

TONIK DIGITAL BANK, INC. (TDB)

**Annual Report
2020 Financial Year**

CORPORATE POLICY

Vision and Mission

We believe the existing Filipino banking customers and the 70% of the Filipinos that remain unbanked deserve a better choice – a digital-only bank that is simple, not intimidating, helps them save, all at the click of a button. As the world leader in Internet and social media usage, we believe the Philippines is ripe for becoming a world leader in digital banking, too. We plan to make it happen.

Brand and Differentiation

Innovation is woven into the DNA of our company. We put customers first. We challenge the status quo. We are relentless. We are passionate about improving people’s financial lives through the use of technology.

Business Model

TDB provides retail financial products, including deposits, loans, savings accounts, payments, and cards on a highly secure digital banking platform.

Products and Services

- Tonik Account (Transactional Savings Account) with an instant Virtual Mastercard
- Inbound and Outbound payments
- Stash (Savings Account)
- Group Stash (Savings Account)
- Term Deposits

OPERATIONAL AND FINANCIAL HIGHLIGHTS

TDB received Certificate of Authority to Operate from the BSP and launched in November 2020 in pilot mode with a closed group of pilot users. The results below reflect the limited operating history of the bank during 2020 financial year. The main strategic focus of the bank for 2021 is to achieve commercial launch to the broader public of its entire product range, including savings, loan, and payment products.

FINANCIAL SUMMARY	
	31 December 2020
Profitability in Php	
Total Net Interest Income	92,315.00
Total Non-Interest Income	400,881.00
Total Non-Interest Expenses	68,248,676.00
Pre-provision profit	(67,755,480.00)*
Allowance for Credit Losses	-

Net Income	(55,341,482.00)**
Selected Balance Sheet Data in Php	
Liquid Assets	15,968,347.00***
Gross Loans	-
Total Assets	104,900,426.00
Deposits	3,315,640.00
Total Equity	(336,618.00)
Selected Ratios	
Return on Equity	-385683%
Return on Assets	-52%
Capital Adequacy Ratio	-13.46%
Others	
Cash Dividends Declared	-
Head Count	62
Officers	47
Staff	15

*Reported Net Income Before Taxes

**Reported Net Income After Taxes

***Liquid Assets as defined by MLR (Nostro + BSP, excludes Petty Cash)

BOARD OF DIRECTORS

GRYGORII "GREG" KRASNOV

Chairman

47 years old, Ukrainian

Greg is the founder and serving Chairman of the Board of Tonik Digital Bank (TDB), the first neobank in the Philippines. Prior, he co-founded and chaired multiple other successful Asian fintech companies such as FORUM, Credolab, FLOW, Solarhome and AsiaKredit. He has been recognized as a Director of the Year at the Asia FinTech Awards 2021, one of the Top 12 Fintech Leaders in Singapore and Financier of the Year in Ukraine. He is also a long-standing member of the Young Presidents Organization (YPO) and founder of its Kyiv chapter. A true global citizen, he has resided in eight countries on three continents, speaking fluent English, Polish and Russian.

MARIA LOURDES JOCELYN "LONG" S. PINEDA

Executive Director

64 years old, Filipino

Long is the Executive Director of the Board and President of Tonik Digital Bank (TDB). She brings over 25 years of professional experience in financial inclusion in the Philippines and in different global emerging markets in Asia and Latin America. Prior to joining TDB, Long was the President of Rizal MicroBank and served as a First Senior Vice President at Rizal Commercial Banking Corporation (RCBC). She also held director and consultancy positions in various business and microfinancing institutions such as MicroKonsult, GONegosyo, BDO Network Bank and ACCION International.

Further, she holds a diploma from an executive course on strategic leadership on microfinance at the Harvard Business School in Boston, USA.

NILOTPAL "NIL" BORPUJARI

Non-Executive Director
48 years old, Indian

Nil is a Non-Executive Director and the Group Chief Risk Officer of Tonik Financial. He is a seasoned banking and financial services industry professional with 25-plus years of experience in a diverse range of business verticals such as retail and SME; and stints in start-ups, both fintech and brick-and-mortar as well as large corporates, with exposure to multi-cultural work environments. He is a Commerce graduate from Shriram College of Commerce (SRCC) at the University of Delhi, India, and holds a post-graduate diploma in management (PGDM) from one of India's premiere management schools, the Indian Institute of Management (IIM), Lucknow.

TODD S. ESPOSITO

Non-Executive Director
49 years old, American

Todd is a Non-Executive Director and the Group Chief Financial Officer of Tonik Financial. Prior to joining the neobank, Todd spent 20-plus years in bank and financial services across the globe, starting his career with GE Capital Consumer Finance where he became one of the youngest CFOs in the company's history and spent a decade in Europe both acquiring and running banking and financial service companies. He then moved farther East to Russia and Ukraine for various banking organizations.

JOHN PHILLIP "SUNNY" P. SEVILLA

Non-Executive Director
51 years old, Filipino

Sunny is a Non-Executive Director of the Board of Tonik Digital Bank (TDB). He is the President and CEO of Oak Drive Capital Inc., one of the major shareholders of TDB. A seasoned financier, John has held several leadership positions in both public and private sectors, most notable of which is serving as an Undersecretary of the Department of Finance in 2006 to 2007, and again in 2010 to 2013; as well as the Commissioner of the Bureau of Customs in 2013 to 2015. In the early 2000s, he has also served as an Executive Director for Goldman Sachs and Vice President at Salomon Smith Barney, both based in Hong Kong. He received an undergraduate degree from Cornell University majoring in Economics and Government, and a master's degree in Public Affairs, Economics and Public Policy from Princeton University.

JUSTIN T. LIU

Non-Executive Director
38 years old, Filipino

Justin is a Non-Executive Director of the Board of Tonik Digital Bank (TDB). He is the Executive Director of Camerton Holdings, Inc., one of the major shareholders of TDB. Camerton is a Philippines-based conglomerate with diversified holdings across the food, pharmaceutical, insurance, real estate and technology industry. Currently, Justin occupies the position of President & Director at Figaro Coffee Systems, Inc. and Director, Vice President & Information Officer at Cirtex Holdings Philippines Corp. He received an undergraduate degree from De La Salle University and a graduate degree from the University of San Francisco.

