569,258)	(12,900,726)
Additions in investment property (Note 8)	(464,662)	(5,753,155)
Proceeds from sale of investment properties (Note 8)	9,813,441	6,106,145
Net Cash for Investing Activities	(1,208,703)	(20,750,886)
CASH FLOW FROM FINANCING ACTIVITY		
Proceeds of bills payable (Note 12)	6,866,340	9,823,680
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,038,648	(316,974)
CASH AT BEGINNING OF YEAR (Note 4)	79,649,728	79,966,702
CASH AT END OF YEAR (Note 4)	₱114,688,376	₱79,649,728

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY

Binhi Rural Bank, Inc.

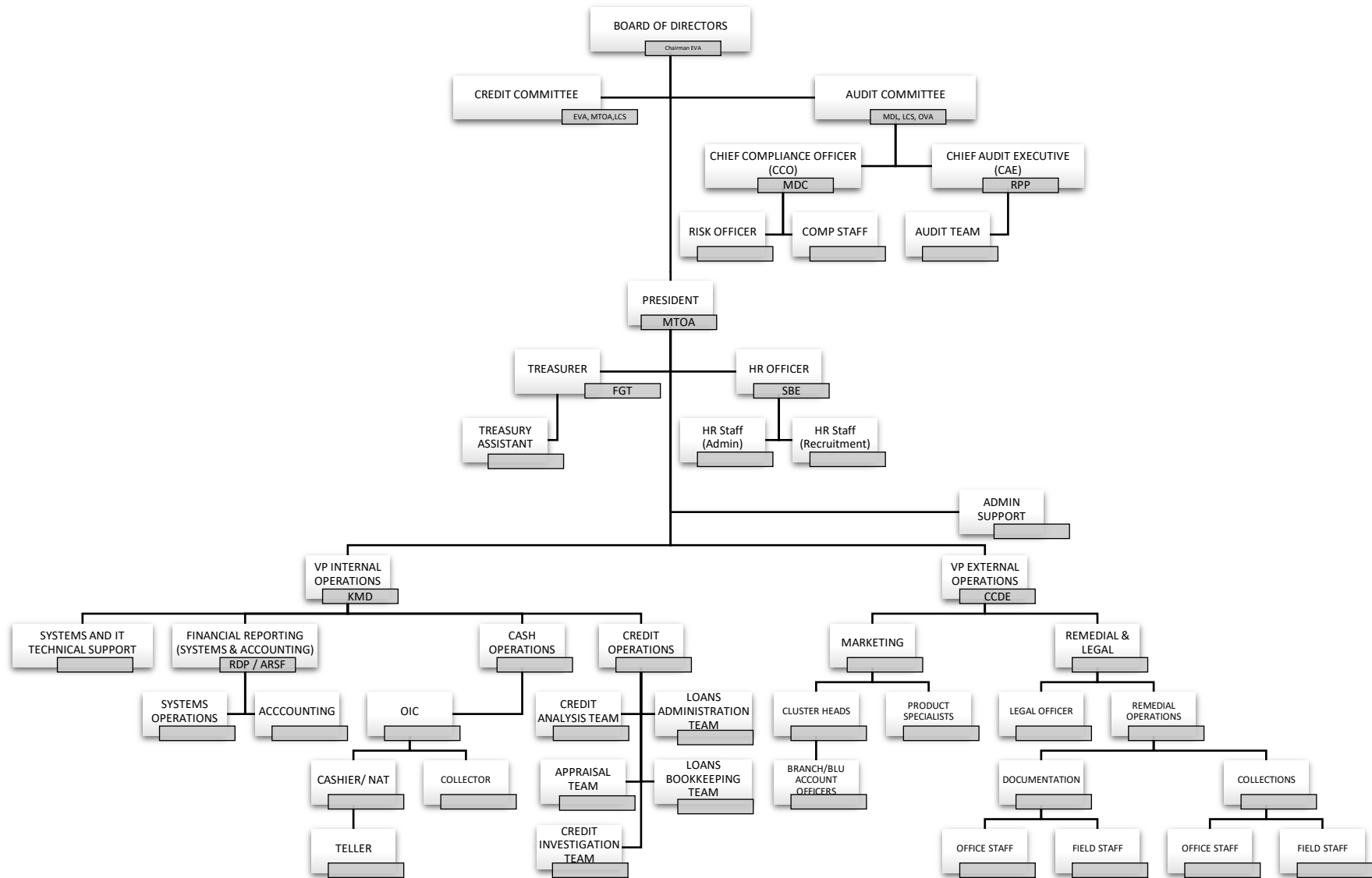
<i>December 31</i>	2023	2022
SHARE CAPITAL <i>(Note 16)</i>	₱48,172,700	₱48,172,700
SURPLUS FREE		
Balance at beginning of year	16,216,891	10,953,354
Profit for the year	5,715,110	5,245,125
Adjustments <i>(Note 23)</i>	(820,679)	18,412
Balance at end of year	21,111,322	16,216,891
	₱69,284,022	₱64,389,592

