ANNUAL REPORT 2024

tonik

DIGITAL BANK, INC.
(TDB)

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, helpful for savings, and more at the simple click of a button. We passionately believe that the Philippines, being the world leader in internet and social media usage, is ripe for becoming a world leader in digital banking, too.

Brand Differentiation

Tonik is proud to be the first digital-only bank in the Philippines to receive a license from the Bangko Sentral ng Pilipinas (BSP). With a focus on inclusive finance, customer convenience, and digital innovation, Tonik is reimagining how banking services are delivered.

Our digital platform combines modern user experience with robust security, allowing Filipinos to save, borrow, and transact seamlessly. Deposits are insured by the Philippine Deposit Insurance Corporation (PDIC), providing customers with peace of mind as they manage their financial goals.

We continue to invest in technology, design, and customer service to ensure a trusted, secure, and user-friendly experience. With the Philippines being a global leader in digital engagement, Tonik is committed to helping shape a future-ready, digital banking ecosystem that promotes financial empowerment.

Business Model

Tonik provides retail financial products, including deposits, loans, savings accounts, payments, and cards on a highly secure digital banking platform. With an unsecured consumer lending opportunity of around USD100B in the country and market research indicating that more than half of existing Bank clients would switch to a purely digital platform, Tonik provides Filipinos access and opportunities to avail of financial products for their various needs.

Products and Services

Tonik offers a suite of banking products and services built on a purely digital and highly secure platform:

1. **Online account onboarding** – fully digital account opening with electronic KYC (Know-Your-Customer) of liveness check and ID validation.
2. **Tonik Account (Transactional Savings Account) with an instant Virtual Mastercard** – main savings account with 1% savings rate per annum. Gateway to access other deposit products.
3. I**nbound and Outbound payments (powered by InstaPay and PESONet)** – safe and secure fund transfers among Bank partners, with an outbound limit of Php 250,000.00 per transfer. Cash-in limits vary, depending on the policy of the sending institution.
4. **Stash (Savings Account)** – savings vault or pocket accessible only from a Tonik account, with a higher interest rate of 4% per annum (p.a.). Stash aims to encourage account holders to save up for various needs such as emergency funds, travel plans, etc.
5. **Group Stash (Savings Account)** – communal savings vault or pocket accessible only from a Tonik Account, with account owner's ability to invite contributing members to the savings vault; with rate of 4.0% - 4.5% p.a. Subject to savers' ability to unlock the higher interest rate.
6. **Time Deposits** - high-interest deposit product with fixed duration, pretermination, and roll over option. Time deposits are available in five (5) term options and can earn up to 6% p.a. for a 6-month duration.
7. **Cash Loan** – fast and all-digital loan available with minimal requirements. Using alternative credit scoring, the bank can approve borrowers and disburse much needed funds directly to the customers' Tonik accounts. Cash loans are matched with a digital bank account for easy repayment and always available loan repayment history.
8. **Loan Offers** – available on offer to pre-qualified customers and to good paying customers after fully paying their loans or during their repayment

9. **Shop Installment Loan** – loan used to purchase consumer durables whereby payments are converted to monthly amortized payments.
10. **Account Management** – update account and personal details, request for bank certificate and time deposit certificate via the Tonik mobile app.
11. **Card Management** – lock and unlock card channels (ATM, POS, e-commerce), set transaction limits for each card channel, and request for physical debit card.
12. **App and Transaction Security** – ensure your Tonik app and account is secure by enabling biometric authentication for log-in and transactions.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

Tonik Digital Bank continued to build momentum in 2024, delivering strong loan portfolio expansion and solidifying its position as a key player in the Philippine digital banking landscape. With its mobile-first lending model and robust risk analytics, Tonik remains well-positioned to address the country's USD 40 billion consumer lending gap.

2024 Highlights:

- Loan Portfolio: Reached PHP 2.5 billion by year-end, reflecting a 110% YoY growth. This expansion was fueled by growth in unsecured digital cash loans, upsell loans, and Shop Installment Loans offered through Tonik's retail merchant ecosystem.

- Customer Base: Surpassed 1 million registered users, with active accounts up 42% YoY. Increased engagement was driven by personalized product offers and better cross-sell conversion via the Tonik app.

- Revenue Metrics: Net interest income more than doubled to PHP 779.6 million (2023: PHP 373.9 million), driven by higher average loan balances and stronger net interest margins.

- Cost Management: Despite expanding operations, total expenses rose moderately, with cost-to-income ratio improving to 71%, down from 82% in 2023, indicating early signs of operating leverage.

- Tech Efficiency: 85% of all customer support interactions were resolved by AI-powered chatbots, reducing operational costs by 18% YoY in servicing.

- Digital Lending Profitability: Core lending products reached positive contribution margins, and delinquency rates improved by 140 bps, aided by better scoring and enhanced collection strategies.

- Funding Base: Deposit liabilities stood at PHP 5.8 billion, down from PHP 7.8 billion in 2023, as the Bank optimized its balance sheet and focused on higher-margin lending activities.

Tonik continues to invest in AI-driven underwriting, customer lifecycle automation, and responsible credit expansion — all geared toward achieving sustainable profitability by 2026.

FINANCIAL PERFORMANCE SUMMARY

Tonik's 2024 results reflected strong topline growth, efficient cost management, and improved credit risk performance.

Metric	2024 (PHP '000)	2023 (PHP '000)	YoY Change
Net Interest Income	779,578	373,873	109%
Provision for Impairment Losses	-300,223	-354,605	-15%
Net Income After Provisions	479,356	19,268	2388%
Other Income (net)	61,361	2,923	1999%
Operating Expenses (excl. impairments)	924,359	865,555	7%
Loss Before Tax	-556,367	-748,210	-26%
Total Comprehensive Loss	-1,126,155	-744,928	51%

Note: While the Bank continues to report net losses at the consolidated level, these are primarily driven by ongoing strategic investments in platform development, talent, and customer acquisition. Key performance metrics such as loan yields, contribution margins, and delinquency rates continue to improve quarter-on-quarter.

OUTLOOK

Tonik expects continued growth in 2025, with the following key objectives:

- Grow total loan portfolio to over PHP 5 billion
- Reduce credit cost by 20–30% through better risk segmentation
- Achieving break-even contribution margin across all major lending products
- Expand its AI-supported platform to support embedded finance partnerships

With a clear roadmap to profitability, a strong regulatory foundation, and a loyal customer base, Tonik remains focused on delivering inclusive, technology-driven financial services in the Philippines.

BOARD OF DIRECTORS

MARK ANDREW IWASHKO
Chairman

Mr. Mark Iwashko is a seasoned private equity professional with over two decades of experience in the industry. He co-founded Horizon Capital, a private equity firm where he served as Chief Investment Officer and led the firm's investment function. He also co-founded Diligent Capital Partners, an independent mid-market private equity firm, which he continues to co-manage.

Mr. Iwashko has also actively supported the advancement of good corporate governance, having served on the boards of various privately held and publicly listed companies, as well as non-governmental organizations (NGOs).

He holds a Master of Business Administration from Harvard Business School, a Master's Degree in Mechanical Engineering from the University of Illinois, and a Bachelor's Degree in Mechanical Engineering from the University of Colorado.

Currently, Mr. Iwashko serves as an Investment Committee Member of Zubr Capital, a leading private equity fund based in Belarus; an Independent Member of the Advisory Board of Effective Soft, a prominent IT outsourcing company; and Chairman of the Board of the Children of Heroes of Ukraine Foundation.

GRYGORII "GREG" KRASNOV
President/CEO

Greg is the Founder and current President of Tonik Digital Bank, Inc., the first licensed neobank in the Philippines. Under his leadership, Tonik has become a trailblazer in the digital banking space, providing accessible, technology-driven financial services to underserved segments in the country. His strategic direction continues to position the Bank at the forefront of financial inclusion and digital innovation within the Philippine financial system.

Greg is a seasoned entrepreneur and executive with over two decades of experience in financial services, technology, and emerging markets. He previously co-founded and chaired several high-growth fintech ventures across Asia, including FORUM, Credolab, FLOW, and AsiaKredit—each contributing to the advancement of digital finance and alternative credit scoring in the region.

He has received numerous accolades for his leadership and impact, including being named 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.

Greg has a Bachelor of Science in Finance, Banking, and Political Science from Arizona State University, and a Master of Philosophy in International Business from the University of Cambridge. He also holds an Executive Leadership Certificate from the Stanford University Graduate School of Business, under the Young Presidents' Organization (YPO) program. He is a long-standing member of YPO and the founding member of its Kyiv Chapter.

MARIA LOURDES JOCELYN "LONG" PINEDA
Vice-Chairperson

Ms. Long Pineda currently serves as Vice-Chairman and Non-Executive Director of Tonik Digital Bank, Inc. She brings over 25 years of extensive leadership experience in financial inclusion, banking, and development finance, with a career spanning various emerging markets in Asia and Latin America. Her professional background reflects a strong commitment to promoting inclusive financial systems and sustainable economic growth.

Prior to assuming her current role, Ms. Pineda served as President of Tonik Digital Bank, Inc., where she played a pivotal role in the Bank's early operational build-out, regulatory engagement, and strategic positioning in the Philippine digital banking landscape.

She previously served as President of Rizal MicroBank, the microfinance subsidiary of Rizal Commercial Banking Corporation (RCBC), and held the role of First Senior Vice President at RCBC. Throughout her career, she has provided strategic direction and governance support in various capacities, including director and consultancy roles with MicroKonsult, GONegosyo, BDO Network Bank, and ACCION International.

Ms. Pineda holds a Diploma in Strategic Leadership for Microfinance from Harvard Business School in Boston, USA. Her expertise spans executive management, policy advocacy, and advisory roles focused on scaling access to financial services for underserved communities.

As Vice-Chairman and Non-Executive Director, Ms. Pineda continues to support Tonik's Board in areas of strategic oversight, governance, and stakeholder engagement, particularly in advancing the Bank's mission of inclusive and innovative digital finance.

TODD ESPOSITO
Executive Director

Mr. Todd Esposito serves as the Executive Director of Tonik Digital Bank, Inc. and is a Director of Tonik Financial Pte. Ltd., the parent company of the Tonik group. He has brought over 20 years of professional experience in banking and financial services across the globe, having held senior leadership roles in various international institutions.

He began his career with GE Capital Consumer Finance, where he became one of the youngest Chief Financial Officers in the company's history. During his tenure, he was involved in acquiring and managing banking and financial services companies, focusing on operational efficiency, financial transformation, and business expansion.

Mr. Esposito also serves as a director of Tonik Financials' subsidiaries. As Executive Director of Tonik Digital Bank, he plays an active role in the Board's strategic oversight and contributes to the Bank's governance, risk management, and long-term financial sustainability

He holds a Bachelor's Degree in Finance, Law, and Public Policy from Syracuse University.

ATTY. EPHYRO "EPH" LUIS AMATONG
Non-Executive Director

Atty. Eph Amatong is a seasoned legal professional with extensive experience in both the private and public sectors, particularly in capital markets regulation, corporate law, and sustainable finance. He currently serves as a Non-Executive Director of Tonik Digital Bank, Inc.

He previously served as Commissioner of the Securities and Exchange Commission (SEC) for eight (8) years, where he held the role of Supervising Commissioner for the Markets and Securities Regulation Department and served as the SEC's representative to the ASEAN Capital Markets Forum. During his tenure, he contributed significantly to key reforms and initiatives, including the adoption of the Philippine BVAL Benchmark Yield Curve, the introduction of a Global Master Repurchase Agreement (GMRA)-based Repo Market for government securities, and the issuance of the ASEAN Green, Social, and Sustainability Bond Standards. He also played a central role in the revision of the Implementing Rules and Regulations (IRR) of the Real Estate Investment Trust (REIT) Act in 2020.

Atty. Amatong holds a Master of Laws (LL.M.) degree with a concentration in International Finance from Harvard Law School and a Bachelor of Laws (LL.B.) from the University of the Philippines College of Law, where he was conferred the Dean's Medal for Academic Excellence. He was admitted to the Philippine Bar and the New York Bar in the year 2000s.

He has served in various capacities in government, including roles with the Supreme Court of the Philippines, the Department of Finance, and the Securities and Exchange Commission.

Currently, he is a Partner at MOSVELDTT Law Offices, where his practice focuses on Corporate and Securities Law, ESG and Sustainable Finance, Public-Private Partnerships, Energy, Fintech, and Project Finance. He is also engaged in several other professional activities, including serving as an Independent Director of the Asialink Group of Companies, a Consultant for the World Bank Group, and a Lecturer at the University of the Philippines College of Law.

JOHN PHILLIP "SUNNY" SEVILLA
Non-Executive Director

Mr. John "Sunny" Sevilla serves as a Non-Executive Director of Tonik Digital Bank, Inc. He is also the Director of Oak Drive Ventures Inc., one of the major shareholders of the Bank. With extensive experience spanning both the public and private sectors, Mr. Sevilla brings deep expertise in finance, public policy, and institutional leadership.

In government, he held several senior roles, including Undersecretary of the Department of Finance and Commissioner of the Bureau of Customs, where he led reforms aimed at improving transparency, operational efficiency, and revenue performance.

Prior to his public service, Mr. Sevilla built a robust career in global finance. He held senior positions in leading financial institutions in Hong Kong, including Executive Director at Goldman Sachs and Vice President at Salomon Smith Barney, where he focused on investment banking and capital markets in Asia.

Mr. Sevilla holds a Bachelor's degree in Economics and Government from Cornell University, and a Master's degree in Public Affairs, Economics, and Public Policy from Princeton University.

JUSTIN LIU
Non-Executive Director

Mr. Justin Liu serves as a Non-Executive Director of Tonik Digital Bank, Inc. He is the President of Camerton Holdings, Inc., one of the major shareholders of the Bank. Camerton is a Philippines-based conglomerate with diversified investments across the food and beverage, pharmaceutical, insurance, real estate, and technology sectors.

Mr. Liu brings extensive experience in corporate leadership, investment strategy, and governance across multiple industries. He currently serves as Chairman of Figaro Coffee Group, a publicly listed food and beverage company, and as President of Mercantile Insurance Co., Inc., a well-established non-life insurance company in the Philippines.

He holds a Bachelor's Degree from De La Salle University and a Master's degree from the University of San Francisco.

CESAR VIRTUSIO
Non-Executive Director

Mr. Cesar Virtusio serves as Independent and Non-Executive Director of Tonik Digital Bank, Inc. He is a seasoned and highly respected figure in the Philippine banking industry, with decades of leadership experience in both domestic and international financial institutions.

He previously served as the Executive Director of the Bankers Association of the Philippines (BAP), where he played a key role in representing and advancing the interests of the banking sector. Prior to that, he held the position of Adviser to Dresdner Bank and Dresdner Kleinwort, and served as the Bank's Chief Representative in the Philippines, managing cross-border financial relations and institutional partnerships.

Mr. Virtusio obtained his Bachelor's degree in Business Administration from the University of the East – Manila and earned his Master's in Business Administration from George Washington University in Washington, D.C., U.S.A.

He currently sits on the Boards of several private and publicly listed companies, including RCBC Capital Corporation, Beneficial Life Insurance Co. Inc., CATS Motor, Inc., ATR Asset Management, Inc., ATRAM Trust Corporation, and Central Azucarera de San Antonio. His previous board affiliations include Amalgamated Investment Bank, Robinsons Land Corporation, and the Philippine Depository and Trust Corporation.

Committed to continued learning and sound governance, Mr. Virtusio has completed various professional development programs on corporate governance, digital money, financial technology, cybersecurity, and anti-money laundering (AML).

JOHN ALOYSIUS "LUIGI" BERNAS
Independent/Non-Executive Director

Mr. Luigi Bernas serves as an Independent and Non-Executive Director of Tonik Digital Bank, Inc. and is the Chairman of the Board Audit Committee. He brings with him extensive experience in investment management, governance, and innovation across both financial services and technology sectors.

Mr. Bernas currently holds leadership positions on the Boards of various investment and technology companies, including LeapFrog Investments, Transnational Education Solutions & Technologies, Inc., and Cold Front Technologies Asia, Inc. He also serves as Chief Investment Officer of LifeBank Foundation, Inc., where he is responsible for driving the organization's impact-focused investment strategies. In addition, he is an Independent Director at Intellicare and CreditAccess Asia, contributing to governance and oversight in the healthcare and microfinance sectors, respectively.

He has also held directorships in health and insurance-related institutions such as Philcare, Inc. and PhilPlans First, Inc., where he notably served as Chairman of the Investment Committee, providing strategic guidance on financial sustainability and investment governance.

Mr. Bernas earned his Bachelor of Arts in Economics from Ateneo de Manila University and holds a Master of Business Administration from the University of Virginia Darden School of Business.

As an Independent Director and Chair of the Audit Committee, Mr. Bernas plays a key role in overseeing the Bank's financial reporting integrity, internal controls, and overall governance framework in line with regulatory standards and global best practices.

ROBERTO MARTIN GALANG

Independent/Non-Executive Director

Dr. Roberto Galang serves as an Independent and Non-Executive Director of Tonik Digital Bank, Inc. and is the Chairman of the Board Related Party Transactions (RPT) Committee. He is a seasoned professional in finance, policy, and development, with extensive experience in both the academic and public sectors.

Dr. Galang previously served for over nine (9) years at the World Bank Group as a Senior Private Sector Specialist, where he led research and advised on key private sector development initiatives in the Philippines, Malaysia, and Indonesia. His work contributed significantly to reforms in economic competitiveness and financial sector governance across Southeast Asia.

He holds a Doctor of Philosophy (Ph.D.) in Management and a Master of Science in Management from IESE Business School in Barcelona, Spain, as well as a Master of Science in Economics for Development from the University of Oxford, United Kingdom.

