COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	0	2	1	1	2	0	0	3	6	9	7	2	1	0

Company Name

GOTYME BANK CORPORATION

Principal Office (No./Street/Barangay/City/Town/Province)

21F UNIT 3 AND 4, WORK.ABLE
GIGA TOWER, BRIDGETOWNE,
80 EUGELIO RODRIGUEZ JR.
BRGY. UGONG NORTE, QUEZON CITY

Form Type	Department requiring the report	Secondary License Type, if applicable
AAFS		NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number(s)	Mobile Number
mhedora.tan@gotyme.com.ph	(632) 82503949	+63 917 622 3325

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
14	1st Monday of April	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number(s)	Mobile Number
Eric Jayson N Castro	finregreporting@gotyme.com.ph	(632) 82503949	+63 939 928 0475

Contact Person's Address

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

Independent Auditor's Report

To the Board of Directors and Shareholders of
GoTyme Bank Corporation
21st Floor Unit 3 and 4, work.able Giga Tower, Bridgetowne
80 Eulogio Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City
Philippines

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 GoTyme Bank Corporation (the "Bank") as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and for the period from December 28, 2021 (incorporation date) to December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Bank comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of total comprehensive income for the year ended December 31, 2022 and for the period from December 28, 2021 (incorporation date) to December 31, 2021;
- the statements of changes in capital funds for the year ended December 31, 2022 and for the period from December 28, 2021 (incorporation date) to December 31, 2021;
- the statements of cash flows for the year ended December 31, 2022 and for the period from December 28, 2021 (incorporation date) to December 31, 2021;
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the 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 financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
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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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- 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 for the year ended December 31, 2022 required by the Bangko Sentral ng Pilipinas under Circular No. 1074 and Bureau of Internal Revenue under Revenue Regulations No. 15-2010 as disclosed in Notes 19 and 20, respectively, to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRSs. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 9, 2023 at Makati City
SEC A.N. (individual) as general auditors 83389-SEC , Category A; valid to audit 2022 to 2026 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 28, 2023

Isla Lipana & Co.

Statement Required by Rule 68,
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
GoTyme Bank Corporation
21st Floor Unit 3 and 4, work.able Giga Tower, Bridgetowne
80 Eulogio Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City
Philippines

We have audited the financial statements of GoTyme Bank Corporation (the "Bank") as at and for the year ended December 31, 2022, on which we have rendered the attached report dated March 28, 2023.

In compliance with SRC Rule 68 and based on the certification received from the Bank's corporate secretary and the results of our work performed, as at December 31, 2022, the Bank has four (4) shareholders, each owning one hundred (100) or more shares.

Isla Lipana & Co.

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 9, 2023 at Makati City
SEC A.N. (individual) as general auditors 83389-SEC , Category A; valid to audit 2022 to 2026 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 28, 2023

GoTyme Bank Corporation

Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
ASSETS			
Due from other banks	2	114,775,419	1,054,525,088
Due from Bangko Sentral ng Pilipinas (BSP)	2	498,972,928	-
Securities purchased under agreements to resell	2,3	538,792,952	-
Investments at amortized cost	16.2	50,039,652	-
Bank premises, furniture, fixtures and equipment, net	4	215,859,286	3,084,385
Intangible assets	5	443,739,028	234,912,885
Prepayments	6	165,163,203	155,577,192
Other assets, net	7	157,179,996	-
Total assets		2,184,522,464	1,448,099,550
LIABILITIES AND CAPITAL FUNDS			
Deposit liabilities	8	184,537,978	-
Accrued interest, taxes, and other expenses	9	46,897,355	13,657,700
Lease liabilities	10	103,257,824	-
Advances from shareholders	15	-	563,191,000
Other liabilities	11	161,024,588	53,769,926
Total liabilities		495,717,745	630,618,626
Share capital	12	2,783,191,003	1,000,000,000
Share-based compensation reserve	12	15,633,317	-
Deficit	12	(1,110,019,601)	(182,519,076)
Total capital funds		1,688,804,719	817,480,924
Total liabilities and capital funds		2,184,522,464	1,448,099,550

(The notes on pages 1 to 37 are an integral part of these financial statements.)