JOHN ALOYSIUS "LUIGI" S. BERNAS
Independent/Non-Executive
59 years old, Filipino

Luigi is an Independent and Non-Executive Director of the Board of Tonik Digital Bank (TDB). He is the Chairman of TDB's Audit Committee of the Board. He holds leaderships in Boards of several investments and technology solutions companies such as LeapFrog Investments, Transnational Education Solutions & Technologies, Inc. and Cold Front Technologies Asia, Inc. He currently serves as Chief Investment Officer at LifeBank Foundation Inc., Independent Director at Intellicare and at CreditAccess Asia. Luigi has previous stints in the public health sector, being a member of the Board of Directors at Philcare Inc. and PhilPlans First Inc. where he also served as Chairman of the Investment Committee. Luigi graduated with a degree of Bachelor of Arts in Economics from Ateneo de Manila University and obtained a Master of Business Administration degree from the University of Virginia Darden School of Business.

SENIOR MANAGEMENT

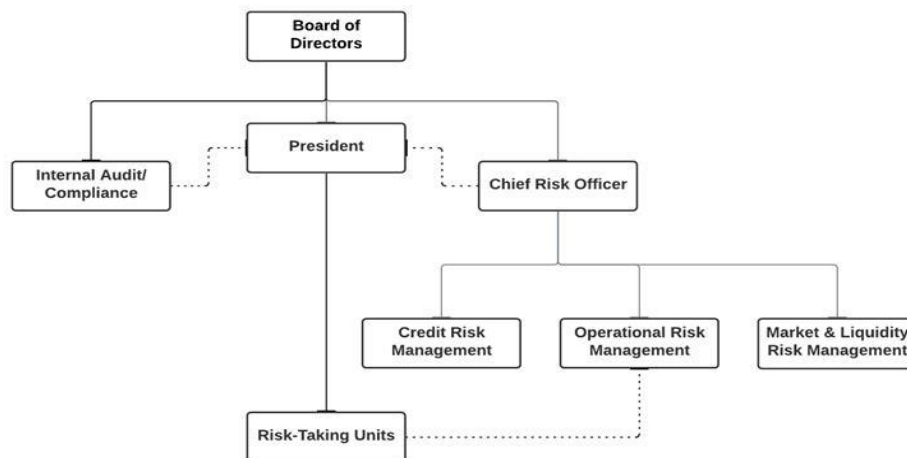
MARIA LOURDES JOCELYN "LONG" S. PINEDA, 64 years old, Filipino – President
BRYAN V. SAN LUIS, 42 years old, Filipino – Chief Financial Officer/Treasurer
ARIVUVEL RAMU, 41 years old, Indian – Chief Technology Officer
EUGENE PLOTITSA, 49 years old, Ukrainian – Chief Operations Officer
ROWENA JANE A. MANALAYSAY, 48 years old, Filipino – Chief People Officer
DIANA ROSE N. MENDOZA, 39 years old, Filipino – Chief Risk Officer
JOANNE D. SIY, 44 years old, Filipino – Compliance Officer
EDUARDO RAMON G. JOSON, 45 years old, Filipino – Head of Product

RISK MANAGEMENT FRAMEWORK

TDB adopts a top-down risk management framework, with the Board of Directors (BOD) setting policy, defining the overall institutional tolerance for risk, and creating the framework that allocates responsibilities and institutes controls for compliance with policies.

The BOD's execution and operational arm is primarily the Risk Management Department, headed by the Chief Risk Officer (CRO). The CRO is independent from executive functions and business line responsibilities, operations, and revenue generating functions; and reports directly to the BOD.

A sound internal governance forms the foundation of an effective risk management framework. TDB's risk governance function is fully integrated into the Bank's overall risk management governance structure.



The Three Lines of Defense is applied for managing risks:

First Line of Defense (1LoD) – the heads of TDB’s business units and their delegates own and manage risks. They have the primary accountability for the performance, operations, adherence, and effective control of risks affecting their businesses or operations. This line of defense is also accountable for implementing corrective actions to address process and control deficiencies.

Second Line of Defense (2LoD) – an independent risk management function (ie. Compliance and Risk Departments) generally complementing the business or operation line’s risk-taking activities. This line of defense monitors and facilitates the implementation of effective risk management practices by TDB’s business or operations units and assists the risk owners in reporting adequate risk-related information up and down the organization.

Third Line of Defense (3LoD) – an independent, objective assurance function (i.e. Audit) with reporting lines to the BOD and the control committee. This line of defense conducts an independent assessment of the risk management framework, including the implementation of risk management policies and procedures.

RISK MANAGEMENT PROCESS

Risk Management is functionally independent of business and operational units within the Bank. It is responsible for the development of measures to ensure that the risk inherent to the Bank’s activities are properly identified, measured, controlled, monitored, and reported.

AML RISK MANAGEMENT FRAMEWORK

The Bank is committed to comply with the Anti-Money Laundering (AML) law and other related rules and regulations. The Compliance Department through its AML Unit ensures that its AML System is effectively implemented at all times to validate whether customer’s financial transactions are within assessed capacities. Know- Your-Customer (KYC) measures, which includes Customer Due Diligence (CDD) and other related standards like thorough customer identification based on their risk assessment, are regularly reviewed and enhanced to remain aligned with the changing requirements and emerging trends.

The Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Policy (Money Laundering and Terrorist Financing Program) is in place to protect the Bank, employees, products,

and services from being used as a money laundering vehicle and conduit for proceeds of unlawful activities, and to protect the integrity and confidentiality of banking transactions. The Compliance Department is responsible for managing, updating, and implementing the AML/CFT Policy including ensuring that employees have sufficient and up-to-date knowledge of the regulations and policies, through classroom and electronic-based trainings as well as constant communications or reminders.

The Bank’s Financial Crime Committee is the governance structure at the management level and oversees the implementation of the AML/MTPP manual. Meanwhile, the Board of Directors exercises oversight functions to ensure compliance to AML regulations.

RISK APPETITE AND LIMITS

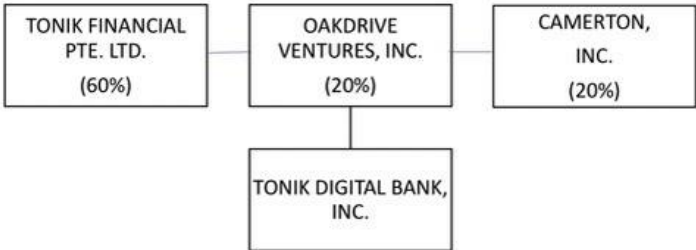
The overall risk appetite of TDB is defined through established policies and procedures, product programs, limits setting to manage risk exposures and through defined accountabilities and responsibilities across the organization. TDB adheres to both regulatory and internal limits approved by the BOD. These limits are monitored regularly and presented to appropriate committees. Any breaches are elevated for approval as appropriate.