Earlier in his career, Dr. Galang held various research and consulting positions with global institutions such as the JBF Center for Banking and Finance, LECG, AIM Policy Center, Navigant Consulting, and Penn Schoen & Berland, where he worked across Manila, New York, and Washington, D.C.

He is currently the Dean of the Ateneo John Gokongwei School of Management, and a long-serving faculty member at Ateneo de Manila University, teaching subjects in strategic management, organization theory, Philippine history, and communications research.

JONATHAN "JOEY" GERARD GURANGO
Independent/Non-Executive Director

Mr. Joey Gurango serves as an Independent and Non-Executive Director of Tonik Digital Bank, Inc. and is the Chairman of the Board Risk Oversight Committee. He brings over 40 years of experience in software technologies and digital transformation, with deep expertise in data governance, business technology, and ethical artificial intelligence.

Throughout his career, Mr. Gurango has held leadership roles in major global technology companies, including Apple Computer and Microsoft, where he contributed to the early growth of enterprise and productivity technologies. He later founded several software ventures such as Gurango Software and SERVIO Technologies helping shape the local software development and digital innovation landscape in the Philippines.

Since 2011, he has actively mentored hundreds of startup founders and entrepreneurs in building sustainable digital businesses, advancing his advocacy for digital literacy and responsible tech-enabled growth.

Mr. Gurango took up Bachelor's Degree in Industrial Engineering from the University of the Philippines and Electrical Engineering from the University of Washington. Prior to his studies at the University of Washington, he also completed an Associate Degree in Engineering at Bellevue College in Washington, U.S.A.

He currently serves as Chief Executive Officer of Xurpas, Inc., a listed technology company; Chairman of the Capiz ICT Council, promoting digital capacity-building in the region; and as Independent Director of Templetech Finance Corporation (TendoPay), a Tonik Digital Bank affiliate.

ROBERTO BASCON, JR
Independent/Non-Executive Director

Mr. Roberto Bascon, Jr. serves as an Independent and Non-Executive Director of Tonik Digital Bank, Inc. and is the Chairman of the Corporate Governance Committee of the Board. He is a multi-faceted professional with extensive experience in sustainability, corporate governance, and strategic execution, having held various leadership and advisory roles across the private and regulatory sectors.

Mr. Bascon has been actively engaged in shaping corporate governance standards in the Philippines. He previously served as a Member of the Insurance Commission Technical Working Group on the Code of Corporate Governance and as Vice Chairman of the Anti-Red Tape Authority's Protecting Minority Investors Task Force in 2019. He also contributed to the ASEAN Capital Market Forum's Corporate Governance Experts Group through the Philippine Domestic Ranking Body in 2013 and is a Certified Trainer in the Global Reporting Initiative (GRI) Standards, advocating for corporate transparency and sustainability.

He holds a Bachelor's Degree in Management from the Asia Institute for Distance Education (AIDE) in Makati City. He completed executive programs in Business Sustainability Management from the University of Cambridge and in Strategy Execution from the Palladium Kaplan-Norton Framework.

Mr. Bascon formerly served as Director of Corporate Governance Advocacy and Research & Development at the Institute of Corporate Directors, and as Independent Director of Templetech Finance Corporation (TendoPay), a Tonik Digital Bank affiliate. His professional background also includes his role as Operations Director at Caffrey Trading Corporation.

He currently serves as Senior Manager for Sustainability & Governance Advisory Services at Reyes Tacandong & Co., where he advises organizations on environmental, social, and governance (ESG) practices and regulatory compliance.

SENIOR MANAGEMENT OFFICERS

GRYGORII KRASNOV - President
CARMINA ESTEBAN - Chief Financial Officer
MELVIN RAMIN - Chief Technology Officer
TOMASZ BOROWSKI - Chief Operations Officer
LIUDMYLA BEDRENETS - Chief Growth Officer
JENNY MAGSINO - Head of Treasury
VANESSA JOY MACATANGAY - Country HR Head
ALBERT ADRIEL VALDEZCO - Head of Retail Partnerships (Shop Installment Loan)
MAREK MATAS - Head of Credit Quality & Analytics
NOEL CO - Chief Risk Officer
HENRY BENITO - Chief Compliance Officer
CATHERINE ANN PALERACIO - Chief Information Security Officer
ADRIAN LOUIS DELA PEÑA - Data Privacy Officer

RISK MANAGEMENT FRAMEWORK

Tonik Digital Bank is committed to maintaining a robust and forward-looking risk management framework that enables sustainable growth, regulatory compliance, and financial soundness.

Our enterprise risk management approach integrates governance, oversight, and accountability across all business activities, ensuring that risks are identified, assessed, managed, and monitored in alignment with the Bank's strategic objectives.

Governance Structure

Risk oversight begins with the Board of Directors, which sets the overall risk appetite and provides strategic guidance. The Board is supported by dedicated risk committees that oversee risk exposures, capital adequacy, and control systems.

Management is responsible for operationalizing the Bank's risk strategy, implementing policies, and maintaining a strong internal control environment. Key risk-taking units work closely with independent control functions to ensure that all material risks are properly mitigated and reported.

Three Lines of Defense

Tonik applies a clearly defined Three Lines of Defense model:

1. First Line – Business and operational units are responsible for identifying and managing risks in their day-to-day activities.
2. Second Line – Independent Risk and Compliance teams provide oversight, guidance, and challenge functions to ensure adherence to policies and regulatory requirements.
3. Third Line – Internal Audit provides independent assurance to the Board and Audit Committee regarding the effectiveness of the Bank's risk controls and governance processes.

Risk Identification and Assessment

Tonik regularly reviews internal and external risk drivers including credit, operational, market, liquidity, cybersecurity, and strategic risks. Risk identification is embedded in business planning, new product development, and investment decisions.

Each risk is assessed based on its potential impact and likelihood, using both quantitative analysis and qualitative judgment. Identified risks are mapped against the Bank's defined risk appetite, which is approved by the Board and reviewed periodically.

Monitoring and Reporting

The Bank maintains a structured reporting system to provide timely, accurate, and actionable insights to senior management and the Board. Key risk indicators are monitored across business lines and are used to detect early warning signs, assess compliance, and support decision-making.

Escalation procedures are in place to ensure that emerging risks or breaches are addressed promptly and effectively. Regular stress testing and scenario analysis are conducted to assess resilience under adverse conditions.

Technology and Data Governance

Tonik leverages technology to strengthen its risk intelligence and monitoring capabilities. Automated systems help track portfolio performance, identify fraud patterns, and manage exposure limits. Cybersecurity protocols are integrated into system design to protect data integrity and customer confidentiality.

All models and decision engines are subject to governance protocols, with periodic reviews to validate performance, fairness, and compliance with applicable regulatory expectations.

Regulatory Alignment

Tonik's risk framework is aligned with the expectations of the Bangko Sentral ng Pilipinas (BSP) and international risk management standards. The Bank participates in regulatory consultations, ensures timely submission of required reports, and adapts proactively to new compliance requirements.

By embedding risk awareness into its culture, processes, and platforms, Tonik remains committed to protecting stakeholder interests while enabling innovation and financial inclusion.

Tonik ensures that its risk practices are regularly reviewed for effectiveness, aligned with internal audit findings, and subject to continuous improvement based on regulatory guidance and market developments.

AML Risk Management Framework

Tonik Digital Bank is committed to protecting the integrity of the financial system by preventing the misuse of its products and services for illicit activities. The Bank's AML/CFT framework is aligned with the Anti-Money Laundering Act of 2001 (AMLA) and the applicable regulations of the Bangko Sentral ng Pilipinas (BSP).

The program is designed to support proactive detection, reporting, and deterrence of money laundering, terrorist financing, and related financial crimes, with strong governance and independent oversight.

Key elements of Tonik's AML/CFT framework include:

Customer Due Diligence (CDD): Risk-based onboarding processes are conducted through electronic Know-Your-Customer (e-KYC) measures that validate identity and assess risk levels. CDD is conducted bothat onboarding and throughout the customer lifecycle.

Transaction Monitoring: A rule-based monitoring system flags transactions that deviate from normal customer behavior. Alerts are assessed using defined internal parameters that balance compliance with operational efficiency.

Covered Transaction Reporting (CTR) and Suspicious Transaction Reporting (STR): The Bank files required reports to the Anti-Money Laundering Council (AMLC) and fully complies with the prescribed regulatory timelines and formats.

Employee Awareness and Training: Regular AML training is provided to employees in relevant functions. These include role-based learning sessions on typologies, red flags, and escalation protocols.

Ongoing Program Review: The AML/CFT framework is reviewed periodically and enhanced as needed to respond to emerging risks, changes in regulatory expectations, and internal audit recommendations.

The Bank's AML/CFT function is part of its broader risk and compliance ecosystem, supported by strong senior management oversight and a commitment to ethical conduct, transparency, and regulatory compliance.

Risk Appetite and Limits

In pursuit of its strategic objectives, the bank bears risk of varying nature. Accordingly, the Bank sets a Risk Appetite framework not only to align with the regulatory requirements, but more so to design an internal control system that captures the dynamic nature of risks in the digital banking sector. This framework covers a thorough reassessment of existing risk definitions and thresholds, ensuring they reflect the current risk landscape and the Bank's operational realities. Moreover, the objective emphasizes the need to proactively identify and integrate emerging risks into the Bank's risk management strategy, ensuring that the Risk Oversight Committee (ROC) and the Board of Directors (BOD) has a comprehensive view of the risk profile and is equipped to make informed decisions about Tonik's risk tolerance.

With this, Tonik has established its Risk Appetite Statement (RAS), a forward-looking document that aims to provide a clear and actionable framework for managing risks in a rapidly evolving digital banking environment. It reflects a strategic approach to risk management, balancing growth with prudence, innovation with security, and aspirations with regulatory compliance. This proactive and strategic perspective on risk is intended to steer the Bank towards achieving its long-term objectives while maintaining the confidence of stakeholders and regulators alike.

Related Party Transactions

Tonik 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 Related Party Transaction Committee (RPTCom) is mandated to undertake the first layer of oversight and ensure that effective control systems are in place for managing said exposures. It shall be the RPTCom's primary function to manage RPT exposures and mitigate potential abuses that may be disadvantageous to the Bank and its depositors, creditors, fiduciary clients, and other stakeholders.

The RPTCom shall evaluate all material RPTs to ensure that these transactions are not granted more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirements) than similar transactions with non- related parties under similar circumstances. The RPTCom shall also ensure that no corporate or business resources of the Bank are misappropriated or misapplied and determine any potential reputational risk issue that may arise as a result of, or in connection with the transactions.

Approval of RPTs falling below the materiality threshold is delegated by the Board of Directors (BOD) to the Senior Management and RPTCom, subject to confirmation of the BOD. This shall, however, exclude DOSRI transactions, which are required to be approved by the BOD. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

All material RPTs shall be endorsed by the RPTCom and approved by at least two-thirds (2/3) of the BOD. Otherwise, ratification of stockholders representing at least two-thirds (2/3) of outstanding capital stock shall be required. All approved RPTs shall be appropriately disclosed in the Bank's regulatory reports and annual financial statements, consistent with the requirements of the Bangko Sentral ng Pilipinas (BSP).

As of December 31, 2024, Tonik Digital Bank, Inc. had entered into financial transactions with related parties in the ordinary course of business. These included placements, service agreements, and administrative arrangements involving the Bank's parent company, affiliated entities, and key management personnel.

All such transactions were reviewed and approved in accordance with the Bank's Related Party Transactions (RPT) Policy, which is aligned with the regulatory requirements of the Bangko Sentral ng Pilipinas (BSP). The policy ensures that dealings with related parties are conducted on terms that are comparable to those prevailing in arm's length transactions with unrelated entities.

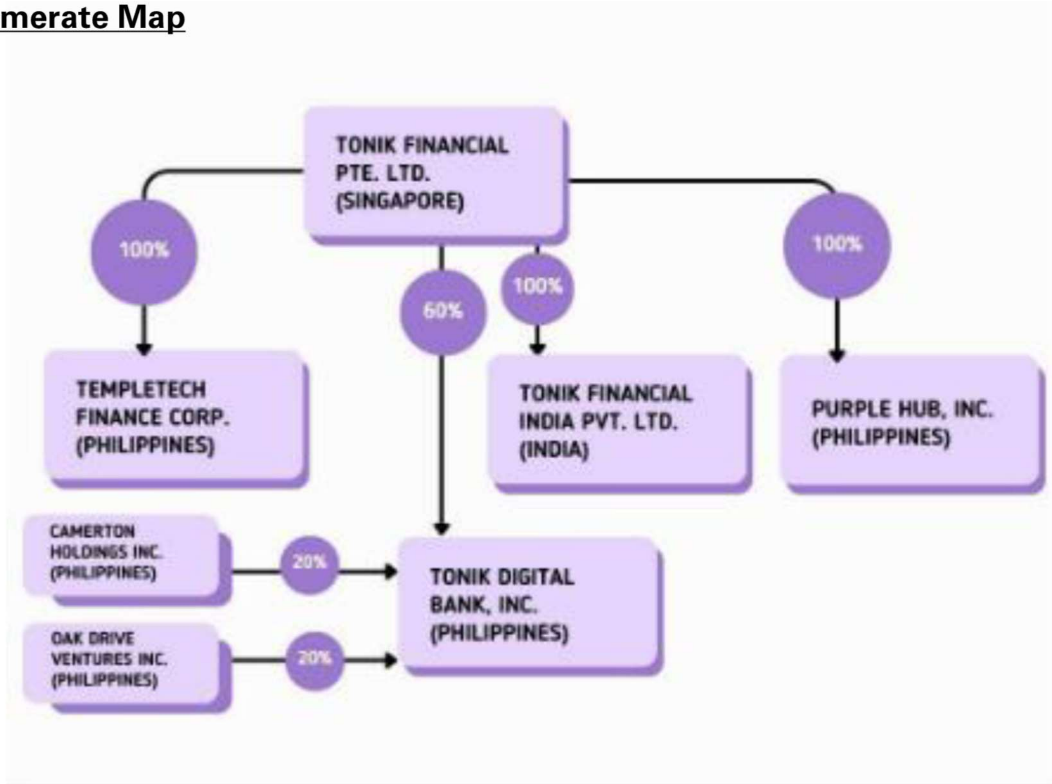
Related party balances primarily consisted of placements with the parent company and payables associated with shared services and operational support. These arrangements are subject to service level agreements and are priced fairly in accordance with prevailing market standards.

Management regularly reviews related party exposures and ensures that they do not pose undue risk to the Bank's financial position or operational independence. Oversight is provided by the RPT Committee, which includes independent directors, and disclosures are made as required in regulatory reports and audited financial statements.

The Bank remains committed to maintaining high standards of governance and transparency in its relationships with related parties, with strong controls in place to protect stakeholder interests.

CORPORATE GOVERNANCE

Conglomerate Map



Organizational Structure

Tonik Digital Bank, Inc. operates under a streamlined and functionally integrated organizational structure that supports its digital-first business model and strategic objectives. The structure is designed to enable agility, ensure regulatory compliance, and maintain strong coordination across all core functions of the Bank.

The Bank is led by the President and Chief Executive Officer, who is responsible for overall strategic direction and operational execution, under the oversight of the Board of Directors. Supporting the CEO is a senior management team composed of leaders overseeing key areas such as risk management, compliance, operations, technology, finance, growth, treasury, information security, and human resources.

Each function operates with clearly defined responsibilities and accountabilities, aligned with Tonik's strategic priorities, regulatory expectations, and customercentric approach. Functional heads are empowered to lead initiatives, manage performance, and ensure that their respective areas contribute effectively to the Bank's goals of innovation, operational efficiency, and inclusive financial services.

The structure promotes cross-functional collaboration, rapid decision-making, and strong internal controls — critical attributes for a fully digital bank. The Bank's governance framework ensures that strategic initiatives, risk appetite, and operational policies are consistently applied across all levels of the organization.

Tonik regularly reviews its organizational structure to ensure it remains responsive to business growth, market developments, and regulatory changes, while preserving its commitment to ethical leadership and sound governance.

Corporate Governance Structure and Practices

In line with its commitment to uphold the highest standards of governance, Tonik Digital Bank, Inc. (TDB) has established a robust Corporate Governance Framework grounded in three critical pillars:

1. **The Board of Directors**
   TDB's Board of Directors holds primary accountability for guiding the Bank's long-term success and ensuring prudent oversight of its business and risk strategies. Anchored on the principles of fiduciary responsibility and ethical conduct, the Board:
   - Defines TDB's corporate values, strategic direction, and risk appetite.
   - Oversee the performance of Senior Management, ensuring alignment with the Bank's goals and risk tolerance.
   - Approves key policies including corporate governance, compliance, risk management, and remuneration.
   - Establish effective governance structures, including board-level committees such as:

- Corporate Governance Committee – oversees board nominations, succession planning, and board performance evaluation.
- Audit Committee – ensures the integrity of financial reporting and effectiveness of internal controls.
- Risk Management Committee – advises on and monitors TDB's risk appetite and exposure.
- Related Party Transactions Committee – which ensures that transactions with related parties are reviewed and approved in line with regulatory expectations and internal policies.

The Board meets regularly, including sessions without management, to independently deliberate on audit, risk, and compliance matters. It also upholds transparency through effective disclosure and stakeholder communication protocols.

2. Senior Management

Senior Management is entrusted with the day-to-day implementation of strategies approved by the Board and is responsible for:

- Executing operational and financial plans.
- Upholding the Bank's risk appetite and internal control environment.
- Promoting a strong culture of compliance, ethics, and accountability.
- Ensuring effective performance management, training, and succession planning for critical roles.