GoTyme Bank Corporation

Statements of Total Comprehensive Income
For the year ended December 31, 2022 and for the period from
December 28, 2021 (incorporation date) to December 31, 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
INTEREST INCOME			
On deposits with BSP and other banks	2,3	14,155,865	608,692
On investment securities	16.2	2,456,994	-
		16,612,859	608,692
INTEREST EXPENSE			
On deposits	8	393,044	-
NET INTEREST INCOME		16,219,815	608,692
OTHER INCOME (LOSSES)			
Fees and commissions	18.11	1,365,996	-
Foreign exchange losses, net	16.1	(2,349,765)	-
Miscellaneous income		197,372	-
		(786,397)	-
OTHER EXPENSES			
Technology costs	13	364,366,894	16,200,267
Management and other professional fees	13	235,613,248	99,714,393
Compensation and fringe benefits	13	189,278,717	-
Marketing expenses	13	47,301,281	29,181,032
Occupancy and equipment-related expenses	4,5,10	43,865,966	313,940
Permits, taxes and licenses		6,865,481	13,983,367
Fees and commissions		3,111,162	-
Other administrative expenses	13	31,308,571	3,311,240
Total operating expenses		921,711,320	162,704,239
LOSS BEFORE INCOME TAX		(906,277,902)	(162,095,547)
INCOME TAX EXPENSE	14	3,390,713	121,739
NET LOSS FOR THE PERIOD		(909,668,615)	(162,217,286)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(909,668,615)	(162,217,286)

(The notes on pages 1 to 37 are an integral part of these financial statements.)

GoTyme Bank Corporation

Statements of Changes in Capital Funds
For the year ended December 31, 2022 and for the period from
December 28, 2021 (incorporation date) to December 31, 2021
(All amounts in Philippine Peso)

	Share capital (Note 12)	Share-based compensation reserve (Note 12)	Deficit (Note 12)	Total
Balances, December 28, 2021	-	-	-	-
Transactions with owners				
Share issuance	1,000,000,000	-	(20,301,790)	979,698,210
Comprehensive loss				
Net loss for the period	-	-	(162,217,286)	(162,217,286)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(162,217,286)	(162,217,286)
Balances, December 31, 2021	1,000,000,000	-	(182,519,076)	817,480,924
Transactions with owners				
Share issuance	1,783,191,003	-	(17,831,910)	1,765,359,093
Share-based compensation	-	15,633,317	-	15,633,317
Comprehensive loss				
Net loss for the year	-	-	(909,668,615)	(909,668,615)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(909,668,615)	(909,668,615)
Balances, December 31, 2022	2,783,191,003	15,633,317	(1,110,019,601)	1,688,804,719

(The notes on pages 1 to 37 are an integral part of these financial statements.)

GoTyme Bank Corporation

Statements of Cash Flows
For the year ended December 31, 2022 and for the period from
December 28, 2021 (incorporation date) to December 31, 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(906,277,902)	(162,095,547)
Adjustments for:			
Share-based compensation expense	12	15,633,317	-
Provision for retirement expense		2,283,655	-
Depreciation and amortization	4,5	41,896,184	313,940
Interest income	2,3	(16,612,859)	(608,692)
Interest expense on deposit liabilities	8	393,044	-
Interest expense on lease liability	10	1,969,782	-
Unrealized foreign exchange losses, net	16.1	1,718,540	-
Operating loss before changes in operating assets and liabilities		(858,996,239)	(162,390,299)
Increases in:			
Prepayments		(9,586,011)	(155,577,192)
Other assets		(156,398,422)	-
Deposit liabilities		184,537,978	-
Accrued interest, taxes, and other expenses		33,042,066	13,657,700
Other liabilities		104,971,007	53,769,926
Net cash used in operations		(702,429,621)	(250,539,865)
Interest received		16,104,721	608,692
Interest paid		(195,455)	-
Payments of interest portion of lease liability	10	(1,969,782)	-
Income taxes paid	14	(3,390,713)	(121,739)
Net cash used in operating activities		(691,880,850)	(250,052,912)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of bank premises, furniture, fixtures and equipment	4	(110,579,229)	(3,398,325)
Development of intangible assets	5	(237,899,715)	(234,912,885)
Acquisition of investments at amortized cost		(448,015,066)	-
Settlement of investments at amortized cost		397,800,000	-
Proceeds from disposal of bank premises, furniture, fixtures and equipment	4	41,060	-
Net cash used in investing activities		(398,652,950)	(238,311,210)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	12	1,783,191,003	1,000,000,000
Settlement of stock issuance costs	12	(17,831,910)	(20,301,790)
(Settlement of) proceeds from advances from shareholders	9	(563,191,000)	563,191,000
Payments of principal portion of lease liability	10	(11,801,520)	-
Net cash from financing activities		1,190,366,573	1,542,889,210
NET INCREASE IN CASH AND CASH EQUIVALENTS		99,832,773	1,054,525,088
CASH AND CASH EQUIVALENTS			
January 1		1,054,525,088	-
Effects of exchange rate changes on cash and cash equivalents		(1,816,562)	-
December 31	2	1,152,541,299	1,054,525,088