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

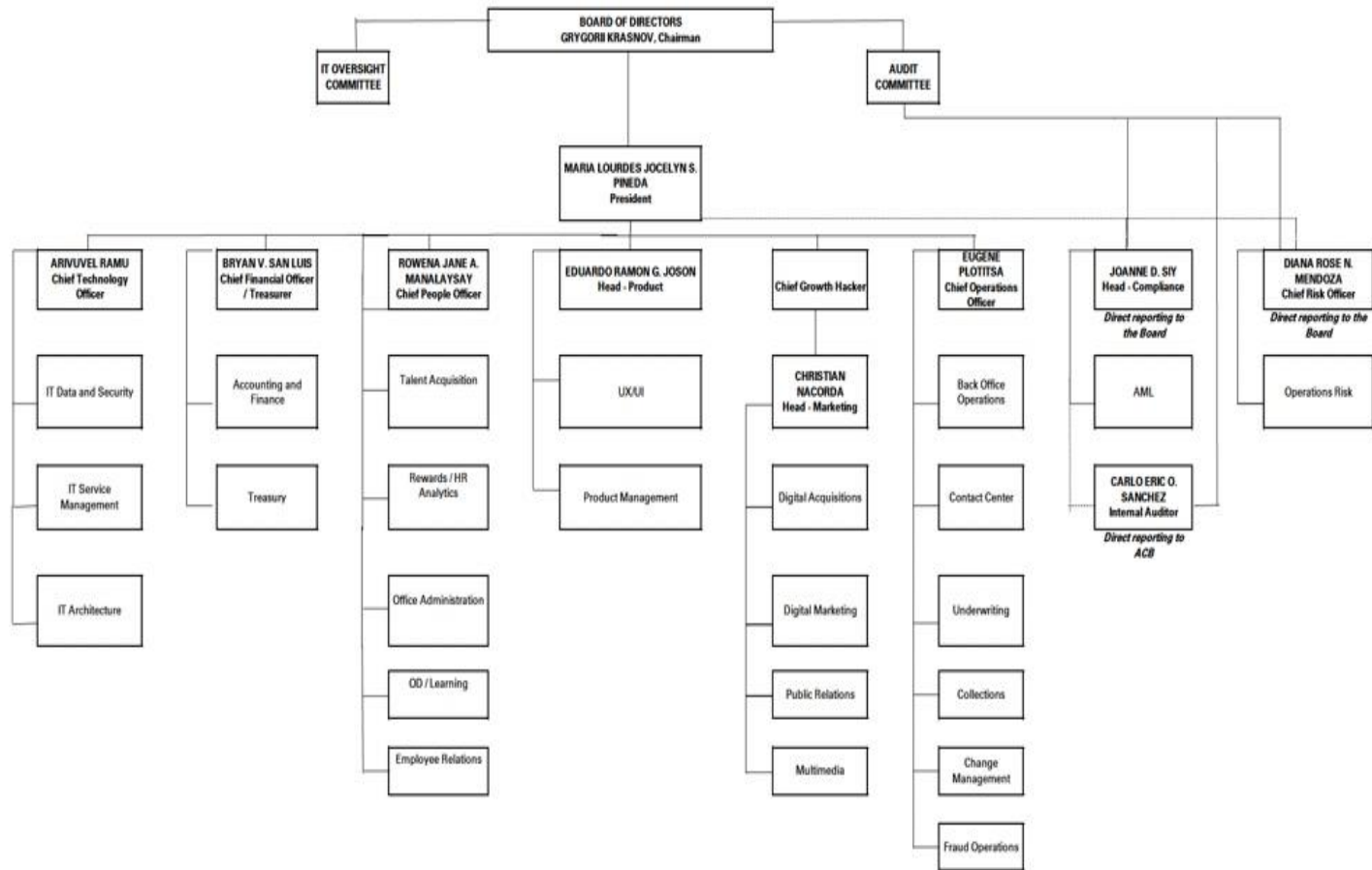
TDB recognizes that transactions between and among related parties create financial, commercial and economic benefits to individuals, institutions and to the entire group where said institutions belong. It is the Bank’s policy to conduct these transactions at arm’s length and the Board of Directors (BOD) is mandated to undertake the oversight and ensure that effective control systems are in place for managing said exposures. The BOD ensures that related party exposures do not lead to abuses that may be disadvantageous to the bank and its depositors, creditors, fiduciary clients, and other stakeholders.

CORPORATE GOVERNANCE

Conglomerate Map



Organizational Structure



Corporate Governance Structure and Practices

In carrying out its advocacy of good corporate governance, TDB has implemented a Governance System that encompasses three critical pillars consisting of:

1. Board of Directors (BOD) that provides direction for business and risk strategies, organization, financial soundness, and governance;
2. Senior Management that carries the implementation of the strategies and initiatives set and approved by the Board; and,
3. An internal control system, which covers implementation of the key control functions, such as risk management, compliance, and internal audit.

Selection Process for the Board and Senior Management

The Board of Directors and Management Committee take part in the screening process and make the final decision on Senior Management hirings and placements. All candidates for such positions go through a series of interviews and are assessed based on the following:

1. Relevant experience, background, competency, and training in their chosen field vis-a-vis the banking/financial services industry;
2. Physical and mental fitness:

The individual must be fit and proper for the position s/he is proposed/appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence. In assessing an officer's integrity/probity consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

3. Availability to fulfill his/her duties
4. Alignment to Bank's values, and culture fitness

A director shall have the following minimum qualifications:

- a. S/he must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following are considered:
 - a.1. integrity/probity, physical/mental fitness
 - a.2. relevant education/financial literacy/training
 - a.3. possession of competencies relevant to the job, such as knowledge and experience
 - a.4. skills, diligence and independence of mind; and
 - a.5. sufficiency of time to fully carry out responsibilities
- b. S/he must have attended a seminar on corporate governance for board of directors
- c. Provided, the following persons are exempted from complying with the aforementioned requirement: (a) Filipino citizens with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance; (b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members; or (c) Former Chief Justices and Associate Justices of the Supreme Court
- d. Provided, further, that this exemption shall not apply to the annual training requirements for the members of the board of directors.