Appointments of key executives, including the CEO and control function heads (CRO, CCO, CAE/Head of Internal Audit), are approved and regularly evaluated by the Board based on performance standards and regulatory fit and proper criteria.

3. Internal Control and Risk Governance System

TDB adopts Three Lines of Defense Model, ensuring comprehensive coverage and accountability:

- First Line: Business Units of the Bank - All business units are directly responsible for managing risks and implementing controls as part of their operational activities. They must ensure compliance with policies, procedures, and regulatory obligations in every transaction or customer interaction.
- Second Line: Risk Management and Compliance - these independent functions provide oversight, guidance, and monitoring. They develop risk and compliance frameworks, evaluate RPTs for conflicts of interest or potential abuse, and ensure alignment with the Bank's governance and risk appetite.
- Third Line: Internal Audit – provides independent assurance on the effectiveness of governance, risk management, and control processes. Functionally reports to the Audit Committee.

The Bank's risk governance is further strengthened through:

- A Risk Appetite Statement (RAS) aligned with its strategic objectives.
- A Consumer Protection Risk Management System (CPRMS) ensuring fair treatment and accountability to clients.
- Whistleblowing mechanisms and internal policies to detect and deter unethical or illegal activities.
- Policies and systems to manage Related Party Transactions (RPTs) in compliance with regulatory standards.

Through these pillars, TDB ensures that its operations remain ethically driven, risk-conscious, and aligned with the interests of all stakeholders—shareholders, customers, regulators, and the broader financial ecosystem.

Selection Process of the Board and Senior Management

Tonik Digital Bank, Inc. (TDB) appoints leaders who embody professional integrity, strategic competence, and a strong cultural fit with the Bank's core values. The selection process is governed by applicable laws, specifically the BSP Manual of Regulations for Banks (MORB), as well as TDB's own Corporate Governance Manual and Interlocking Directorship and Officership Policy of the Bank. Relevant experience, background, competency, and training in their chosen field vis-à-vis the banking/financial services industry;

I. Senior Management Appointments

The Board of Directors, in coordination with the Management Committee, oversees the screening and final decision-making for all Senior Management appointments. Candidates are rigorously evaluated through a series of interviews and assessments based on:

1. Relevant experience, background, training, and technical competency within banking or financial services;
2. Physical and mental fitness, per the BSP Fit and Proper standards;
3. Time and availability to effectively perform duties;
4. Cultural and values alignment with Tonik's core beliefs—customer focus, innovation, agility, and integrity;
5. Assessment of interlocking positions, in accordance with regulatory and internal policies to avoid conflicts of interest.

All appointments comply with the Fit and Proper Rule under MORB Sec. 131, and BSP notification requirements are observed. Additional performance monitoring mechanisms ensure continued fitness for the role.

II. **Board of Directors: Minimum Qualifications and Governance Alignment**

To promote sound governance, the Bank ensures that all directors meet or exceed the qualifications under MORB Sec. 132 and the TDB Corporate Governance Manual:

1. Fit and Proper Standards:
    - Integrity/probity, physical/mental fitness, and market reputation;
    - Financial literacy, education, and training relevant to corporate governance and banking;
    - Relevant experience, knowledge, and diligence in governance, strategy, and risk;
    - Independence of mind and adequate time commitment to Board duties;
    - Absence of disqualifications, as outlined in BSP regulations and internal policy.
2. Corporate Governance Training: All directors are required to complete a seminar on corporate governance. Exemptions may apply only to select high-profile public officials or regulators, but these do not apply to annual refresher training.
3. Cultural Fit and Tonik Values: Directors are selected not only for competence, but also for alignment with Tonik's mission, values, and digital-first culture. Directors are expected to actively support innovation, transparency, collaboration, and inclusion in their board conduct.

III. Interlocking Directorships and Officerships

Tonik Digital Bank, Inc. recognizes that interlocking directorships and officerships, when properly managed, can bring strategic value to the organization. These arrangements may contribute to synergies among aligned institutions, enable broader industry insight, and support effective governance across corporate entities. However, such roles must always be governed by clear boundaries to preserve independence, avoid conflicts of interest, and maintain regulatory compliance.

In accordance with the guidelines of the Bangko Sentral ng Pilipinas (BSP) and Tonik's internal policies, the Bank allows interlocking roles only under circumstances where these are deemed beneficial to the Bank's business interests and do not hinder the effective performance of duties. All interlocking directorships or officerships are subject to prior approval by the Board of Directors, and a thorough review is conducted to ensure that such positions do not create any actual or perceived conflicts.

The Bank also ensures that individuals holding interlocking positions are able to commit adequate time and attention to their responsibilities at Tonik. In cases involving control or governance-critical roles—such as those related to risk, compliance, or internal audit—interlocking appointments are evaluated with particular care to ensure objectivity and independence are not compromised.

Tonik upholds a policy of transparency regarding these roles. Disclosures are submitted annually in accordance with BSP requirements, and any updates are monitored and reported to the appropriate internal governance bodies.

Through these measures, Tonik strives to strike a balance between the benefits of interlocking engagements and the importance of preserving effective, ethical, and independent leadership throughout the organization.

Board Overall Responsibility

The Board of Directors has the ultimate responsibility for the long-term success and sustainability of the Bank. In accordance with applicable laws, rules, and regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), the Board is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk governance framework, corporate governance policies, and core corporate values.

The Board is also tasked with monitoring the performance and conduct of senior management to ensure sound and prudent management of the Bank's day-to-day operations.

In fulfilling its governance responsibilities, the Board shall carry out the following duties:

1. Corporate Strategy and Oversight
   Approve and oversee the implementation of the Bank's business strategies and corporate objectives, ensuring alignment with the Bank's long-term vision and stakeholder interests.
2. Risk Governance
   Approve and oversee the implementation of a robust risk governance framework, including internal controls, risk appetite, and systems of checks and balances across all levels of the organization.
3. Corporate Governance Framework
   Establish and maintain an effective corporate governance system that promotes transparency, accountability, and ethical business practices in compliance with BSP and SEC requirements.
4. Senior Management and Key Personnel Oversight
   Approve the appointment, performance evaluation, and succession planning of the Chief Executive Officer, senior management, and heads of control functions (i.e., risk management, compliance, internal audit).
5. Remuneration and Compensation Policy
   Approve a sound and appropriate compensation and remuneration framework that aligns with the Bank's long-term interests, prudent risk-taking, and regulatory expectations.
6. Corporate Culture and Values

Promote a culture of integrity, professionalism, and performance by defining the Bank's corporate values and setting the tone at the top.

7. Ethical Standards and Whistleblowing Mechanism
   Establish a Code of Conduct and ethical guidelines and institutionalize a whistleblowing mechanism that enables employees and stakeholders to report violations or concerns to an appropriate, independent body.
8. Compliance with Governance Policies
   Discharge such other functions and responsibilities as may be provided under the Bank's Corporate Governance Policy and as required by applicable laws, rules, and regulations.

<u>Directors and Officers</u>

<u>Composition and Responsibilities of the Board of Directors</u>

The governance of Tonik Digital Bank, Inc. is entrusted to a duly constituted Board of Directors, composed of individuals with diverse backgrounds in finance, risk management, technology, and corporate leadership. The Board is collectively responsible for providing strategic direction, ensuring regulatory compliance, and safeguarding the long-term interests of the Bank's stakeholders.

Directors are elected in accordance with the Bank's corporate governance policies and applicable regulatory guidelines. All appointments are subject to regulatory review and must meet the fit-and-proper standards established by the Bangko Sentral ng Pilipinas (BSP).

The Board includes a mix of executive, non-executive, and independent members, reflecting the Bank's commitment to balanced oversight and sound governance practices. Independent Directors play a vital role in ensuring objectivity in Board discussions and decision-making.

Tonik's Board structure also reflects its international footprint, with director appointments inclusive of professionals from both local and international backgrounds, subject to applicable foreign ownership limitations and governance policies.

Through ongoing engagement, committee participation, and strategic oversight, the Board ensures that Tonik operates with integrity, transparency, and resilience in a dynamic financial services environment.

Board Composition and Independent Directors

Chairman of the Board

The Chairman of the Board shall preside over meetings of the Board of Directors and of the stockholders. The Chairman's responsibilities include:

1. Provide leadership to the Board and ensuring effective functioning of the Board as a collegial body;
2. Ensure that Board decisions are made based on sound judgment, adequate information, and thorough discussion;
3. Facilitate access to accurate, timely, and relevant information to all directors;
4. Ensure the conduct of onboarding programs for new directors and continuing training for all members of the Board; and
5. Oversee the regular performance evaluation of the Board, its committees, and individual directors at least annually, in accordance with BSP regulations.

President and Chief Executive Officer

The President, who shall also be a member of the Board, shall serve as the Chief Executive Officer (CEO) of the Bank and shall be responsible for the overall management and administration of the Bank's day-to-day business operations.

The President shall:

1. Preside at Board or stockholder meetings in the absence of the Chairman;

2. Initiate and develop corporate objectives and policies for long-term planning, including proposals for executive development and compensation, for Board approval;
3. Supervise and manage the operations and properties of the Bank;
4. Ensure that administrative and operational policies are properly implemented;
5. Appoint, remove, and discipline employees in accordance with law and internal policies, and determine their roles and compensation;
6. Oversee budget preparation and financial reporting in accordance with regulatory requirements;
7. Submit reports and disclosures required by law or regulatory authorities;
8. Represent the Bank in formal proceedings, contracts, and public functions;
9. Sign contracts and instruments on behalf of the Bank, subject to Board approval when applicable;
10. Make reports to the Board and stockholders;
11. Sign stock certificates; and
12. Perform such other duties as delegated by the Board.

Regular Directors (Executive and Non-Executive)

All Regular Directors—regardless of whether they hold management responsibilities (executive) or not (non-executive)—are expected to:

1. Act in good faith, with loyalty and due care, in the best interest of the Bank and its stakeholders;
2. Approve the Bank's mission, vision, corporate strategy, major policies, and overall risk appetite;
3. Oversee management's performance, ensure sound risk governance, and safeguard regulatory compliance;
4. Attend and actively contribute to Board and committee meetings, offering expertise and objective judgment;
5. Serve in Board committees as needed and contribute to oversight functions such as audit, risk, governance, and remuneration; and

6. Uphold the principles of transparency, accountability, integrity, and ethical leadership as outlined in the Bank's governance policies.

Independent Directors

An Independent Director is one who, apart from his or her shareholdings and fees received from the Bank, is independent from management and free from any relationship that may impair independence of judgment. Independent Directors are expected to:

1. Provide objective judgment in Board deliberations;
2. Safeguard the interests of all stakeholders;
3. Ensure that Board decisions are made without undue influence from management or other related parties; and
4. Participate actively in board committees, especially in areas of audit, risk oversight, and corporate governance.

Independent Directors must possess the required qualifications, including integrity, experience, and financial literacy, and shall comply with the term limits set forth under BSP and SEC regulations.

Election and Term

The Board of Directors are elected during the annual 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/her own name, of the Bank's issued and outstanding capital stock. The 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 ng Pilipinas (BSP) 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 the same person.

Vacancies

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

Composition and Responsibilities of Senior Management

The day-to-day operations and strategic execution of Tonik Digital Bank are managed by a highly experienced and multi-disciplinary Senior Management team, led by the President and composed of executives across key functional areas. This includes the Chief Financial Officer (CFO), Chief Technology Officer (CTO), Chief Operations Officer (COO), Chief Growth Officer, Country HR Head, Head – Credit Quality & Analytics, Head – Retail Partnerships (Head of SIL), Head – Project Management Office, Chief Risk Officer (CRO), Chief Compliance Officer (CCO), Head – Internal Audit, and the Chief Information Security Officer (CISO). The qualifications and appointments of these officers are in accordance with Section 135 of the BSP Manual of Regulations for Banks (MORB), ensuring competence, integrity, and alignment with the Bank's strategic goals.

Senior Management is responsible for the sound and prudent management of the Bank's operations and for implementing the policies and directives set by the Board of Directors. The team ensures that proper risk management systems, compliance frameworks, and internal controls are in place and function effectively. Each function head plays a critical role in achieving Tonik's objectives—ranging from financial stewardship and operational efficiency to growth, legal and regulatory compliance, data privacy, cybersecurity, and audit oversight. The team promotes a strong risk culture, customer-centricity, and operational resilience, in line with applicable laws, BSP directives, and the Bank's internal governance standards.

All members of Senior Management are subject to the fit and proper standards under BSP regulations and are accountable to the Board for their respective areas of responsibility. They are expected to exhibit sound judgment, uphold the highest ethical standards, and drive performance and innovation across the Bank. The Senior Management team regularly meets to review organizational performance, assess internal and external risks, and ensure the Bank's continued alignment with its mission, regulatory expectations, and long-term sustainability.

1. Chief Financial Officer (CFO)

   The CFO leads Tonik's financial strategy, ensuring the bank maintains healthy profitability, regulatory compliance, and financial sustainability. Overseeing budgeting, capital allocation, investor relations, and financial reporting, the CFO supports growth through sound fiscal management while partnering with product and business teams to assess financial impact and return on investment of strategic initiatives.

2. Chief Technology Officer (CTO)

   The CTO drives the digital backbone of Tonik, overseeing the development and scalability of its core banking infrastructure, app architecture, and technology stack. Responsible for innovation, system reliability, and tech-driven customer experience, the CTO collaborates closely with Product and Information Security to ensure seamless, secure, and agile delivery of new features and backend integrations.

3. Chief Operations Officer (COO)

   The COO ensures operational excellence across Tonik's front- and back-office systems, streamlining processes in customer service, loan disbursements, payment settlements, and core banking operations. With a strong focus on automation and efficiency, the COO enables seamless digital banking experiences while optimizing internal workflows and operational risk controls.

4. Head – Treasury

   The Head of Treasury manages Tonik's liquidity, cash flow, and funding strategy to support lending operations and deposit product performance. This role ensures compliance with Bangko Sentral ng Pilipinas (BSP) requirements, optimizes interest margin, and aligns the bank's asset-liability position with strategic growth targets and macroeconomic factors.

5. Chief Growth Officer

   The Chief Growth Officer owns Tonik's user acquisition, revenue generation, and product adoption strategies. Driving collaboration across marketing and product teams, the CGO steers growth campaigns, brand visibility, and funnel optimizations, ensuring Tonik maintains strong customer lifetime value while scaling its reach in the digital banking market.

6. Country HR Head

   The Country HR Head leads Tonik's people strategy in the Philippines, driving recruitment, culture building, talent development, and performance management. As a key partner to the leadership team, this role ensures the bank attracts top fintech talent, fosters employee engagement, and maintains alignment with organizational goals and regulatory standards.

7. Head – Credit Quality & Analytics

   The Head of Credit Quality & Analytics ensures the integrity and performance of Tonik's retail lending portfolio through data-driven credit decisioning and ongoing portfolio monitoring. This role leads to credit scoring model development, stress testing, and delinquency analysis, providing actionable insights to mitigate risk while enabling sustainable loan growth.

8. Head – Retail Partnerships (Head of Shop Installment Loan Product)
   The Head of Retail Partnerships leads the expansion and performance of Tonik's Shop Installment Loan (SIL) and merchant ecosystem. This role builds strategic alliances with retail partners, manages loan merchant acquisition, and ensures seamless loan origination experiences at the point of sale, fueling Tonik's offline-to-online lending strategy.

9. Personal Segment Strategy Manager (Head of Upsell Product)

   The Head of Upsell designs and executes strategies that drive deeper product usage and wallet share among existing Tonik customers. By leveraging behavioral data and segmentation insights, this role develops lifecycle marketing campaigns, cross-selling journeys, and product enhancements tailored to meet the evolving financial needs of the personal segment.

10. Head – Legal

   The Head of Legal ensures Tonik's operations, partnerships, and digital products are fully compliant with legal and regulatory frameworks. This role provides strategic counsel across the business, drafts and reviews contracts, manages corporate governance, and liaises with regulators to proactively mitigate legal risk.

11. Head – Project Management Office

The Head of PMO ensures timely and successful execution of strategic initiatives across Tonik. This role oversees project planning, stakeholder alignment, and delivery governance, ensuring cross-functional collaboration, agile execution, and prioritization of high-impact programs aligned with the bank's roadmap.

12. Chief Risk Officer (CRO)

The CRO manages Tonik's enterprise risk management framework, overseeing credit, operational, market, and strategic risk domains. With a forward-looking approach, the CRO works closely with Compliance, Audit, and Product teams to ensure risk-adjusted growth while embedding a proactive risk culture across the organization.

13. Chief Compliance Officer (CCO)

The CCO ensures Tonik's strict adherence to all applicable banking laws, AML/CFT standards, and regulatory obligations. This role manages compliance risk assessments, monitors internal policies, and collaborates with the BSP and other regulators to ensure Tonik's operations remain ethical, lawful, and customer protective.

14. Head – Internal Audit

The Head of Internal Audit provides independent assurance over Tonik's governance, risk management, and control processes. Reporting directly to the Audit Committee, this role conducts audits across all departments, identifies internal control gaps, and recommends improvements to safeguard Tonik's assets and compliance posture.

15. Chief Information Security Officer (CISO)

The CISO protects Tonik's digital infrastructure, data assets, and customer information from cyber threats. Leading the cybersecurity team, this role implements security frameworks, responds to incidents, and ensures compliance with local and international data security standards, all while supporting secure product innovation.

16. Data Privacy Officer

The DPO ensures Tonik's compliance with the Data Privacy Act and upholds customer trust by enforcing privacy-by-design across systems and processes. This role manages data subject rights, privacy assessments, breach response, and employee training to maintain the ethical handling of personal data.