(The notes on pages 1 to 37 are an integral part of these financial statements.)

GoTyme Bank Corporation

Notes to Financial Statements
As at December 31, 2022 and 2021 and for the year ended December 31, 2022 and for the period from December 28, 2021 (incorporation date) to December 31, 2021
(All amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General information

On December 28, 2021, GoTyme Bank Corporation (the "Bank") was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) primarily to engage in, and carry on, the business of a digital bank, to grant loans both secured and unsecured, accept savings and time deposits, invest in marketable securities, to act as correspondent for other financial institutions, to act as collection agent for non-government entities, to issue electronic money products and credit cards, to buy and sell foreign exchange, to present, market, sell and service microinsurance products, to present, market, and sell a range of third party products through its platform.

On July 29, 2022, the Bank obtained from the Bangko Sentral ng Pilipinas (BSP) the certificate of authority to operate as a bank with a digital banking license in the Philippines.

On August 1, 2022, the Bank commenced its commercial operations.

The Bank is established through a joint venture between Tyme Global Limited with effective ownership of 40% and Robinsons Bank Corporation, Robinsons Land Corporation and Robinsons Retail Holdings, Inc. (the "Robinsons Group", collectively) with effective ownership of 60%.

The Bank has its previous registered principal place of business at 30th Floor Robinsons Cyberscape Gamma, Topaz & Ruby Roads, Ortigas Center, Brgy. San Antonio, Pasig City, Philippines. On February 10, 2023, the Bank secured approval from the SEC for the change in its principal place of business to 21st Floor Unit 3 and 4, work.able Giga Tower, Bridgetowne, 80 Eulogio Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City, Philippines, 1110.

As at December 31, 2022, the Bank has 125 employees.

Coronavirus (COVID-19) pandemic

With the number of COVID 19 cases stabilizing and the distribution of vaccines and booster shots in full swing, the government was able to ease on the pandemic restrictions and allowed businesses and public transport to operate at full capacity by the first quarter of 2022. Economy looks close to pre-pandemic level, closing the year with 7.6% growth driven by domestic consumption and expansion in the services and industry sectors.

Given the above, the pandemic had no impact on the Bank's financial results for the year ended December 31, 2022.

Approval and authorization for issuance of the audited financial statements

The Bank's financial statements have been approved and authorized for issuance by the Board of Directors on March 28, 2023.

Note 2 - Cash and cash equivalents

The account as at December 31 consists of:

	Note	2022	2021
Due from other banks		114,775,419	1,054,525,088
Due from BSP		498,972,928	-
Securities purchased under agreements to resell	3	538,792,952	-
		1,152,541,299	1,054,525,088

Due from other banks pertain to current and savings accounts with various bank counterparties which bear annual interest rates ranging from 0.000% to 0.125% (2021 - 0.125% to 0.250%).

Interest income from due from other banks for the year ended December 31, 2022 amounts to P1,127,112 (period ended December 31, 2021 - P608,692).