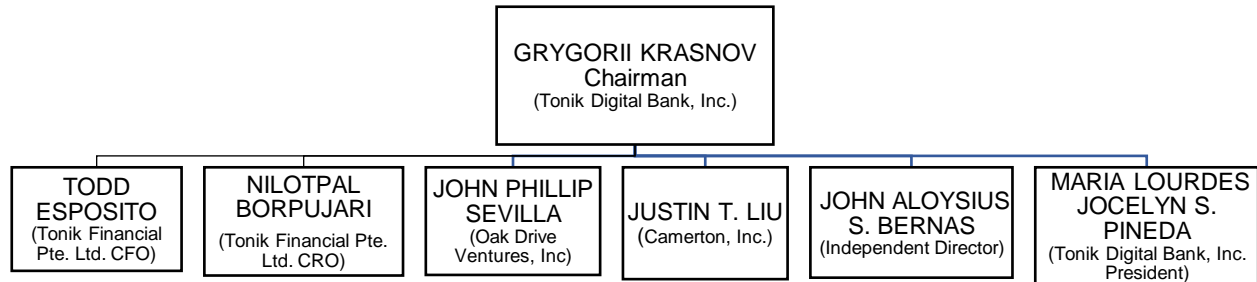
In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his/her ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies. The members of the board of directors should also possess the qualifications prescribed under R.A. No. 8791 and other applicable laws and regulations.

Board Overall Responsibility

The Board of Directors is primarily responsible for defining the Company's vision and mission. The Board has the fiduciary responsibility to the Company and all its Shareholders including minority shareholders. The Board shall carry out the following duties and responsibilities:

1. Approve and oversee the implementation of strategies to achieve corporate objectives;
2. Approve and oversee the implementation of risk governance framework and the systems of checks and balances;
3. Establish a sound corporate governance framework;
4. Approve the selection of the CEO and key members of the senior management and control functions and oversee their performance;

- Define the Company's corporate culture and values. Establish a code of conduct and ethical standards in the Company and institutionalize a system that allow reporting of concerns or violations to an appropriate body.



Directors, Officers and Employees

Directors

Composition of the Board of Directors. The business affairs of the Bank are conducted under the supervision and control of a Board of Seven (7) directors. The holders of common stock entitled to vote elect such directors in the manner provided in Sec. 23 of R.A No. 11232, as amended (Revised Corporation Code), whose qualifications are subject to the approval of the Monetary Board of the Bangko Sentral ng Pilipinas.

Non-Filipino citizens may become members of the board of directors to the extent of the foreign participation in the equity of the bank. In compliance with Sec. 132 (b) of the BSP Manual of Regulations, the Bank shall elect at least one (1) independent director. An independent director shall be defined as a person who, apart from shareholdings and fees received from the bank, is independent of management and free from any business or other relationship with the bank.

Chairman of the Board. The Chairman of the Board of Directors presides at the meetings of the directors and the stockholders. He also exercises such powers and performs such duties as the Board of Directors may assign him.

Board Composition

Name of Director	Type of Directorship	Principal stockholder represented if nominee	Number of years served as Director	Number of direct and indirect shares held	Percentage of shares held to total outstanding shares
Grygorii Krasnov	Non-Executive	Tonik Financial Pte. Ltd.	2	1	0%
Todd S Esposito	Non-Executive	Tonik Financial Pte. Ltd.	2	1	0%
John Phillip Sevilla	Non-Executive	Oak Drive Ventures, Inc	2	1	0%
Justin T Liu	Non-Executive	Camerton, Inc	2	1	0%
John Aloysius Bernas	Independent and Non-Executive	N/A	2	1	0%
Maria Lourdes Pineda	Executive Director	N/A	2	1	0%
Nilotpal Borpujari	Non-Executive	Tonik Financial Pte. Ltd.	1	1	0%

Election and Term. The Board of Directors are elected during each regular meeting of the stockholders and hold office for one (1) year until their successors are duly elected and qualified. The regular term of a director shall be from the date of his election to the regular annual meeting of the stockholders of the bank, or until his/her successor shall have been elected and qualified to take his/her place at said annual meeting. Unless a director shall sooner resign be removed from office, or become unable to act by reasons of death, disqualification, or otherwise, s/he shall hold office during the term for which elected until his/her successor is elected and qualified. Any director who ceases to be the owner of at least one share of the capital stock of the Bank shall thereby cease to be a director.

Eligibility. Every director must own at least one (1) share in his own name, of the Bank's issued and outstanding capital stock. Eligibility of directors shall be subject to existing laws and BSP rules and regulations. Such number of foreigners may be elected as directors of the Bank in proportion to their shareholdings.

Prohibition. No individual shall become or be a director if s/he is or becomes a director or employee of any other financial or banking institution under the supervision of the Bangko Sentral when said financial or banking institutions are of the same type or classification. For purposes of this prohibition, a husband and his wife shall be treated as one and the same person.

Vacancies. Any vacancy occurring in the Board of Directors shall be filled in accordance with the provision in Article III, Sec. 5 of the Bank's By-laws.

Bank's system of risk management, internal controls, and governance processes, as well as the operating and business units' adherence to internal processes and procedures and to regulatory and legal requirements. In performing its oversight responsibilities and in compliance with the Audit Committee Charter and applicable corporate governance laws and rules, the Audit Committee confirmed in its report for 2020 the following:

A. Bank's financial statements and financial reporting process

The results of internal and external audits of the Bank's internal controls relative to the financial reporting process were discussed. The results of review of the Bank's audited financial statements and its related disclosures for the year ended December 31, 2020, were discussed by the external auditor with the Audit Committee. After obtaining the external auditor's unqualified opinion on the year-end financial statements, the Audit Committee approved the audited financial statements based on authority given by the Board of Directors and its inclusion in the 2020 Annual Report to the Stockholders.

B. Systems of internal control, management of risks, and governance

The results of external and internal audits of the Bank's internal control, risk management and governance were discussed. The Audit Committee also ensured that management is taking appropriate corrective actions in a timely manner and addressing risk exposures, internal control, governance, and compliance issues.

C. Performance of the independent auditors and internal audit function

External Audit

A. PricewaterhouseCoopers (PWC) was appointed as the Bank's external auditor for the 2020 financial statements based on the results of performance assessment conducted by designated officers of the Bank.