Stockholder's Composition

As of December 31, 2024, the total subscribed and paid-in capital of Tonik Digital Bank, Inc. amounted to ₱460.78 million, consisting of 4,607,801 common shares with a par value of ₱100.00 per share. The Bank's ownership is composed primarily of corporate stockholders, supported by individual investors including directors and independent directors, all in compliance with relevant ownership and disclosure regulations of the Bangko Sentral ng Pilipinas (BSP).

The Bank's majority shareholder is Tonik Financial Pte. Ltd., a Singapore-based entity, which holds 60% of the Bank's total equity. The remaining 40% is held by Filipino corporate and individual stockholders, thereby complying with foreign ownership limitations under Philippine law.

Two Filipino corporate entities, Oak Drive Ventures, Inc. and Camerton, Inc., each hold 20% of the Bank's shares. The remaining shares are distributed among individual shareholders, including officers, directors, and independent directors. Each individual stockholder holds a nominal amount of one share, in line with corporate governance practices related to board representation and regulatory compliance.

No share subscriptions remain unpaid, and there are no preferred shares issued as of the reporting period. All ownership disclosures have been submitted in accordance with Section 173 of the Manual of Regulations for Banks (MORB), and the Bank confirms that there were no changes to stockholder composition since the last submitted report.

The Bank continues to uphold transparency and full regulatory compliance in the maintenance and reporting of its ownership structure.

LIST OF BOARD-LEVEL COMMITEES

Audit Committee

The objective of the committee is to provide a structured, systematic oversight of the organization's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the organization's initiatives for risk management, internal control framework, oversight of the internal audit activity, external auditor, & other providers of assurance, and financial statements and public accounting report. It provides the board with independent advice regarding the efficiency of management practices and potential improvement to those practices.

The Audit Committee is composed of three (3) non-executive directors, majority of whom are independent directors including the Chairman. The Chairman of the Committee is not the chairman of the Board of Directors or any of the other board-level committees.

Composition:
John Aloysius Bernas – Chairman
Ephyro Luis Amatong – Member

Roberto Bascon, Jr. – Member

<u>Related Party Transactions (RPT) Committee</u>

The RPT Committee oversees conducting the proper oversight, review, approval, and reporting of all transactions which may be entered into by and between or among the Bank or any of its shareholders, subsidiaries, directors and officers, and respective affiliates ("Related Parties") as defined under the Bank's RPT policy.

The RPT Committee is composed of three (3) members of the Board of Directors, majority of whom is an Independent Director, including the Chairman. If a member of the Committee (or the Shareholder that nominated such director/member) has a personal interest in the transaction to be reviewed, the concerned Board member shall abstain from the discussion and endorsement to the Board of such transaction.

Composition:

Roberto Martin Galang – Chairman
Jonathan Gerard Gurango – Member
John Philip Sevilla – Member

<u>Corporate Governance Committee</u>

The Corporate Governance Committee (CGC) oversees the fulfillment of the company's corporate governance responsibilities such as the nomination process for members of the board of directors and for positions appointed by the board of directors, continuing education program for the board of directors, performance evaluation process of the board of directors, board-level committees, and senior management, and the design and operation of the remuneration and other incentives policy. Overall, the committee plays a critical role in fostering trust among stakeholders and ensuring that the company operates responsibly and effectively.

The Corporate Governance Committee is composed of three (3) non-executive directors, majority of whom are independent directors including the Chairman.

Composition:

Roberto Bascon, Jr. – Chairman
Maria Lourdes Jocelyn Pineda – Member
John Aloysius Bernas – Member

Risk Oversight Committee

The Risk Oversight Committee is the body responsible for the development and oversight of the bank's risk management program. It oversees the system of limits to discretionary authority that the Board delegates to Management, ensures that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

The Risk Oversight Committee advises the board of directors on the bank's overall current and future risk appetite, oversees senior management's adherence to the risk appetite statement, and report on the state of risk culture of the bank.

The Risk Oversight Committee is composed of three (3) non-executive directors, majority of whom are independent directors including the Chairman. The Chairman of the Committee is not the chairman of the Board of Directors or any of the other board-level committees.

Composition:

Jonathan Gerard Gurango – Chairman
Maria Lourdes Jocelyn Pineda – Member
Roberto Martin Galang – Member

Director's Attendance at Meetings

The Board of Directors of Tonik Digital Bank, Inc. maintained active engagement and oversight throughout the year. Regular and special meetings were held to deliberate on strategic, operational, financial, and regulatory matters.

In 2024, the Board convened a total of 11 meetings, with overall director attendance averaging above 90%. Key governance committees — including the Audit Committee, Risk Oversight Committee, Corporate Governance Committee, and Related Party Transactions Committee — also held regular sessions in line with their charters.

Highlights:

- All directors attended the majority of Board meetings, demonstrating strong commitment to their oversight responsibilities.
- Independent and non-executive directors actively participated in key committees, ensuring balanced and informed decision-making.
- Committee attendance averaged above 95%, reflecting the Board's commitment to effective governance and compliance.
- New directors appointed during the year received onboarding sessions, including training on corporate governance, risk, and regulatory expectations.
- Committee meetings were held independently and included periodic executive sessions to discuss matters without management present.

All Board and committee activities are documented in accordance with internal policies and Bangko Sentral ng Pilipinas (BSP) guidelines. Attendance performance is reviewed annually by the Corporate Governance Committee as part of the Board evaluation process.

HR PRACTICES

Performance Assessment Program

The Bank implements a comprehensive annual performance appraisal system designed to ensure alignment between individual contributions and organizational objectives. This structured process begins with collaborative goal-setting sessions between employees and their immediate managers, where specific targets and performance indicators are established. Employees engage in a detailed self-evaluation that assesses both their achievement of Key Performance Indicators (KPIs) and their demonstration of company values. As part of their professional development journey, employees work with their managers to create personalized growth plans that outline skill development opportunities and career progression paths. The formal evaluation phase includes thorough manager assessments that undergo careful calibration to maintain consistency and fairness across departments. Following these assessments, employees and managers participate in in-depth performance discussions aimed at reviewing accomplishments, identifying areas for improvement, establishing clear learning trajectories, and mapping out future career objectives that benefit both the individual and the organization.

The Bank's Performance Management System follows three core principles: simplicity, transparency, and fairness. Managers provide ongoing feedback and support to ensure employees remain engaged, efficient, and effective.

Talent Acquisition and Staffing

Our Talent Acquisition and Staffing practices demonstrate our unwavering commitment to excellence and embody our innovative approach to modern banking solutions. We firmly believe that our dedicated workforce represents not just our most valuable asset, but the very foundation upon which our continued success is built. Our employees are the driving force behind our ability to consistently deliver progressive financial solutions that keep us at the forefront of the banking industry. Recognizing this fundamental truth, we have carefully developed and implemented a comprehensive talent acquisition strategy that encompasses multiple dimensions of workforce planning and development. This strategic framework is specifically designed to excel in three critical areas: attracting high-caliber professionals who align with our values and vision, implementing rigorous selection processes to identify the most qualified candidates, and creating an engaging work environment that encourages long-term retention of top talent across all organizational levels and specialized roles within our dynamic institution. In 2024, we introduced Bleed Purple, a values-based assessment tool that ensures cultural alignment as part of the candidate screening process.

Hiring managers serve as essential stakeholders in our talent acquisition process by carefully identifying and defining the precise skills, qualifications, experience levels, and cultural values necessary for each open position. Our dedicated staffing team and HR business partners engage in extensive collaboration with these managers, conducting detailed consultations to thoroughly understand their specific requirements, team dynamics, and departmental preferences, thereby ensuring we can effectively source and identify the most suitable candidates for each role. To maximize our reach and attract top talent, we strategically utilize a comprehensive array of recruitment channels, including specialized job boards, targeted social media campaigns, established professional networks, industry-specific talent communities, and our robust employee referral program—all designed to build a diverse and highly qualified candidate pool. Once potential candidates are identified, they proceed through our carefully structured selection process, which encompasses multiple rounds of interviews focusing on both technical proficiency and cultural alignment, in-depth domain knowledge assessments, behavioral evaluations, and when appropriate, practical case studies or role-specific assignments. While we maintain a strong external recruitment presence, we simultaneously demonstrate our commitment to internal career development by actively promoting talent mobility within the organization, offering comprehensive development programs, mentoring opportunities, and structured learning pathways that enable our existing employees to acquire new skills and advance their careers within our institution.

Orientation and Education Program

As a digital bank operating in today's rapidly evolving financial landscape, we deeply understand and embrace the critical importance of agility and adaptability in our increasingly dynamic and challenging environment. Our thoughtfully designed and comprehensive approach to employee development commences with an extensive new employee onboarding program, which carefully lays the groundwork and sets the stage for a successful, fulfilling, and growth-oriented career in Tonik.

New hires participate in our meticulously structured onboarding training program that provides them with the essential context, fundamental knowledge, and specialized skills necessary to excel in their respective roles. This carefully crafted initial training establishes a robust foundation and ensures they can contribute meaningfully and effectively from day one. Throughout the year, we conduct comprehensive bank-wide learning sessions that cover mission-critical topics such as Anti-Money Laundering protocols, Data Privacy regulations, Information Security Awareness best practices, and important Regulatory Compliance updates. Additionally, we deliver specialized function-specific learning sessions, both through internal expertise and external industry professionals, encompassing advanced systems training, targeted skills enhancement programs, and in-depth exploration of emerging industry trends and innovations.

To further enhance and modernize our training initiatives, we have made significant investments in online training tools that actively empower employees to take full ownership of their learning journey. In 2024, we expanded our learning ecosystem through the Tonik Brain Club, our digital learning management system. These carefully curated digital resources provide flexibility and convenient access to extensive training materials, thereby fostering an environment of continuous growth, professional development, and personal advancement.

We place considerable emphasis on personalized coaching sessions specifically designed for our senior management team members. These focused development initiatives are carefully structured to enhance crucial leadership capabilities and strategic thinking skills. Through the systematic and methodical development of advanced management competencies, combined with ongoing mentorship and professional guidance, we ensure our leaders are exceptionally well-equipped with the tools, knowledge, and expertise needed to effectively inspire their teams, foster an environment of continuous innovation, cultivate high-performance cultures, drive operational excellence, and provide clear strategic guidance in the relentless pursuit of our organizational objectives. This investment in leadership development creates a ripple effect throughout the organization, enabling our senior managers to better support their team members' growth while maintaining alignment with the Bank’s vision and values.

We also conducted several ToniKonnect – IntelliForums, a wellness series focused on holistic development and mental resilience. From leadership coaching to well-being webinars, our programs are designed to equip employees with the tools to thrive personally and professionally.

Succession Policy

Succession planning serves as a fundamental cornerstone of our talent management strategy at the Bank, playing a vital role in ensuring seamless continuity and long-term stability across leadership positions and other critical roles within the organization. Our comprehensive, board-approved succession planning policy provides a structured framework that enables us to systematically identify key positions throughout the organization while leveraging our robust performance management process to recognize and nurture employees who demonstrate potential for future leadership roles.

In our thorough evaluation process, we carefully assess candidates through multiple dimensions, including their track record of performance, demonstrated leadership capabilities, technical and soft skills, core competencies, and their overall readiness for career advancement. This multi-faceted assessment approach ensures we identify the most promising candidates for future roles.

To develop our succession bench, we implement a diverse range of developmental initiatives including challenging stretch assignments, comprehensive formal training programs, and targeted skill development opportunities. Through these carefully designed interventions, we systematically build and maintain a strong succession pool while simultaneously identifying any potential gaps in our talent pipeline.

This strategic approach to succession planning enables us to develop and implement appropriate contingency measures and forward-looking strategies. These include both short-term solutions such as interim appointments and longer-term approaches like targeted external recruitment campaigns, all working together to maintain operational continuity and organizational effectiveness throughout any leadership transitions.

Remuneration Policy

Tonik Digital Bank is committed to promoting fairness, transparency, and market competitiveness in the way it compensates its employees. The Bank's remuneration strategy is structured to support employee performance, organizational success, and regulatory compliance.

All employees, including senior management, officers, and rank-and-file staff, are compensated based on their individual job performance and contributions to the Bank's goals. Performance is measured through a structured evaluation process that considers both quantitative outcomes and behavioral alignment with Tonik's values. These evaluations inform merit-based compensation adjustments and development planning, ensuring that each employee is rewarded fairly for their efforts.

To ensure that Tonik remains competitive within the banking and fintech industries, the Human Resources Department conducts regular market benchmarking and internal salary structure reviews. These assessments enable the Bank to respond to evolving market conditions while preserving internal equity across various functions and job levels.

The Bank also fully adheres to relevant labor and employment laws in the Philippines, including the provisions of Presidential Decree 442, which govern compensation, benefits, and working conditions. In line with its commitment to employee welfare, Tonik provides comprehensive health coverage for its employees and their eligible dependents starting from the first day of employment.

Senior Management works closely with the Human Resources Department in reviewing and refining compensation structures to ensure alignment with the Bank's financial performance and workforce strategy. Remuneration decisions for key executives are subject to Board oversight, ensuring appropriate governance and alignment with the long-term interests of the organization.

This performance-driven, market-responsive, and governance-backed approach reflects Tonik's commitment to fostering a high-performance culture while supporting the growth and well-being of its people.

SELF-ASSESSMENT FUNCTION

Internal Audit

The Internal Audit Function adheres to the principles required by the ISPPIA (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.

It provides assurance and a systematic, disciplined approach to evaluate and improve effectiveness of risk management, internal control, and governance processes. Upholding a commitment to integrity and accountability, Internal Audit provides value to Senior Management and governing bodies as objective source of independent advice. Internal Audit reports to the Board of Directors through the Audit Committee of the Board (ACB). It seeks ACB approval for the annual audit plan, annual budget and manpower, performance appraisal, provides updates on accomplishments, reports results of audit conducted and tracks resolution of audit findings.

The Bank's Internal Audit function provides reasonable assurance to the Board, 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.

Compliance

The Compliance function at Tonik Digital Bank operates as an independent control unit that ensures the Bank adheres to applicable laws, regulations, and internal policies.

It is structured to promote a strong culture of compliance and ethics across the organization and reports functionally to the Board of Directors through its designated oversight committee.

Key responsibilities of the Compliance function include:

- Monitoring developments in the regulatory environment and advising business units on implications for policy and operations;
- Supporting the design and implementation of internal controls that address regulatory requirements and institutional standards;
- Conducting compliance assessments and reviews in coordination with business units to ensure ongoing adherence to policies;
- Delivering compliance awareness sessions and trainings to personnel, particularly those involved in regulatory touchpoints;
- Facilitating timely and accurate regulatory reporting and engagements with oversight bodies such as the Bangko Sentral ng Pilipinas (BSP).

The Compliance Department works collaboratively with Risk Management and Internal Audit under the Bank's "Three Lines of Defense" framework. It provides guidance to business and control units while maintaining its independence in oversight and reporting.

Tonik remains committed to maintaining a compliance culture that supports sustainable operations, stakeholder trust, and regulatory transparency.

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 Corporate Social Responsibility (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 Board and Senior Management are responsible for developing the consumer protection strategy and establishing an effective oversight over TDB's consumer protection programs. The Board 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.

<table>
<tr><th>Board of Directors</th><th>Senior Management</th></tr>
<tr><td>Approval and Implementation Oversight</td><td>Implementation of the Framework</td></tr>
<tr><td>Monitor Framework Implementation and Management</td><td>Manage day-to-day consumer protection activities</td></tr>
<tr><td>Oversee Compliance with the Framework</td><td>Development and implementation of the Customer Service Training Program</td></tr>
<tr><td colspan="2">Review periodically the effectiveness of the Consumer Protection Risk Management System</td></tr>
<tr><td colspan="2">Ensure sufficient resources are devoted to the implementation of the Consumer Protection Risk Management</td></tr>
<tr><td colspan="2">Address weaknesses and make corrective actions in a timely manner</td></tr>
</table>

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.
- Be alert to early warning indicators of potential problem or threats to the Bank's reputation.

Consumer Protection Risk Management System

The Bank 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, Tonik has in place a Consumer Protection Risk Management System (CPRMS). It is a means by which the Bank identify, measure, monitor, and control consumer protection risks inherent in its operations. The components of the Bank's CPRMS are the following:

- Board and Senior Management Oversight - Their responsibilities are enumerated in the Framework.
- Policies and Procedures – Guarantee that consumer protection practices are embedded in the business operation, address compliance with consumer protection laws, rules, and regulations, and reviewed periodically and kept up- to date as these serve as reference for employees in their day-to-day activities.
- 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.

- 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.
- 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.

Complaints Handling Procedure

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 both Training & Quality and Service Quality Teams, when needed.

Contact Center will aim to assist in resolving complaints within the prescribed timelines below and following the necessary escalation levels:

TASK	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

- Anonymous complaints – Complaints where the customer or complainant does not disclose their identity. The Contact Center will acknowledge such complaints and treat them as feedback, which will be relayed to the relevant personnel or business unit. However, the Contact Center will encourage the complainant to provide their identity to ensure proper documentation and enable them to receive the appropriate response or resolution.
- Complaints received from Employees – Employees may submit complaints regarding the Bank's services and products. However, if the complaint is against a fellow employee, the complainant shall be advised to escalate the matter through the appropriate channel by informing their line manager. The line manager will then coordinate with the concerned employee's immediate supervisor and, if necessary, with the Human Resources (HR) department for proper resolution.
- Repeat complaints – The Contact Center shall escalate recurring complaints to Senior Management and the relevant business units. Additionally, if warranted, recommendations shall be provided for products and services that generate frequent complaints to ensure appropriate action is taken.

- Managing difficult customers – Contact Center employees shall exercise maximum tolerance and professionalism when handling difficult customers. They are expected to provide all necessary assistance to the client and remain engaged until the complaint is resolved.
- Complaints via BSP – The Contact Center shall promptly acknowledge customer complaints received through the Bangko Sentral ng Pilipinas (BSP) and strive to provide a response to both the customer and BSP within fifteen (15) calendar days from the date of notice receipt.