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 (LIMITED TO RENEWALS ONLY)
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 (LIMITED TO RENEWALS ONLY, RELOANS ARE ALLOWED BUT LIMITED TO BORROWERS WITH CLEAN RECORDS)
UNLAD I-C - 1	Revised ATM Loan, maximum of one (1) year, with ATM card (LIMITED TO RENEWALS ONLY)
UNLAD I-C - 2	ATM Loan for Private Corporate Regular Employee, max two (2) years with ATM Card (TEMPORARILY SUSPENDED)
UNLAD I-C - 3	ATM Loan for Government Employees, max two (2) years with ATM Card (TEMPORARILY SUSPENDED)
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 (LIMITED TO RENEWALS ONLY)
UNLAD I-F	Motorcycle Finance Loan
UNLAD I-FR	Motorcycle Finance Loan (Repossessed Units)
UNLAD I-G	Rice Loan (TEMPORARILY SUSPENDED)
UNLAD I-H	Barangay Loan (TEMPORARILY SUSPENDED)
UNLAD I-J-1	Limited unsecured COVID assistance loan package during COVID to targeted accounts (TERMINATED ALREADY)
UNLAD I-J-2	Unsecured urban or rural essential business during COVID (TERMINATED ALREADY)
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 (TEMPORARILY SUSPENDED)
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
LAP 2	Loans Against Deposit Placement 2 (Packaged with Micro Pick Up Deposit Product)
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

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
Malitbog BLU	Poblacion, Malitbog, Bukidnon (Beside Palawan Pawnshop)	(0917)-124-0064
Manolo Fortich BLU	Poblacion, Manolo Fortich, Bukidnon (Across Public Market)	(0917)-115-9064
Medina BLU	Mahayahhay, Cabug, Medina, Misamis Oriental (beside Axelum Resource Copr, fronting Gate #2)	(0917)-115-9064

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

Qualifying Capital		
	2023	2022
Tier 1 Capital		
Paid up common stock	48,172,700.00	48,172,700.00
Retained earnings	15,360,729.50	6,226,197.59
Undivided profits	5,085,337.45	5,283,644.75
Less: Deferred tax asset, net of deferred tax liability	-4,481,043.79	-3,290,223.43
Total Core Tier 1 Capital	64,137,723.16	61,660,159.01
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	1,504,304.10	774,856.94
Total Upper Tier 2 Capital [B.a (10 minus B.2 (5))]	1,557,204.10	1,036,515.49
Total Qualifying Capital [c minus D (6)]	65,694,927.26	62,696,674.50

Risk-based capital ratios:

	2022	2021
Net Tier 1 Capital	64,137,723.16	61,660,159.01
Net Tier 2 Capital	1,557,204.10	1,036,515.49
Total Qualifying Capital	65,694,927.26	62,696,674.50
Risk Weighted Assets	325,083,461.94	272,780,370.76
Tier 1 Capital Ratio	19.73%	22.60%
Total Capital Ratio	20.21%	22.98%

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

Capital Requirement		
	2023	2022
Credit Risk	283,827,877.64	237,777,998.15
Market Risk		
Operational Risk	41,255,584.30	35,002,372.61
Total Capital Requirements	325,083,461.94	272,780,370.76