B. The plan and scope, including audit fees, of the Bank's external auditor were discussed and approved.

On external audit, it ensured the independence, qualification, and objectivity of the appointed external auditor, which is accredited by the BSP. It reviewed and discussed the content of the engagement letter, audit plan, scope of work, focus areas, composition of engagement team among others, prior to the commencement of audit work. It comprehensively discussed the external audit reports, focusing on internal controls, risk management, governance and matters with Corporate Governance financial impact particularly on the changes in accounting and reporting standards. It reviewed Management's Letter as well as Management's response and action taken on the external auditor's findings and recommendations.

Internal Audit

A. Audit policies and methodologies were discussed and approved ensuring appropriateness and conformance with regulatory requirements and international standards.

B. The Internal Audit's strategic three-year plan and annual audit plan were discussed and approved. These were developed using a risk-based approach to assess the adequacy of the Bank's internal control, risk management and governance processes.

C. The organizational independence of the Internal Audit function is maintained as confirmed by the Internal Auditor. Regular self-certification is in place to confirm the independence of Internal Audit personnel as well as compliance with the Code of Ethics.

D. The Internal Audit conducts its functions in accordance with the standards set forth by the Bank's internal policies, the Audit Manual, regulatory requirements as well as IIA standards as confirmed by the Internal Auditor.

E. The Internal Auditor provided an evaluation on the adequacy and effectiveness of risk management, controls and governance processes of the Bank based on the results of various audit engagements of Internal and External Audit.

4. Compliance with the standards set forth by the Bank's internal policies, code of conduct and business ethics and applicable laws, rules and regulations.

The Audit Committee, through the Internal Audit function, assesses compliance with the standards set forth by the Bank's internal policies, code of conduct and business ethics, and the applicable laws, rules and regulations including the effectiveness of the system of monitoring resolutions of outstanding issues.

IT Oversight Committee

The IT Oversight Committee (IT OvCom) Charter was adopted by the Board of Directors of TDB on November 17, 2020.

This Charter is intended as a component of the flexible governance framework within which the Board, assisted by its committees, direct the affairs of TDB. While it should be interpreted in the context of all applicable laws, regulations, and listing requirements as well as in the context of the bank's Articles of Incorporation and ByLaws, it is not intended to establish, by its own force, any legally binding obligations.

This Charter aims to align the function of the IT Oversight Committee with the requirements of BSP Circular 808 (Guidelines on Information Technology Risk Management).

Purpose / Rationale

The IT OvCom has been constituted by the Board to review and provide oversight of, and counsel, on matters relating to information technology.

In discharging its role, the Committee is empowered to inquire into any matters it considers appropriate to carry out its responsibilities, with access to books, records, facilities, and personnel of the bank. TDB shall provide adequate resources to support the Committee's activities.

As mandated by BSP regulation, among the risks associated with the use of technology which the Committee should closely monitor and provide oversight on are the following:

- 1. Operational risk** is the risk to earnings and capital arising from problems with service or product delivery. This risk is a function of internal controls, IT systems, employee integrity and operating processes. Operational risk exists in all products and services;
- 2. Strategic risk** is the risk to earnings and capital arising from adverse business decisions on IT-related investments or improper implementation of those decisions. The

risk is a function of the compatibility of the bank's strategic goals, the business strategies developed to achieve those goals, the resources deployed against those goals and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible which include communication channels, operating systems, delivery networks and managerial capacities and capabilities;

3. Reputation risk is the risk to earnings and capital arising from negative public opinion. This affects the bank's ability to establish new relationships or services or continue servicing existing relationships. The risk can expose the bank to litigation, financial loss or damage to its reputation; and

4. Compliance risk is the risk to earnings and capital arising from the violations of, or non-compliance with laws, rules and regulations, prescribed practices or ethical standards. Compliance risk also arises in situations where the laws and rules governing certain product activities of the bank's client may be ambiguous or untested. Compliance risk exposes the bank to monetary penalties, non-monetary sanctions and possibility of contracts being annulled or declared unenforceable.

Membership

The ITO OvCom shall consist of at least three (3) members. The members of the Committee shall be designated by the Board and continue to be members until their successors are appointed and qualified, or until their resignation or removal. The Board may remove members of the IT OvCom with or without cause at any time. The Chair of the Committee shall be appointed by (and serve at the pleasure of) the Board, and is authorized to convene and chair meetings of the Committee, set agendas for meetings and determine the Committee's information needs. In the absence of the Chair at a duly convened meeting, the Vice-Chairman shall chair the said meeting.

The following shall be the regular members of the IT OvCom:

- i. President (Chairman)
- ii. Chief Technology Officer (Vice-Chairman)
- iii. Chief Operations Officer

Heads of the different user groups and information providers shall participate, as necessary, in the Committee meetings.

Meetings

The IT OvCom shall meet quarterly, or as often as required should there be IT-related matters that require the review of the Committee for endorsement to the TDB Board of Directors for approval. Meetings of the Committee may be held through videoconferencing (MS Teams). A majority of the Committee members shall constitute a quorum. If a quorum is present, a majority of the members present shall decide any questions brought before the Committee. If one IT OvCom member disagrees, a proposal will not be approved. If there are only two (2) members in attendance, both must have a consensus to approve any proposal. The Committee shall report regularly to the Board on its proceedings and maintain appropriate minutes or other records.

Key Responsibilities

The following responsibilities are set forth as a guide for fulfilling the Committees purposes, with

the understanding that the Committee's activities may diverse as appropriate given the circumstances. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time.

The Committee may form and delegate any of its responsibilities to a subcommittee so long as such sub-committee is comprised of one or more members of the Committee.

To fulfill its purposes, the Committee shall review and provide guidance on matters relating to information technology and innovation of importance to the Bank, including but not limited to:

1. significant emerging technology issues and trends that may affect the Bank, its business and strategic direction;
2. the Bank's approach to technical/ IT-related innovation;
3. the Bank's technology planning processes to support its growth objectives;
4. alignment between strategic commercial objectives and the Bank's technology and production innovation plans;
5. the Bank's technology acquisition and decision-making process to assure ongoing-growth;
6. the Bank's technology competitiveness, including the effectiveness of its technological efforts and investments in developing new products and businesses;
7. the strength and competitiveness of the Bank's engineering processes and disciplines, including its focus on engineering leadership and critical technologists' development and replacement planning;
8. measurement and tracking systems important to successful IT-related innovation and technology development; and
9. integration of the Bank's technology and IT-related innovation efforts with the Bank's overall intellectual property strategy.