CC shall provide a monthly and quarterly report on CC Profile of Complaints and BCCR to Head of Contact Center and Compliance Department.

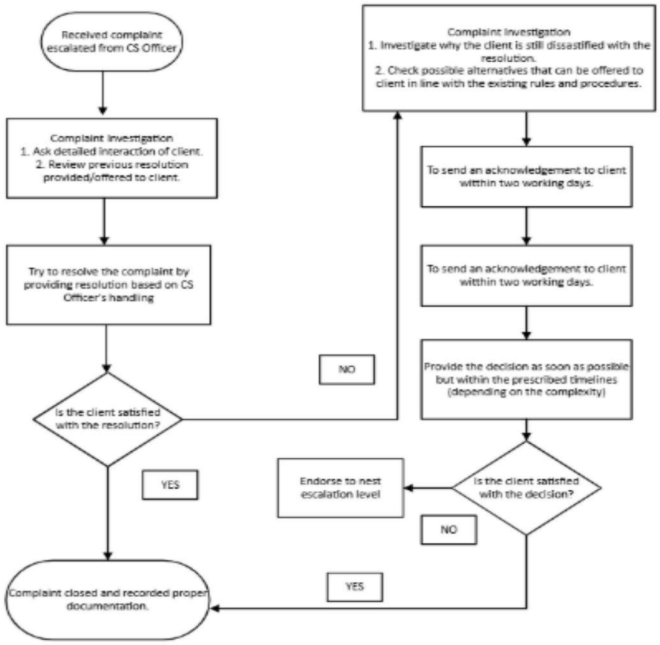
Tonik Digital Bank, Inc. is committed to providing fair, timely, and consistent resolution of customer concerns through a structured complaints management framework. While the majority of cases are addressed at the operational level, certain issues may require escalation to senior management due to their complexity, potential systemic impact, or regulatory significance.

Escalation is not based on customer profile or transaction size, but rather on the nature of the issue — including matters involving legal interpretation, regulatory compliance, or root causes that span multiple business units. These cases are elevated to the appropriate governance or management channels to ensure coordinated resolution and institutional learning.

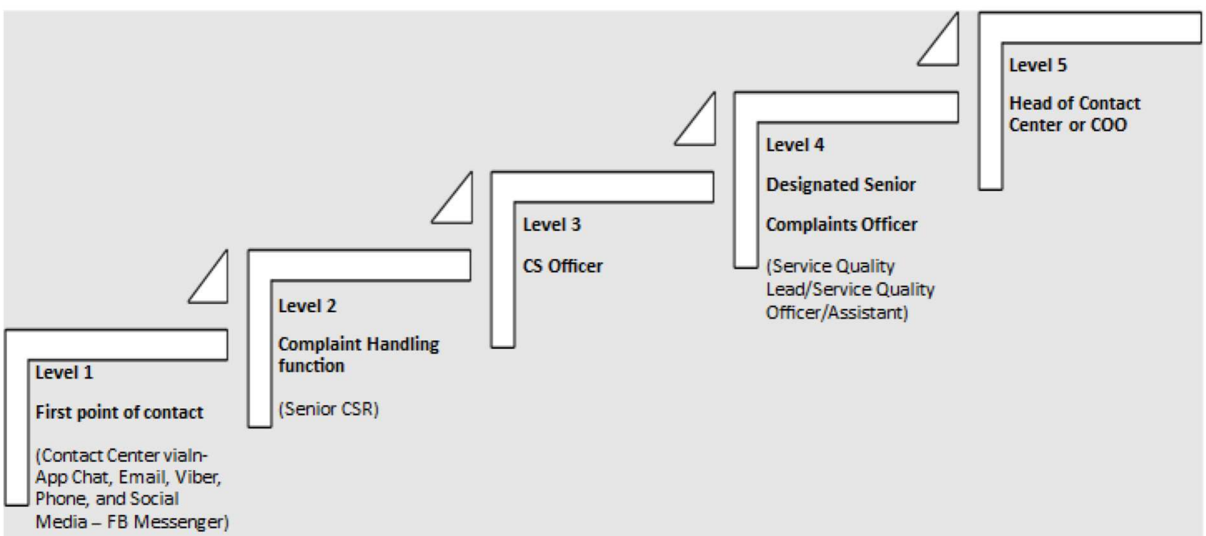
Senior management involvement is designed to support accountability, improve internal processes, and enhance overall customer experience by identifying recurring themes or operational gaps. Insights from escalated cases are shared with relevant teams for action and, where appropriate, presented to governance committees as part of the Bank's continuous improvement efforts.

This escalation framework is aligned with Tonik's consumer protection policy and ensures that all customers — regardless of circumstance — receive fair and appropriate treatment consistent with regulatory guidelines and the Bank's service standards.

Complaints Handling Flowchart



Complaints Escalation Levels



CORPORATE INFORMATION

Company Address:

TONIK DIGITAL BANK, INC.

Unit 605B, 6/F West Wing, The Offices at Estancia, 1605 Meralco Ave., Pasig City

Landline: 02 7 908 6645

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

AUDITED FINANCIAL STATEMENT

Tonik Digital Bank, Inc.

Financial Statements
As at and for the years ended December 31, 2024 and 2023

Independent Auditor's Report

To the Board of Directors and Shareholders of
Tonik Digital Bank, Inc.
Unit 605B, 6/F West Wing
The Estancia Offices, Meralco Avenue
Pasig City 1605

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tonik Digital Bank, Inc. (the "Bank") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

What we have audited

The financial statements of the Bank comprise:

- the statements of condition as at December 31, 2024 and 2023;
- the statements of total comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in capital funds for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy and other explanatory information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, www.pwc.com/ph

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 PFRS Accounting Standards, 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.

Auditor's 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 PSA 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 PSA, 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the Bangko Sentral ng Pilipinas under Circular No. 1074 and by the Bureau of Internal Revenue under Revenue Regulations No. 15-2010 as disclosed in Notes 17 and 18, respectively, to the financial statements is presented for the purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits 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.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 0121827
P.T.R. No. 0032961; issued on January 3, 2025 at Makati City
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 14, 2025

Statement Required by Section 8-A
Revenue Regulations No. V-1

To the Board of Directors and Shareholders of
Tonik Digital Bank, Inc.
Unit 605B, 6/F West Wing
The Estancia Offices, Meralco Avenue
Pasig City 1605

None of the partners of the firm has any financial interest in Tonik Digital Bank, Inc. or any family relationship with its president, managers or principal shareholders.

The supplementary information on taxes and licenses is presented in Note 18 to the financial statements.

Isla Lipana & Co.

Dexter Toledaña

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 0121827
P.T.R. No. 0032961; issued on January 3, 2025 at Makati City
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Makati City
April 14, 2025

Unit 605B, 6/F West Wing
Estancia Offices
Meralco Avenue, Pasig City 1605
+63 2 7908 6645

STATEMENT FOR MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Tonik Digital Bank, Inc. (the "Bank") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024, in accordance with the prescribed financial reporting framework indicated therein, 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 of 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 bases 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 approved the financial statements, including the schedules attached therein, and submits the same to the shareholders.

Isla Lipana & Co., the independent auditor appointed by the shareholders, has audited the financial statements of the Bank in accordance with Philippine Standards in Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Carmina Esteban / Chief Financial Officer

Grygorii Krasnov / President and CEO

Mark Iwashko

Mark Andrew Iwashko / Chairman of the Board

Signed this 28th of April, 2025

Tonik Digital Bank, Inc.

Statements of Condition
December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Cash and other cash items	2	49,986	49,986
Due from Bangko Sentral ng Pilipinas	2	3,882,360,188	8,167,997,024
Due from other banks	2	284,468,337	61,983,729
Loans receivables, net	3	2,163,172,479	511,205,486
Premises, furniture, fixtures and equipment, net	4	66,678,055	100,595,263
Deferred tax assets, net	10	167,173,969	659,857,373
Due from settlement partners	5	59,678,153	14,030,940
Other assets, net	5	484,322,819	50,960,495
Total assets		7,107,903,986	9,566,680,296
Liabilities and Capital Funds			
Deposit liabilities	6	5,766,070,828	7,803,927,699
Due to Parent Company	11	-	16,112,670
Lease liabilities	12	31,228,291	45,441,534
Other liabilities	7	239,957,658	192,692,812
Total liabilities		6,037,256,777	8,058,174,715
Share capital	8	460,780,100	431,519,000
Additional paid-in capital	8	4,038,946,292	3,363,712,733
Other reserves	8	88,343,043	104,540,106
Deficit		(3,517,422,226)	(2,391,266,258)
Total capital funds		1,070,647,209	1,508,505,581
Total liabilities and capital funds		7,107,903,986	9,566,680,296

The notes on pages 1 to 33 are an integral part of these financial statements.

Tonik Digital Bank, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2024 and 2023

	Notes	2024	2023
Interest income			
On loans receivables	3	712,878,539	244,236,872
On due from BSP	2	377,995,613	526,757,100
On due from other banks	2	116,492	6,084,884
		1,090,990,644	777,078,856
Interest expense			
On deposit liabilities	6	309,687,645	400,787,292
Others	12	1,725,086	2,418,644
		311,412,731	403,205,936
Net interest income		779,577,913	373,872,920
Provision for impairment losses	3,5	(300,222,409)	(354,604,760)
Net interest income after provision for impairment losses		479,355,504	19,268,160
Other income (expense), net			
Fees and commission expense		(161,385,764)	(42,219,576)
Fees and commission income		92,780,414	38,918,803
Foreign exchange loss, net		(5,287,774)	(268,375)
Other operating income		12,532,600	645,790
		(61,360,524)	(2,923,358)
Operating expenses			
Compensation and benefits	9	360,914,281	381,111,290
Management and other professional fees		281,617,270	42,919,872
Marketing expense		100,285,923	49,483,406
Taxes and licenses		71,397,056	57,555,639
Information technology expense		50,937,385	66,900,462
Occupancy and equipment-related expense	4,12	38,670,489	36,852,989
Documentary stamp tax expense		21,429,387	41,371,923
Communication expense		18,915,431	14,946,895
Insurance expense		13,436,777	16,316,393
Office expense		3,617,267	3,156,458
Repairs and maintenance expense		2,807,105	2,295,910
Employee stock option plan	8	-	22,746,813
Other expenses		10,334,756	28,894,015
		974,363,127	764,552,065
Loss before income tax		(556,368,147)	(748,207,263)
Income tax (expense) benefit	10	(569,787,821)	3,282,345
Net loss after income tax		(1,126,155,968)	(744,924,918)
Other comprehensive income		-	-
Total comprehensive loss		(1,126,155,968)	(744,924,918)

The notes on pages 1 to 33 are an integral part of these financial statements.

Tonik Digital Bank, Inc.

Statements of Changes in Capital Funds
For the years ended December 31, 2024 and 2023

	Share capital (Note 8)	Additional paid-in capital (Note 8)	Other reserves (Note 8)	Deficit	Total
Balance, January 1, 2023	431,519,000	3,363,712,733	81,793,293	(1,646,341,340)	2,230,683,686
Transactions with shareholders					
Share-based compensation	-	-	22,746,813	-	22,746,813
Comprehensive loss					
Net loss for the year	-	-	-	(744,924,918)	(744,924,918)
Other comprehensive income for the year	-	-	-	-	-
	-	-	-	(744,924,918)	(744,924,918)
Balance, December 31, 2023	431,519,000	3,363,712,733	104,540,106	(2,391,266,258)	1,508,505,581
Transactions with shareholders					
Issuance of shares	29,261,100	675,233,559	-	-	704,494,659
Share-based compensation	-	-	(16,197,063)	-	(16,197,063)
	29,261,100	675,233,559	(16,197,063)	-	688,297,596
Comprehensive loss					
Net loss for the year	-	-	-	(1,126,155,968)	(1,126,155,968)
Other comprehensive income for the year	-	-	-	-	-
	-	-	-	(1,126,155,968)	(1,126,155,968)
Balance at December 31, 2024	460,780,100	4,038,946,292	88,343,043	(3,517,422,226)	1,070,647,209

The notes on pages 1 to 33 are an integral part of these financial statements.

Tonik Digital Bank, Inc.

Statements of Cash Flows
For the years ended December 31, 2024 and 2023

	Notes	2024	2023
Cash flows from operating activities			
Loss before income tax		(556,368,147)	(748,207,263)
Adjustments for:			
Provision for impairment losses	3,5	251,616,932	354,604,760
Interest expense on deposit liabilities	6	309,687,645	400,787,292
Interest income	2,3	(1,090,990,644)	(777,078,856)
Share-based compensation expense	8	(16,197,063)	22,746,813
Depreciation and amortization	4	37,845,528	33,840,409
Interest expense on lease liabilities	12	1,725,086	2,418,644
Loss on disposal of premises, furniture, fixtures and equipment	4	-	77,601
Operating loss before changes in operating assets and liabilities		(1,062,680,663)	(710,810,600)
Changes in operating assets and liabilities			
(Increase) decrease in:			
Loans receivables, net		(2,579,342,708)	(667,201,347)
Due from settlement partners		(45,647,213)	11,122,102
Other assets	5	(426,532,958)	19,685,497
(Decrease) increase in:			
Deposit liabilities	6	(2,037,856,871)	(316,282,649)
Due to Parent Company	11	(16,112,670)	8,418,480
Other liabilities	7	85,660,056	(3,150,496)
Net cash (used in) from operations		(6,082,513,027)	(1,658,219,013)
Interest received		1,759,274,146	768,614,764
Interest paid		(348,082,855)	(372,980,037)
Final taxes paid		(77,104,417)	(105,151,739)
Net cash (used in) from operating activities		(4,748,426,153)	(1,367,736,025)
Cash flows from investing activities			
Additions to premises, furniture, fixtures and equipment	4	(4,123,784)	(40,472,141)
Proceeds from sale of premises, furniture, fixtures and equipment	4	195,464	2,365,540
Net cash used in investing activities		(3,928,320)	(38,106,601)
Cash flows from financing activities			
Payments of lease liabilities	12	(15,938,329)	(15,845,139)
Proceeds from the contributions of shareholders	8	704,494,659	-
Net cash from (used in) financing activities		688,556,330	(15,845,139)
Net decrease in cash and cash equivalents		(4,063,798,143)	(1,421,687,765)
Cash and cash equivalents			
Beginning of the year		8,230,030,739	9,651,357,407
Effect of exchange rate changes on cash and cash equivalents		645,915	361,097
End of the year	2	4,166,878,511	8,230,030,739

The notes on pages 1 to 33 are an integral part of these financial statements.

Tonik Digital Bank, Inc.

Notes to the Financial Statements
As at and for the years ended December 31, 2024 and 2023
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

Corporate profile

On May 26, 2020, Tonik Digital Bank, Inc. (the “Bank”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) primarily to engage in, and carry on, the business of extending banking services to service the needs of agricultural and industrial enterprises, preferably for small and medium scale enterprises, through digital augmentation and use of financial technology to make such services available to the public, and to have and exercise all authority and powers, to do and perform all acts, and to transacts all business, necessary or incidental, which may legally be had or done by banks organized under and in accordance with Republic Act No. 7353 (the Rural Bank Act of 1992), as amended.

On September 3, 2020, the Bank obtained authority from the Bangko Sentral ng Pilipinas (BSP) to operate as a bank with a rural banking license in the Philippines.

On November 25, 2020, the Bank commenced its commercial operations.

On June 3, 2021, the Monetary Board of the BSP approved the conversion of the banking license of the Bank from a rural bank to a digital bank. As defined by Section 102 of Manual of Regulations for Banks, a digital bank offers financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branch/sub-branch or branch-lite unit offering financial products and services. In a letter dated September 29, 2021, the BSP provided the Bank with the Certificate of Authority to Register to proceed with the filing of the amended Articles of Incorporation and by-laws, with authority to operate as a digital bank, to the SEC.

On February 11, 2022, the Bank was granted a Certificate of Authority to operate with a digital banking license, under the BSP Monetary Board Resolution No. 693 dated June 3, 2021 pursuant to R.A. No. 8791, General Banking Law of 2000. The Bank’s first day of operations as a digital bank was on February 14, 2022.

The Bank is 60% owned by Tonik Financial Pte. Ltd. (the “Parent Company”), a company incorporated and domiciled in Singapore, 20% owned by Oak Drive Ventures, Inc. (“Oak Drive”) and 20% owned by Camerton, Inc. (“Camerton”). Both Oak Drive and Camerton are incorporated in the Philippines.

The Bank’s registered office address is at Unit 605B, 6/F West Wing, The Estancia Offices, Meralco Ave., 1605 Pasig City, Philippines.

As at December 31, 2024, the Bank has 292 employees (2023 - 461).

Approval and authorization for issuance of the audited financial statements

These financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on April 14, 2025.

2 Cash and cash equivalents

The account as at December 31 consists of:

	2024	2023
Cash and other cash items	49,986	49,986
Due from other banks	284,468,337	61,983,729
Due from BSP	3,882,360,188	8,167,997,024
	4,166,878,511	8,230,030,739

Due from other banks

The account pertains to deposits maintained with various banks as detailed below.

	Peso-denominated account	Dollar-denominated account	Total
At December 31, 2024	280,276,022	4,192,315	284,468,337
At December 31, 2023	61,449,708	534,021	61,983,729

These deposits carry interest rates ranging from 0.05% to 0.75% in 2024 and 2023. Interest income earned on due from other banks amounts to P116,492 (P6,084,884 in 2023).

Due from BSP

The account includes the balances maintained with the BSP to cover mandatory reserve requirements for deposit liabilities and to serve as clearing accounts for other interbank claims. These are non-interest bearing and are not available for use in the Bank's day-to-day operations.