Due from BSP represents the balance of the deposit and settlement accounts maintained with the BSP for reserve requirements, clearing transactions, and settlement of interbank claims. This also consists of the overnight and term deposit placement with BSP which bears annual interest rates ranging from 3.750% to 6.345%.

Interest income on due from BSP for the year ended December 31,2022 amounts to P10,427,275.

Note 3 - Securities purchased under agreements to resell

The account as at December 31, 2022 consists of reverse repurchase agreement (RRPs) with the BSP amounting to P538,792,952.

As at December 31, 2022, all securities purchased under agreements to resell (SPAR) are maturing within 90 days from the date of acquisition and are classified as cash equivalents in the statement of cash flows (Note 2).

Government bonds are pledged by the BSP as collateral under reverse repurchase agreements. The aggregate face value of securities pledged approximates the total balance of outstanding placements as at reporting date.

The range of average interest rates of SPAR for the year ended December 31, 2022 is from 4.250% to 5.500%.

Interest income from SPAR for the year ended December 31, 2022 amounts to P2,601,478.

Note 4 - Bank premises, furniture, fixtures and equipment, net

The details of and movements in the account are summarized below:

	2022				
	Bank premises (Note 10)	Furniture and office equipment	IT equipment	Kiosk	Total
Cost					
January 1, 2022	-	-	3,398,325	-	3,398,325
Additions	115,059,344	590,077	12,747,746	97,241,406	225,638,573
Disposals	-	-	(70,390)	-	(70,390)
December 31, 2022	115,059,344	590,077	16,075,681	97,241,406	228,966,508
Accumulated depreciation					
January 1, 2022	-	-	313,940	-	313,940
Depreciation and amortization	7,544,876	74,813	2,606,554	2,625,699	12,822,612
Disposals	-	-	(29,330)	-	(29,330)
December 31, 2022	7,544,876	74,813	2,891,164	2,625,699	13,107,222
Net book value, December 31, 2022	107,514,468	515,264	13,184,517	94,615,707	215,859,286

	2021				
	Bank premises (Note 10)	Furniture and office equipment	IT equipment	Kiosk	Total
Cost					
December 28, 2021	-	-	-	-	-
Additions	-	-	3,398,325	-	3,398,325
Disposals	-	-	-	-	-
December 31, 2021	-	-	3,398,325	-	3,398,325
Accumulated depreciation					
December 28, 2021	-	-	-	-	-
Depreciation and amortization	-	-	313,940	-	313,940
Disposals	-	-	-	-	-
December 31, 2021	-	-	313,940	-	313,940
Net book value, December 31, 2021	-	-	3,084,385	-	3,084,385

Depreciation and amortization charges are included in "Occupancy and equipment-related expenses" category in the statement of total comprehensive income.

Critical accounting estimate - Useful lives of bank premises, furniture, fixtures and equipment

The Bank determines the estimated useful lives of its bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The Bank annually reviews the estimated useful lives of bank premises, furniture, fixtures and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of bank premises, furniture, fixtures and equipment.

Note 5 - Intangible assets

Movement in the account for the period ended December 31 follows:

	2022	2021
Opening net carrying value	234,912,885	-
Additions	237,899,715	234,912,885
Accumulated amortization	(29,073,572)	-
Closing net carrying value	443,739,028	234,912,885

Intangible assets pertain to the development costs of the Bank's core banking and Enterprise Resource Planning (ERP) system which includes the Bank's general ledger and regulatory reporting systems. These are classified as non-current.

Amortization charges are included in "Occupancy and equipment-related expenses" category in the statement of total comprehensive income.

Critical accounting estimate - Useful lives of intangible assets

The Bank determines the estimated useful lives of its intangible assets based on the period over which the assets are expected to be available for use. The Bank annually reviews the estimated useful lives of intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of intangible assets.

Note 6 - Prepayments

The account as at December 31 consists of:

	2022	2021
Advances to suppliers	124,202,875	143,775,116
Prepaid fees	40,960,328	11,802,076
	165,163,203	155,577,192

Advances to suppliers pertain to down payment for the purchase of kiosks for use in customer onboarding from Tyme Pte Limited, an entity under common control, (Note 15) and purchase of debit cards which are expected to be delivered in 2023.