Specific Duties and Responsibilities

1. Provide strategic direction of IT and alignment of IT and the business.
2. Oversee the delivery of the value of IT to the business.
3. Ascertain that processes are in place to ensure that risks have been adequately managed.
4. Provide direction sourcing and use of IT resources.
5. Review IT performance and the contribution of IT to the business.
6. Review the IT infrastructure and operating policies to ensure these are congruent with corporate policies on prudent IT management and conform to regulatory industry and technological standards, trends and best practices.
7. Establish, in consultation with Management and subject to Board approval, corporate policies and guidelines for IT operations, reporting and management.
8. Coordinate with the Compliance and Internal Audit Group in the review of the Bank's IT activities, including oversight structure for general policies and reports.
9. Coordinate with the Risk Management Group on the implementation of the risk management plan.
10. Create and promote a culture that requires and encourages the highest standards of ethical behavior by IT personnel
11. Encourage the professional development and training of staff engaged in the practice of IT.
12. Review and provide guidance with respect to future trends in technology that may affect the Bank's strategic plans, including monitoring of overall industry trends.
13. Review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.

14. Annually review the Committee’s performance and submit annual performance report to the Board of Directors

Directors’ Attendance at Meetings

Director	BOARD MEETING DATES										TOTAL	%
	19-Jun-20	21-Jul-20	18-Aug-20	25-Aug-20	15-Sep-20	20-Oct-20	8-Nov-20	17-Nov-20	16-Dec-20	22-Dec-20		
Grygorii Krasnov	1	1	1	1	1	1	1	1	1	1	10	100%
Maria Lourdes Jcelyn Pineda	1	1	1	1	1	1	1	1	1	1	10	100%
John Aloysius Bernas	1	1	1		1	1		1	1	1	8	80%
Joyn Philip Sevilla	1	1	1	1	1	1		1	1	1	9	90%
Justin Liu	1	1	1	1	1	1		1	1	1	9	90%
Todd Esposito	1	1	1	1	1	1	1	1	1	1	10	100%
Nilotpal Borpujari	1	1	1	1	1	1	1	1	1	1	10	100%

Performance Assessment Program

The Bank conducts an annual performance appraisal exercise, with a mid-year review to ensure alignment and progression of goals vis- -vis the overall business objectives. Each employee conducts a self-assessment on both goal achievement and adherence to values, undergoes a separate review by the immediate superior, then both engage in a performance conversation before determining the final performance rating.

The members of the Board conduct an annual self-assessment of the Board as a whole, of themselves as the individual members and as members of the Board committees. The self-assessment includes an evaluation of the independent judgment, objectivity, and balanced perspectives of each member and of the Board as a whole.

Orientation and Education Program

TDB operates in a highly agile and rapidly changing environment, that is why the Bank is committed to ensuring that every employee is equipped to not simply deal with these changes, but to actually harness these situations to improve themselves, and the Bank, as a whole.

Since the Bank started its operations, there have already been developments in the way the Bank trains its employees. Human Resources (HR) works hand-in-hand with other Departments in rolling-out programs that are essential to the employees’ efficient and legally compliant performance of their respective functions. TDB has regularly provided Bank-wide learning sessions on Anti-Money Laundering, Data Privacy, Information Security Awareness, and Regulatory Compliance updates. Internal programs geared towards product proficiency and fraud detection have also been initiated, particularly for our front-liners in the Contact Center.

Function-specific learning sessions, both internal and external, that cover systems, skills enhancement, and new trends have likewise been provided.

The Board of Directors (BOD) is oriented with their duties and responsibilities, and such duties and responsibilities are accepted by each Director. The BOD is also required to undergo Annual Training (ie. Corporate Governance Seminar and AML Seminar). First time directors are required to complete at least 8 hours of training; while other members of the board are required to complete at least 4 hours of training annually.

Retirement and Succession Policy

TDB is committed to continuously update its employee benefits as it develops and grows as an organization. The Bank shall ensure compliance with Philippine law, particularly Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines.

The Bank is also on its way towards developing a succession strategy, beginning with the establishment of the performance appraisal exercise. The exercise takes into account employees' strength and growth areas, as well as development plans and career aspirations that may be discussed during the performance conversation with immediate superiors. All of which are essential to identifying candidates who can become potential successors to key leadership positions.

Remuneration Policy

The bank commits to pay its employees (Senior Management, Officers, Rank and File) that are consistent with job performance and the requirements of the law, remaining competitive with the banking industry.

For the rest of the Bank, Senior Management works closely with the Human Resources Department in ensuring that pay is aligned with the Bank's financial performance and individual job performance. It is continuously working on improving its salary structure to align externally with the market and to ensure internal equity among the different job levels of the Bank, across functions.

Remuneration of directors is commensurate with their contributions and scope of their responsibilities.

Related Party Transactions

Related Party Balances and Transactions as and for the period - December 31, 2020; are summarized as follows:

Due to Parent Company*			
Parent Company*	Transactions in Php	Outstanding Balance in Php	Conditions
Reimbursement of Expenses	(64,003,531)	(64,003,531)	* Payable in Cash on Demand at Gross Amount * Non-Interest Bearing * Unguaranteed and Unsecured

* Tonik Financial Pte, Ltd.

Self-Assessment Function

Internal Audit

The Bank's Internal Audit function provides reasonable assurance to the BOD, Senior Management, and stockholders that the Bank's key organizational and procedural controls are effective, appropriate, and complied with. Internal audit covers at the minimum the evaluation of the adequacy and effectiveness of controls that cover governance, operations and information systems, reliability, and integrity of financial and operational information; effectiveness and efficiency of operations; protection of assets; and compliance with contracts, laws, rules, and regulations.

The Internal Audit function directly reports to the BOD through the Audit Committee of the Board. The risk-based Annual Audit Plan, including subsequent changes thereto, as well as the evaluation, appointment, and termination of External Auditor, among others, are presented for approval of the Audit Committee. Other matters such as the results of audits and issues resolution tracking, updates on accomplishments, and other audit activities are also regularly reported.

The Internal Audit structure and processes are aimed at enhancing and protecting the organizational value by providing independent, objective assurance and consulting activities. Internal audit adheres to the principles required by the ISPPA (International Standard for the Professional Practice of Internal Auditing), COSO Internal Control-Integrated Framework, COBIT (Control Objectives for Information and Related Technology), the Internal Audit Definition, and Code of Ethics.

To develop competence, the Bank provides for the continuing professional and personal development of internal audit through training, seminars, and professional certifications. These are also aimed at keeping the internal audit abreast with new laws and regulations, as well as the current developments in governance, risk, information technology, and control processes.