As at December 31, 2024, the BSP reserve requirement is set at 4% (2023 - 6%) and the mandatory reserves amount to P229,440,877 (2023 - P467,110,854). The Bank is in compliance with the minimum reserve requirement as at December 31, 2024 and 2023.

Excess liquidity from the demand deposit accounts has been placed in various BSP facilities, with interest rates ranging from 5.25% to 6.81% (2023 - 6.00% to 6.95%; 2022 - 2.14% to 6.10%). Interest income earned from the BSP facilities amounts to P377,995,613 in 2024 (2023 - P526,757,100).

Cash and cash equivalents are classified as current as at December 31, 2024 and 2023.

3 Loans receivables, net

The account as at December 31 consists of:

	2024	2023
Consumer loans	2,371,673,713	812,907,726
Accrued interest receivable	103,319,843	51,314,480
Deferred origination fee	39,373,626	-
Unamortized loan processing fees	(9,075,280)	(4,308,999)
	2,505,291,902	859,913,207
Allowance for impairment losses	(342,119,423)	(348,707,721)
	2,163,172,479	511,205,486

The BSP approved on December 4, 2023 the request of the Bank to outsource loan servicing of acquired loan portfolio to a financing company provided that the Bank shall maintain adequate controls proportionate to the nature and complexity of outsourced services and vendor engagement, and ensure compliance at all times with the relevant laws and regulations, particularly those involving outsourcing, consumer protection, and credit risk management practices. As of December 31, 2024, the Bank has acquired loans amounting to P716,856,913 from a related company (Note 11) (2023 - nil).

The movement in the allowance for impairment losses at December 31 follows:

	2024	2023
January 1	348,707,721	252,771,689
Provision for impairment losses	300,089,083	339,959,184
Write-off	(306,677,381)	(244,023,152)
	342,119,423	348,707,721

Details of loans receivables as at December 31, 2024 and 2023 are as follows:

a) Concentration as to industry/economic sector

The BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30% of total loan portfolio. As to concentration in the industry/economic sector, the entire loan portfolio of the Bank is classified under the activities of the household sector.

b) Classification as to collateral

The Bank's loans receivables are unsecured (2023 - secured and unsecured). None of these loans are pledged as collateral for liabilities.

Loans receivables carry interest rates ranging from 7% to 95% per annum in 2024 (2023 - 7% to 84%). Interest earned on loans receivables for the year ended December 31, 2024 amounts to 712,878,539 (2023 - P244,236,872).

The maturity profile of loans receivables, gross of allowance for impairment losses, as at December 31 follows:

	2024	2023
Within one year	2,514,367,182	484,842,562
More than one year	-	379,379,644
	2,514,367,182	864,222,206

4 Premises, furniture, fixtures and equipment, net

The account as at December 31 consists of:

	Office premises	IT and other equipment	Furniture and fixtures	Total
Cost				
At January 1, 2023	98,138,382	40,876,220	4,808,750	143,823,352
Additions	32,935,731	4,665,550	2,870,860	40,472,141
Disposals	-	(5,841,591)	-	(5,841,591)
At December 31, 2023	131,074,113	39,700,179	7,679,610	178,453,902
Additions	3,004,969	1,009,055	109,760	4,123,784
Disposals	-	(974,750)	-	(974,750)
At December 31, 2024	134,079,082	39,734,484	7,789,370	181,602,936
Accumulated depreciation				
At January 1, 2023	31,526,333	14,099,563	1,790,784	47,416,680
Depreciation for the year	20,250,104	12,482,331	1,107,974	33,840,409
Disposal	-	(3,398,450)	-	(3,398,450)
At December 31, 2023	51,776,437	23,183,444	2,898,758	77,858,639
Depreciation for the year	25,245,171	11,125,190	1,475,167	37,845,528
Disposal	-	(779,286)	-	(779,286)
At December 31, 2024	77,021,608	33,529,348	4,373,925	114,924,881
Net book value				
December 31, 2023	79,297,676	16,516,735	4,780,852	100,595,263
December 31, 2024	57,057,474	6,205,136	3,415,445	66,678,055

Office premises include right-of-use (ROU) assets on its long-term lease agreements (Note 12).

During 2024, the Bank sold laptops recognized under IT and other equipment with a book value of P195,464 (2023 - P2,443,141) for the same amount (2023 - P2,365,540). There is no gain/loss on the sale in 2024. The loss incurred amounting to P77,601 in 2023 is presented as part of other expenses under operating expenses in the statement of total comprehensive income.

As at December 31, 2024, the Company continues to utilize certain assets that are fully depreciated, with carrying value of zero, as their continued use provides significant operational benefits.

Under the BSP Manual of Regulation for Banks (MORB), Premises, furniture, fixtures and equipment should not exceed 50% of unimpaired capital. As at December 31, 2024 and 2023, the Bank has complied with this requirement.

Depreciation is included as part of Occupancy and equipment-related expense under Operating expenses in the statement of total comprehensive income.

Premises, furniture, fixtures, and equipment are considered as non-current assets.

5 Due from settlement partners; Other assets, net

Due from settlement partners

Due from settlement partners amounting to P59,678,153 as at December 31, 2024 (2023 - P14,030,940) represent operational funds maintained by the Bank with its settlement partners. These operational funds are set up as virtual disbursement wallets that facilitate cash-in and cash-out transactions of the Bank's customers. These are considered as current assets.

Other assets, net

The account as at December 31 consists of:

	Notes	2024	2023
Intercompany receivables	11	451,517,974	-
Security deposits	12	17,241,849	16,761,849
Prepaid expenses		3,045,458	4,391,429
Miscellaneous		27,403,146	44,767,628
		499,208,427	65,920,906
Allowance for impairment losses		(14,885,608)	(14,960,411)
		484,322,819	50,960,495

Prepaid expenses represent advance payments made in relation to the Bank's outsourced services and lease arrangements.

Miscellaneous assets include various inter-system clearing accounts and sundry debits which are expected to clear in one to two working days. Miscellaneous assets also include receivables which are fully provided.

The movement in the Bank's allowance for impairment losses follows:

	2024	2023
At January 1	14,960,411	314,835
(Reversal of) Provision for impairment losses	(74,803)	14,645,576
At December 31	14,885,608	14,960,411

Other assets are expected to be realized as follows:

	2024	2023
Current	467,138,730	49,159,059
Non-current	32,069,697	16,761,847
	499,208,427	65,920,906

6 Deposit liabilities

The account as at December 31 consists of:

	2024	2023
Savings	3,625,855,598	3,229,121,618
Time	2,140,215,230	4,574,806,081
	5,766,070,828	7,803,927,699

Deposit liabilities from retail customers are denominated in Philippine peso and carry an average interest rate ranging from 1% to 6% in 2024 and 2023. Interest expense on deposit liabilities amounts to P309,687,645 in 2024 (2023 - P400,787,292).

Under current and existing BSP regulations, the Bank should comply with the minimum reserve requirement on statutory/legal liquidity reserve. Furthermore, all reserves are required to be kept by the BSP. As at December 31, 2024, mandatory reserves amount to P229,440,877 (2023 - P467,110,854), which is included under Due from BSP (Note 2). The Bank is in compliance with the minimum reserve requirement of the BSP.

The maturity profile of the Bank's deposit liabilities is presented as follows:

	2024	2023
Less than one year	5,190,521,334	7,561,045,057
One to five years	575,549,494	242,882,642
	5,766,070,828	7,803,927,699

Related interest expense on deposit liabilities is broken down as follows:

	2024	2023
Savings	122,260,667	120,988,912
Time	187,426,978	279,798,380
	309,687,645	400,787,292

7 Other liabilities

The account as at December 31 consists of:

	2024	2023
Accrued expenses	123,020,558	141,703,742
Accounts payable	48,560,427	27,785,946
Miscellaneous liabilities	68,376,673	23,203,124
	239,957,658	192,692,812

Accrued expenses mainly include accruals for taxes, payments to regulatory agencies and various marketing expenses.

Accounts payable pertains to the outstanding liabilities to various suppliers for goods and services received by the Bank.

Miscellaneous liabilities include sundry credits which normally clear within two to five working days.

Other liabilities are classified as current.

8 Capital funds

Share capital

Details of the Bank's share capital follow:

	December 31, 2024		December 31, 2023	
	Number of shares	Amount	Number of shares	Amount
Authorized common shares				
(at P100 par value per share)	10,000,000	1,000,000,000	10,000,000	1,000,000,000
Issued common shares	4,607,801	460,780,100	4,315,190	431,519,000

Increase in authorized capital stock and capital infusion

On December 22, 2020 and March 23, 2021, the BOD approved the increase in the Bank's authorized number of shares from P500,000,000 divided into 5,000,000 common shares, with a par value of P100 per share to P1,000,000,000 divided into 10,000,000 common shares.

On May 21, 2021, the Bank received P516,244,812 in cash as subscriptions to the increase in authorized capital stock equivalent to 1,267,605 shares from its existing shareholders.

On October 12, 2021, the Bank received additional subscription from its Parent Company amounting to P202,400,000 and recognized this advance payment as deposits for future stock subscriptions.

On November 25, 2021, the Bank filed with the SEC its application for the increase in authorized capital stock. On January 20, 2022, the SEC approved the Bank's application to increase the authorized number of shares from P500,000,000 divided into 5,000,000 common shares, with a par value of P100 per share to P1,000,000,000 divided into 10,000,000 common shares.

On February 11, 2022, the Bank also received additional subscription from its Parent Company amounting to P205,200,000.

On March 14, 2022, the BOD approved the issuance of 977,914 common shares out of its unissued capital stock at a subscription price of US$59.31 per share. These shares have the same rights as the existing common shares and that the shareholders should subscribe and pay before March 31, 2022. The excess of proceeds from the issuance of share capital at par value, which amounted to P2,892,695,520, is credited to APIC.

As at December 31, 2022, the Bank has accordingly reclassified all deposits for future stock subscriptions to share capital and APIC.

In June 2024, the Bank received P704,494,659 in cash as subscriptions to the increase in authorized capital stock equivalent to 292,611 shares from its existing shareholders. APIC of P675,233,559 has been recorded as part of this subscription.

Other reserves

Other reserves, which amount to P88,343,043 in 2024 (2023 - P104,540,106), pertain to share-based compensation reserves for the shares awarded to certain employees of the Bank under the Parent Company's Employee Stock Option Plan (ESOP). The ESOP expense is calculated using the requirements of PFRS 2, Share-based Payments. The shares will be settled by the Parent Company using its own shares.

The Parent Company implemented the ESOP during the financial period from September 2019 to December 31, 2020, in accordance with the plan approved by the shareholders and directors of the Parent Company on September 17, 2020. The purpose of the plan is to provide an opportunity for directors, employees and other business consultants or partners of the Bank to participate in the equity of the Parent Company to motivate them to greater dedication, loyalty and higher standards of performance.

The options granted under the scheme (in number of shares) are as follows:

	2024	2023
Outstanding at the beginning of the year/period	15,433	16,033
Granted during the year/period	-	1,050
Forfeiture/expired during the year	(4,401)	(1,650)
Outstanding at the end of the year/period	11,032	15,433
Exercisable at the end of the year/period	8,662	8,033

Vesting schedules vary from a five-year graded schedule to only exercisable upon an exit event and are conditional upon completing the required period of service and performance conditions determined by the Parent Company.

The fair value of options granted in 2024 and 2023, determined using the Black Scholes Model, is US$387.44. The significant inputs into the model are as follows:

	2024	2023
Share price (US$)	387.44	387.44
Exercise price (US$)	0.01	0.01
Expected volatility (%)	40	40
Expected life (years)	5	5
Risk free rate (%)	2.82	3.15
Expected dividend yield (%)	0.00	0.00

9 Compensation and benefits

Expenses recognized for compensation and benefits consist of:

	2024	2023
Salaries and wages	323,617,140	344,326,581
Social security costs and other contributions	37,297,141	36,784,709
	360,914,281	381,111,290

10 Income taxes

Details of income tax (expense) benefit for the years ended December 31 are as follows:

	2024	2023
Current (including final tax)	(77,104,418)	(105,151,737)
Deferred	(492,683,403)	108,434,082
	(569,787,821)	3,282,345

The details of net operating loss carryover (NOLCO) and temporary differences for the years ended December 31 for which the Bank has recognized deferred tax assets follow:

	2024	2023
NOLCO	250,164,212	2,234,628,825
Allowance for impairment loss	357,005,030	363,668,132
Leases	31,228,291	45,441,534
Others	30,298,343	(4,308,999)
Total temporary differences	668,695,876	2,639,429,492
Statutory tax rate	25%	25%
Deferred tax assets, net	167,173,969	659,857,373

Details of the Bank's NOLCO as at December 31 follow:

Year incurred	Year of expiration	2024	2023
2020	2025	40,816,826	40,816,826
2021	2026	500,142,550	500,142,550
2022	2025	637,368,884	637,368,884
2023	2026	1,056,300,565	1,056,300,565
2024	2027	902,885,538	-
Total NOLCO		3,137,514,363	2,234,628,825
Expired		-	-
Utilized		-	-
Not recognized		(2,887,350,151)	-
Total recognized NOLCO		250,164,212	2,234,628,825
Statutory tax rate		25%	25%
Deferred tax asset		62,541,053	558,657,206

The Bank recognized deferred tax assets amounting to P167,173,969 as at December 31, 2024 (2023 - P659,857,373), inclusive of the portion adjusted due to NOLCO.

A reconciliation between the income tax benefit at the statutory income tax rate to the effective income tax benefit follows:

	2024		2023	
	Amount	%	Amount	%
Statutory tax benefit	(139,092,037)	(25.00)	(187,051,816)	(25.00)
Effects of items not subjected to statutory tax rate:				
Income subject to lower tax rate	(75,622,421)	(13.59)	(106,568,397)	(14.24)
Non-deductible interest expense	18,905,605	3.40	26,642,099	3.56
Non-deductible expenses	(373,978,968)	(67.22)	263,695,769	35.24
Effective income tax benefit	(569,787,821)	(102.41)	(3,282,345)	(0.44)

11 Related party transactions

The Bank created a Related Party Transactions Committee composed of an independent director and non-executive directors. The said Committee exercises oversight role to ensure the Bank's compliance with BSP regulations on related party transactions.

Related party balances and transactions as at and for the years ended December 31 are summarized as follows:

	Transactions		Outstanding balances Due from (due to)		Terms and conditions
	2024	2023	2024	2023	
Parent Company					
IT Service Level Agreement	47,925,372	63,642,555	-	(16,112,670)	- Payable in cash on demand at gross amount - Non-interest bearing - Unguaranteed and unsecured
Entities under common control					
Loan services outsourcing	716,856,913	-	451,517,974	-	- Payable in cash on demand at gross amount
Sub-lease agreement	649,937	548,993	-	-	- Non-interest bearing - Unguaranteed and unsecured
			451,517,974	(16,112,670)	

Information technology solutions and service level agreement (SLA)

On August 25, 2020, the BOD approved the engagement of the Parent Company for the overall management and delivery of the following material information technology (IT) solutions and support services:

a. Core banking
b. Card management system
c. Digital onboarding and biometric authentication
d. Mobile app security
e. Suspicious activity monitoring customer due diligence, watch list filtering
f. Data source (anti-money laundering) access to World Check's database of heightened risk individuals and organizations
g. Security audit
h. Alternative risk scoring services
i. Video SMS/social media solutions
j. API Management

The Parent Company will send an invoice to the Bank within five days from the end of each calendar quarter for all applicable fees and charges. The Bank deducts fees for any failure due to non-compliance of the SLA. The invoice is denominated in US Dollars, and the payment of any fees or charges shall be made in US Dollars. It was agreed that the Bank will pay the amount billed by the Parent Company within 30 days from the date of the invoice, provided that there is no disputed amount as provided in the SLA.

Sub-lease agreement

In November 2022, the Bank entered into a sub-lease agreement with Purple Hub, Inc. (PHI), an affiliate, wherein the Bank sub-leases a portion of its office premises for an initial term of one (1) year, and unless earlier terminated as provided in the sub-lease agreement, with automatic extension for a similar term of one (1) year. The sub-lease contract includes an annual escalation clause of 5%. In 2023, the agreement has been extended to a period of five years.

In June 2024, the Bank entered into a sub-lease agreement with Templetech Finance Corp., an affiliate, wherein the Bank sub-leases a portion of its office premises with initial term of one (1) year, and unless, earlier terminated as provided in the sub-lease agreement, with automatic renewal for a similar term of one (1) year.

Rent income from the sub-lease agreement is included as part of Other operating income in the in the statement of total comprehensive income.

Loan services outsourcing agreement

Intercompany receivables amounting to P451,517,974 pertain to the amount due from Tendo which is the total loan payments that are collected from the clients by Templetech Finance Corp. and to be remitted to the Bank as part of their services outsourcing agreement.

Key management personnel

Salaries and other benefits paid to key management personnel in 2024 amounts to P45,846,180 (2023 - P48,736,017). There were no provisions for termination, post-employment and other long-term benefits for key management personnel, except for the stock option plan (Note 8). There was no outstanding receivable from (payable to) key management personnel as at December 31, 2024 and 2023.

12 Lease commitment

In 2020, the Bank entered into a lease contract for its office space with a lease term of five years until 2025, renewable under certain terms and conditions. The lease contract includes an annual escalation clause of 5%.

In 2021, the Bank entered into a lease contract for additional office space with a lease term of five years until 2026, renewable under certain terms and conditions. The lease contract includes an annual escalation clause of 5%.

As at December 31, 2024, security deposit related to the lease commitments of the Bank amounts to P17,241,849 (2023 - P16,761,849) (Note 5). The lease term is negotiated on an individual basis and contains a wide range of different terms and conditions. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased asset may not be used as security for borrowing purposes.

The Bank recognized ROU assets and lease liabilities from its long-term leases. Details of the ROU assets and lease liabilities as at December 31 are as follows:

	2024	2023
ROU assets		
Office premises	73,658,539	73,658,539
Accumulated depreciation	(50,421,617)	(36,650,234)
	23,236,922	37,008,305
Lease liabilities		
Current	13,741,072	14,180,921
Non-current	17,487,219	31,260,613
	31,228,291	45,441,534

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of 4.95% in 2024 and 2023.

Movements in the lease liabilities for the years ended December 31 follow:

	2024	2023
Balance, beginning	45,441,534	58,868,029
Interest accretion on lease liabilities	1,725,086	2,418,644
Payments during the year		
Principal portion of lease liabilities	(14,213,243)	(13,426,495)
Interest expense on lease liabilities	(1,725,086)	(2,418,644)
Balance at December 31	31,228,291	45,441,534

As at December 31, 2024, the total cash outflow for leases is P15,938,329 (2023 - P15,845,139).

Movements in ROU assets, net for the years ended December 31 follow:

	2024	2023
Beginning	37,008,305	48,370,830
Depreciation	(13,771,383)	(11,362,525)
	23,236,922	37,008,305

The statement of total comprehensive income shows the following amounts relating to leases for the years ended December 31:

	2024	2023
Interest expense	1,725,086	2,418,644
Reported under Occupancy and equipment-related expense		
Depreciation expense on ROU assets	13,771,383	11,362,525
Expense relating to short-term leases	2,741,707	3,012,580

13 Commitments and contingencies

As at December 31, 2024 and 2023, there are no pending cases against the Bank arising from its normal banking activities. There is no outstanding guarantee of indebtedness of others, obligation under letters of credit or standby agreements, guarantee to repurchase receivables or the capacity and other unconditional obligation to make payment during and as at year-end.

14 Critical accounting estimates, assumptions and judgments

The Bank makes estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at the reporting date and could result in the adjustment to the carrying amount of affected assets and liabilities.

14.1 Critical accounting estimates and assumptions

14.1.1 Measurement of expected credit losses (ECL)

The Bank determines the recoverable amount of its financial assets at amortized cost based on ECL. The measurement of ECL is an area that requires the use of complex methods and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for purposes of measuring ECL.

Sensitivity

The Bank's loan portfolio has different sensitivities to movements in macroeconomic variables (MEVs). The allowance for impairment is calculated as the weighted average of ECL under the base, upside and downside scenarios. The impact of weighting these multiple scenarios was an increase in the allowance for impairment of P20.51 million from the base scenario as at December 31, 2024 (2023 - P4.85 million).

14.1.2 Realization of Deferred tax assets (Note 10)

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is applied by management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Bank's future taxable income together with its future tax planning strategies. The Bank assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

As at December 31, 2024, the carrying value of net deferred tax assets, which management assessed to be realizable within the next three to five years, amounts to P167,173,969 (2023 - P659,857,373). The Bank did not fully recognize deferred tax assets amounting to P721,837,538 from its NOLCO amounting to P2,887,350,151 as at December 31, 2024. Management assessed that it does not have sufficient taxable income to fully utilize the balance of NOLCO that is expiring from 2025 to 2027.

14.1.3 Estimated useful lives (EUL) of Premises, furniture, fixtures and equipment, including the determination of lease term for ROU assets (Note 4)

The useful life of each item of Premises, furniture and fixtures and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimate is based on the collective assessment of practices for similar businesses and experiences with similar assets. The EUL of each asset is reviewed periodically and updated if expectations differ from previous estimates due to obsolescence, physical wear and tear and other limits on the use of the asset.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Bank considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

If the actual useful lives of Premises, furniture, fixtures and equipment will increase/decrease by 10% from management's estimates, the carrying amounts of these assets will be as follows:

	2024	2023
Increase by 10%	Higher by P2,854,780	Higher by P3,129,874
Decrease by 10%	Lower by P3,489,182	Lower by P3,825,401

In 2024, total depreciation charged as part of Occupancy and equipment-related expense in the statement of total comprehensive income amounts to P37,845,528 (2023 - P33,840,410) and the related net carrying value of Premises, furniture, fixtures and equipment amounts to P66,678,055 as at December 31, 2024 (2023 - P100,595,263) (Note 4).

14.1.4 Determination of incremental borrowing rate (Note 12)

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contracts. The lease payments are discounted using a reasonable rate deemed by management to be equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the lease, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

The Bank has assessed that it is impracticable to present the sensitivities arising from the impact of upward/downward changes in the discount rates used in the determination of lease liabilities without undue efforts; as such, the sensitivity analysis was no longer presented.

14.2 Critical accounting judgments

14.2.1 Impairment of Premises, furniture, fixtures and equipment (Note 4)

Assets that have definite useful lives are subject to depreciation and amortization and are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that an asset may be impaired, management considers evidence of obsolescence or physical damage of an asset, assets becoming idle, or if the economic performance of the asset is, or will be, worse than expected. If any such evidence exists for any item of Premises, furniture, fixtures and equipment, changes in those estimates and judgments could result in adjustments to the net carrying amount of the assets.

There is no recorded provision for impairment loss pertaining to Premises, furniture, fixtures and equipment for the years ended December 31, 2024 and 2023. This was upon consideration of the absence of impairment indicators, such as evidence of obsolescence or physical damage to any item of Premises, furniture, fixtures and equipment or significant changes in the Bank's business or industry in which it operates.

15 Financial risk and capital management

Risk management structure

The BOD is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Management Department (RMD), headed by the Chief Risk Officer (CRO), has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The RMD is responsible for managing risk decisions and monitoring risk levels and reports to the BOD. Furthermore, the RMD is responsible for implementing and maintaining risk-related procedures to ensure an independent control process is maintained. The department works closely with and reports to the BOD to ensure that procedures are compliant with the overall framework.

The RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Bank. The Bank's policy also requires that exceptions are reported on a daily basis, where necessary, to the RMD, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's Treasury Department is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with those. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the BOD.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely negative to be avoided. Risk-taking actions present opportunities if risks are fully identified and accounted, deliberately taken, and are kept within prudent and rationalized limits.

The most important financial risks that the Bank manages are credit risk, market risk and liquidity risk.

15.1 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the CRO of the Bank's RMD. It is their responsibility to review and manage credit risk for all types of counterparties. Credit risk management consists of line credit risk managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit risk manager, as well as the business with tools like credit risk systems, policies, models and reporting. The Bank has established a credit quality review process to monitor the quality of the loan portfolio and credit worthiness of counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Credit risk exposures

The following table shows the maximum exposure to credit risk of the Bank as at December 31, 2024 and 2023:

	Notes	2024	2023
Due from BSP	2	3,882,360,188	8,167,997,024
Due from other banks	2	284,468,337	61,983,729
Loans receivables, net	3	2,163,172,479	511,205,486
Due from settlement partners	5	59,678,153	14,030,940
Other assets, net			
Intercompany receivables	5	451,517,974	-
Security deposits	5	17,241,849	16,761,849
Other receivables	5	3,485,510	2,218,095
		6,861,924,490	8,774,197,123

The carrying amount of loans receivables, net represents the Bank's maximum credit risk as any related collateral is considered to be insignificant. There are no other collaterals held as security or other credit enhancements attached to the Bank's financial assets.

Due from BSP and other banks

The Bank has cash and various placements deposited with the BSP and other banks which carry a performing status (Stage 1). The credit quality of these credit exposures is assessed and managed using external ratings. Cash with the BSP is covered by a sovereign guarantee. The Bank deposited its cash and has short-term placements with reputable banks of good credit and financial standing. Accordingly, management has assessed that the credit risk arising from these credit exposures is minimal as at December 31, 2024 and 2023.

Loans receivables, net

In response to the characteristics and scale of business, the Bank sets up credit policies for risk management purposes.

The Bank, using statistical methods and expert professional judgment, as well as the consideration of customer information, employs credit policies for the purpose of evaluating the credit risk of its clients. The policies are regularly reviewed to check if the calculation result is consistent with the actual situation.

The credit quality of borrowers can be divided into four risk categories, which are set out and defined below, from very low to high, apart from impaired:

(i) Very low - obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
(ii) Low - obligors rated in this category have a good capacity to meet financial commitments with low credit risk.
(iii) Medium - obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
(iv) High - obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

The credit risk of the Bank's loans and receivables as at December 31, 2024 and 2023 follows:

	Stage 1	Stage 2	Stage 3	
2024	12-month ECL		Lifetime ECL	Total
Credit risk				
Very low	-	-	-	-
Low	-	-	-	-
Medium	2,126,103,777	159,896,732	-	2,286,000,509
High	-	-	219,291,393	219,291,393
Gross carrying amount	2,126,103,777	159,896,732	219,291,393	2,505,291,902
Allowance for impairment	(98,836,932)	(72,794,064)	(170,488,427)	(342,119,423)
Carrying amount	2,027,266,845	87,102,668	48,802,966	2,163,172,479

	Stage 1	Stage 2	Stage 3	
2023	12-month ECL		Lifetime ECL	Total
Credit risk				
Very low	-	-	-	-
Low	-	-	-	-
Medium	683,096,644	101,195,381	-	784,292,025
High	-	-	75,621,182	75,621,182
Gross carrying amount	683,096,644	101,195,381	75,621,182	859,913,207
Allowance for impairment	(228,874,571)	(44,211,968)	(75,621,182)	(348,707,721)
Carrying amount	454,222,073	56,983,413	-	511,205,486

The Bank's allowance for Stage 1 loans receivables is higher than the minimum requirement of the BSP.

There were no purchased originated credit impaired loans as at December 31, 2024 and 2023.

Loss allowance

The following table summarizes the changes in the loss allowance for loans receivables, net between the beginning and the end of the annual period.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance, at January 1, 2024	170,963,298	68,261,067	109,483,356	348,707,721
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(16,889,202)	4,801,633	12,087,569	-
Transfer from Stage 2	67,011,675	(68,016,531)	1,004,856	-
Transfer from Stage 3	109,061,838	105,604	(109,167,442)	-
New financial assets originated	3,071,542	53,894,969	203,475,796	260,442,307
Other movements	(190,204,923)	76,032,766	153,818,933	39,646,776
Write-off	(44,177,296)	(62,285,444)	(200,214,641)	(306,677,381)
Loss allowance, at December 31, 2024	98,836,932	72,794,064	170,488,427	342,119,423

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance, at January 1, 2023	82,815,283	61,095,342	108,861,064	252,771,689
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	42,027	180,981	(223,008)	-
New financial assets originated	208,187,583	41,120,878	138,180,856	387,489,317
Other movements	(101,739,383)	21,047,989	33,161,261	(47,530,133)
Write-off	(18,342,212)	(55,184,123)	(170,496,817)	(244,023,152)
Loss allowance, at December 31, 2023	170,963,298	68,261,067	109,483,356	348,707,721

Other financial assets

The Bank's other financial assets generally arise from transactions with various unrated counterparties with good credit standing. The Bank applies the simplified approach, as permitted by PFRS 9, in measuring ECL which uses a lifetime expected loss methodology for other financial assets.

To measure the ECL, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of and corresponding historical credit losses experienced within the said period. The impact of forward-looking variables on macroeconomic factors is considered insignificant in calculating the ECL provisions for other financial assets. Allowance for impairment losses for other receivables amounts to P14,885,608 as at December 31, 2024 (2023 - P14,960,411).

15.2 Liquidity risk

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due, as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity, on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk.

The Treasury Department is responsible for managing the Bank's liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Bank.

The Treasury Department of the Bank is responsible for working with other departments within the Bank to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required. The Bank also intends to maintain a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. Further, the Bank has lines of credit that it can access to meet liquidity needs. Net liquid assets consist of cash and short-term bank deposits, less deposit for banks and other issued securities and borrowings due to mature within the next month, if any.

Liquidity Coverage Ratio (LCR)

Pursuant to BSP Circular No. 905 issued in 2016 and as amended to include digital banks by BSP Circular No. 1154 issued in 2022, the Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total net cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the Branch's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represents the Bank's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid assets. HQLAs therefore, serve as defense against potential stress events.

The main drivers of the Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits and unsecured borrowings, among others. The Bank's LCR is well-above the regulatory minimum of 100%.

Net Stable Funding Ratio (NSFR)

With the commencement of operations in August 2022, the Bank adopted BSP Circular No. 1007 (as amended by BSP Circular No. 1154) regarding the NSFR requirement. The NSFR is aimed at strengthening the Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the Bank. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the Bank's liquidity risk profile. The Bank's capital and retail deposits are considered as stable funding sources whereas the Bank's assets including, but not limited to, HQLA, deposits at other banks, as well as other assets form part of the required stable funding. The Bank's NSFR is well-above the regulatory minimum of 100%.

The Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby mitigating the risk of undue concentrations by counterparty, maturity, and currency. The Bank's manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the liquidity metrics of the Bank as reported to the BSP as at December 31:

	2024	2023
Liquidity coverage ratio	3,718.58%	1,917.10%
Total stock of High Quality Liquid Assets (HQLA)	3,876,046,557	8,154,273,067
Total net cash outflows	104,234,683	425,343,101
Net stable funding ratio	261.82%	593.80%
Available stable funding	7,108,226,887	17,913,828,818
Required stable funding	2,714,893,788	3,016,804,301

15.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at December 31, 2024 and 2023. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay, and the table does not reflect the expected cash flows indicated by its deposit retention history.

Liquidity is monitored by the Bank on a regular basis and under stressed situations using gap analysis. The maturity profile of the Bank's financial assets and financial liabilities as at December 31, 2024 and 2023 based on contractual cash flows, is shown below:

At December 31, 2024	Up to 1 year	Over 1 year and up to 3 years	Over 3 years	Total
Financial assets				
Cash and other cash items	49,986	-	-	49,986
Due from BSP	3,882,360,188	-	-	3,882,360,188
Due from other banks	284,468,337	-	-	284,468,337
Loans receivables	2,514,367,182	-	-	2,514,367,182
Due from settlement partners	59,678,153	-	-	59,678,153
Other assets	469,889,092	17,241,849	-	487,130,941
Total financial assets	7,210,812,938	17,241,849	-	7,228,054,787
Financial liabilities				
Deposit liabilities	5,190,521,334	575,549,494	-	5,766,070,828
Due to Parent Company	-	-	-	-
Lease liabilities	14,686,142	26,289,434	-	40,975,576
Other liabilities	191,618,006	-	-	191,618,006
Total financial liabilities	5,396,825,482	601,838,928	-	5,998,664,410
	1,813,987,456	(584,597,079)	-	1,229,390,377

At December 31, 2023	Up to 1 year	Over 1 year and up to 3 years	Over 3 years	Total
Financial assets				
Cash and other cash items	49,986	-	-	49,986
Due from BSP	8,167,997,024	-	-	8,167,997,024
Due from other banks	61,983,729	-	-	61,983,729
Loans receivables	484,842,562	375,863,201	3,516,443	864,222,206
Due from settlement partners	14,030,940	-	-	14,030,940
Other assets	17,178,506	16,761,849	-	33,940,355
Total financial assets	8,746,082,747	392,625,050	3,516,443	9,142,224,240
Financial liabilities				
Deposit liabilities	7,561,045,057	242,882,642	-	7,803,927,699
Due to Parent Company	16,112,670	-	-	16,112,670
Lease liabilities	11,472,059	37,706,370	-	49,178,429
Other liabilities	45,561,730	-	-	45,561,730
Total financial liabilities	7,634,191,516	280,589,012	-	7,914,780,528
	1,111,891,231	112,036,038	3,516,443	1,227,443,712

As at December 31, 2024 and 2023, the Bank has no contingent liabilities and commitments.

15.3 Market risk

Market risk is the risk of changes in the fair value of financial instruments from fluctuations in foreign exchange rates (currency risk) and market interest rates (interest rate risk), whether such changes in price are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The main market risks to which the Bank is exposed are interest rate risk and foreign currency risks.

15.3.1 Interest rate risk

The Bank's primary business model is to collect deposits and use these funds to provide loans and other potential funding products to its customers. Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, profit or loss, and equity. Interest risk arises from the mismatch of interest payable on the Bank's liabilities and the interest earned on its assets.

The Bank's asset-liability profile in its banking books is such that interest on deposits and interest from loan portfolio are primarily fixed. The Bank started to grant customer loans beginning July 2021.

The Bank's policy is to monitor positions on a daily basis. The banking book interest rate risk is monitored using various interest rate shock scenarios, including sensitivity of profit or loss and equity, but do not include any management actions that could arise as the markets change. The sensitivity of profit or loss is the effect of the assumed changes in interest rates on the profit or loss over a 12-month horizon and measures sensitivities to short-term interest rate changes.