Internal Audit maintains a quality assurance and improvement program that covers all aspects of the Internal Audit function. An internal assessment is conducted on an ongoing basis while an external assessment is conducted by a qualified external quality assessor at least once every five years. The results of the internal and external assessments are presented to the Audit Committee and the BOD.

Compliance

The Compliance function is independent from the business activities of the Bank and is governed by a Compliance Framework approved by the Board of Directors. It carries out its responsibilities on all groups, divisions, or departments where compliance risk exists. It has access to all operational areas as well as any records or files necessary to enable it to carry out its duties and responsibilities, including the right to conduct investigations of possible breaches of the compliance policy. It directly reports or has direct access to the BOD or to the appropriate Board-level committee.

The Compliance function is being carried out by TDB's Compliance Department, which advises the Board and Senior Management and appraises business units on relevant laws, regulatory rules, standards, and compliance issues. It acts as a contact point within the Bank for compliance issues. It establishes written guidance on the appropriate implementation of related laws, rules, and policies; assesses the appropriateness of the Bank's compliance procedures and guidelines; formulates proposals as necessary; tests and monitors Bank units' compliance to regulatory rules by performing representative compliance testing; and maintains a constructive working relationship with regulatory agencies and bodies.

Dividend Policy

Dividends may be declared by the Board of Directors from time to time, provided all requirements outlined in Sec. 124 of the BSP Manual of Regulation for Banks are met.

Corporate Social Responsibility

The Bank is committed to supporting the country's mission of nation-building and will endeavor to contribute more towards helping uplift the lives of Filipinos. As such, the Human Resources Department is currently conceptualizing CSR initiatives to forward TDB's mission of serving the Filipino community which shall be soon presented to the Board for approval and implementation.

Consumer Protection Practices

The BOD and Senior Management are responsible for developing the consumer protection strategy and establishing an effective oversight over TDB's consumer protection programs. The BOD shall be primarily responsible for approving and overseeing the implementation of TDB's consumer protection policies as well as the mechanism to ensure compliance with the said policies.

The BOD is expected to:

- Perform approval and implementation oversight;
- Monitor framework implementation and management; and,
- Oversee compliance with the framework.

Senior Management is expected to:

- Establish an open and enabling culture to encourage responsible and ethical behavior;
- Promote staff awareness of the significance of consumer protection, including providing sufficient training, in their respective business functions, particularly those who have regular interaction with customers;
- Set up effective systems and controls to manage and monitor compliance with all applicable laws, regulatory standards, best practices, and internal guidelines; and,
- Be alert to early warning indicators of potential problem or threats to the Bank's reputation.

The Consumer Protection Risk Management System

TDB is committed to safeguarding that all its business activities and that of its officers and staff are conducted in accordance with all applicable laws; rules, regulations, and regulatory guidelines; and the highest ethical standards.

To ensure adherence to consumer protection laws, rules, and regulations, TDB has in place a Consumer Protection Risk Management System (CPRMS). It is a means by which the Bank identifies, measures, monitors, and controls consumer protection risks inherent in its operations. The components of the Bank's CPRMS are the following:

1. Board and Senior Management Oversight

Their responsibilities are enumerated in the framework.

2. Policies and Procedures

The Bank's policies and procedures are consistent with Consumer Protection policies approved by the Board; guarantee that consumer protection practices are embedded in the business operation; address compliance with consumer protection laws, rules, and

regulations; and review periodically and kept up-to-date as it serves as reference for employees in their day-to-day activities.

3. Internal Audit Function

Involves the review of the Bank's consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules, and regulations.

4. Training

Specific and thorough training for all relevant personnel specifically those whose roles and responsibilities have customer interface to reinforce and help them implement written policies and procedures on consumer protection.

5. Reputational Risk Policy

Covers customer satisfaction as one of the key drivers of reputational risk. It provides a high-level policy in which reputational risk is identified, measured, managed, controlled, mitigated, and reported.

The Consumer Assistance Program

TDB has a Contact Center (CC) that provides a single point of contact to cater to the needs of the Bank's clients (existing and prospective). CC is a unit tasked to as the initial point of contact for all types of concerns relayed by the clients through inbound calls, e-mails, in-app chats, and social media.

General Policy Guidelines

1. CC shall attend inquiries, requests, and complaints on the Bank's products and services received from the clients.

2. The CSA shall be CC's front liner and shall be responsible in handling the clients' interaction through the available communication channels. The CSA shall be under the supervision of a Customer Service Officer/Team Leader (TL).

3. At the start of their shift, the CSAs should login and set their status as "Available" to the Contact Center System to accept interactions from the clients.

4. Inquiries in general and some requests and complaints, depending the nature of the concern, shall be handled/resolved during the interaction without the client needing callback or follow up for their concern.

5. For concerns that could not be resolved at the point of call, the CSA shall coordinate with the needed business unit or a TL (CS Officer) for fulfillment/resolution.

6. The CSA shall provide the information being requested based on the Bank's records, subject to the following guidelines.

a. Strict adherence to the following regulatory requirements:

- i. Republic Act (RA) No. 1405 – Bank Secrecy Law, as amended
- ii. RA No. 8791 – General Banking Law of 2000, as amended
- iii. Bangko Sentral ng Pilipinas (BSP) Circular No. 857 – BSP Regulations on Financial Consumer Protection
- iv. Bangko Sentral ng Pilipinas (BSP) Circular No. 1048
- v. Other similar and applicable laws

b. CC shall not disclose to a third party, information acquired from the client in all stages of the inquiry, request and complaint, except as may be required under existing regulations.

7. Attending to the client's concern shall be carried out by CC, based on the set standards of CC, which include the following:

- a. Proper interaction handling
- b. Adherence to spiels
- c. Efficient handling time

8. The TAT shall be observed in processing the client's concerns.

9. To ensure that interaction handling standards are observed Quality Monitoring shall be done on a regular basis.

10. Upon answering the interaction, the CSA shall immediately get the caller's name, account number/mobile number (if the caller is already a client).

11. Depending on the nature of the interaction, the CSA may perform the following:

- a. Immediately assist the client (simple inquiries not pertaining to account information) without the need for PID. Refer to Annex I.
- b. Conduct PID verification prior to providing account related information to the client/caller
Positive Identification (PID)

12. PID is performed by asking security questions in order to ensure that the caller is the client and to eliminate the risk of disclosing any account information to any unauthorized caller.

13. The CSA shall strictly adhere to the number and/or combination of security questions depending on the type of inquiry, request, and complaint received.