The table below summarizes the interest profile of the Bank's financial instruments at December 31 categorized by earlier of interest repricing or maturity date:

		Interest-bearing				
At December 31, 2024	Notes	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
Financial assets						
Cash and other cash items	2	49,986	-	-	-	49,986
Due from BSP	2	3,882,360,188	-	-	-	3,882,360,188
Due from other banks	2	284,468,337	-	-	-	284,468,337
Loans receivables	3	2,514,367,182	-	-	-	2,514,367,182
Due from settlement partners	5	-	-	-	59,678,153	59,678,153
Other assets	5	-	-	-	487,130,941	487,130,941
Total financial assets		6,681,245,693	-	-	546,809,094	7,228,054,787
Financial liabilities						
Deposit liabilities	6	5,190,521,334	575,549,494	-	-	5,766,070,828
Lease liabilities	12	13,741,072	17,487,219	-	-	31,228,291
Other liabilities	7	-	-	-	191,618,006	191,618,006
Total financial liabilities		5,204,262,406	593,036,713	-	191,618,006	5,988,917,125
Total interest gap		1,476,983,287	(593,036,713)	-	355,191,088	1,239,137,662

At December 31, 2023	Notes	Interest-bearing Up to 1 year	 Over 1 up to 3 years	 Over 3 years	Non-repricing	Total
Financial assets						
Cash and other cash items	2	49,986	-	-	-	49,986
Due from BSP	2	8,167,997,024	-	-	-	8,167,997,024
Due from other banks	2	61,983,729	-	-	-	61,983,729
Loans receivables	3	484,842,562	375,863,201	3,516,443	-	864,222,206
Due from settlement Partners	5	-	-	-	14,030,940	14,030,940
Other assets	5	-	-	-	33,940,355	33,940,355
Total financial assets		8,714,873,301	375,863,201	3,516,443	47,971,295	9,142,224,240
Financial liabilities						
Deposit liabilities	6	7,561,045,057	242,882,642	-	-	7,803,927,699
Due to Parent Company	11	-	-	-	16,112,670	16,112,670
Lease liabilities	12	14,180,921	31,260,613	-	-	45,441,534
Other liabilities	7	-	-	-	45,561,730	45,561,730
Total financial liabilities		7,575,225,978	274,143,255	-	61,674,400	7,911,043,633
Total interest gap		1,139,647,323	101,719,946	3,516,443	(13,703,105)	1,231,180,607

15.3.2 Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The table below presents the carrying amount in Philippine Peso of US Dollar-denominated financial asset as at December 31, 2024 and 2023:

	2024	2023
Due from other banks (In US Dollar)	$72,474.98	$9,644.59
Exchange rate	USD1.00:P57.85	USD1.00:P55.37
PHP equivalent	4,192,678	534,021

Presented below is a sensitivity analysis demonstrating the impact on net loss after tax and capital funds due to possible change in the exchange rate between USD and PHP. The fluctuation rate is based on the historical movement of US Dollar against the Philippine Peso, considering all other variables held constant.

Year	Change in currency	Effect on net loss after tax and capital funds
2024	+/- 5.39%	43,288,261
2023	+/- 4.77%	53,966,787

15.4 Fair value of financial assets and liabilities

All of the Bank's financial assets and liabilities are carried at amortized cost and the carrying amounts, except for loans receivables, deposit liabilities and lease liabilities, are assumed to approximate their fair values considering either their short-term maturities and/or low susceptibility to price volatility, or the impact of discounting is not material or the rates used are consistent with market rates.

The fair values of lease liabilities are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of the financial assets and liabilities above are categorized under Level 2 of the fair value hierarchy.

Due to the inherent complexity and significant judgment required to determine the unobservable inputs in estimating the fair value of loans and receivables and deposit liabilities, the fair values have not been disclosed.

15.5 Capital management

BSP Circular No. 1105, Guidelines on the Establishment of Digital Banks, requires digital banks to have a minimum capitalization of one billion pesos (P1,000,000,000). The Bank has met the minimum capital requirement upon application for a digital license with the BSP. The Manual of Regulations for Banks Section 121 provides banks, which are already authorized by the Monetary Board but not yet operating, a transitory period of five (5) years to meet the minimum capital requirements.

BSP requires each bank to adopt the capital requirements in accordance with the provisions of BASEL III. The guidelines are meant to strengthen the composition of the Bank's capital by increasing the level of core capital and regulatory capital. BSP sets out minimum Common Equity (CET1) ratio and Tier 1 Capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio remains at 10% which includes the capital conservation buffer.

As at December 31, the CAR of the Bank as submitted to the BSP is shown in the table below:

	2024	2023
Total Common Equity Tier 1 (CET1) / Tier 1 capital	847,952,473	743,888,786
Total qualifying capital	863,666,762	750,348,211
Total risk-weighted assets	3,606,536,935	788,051,320
Credit risk-weighted assets	3,122,147,448	745,066,009
Market risk-weighted assets	-	-
Operational risk-weighted assets	484,389,487	42,985,311
CET1 / Tier 1 capital ratio	23.51%	94.40%
Total CAR	23.95%	95.22%

As at December 31, 2024 and 2023, the Bank reflects a strong and healthy CAR despite losses incurred from operations. This is attributable to a strong capital base and profits derived from high-yielding placements. As the Bank continues to scale its business and widen its reach, it is expected that some losses may still be incurred before a turnaround to profit is expected in the medium-term. Amidst the Bank's plans, management is keen to ensure compliance with all regulatory ratios and capitalization requirements.

Leverage Ratio

As per BSP Circular No. 881 issued in 2015 (as amended by BSP Circular No. 1154), the Bank adopted the monitoring of Basel III Leverage Ratio (BLR) which is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The Basel III Leverage Ratio is defined as the capital measure (numerator) divided by the exposure measure (the denominator).

The BLR of the Bank as reported to the BSP as at December 31 is as follows:

	2024	2023
Basel III Leverage Ratio	12.12%	8.35%
Tier 1 capital	847,952,473	743,888,786
Exposure measure	6,998,789,258	8,913,063,033

The Bank remains compliant with the BLR requirement by the BSP in 2024.

16 Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both periods presented unless otherwise stated.

16.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the SEC.

The financial statements comprise the statement of condition, statement of total comprehensive income, statement of changes in capital funds, the statement of cash flows and the notes.

These financial statements of the Bank have been prepared under the historical cost convention.

The preparation of these financial statements in accordance with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 14.

16.2 Changes in accounting policies and disclosures

(a) Amendments to existing standards adopted by the Bank

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2024 that have a material effect on the financial statements of the Bank.

(b) Amendments to existing standards not yet adopted by the Bank
The following amendments are not mandatory for December 31, 2024 reporting period and have not been early adopted by the Bank:

- *PFRS 18, 'Presentation and Disclosure in Financial Statements'*

  This is the new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statement of profit or loss.

  The key new concepts introduced in PFRS 18 relate to:

  a) The structure of the statement of profit or loss with defined subtotals;
  b) Requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss
  c) Required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  d) Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

- *Amendments to the Classification and Measurement of Financial Instruments - Amendments to PFRS 9 and PFRS 7*

  On 30 May 2024, the IASB issued targeted amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

  a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  b) Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  d) Update the disclosures for equity instruments design

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2024 that are considered relevant or expected to have a material effect on the financial statement of the Bank.

16.3 Financial assets

16.3.1 Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (FVOCI)
- those to be measured subsequent at fair value through profit or loss (FVTPL), and
- those to be measured at amortized cost.

The classification depends on the Bank’s business model for managing the financial assets and the contractual terms of the cash flows.

The Bank does not hold financial assets at FVTPL and FVOCI as at December 31, 2024 and 2023.

16.3.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Bank commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred.

16.3.3 Measurement

The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets’ performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

Based on these factors, the Bank classifies its financial assets in debt instruments as measured at amortized cost.

Financial assets are measured at amortized cost if they are held under a business model with the objective to collect contractual cash flows and they have contractual terms under which cash flows are solely payments of principal and interest (SPPI). In making the SPPI assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. As a result of the application of these criteria, only debt financial assets are eligible to be measured at amortized cost.

Amortized cost financial assets at December 31, 2024 and 2023 include cash and cash equivalents (Note 2), loans receivables (Note 3), due from settlement partners (Note 5), and other accounts receivables (Note 5).

16.3.4 Impairment

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since the initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI), as described below:

- Stage 1 - When loans are first recognized, the Bank recognizes an allowance based on 12 months' ECL (12mECL). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- Stage 2 - When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

- Stage 3 - Loans considered credit-impaired. The Bank records an allowance for lifetime ECL.

- POCI - POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the ECL.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

16.3.5 Calculation of ECL

The Bank calculates ECLs based on certain scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of default - The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

- Exposure at default - The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- Loss Given Default - The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- Stage 1 - The 12mECL is calculated as the portion of the lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective interest rate.

- Stage 2 - When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original effective interest rate.

- Stage 3 - For loans considered credit-impaired, the Bank recognizes the lifetime ECL for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI - POCI assets are financial assets that are credit impaired on initial recognition.

Forward-looking information incorporated in the ECL models

The Bank incorporates historical and current information, and forecasts forward-looking events and key economic variables that are assessed to impact credit risk and ECL for its portfolio. Macroeconomic variables that affect the portfolio's non-performing loan rate(s) are determined through statistical modelling and the application of expert judgement.

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date.

Where there is no, or insufficient, sources of entity-specific data, it is permitted to use peer experience for comparable financial instruments.

Definition of default and credit-impaired assets

The Bank considers a financial instrument in default or credit-impaired, when it meets one or more of the following criteria:

(i) Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

(ii) Qualitative criteria

The counterparty is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events:

- The counterparty is in long-term forbearance;
- The counterparty is insolvent;
- Granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Bank's ECL calculations.

The Bank's definition of default is substantially consistent with non-performing loan definition of the BSP.

16.3.6 Write-offs

Financial assets are written-off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written-off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

16.4 Financial liabilities

16.4.1 Classification

The Bank classifies its financial liabilities in the following categories: financial liabilities at FVTPL, and financial liabilities at amortized cost. As at December 31, 2024, the Bank only has financial liabilities at amortized cost. Financial liabilities measured at amortized cost include deposit liabilities (Note 6), due to Parent Company (Note 11), lease liabilities (Note 12) and other liabilities (excluding provisions and tax-related liabilities) (Note 7).

16.4.2 Recognition, measurement and derecognition

Financial liabilities at amortized cost are recognized when the Bank becomes a party to the contractual provision of the instruments. Financial liabilities at amortized cost are initially measured at fair value less transaction costs and subsequently measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

16.5 Fair value measurement

The Bank classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

As at December 31, 2024 and 2023, there are no financial and non-financial assets and liabilities measured at fair value.

All of the Bank's financial assets and liabilities are carried at amortized cost and the carrying amounts, except for lease liabilities, are assumed to approximate their fair values considering either their short-term maturities and/or low susceptibility to price volatility, or the impact of discounting is not material or the rates used are consistent with the market rates.

The fair values of lease liabilities are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

16.6 Premises, furniture, fixtures and equipment

Premises, furniture, fixture and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation is calculated using the straight-line method to allocate cost to residual values over the estimated useful lives as follows:

Furniture and fixtures	5 years
IT and other equipment	3 years
Leasehold improvement	Useful life of the improvement or term of the related lease, whichever is shorter

Major renovations are depreciated over the remaining useful life of the related asset. The Bank's ROU assets are depreciated over the lease term of 5 years (Note 12).

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value-in-use.

The carrying amount of an asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their cost, accumulated depreciation and amortization are eliminated from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

16.7 Prepayments

Prepayments are carried at cost and are included in current assets, except when the related goods or services are expected to be received and rendered more than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

16.8 Income taxes

The income tax expense recognized in the statement of total comprehensive income comprises current and deferred income tax.

16.8.1 Current tax

Current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions, where applicable, on the basis of amounts expected to be paid to the tax authorities.

16.8.2 Deferred tax

DIT assets are recognized for all deductible temporary differences and carry-forward of unused tax losses (NOLCO) to the extent it is probable that future taxable profit will be available against which the temporary differences and NOLCO can be utilized. NOLCO is the net operating loss for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income. Ordinarily, NOLCO can be normally carried over as a deduction from gross income for the next three (3) consecutive years. However, specifically for NOLCO incurred from 2020 to 2021, the Bank may carry it over as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Bank reassesses at the end of each reporting period the need to recognize a previously unrecognized DIT asset.

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

16.9 Equity

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Retained earnings

Retained earnings represent the accumulated profit arising from the operations of the Bank, less any dividends declared. Appropriation of retained earnings is recognized based on the approval of the Bank's BOD relating to specific purpose or projects. The Bank's BOD releases retained earnings from appropriation when the purpose of such appropriation has been completed.

16.10 Interest income and expense

Interest income and expense are recognized in profit or loss on a time-proportion basis using the effective interest rate method.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of impairment, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment.

16.11 Fees and commissions

The Bank recognized revenue when (or as) the Bank satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

Fees and commissions are generally recognized over time when the service has been provided and the control over the service is transferred to the customer. The service being rendered by the Bank represents a single performance obligation.

Fees and commissions, mainly representing service fees, are recognized on an accrual basis when the service has been provided. Fees and commission arising from loans, deposits and other banking transactions are recognized as income based on agreed terms and conditions.

16.12 Employee benefits

16.12.1 Short-term employee benefits

Salaries, wages, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Bank.

16.12.2 Share-based compensation

The Parent Company operates an equity-settled, share-based compensation plan. Under this plan, restricted stock units are awarded to the recipients at no cost upon their grant. These are generally granted annually and generally vest over four years and are subject to forfeiture until the vesting date. In addition, stock options may be granted with an exercise price equal to the fair value of the Parent Company's common stock at grant date. The fair value of the employee services received in exchange for the grant of the options and awards is recognized as an expense with a credit to an equity account. The total amount to be expensed over the vesting period is determined by reference to the fair value at grant date.

16.12.3 Other benefits

The Bank provides for retirement benefits to its employees in accordance with the requirements of Republic Act No. 7641, The Philippine Retirement Pay Law. The law provides that an employee upon serving five years shall be entitled to a retirement pay equivalent to at least one-half (1/2) month salary for every year of service. The Bank did not accrue any retirement benefits as at December 31, 2024 and 2023 as the amounts are determined to be not material.

16.13 Leases

The Bank as the lessee

The Bank recognizes a right-of-use asset and a corresponding liability from its long-term lease at the date at which the leased asset is available for use.

Assets and liabilities arising from long-term leases are initially measured on a present value basis. Interest expense is recognized in the statement of total comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is depreciated over the lease term. The right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the statement of total comprehensive income.

16.14 Related party transactions and relationships

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or shareholders of the Parent Company. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

16.15 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. This did not have an impact on prior period's reported results of operations, total assets, total liabilities, capital funds or cash flows.

16.16 Subsequent events

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

17 Supplementary information required under BSP Circular No. 1074

Presented below is the additional information as required by BSP Circular No. 1074 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements. The 2023 information has been presented for comparative purposes.

(i) Basic quantitative indicators of financial performance

The Bank's key financial performance indicators follow:

	2024	2023
Return on average equity	(38%)	(38%)
Return on average assets	(14%)	(7%)
Net interest margin	10%	48%

The Bank's performance was primarily affected by increased operating expenses and provisions on impairment losses on loans receivable, thereby resulting in negative returns. However, the Bank remains committed to reducing these losses by optimizing its product mix, focusing on higher-margin investments, and implementing cost-saving measures. Management is confident that these strategies will improve the Bank's financial performance going forward.

(ii) Description of capital instrument issued

The Bank considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2024 and 2023.

(iii) Significant credit exposures

The BSP considers that concentration of credit risk exists when the total loans exposure to a particular industry or economic sector exceeds 30% of total loan portfolio or 10% of tier 1 capital. As to concentration to industry/economic sector, the entire loan portfolio of the Bank is classified under the activities of household sector.

(iv) Breakdown of total loans

The Bank's loans receivables are unsecured. None of these loans are pledged as collateral for liabilities.

Breakdown of performing and non-performing loans, net of allowance for impairment, as at December 31 follows:

	2024	2023
Performing loans	2,286,605,900	750,429,851
Non-performing loans	218,686,002	109,483,356
	2,505,291,902	859,913,207
Allowance attributable to performing loans	(171,630,996)	(239,224,365)
Allowance attributable to NPL	(170,488,427)	(109,483,356)
	(342,119,423)	(348,707,721)
Net carrying amount	2,163,172,479	511,205,486

BSP Circular 941, *Amendments to Regulations on Past Due and Non-Performing Loans,* states that loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under the existing accounting standards, classified as doubtful or loss, in litigation, and if there is an evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

(v) Information on related party loans

The Bank has outstanding loans to directors, officers, stockholders and related interests (DOSRI) and other related party loans as at December 31, 2024 amounting to P756,713 (2023 - nil).

(vi) Secured liabilities and assets pledged as security

There are no secured liabilities and assets pledged as security as at December 31, 2024 and 2023.

(vii) Contingencies and commitments arising from off-balance sheet items

There are no contingencies and commitments arising from off-balance sheet items as at December 31, 2024 and 2023.

18 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulations No. 15-2010 that is relevant to the Bank. This information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Documentary stamp taxes

Documentary stamp taxes paid for the year ended December 31, 2024 amount to P25,438,625.

(b) Withholding taxes

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

	Paid	Accrued	Total
Withholding taxes on compensation and benefits	39,020,610	2,607,578	41,628,188
Expanded withholding taxes	9,007,475	1,340,750	10,348,225
Final withholding taxes	66,173,229	2,953,680	69,126,909
	114,201,314	6,902,008	121,103,322

Accrued withholding taxes are presented as part of Other liabilities in the statement of condition.

(c) All other local and national taxes

	Paid	Accrued	Total
Gross receipts tax	48,187,335	20,424,619	68,611,954
Business permits	1,207,472	-	1,207,472
Others	1,577,630	-	1,577,630
	50,972,437	20,424,619	71,397,056

The above local and national taxes are included as part of Taxes and licenses under Operating expenses in the statement of total comprehensive income.

(d) Tax cases and assessments

The Bank received letter of authority from the BIR for the investigation of all its internal revenue tax liabilities for taxable year 2022 and 2023. As at December 31 2024, the BIR has not yet issued any assessments.

As at December 31, 2024, the Bank has an outstanding claim for refund of erroneously paid documentary stamp taxes (DST) for 2022, which is currently pending resolution before the Court of Tax Appeals (CTA).

Taxable years 2021 and 2020 are open tax years as at December 31, 2024.