14. The PID Matrix contains the list of concerns (Inquiry, Request, Complaint) with their corresponding pool of security questions the CSA will need to ask prior to further assisting the client.

15. The CSA's compliance to the PID requirements, shall be monitored via Quality Monitoring.

16. The client's responses to the security questions shall be verified by the CSA against the account details maintained in the Bank's system.

a. If some security questions are not answered correctly, alternative security questions may be asked based on the PID Matrix.

b. If the client fails 3 security questions, the CSA will send an OTP to the client's mobile app, if the OTP is incorrect, this should be reported for fraud checking. c. If the required PID questions are answered correctly, the CSA may already provide the information/service being requested subject to the policy guidelines on Confidentiality in Providing Information, hereof.

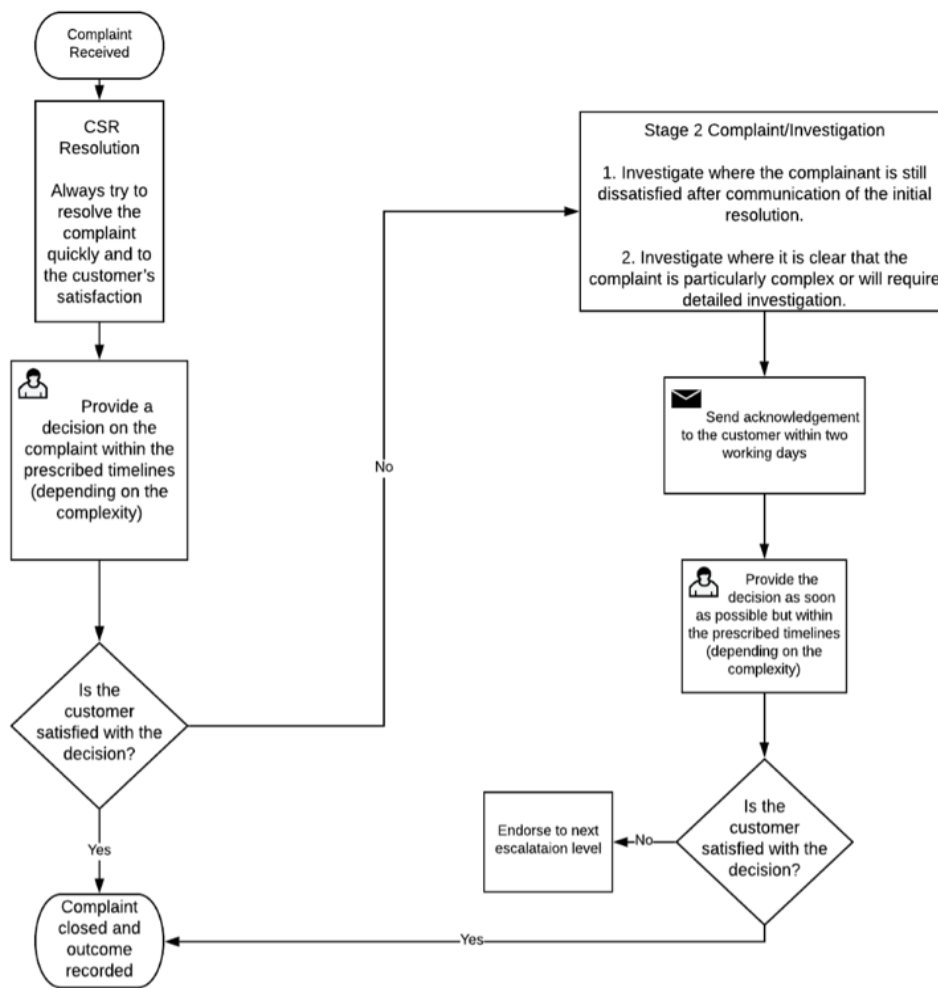
Complaints Handling

A complaint may be made by the client regarding our products, services, and employees via phone, email, writing, or chat. Complaints received shall be acknowledged or tried to be resolved at the point of the interaction. Contact Center will utilize the stored call/screen recordings to validate the

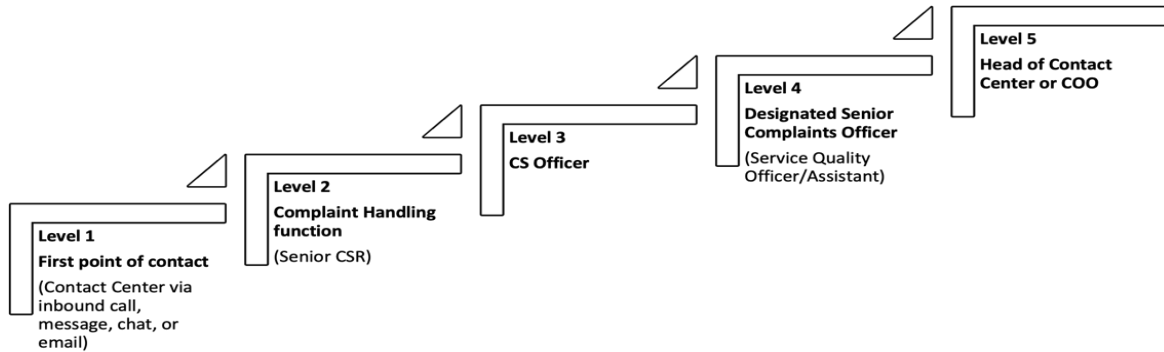
complaint, to be handled by the Training & Quality Officer/Quality Associate, when needed. Contact Center will aim to assist in resolving complaints within the prescribed timelines below and following the necessary escalation levels:

	SIMPLE	COMPLEX
Acknowledgement	Within 2 days from receipt	Within 2 days from receipt
Processing and resolution (assess, investigate, and resolve)	Within 7 days from receipt	Within 45 days from receipt
Communication of resolution	Within 9 days from receipt	within 47 days from receipt

Complaints Handling Flow Chart



Complaints Escalation Levels



CORPORATE INFORMATION

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Phone Number: +63 2 790 86645

Online Channels

Official Website - <https://tonikbank.com/>

Official Facebook - <https://www.facebook.com/TonikBankPH>

Official Instagram - <https://www.instagram.com/tonikbank/>

Official LinkedIn - <https://www.linkedin.com/company/tonikbank>

Contact Center Hotline: 02 5 322 2645

SCAN CODE TO DOWNLOAD THE OFFICIAL TONIK DIGITAL BANK APP NOW