Prepaid fees consist of subscription fees to the Bank's cloud services and license fees.

Advances to suppliers and prepaid fees are expected to be realized within twelve (12) months from the reporting date.

Note 7 - Other assets

The account as at December 31, 2022 consists of:

	Amount
Security deposits	102,272,613
Accounts receivable	48,127,284
Accrued interest income	508,138
Miscellaneous assets	6,271,961
	157,179,996

The Bank did not have other assets as at December 31, 2021.

Security deposits mostly pertain to deposit to cover future payables to settlement partners. This also includes deposit made by the Bank in relation to the lease agreement (Note 10).

Accounts receivable pertains to amounts due from settlement partners and other counterparties related to the daily operational transactions of the Bank.

Miscellaneous assets mainly refer to unissued inventory of debit cards and kiosk spare parts. This also includes excess tax credit from tax authority for tax overpayment.

The following table shows the current and non-current classification of other assets as at December 31, 2022:

	Amount
Current	52,983,309
Non-current	104,196,687
	157,179,996

Note 8 - Deposit liabilities

The account at December 31, 2022 consists of:

	Amount
Demand	67,509,423
Savings	117,028,555
	184,537,978

In 2022, the Bank started offering deposit products to the public.

Deposit liabilities, which all come from retail customers, are denominated in Philippine peso and carry an average interest rate of 0% and 3% for demand and savings account, respectively. Interest expense on deposit liabilities for the year ended December 31, 2022 amounts to P393,044.

These deposits are classified as current liabilities and are expected to be settled within 12 months from reporting date.

BSP reserve requirement

The Bank should comply with a minimum reserve requirement on deposit and deposit substitute liabilities in local currency as required by the BSP.

In 2022, BSP Circular 1154 was issued mandating digital banks to have a reserve requirement of 8%.

Reserves must be set aside in deposits with the BSP. As at December 31, 2022, the reserves (included in 'Due from BSP') amounted to P13,768,192. The Bank is in full compliance with the reserve requirement as at December 31, 2022.

Note 9 - Accrued interest, taxes, and other expenses

The account as at December 31 consists of:

	2022	2021
Outsource fees	23,186,027	800,000
Marketing expenses	19,621,443	11,790,900
Professional and legal fees	985,600	1,066,800
Interest payable	197,589	-
BSP supervision fees	817,394	-
Philippine Deposit Insurance Corporation insurance premium	258,872	-
Other administrative expenses	1,830,430	-
	46,897,355	13,657,700

Outsource fees pertain to the kiosk ambassadors and recruitment services provided by third parties.

Other administrative expenses pertain to employee related payables, utilities, and other operating expenses.

These are expected to be settled within 12 months from the reporting date.

Note 10 - Leases

The Bank has entered into a 61-month lease agreement with Robinsons Land Corporation, a shareholder, for its office space commencing August 30, 2022 up to September 29, 2027. In accordance with the terms of the lease agreement, the Bank paid P6,464,613 as security deposit and included as "Other assets", which is refundable at the end of the lease term.

Rent expense charged against current operations (included in "Other administrative expenses") amounted to P791,931 in 2022. Rent expenses in 2022 pertain to expenses from short-term leases and leases of low-value assets.

(i) Amounts recognized in the statement of condition

The statement of financial position shows the following amounts relating to leases:

	Note	2022
Right-of-use assets		
Bank premises	4	115,059,344
Accumulated depreciation	4	(7,544,876)
		107,514,468
Lease liabilities		
Current		16,316,604
Non-current		86,941,220
		103,257,824

Additions to the right-of-use assets during 2022 were P115,059,344 (Note 4).

(ii)   Amounts recognized in the statement of total comprehensive income

The statement of total comprehensive income for the year ended December 31, 2022 shows the following amounts relating to leases:

	Note	2022
Depreciation expense	4	7,544,876
Interest expense (included in Occupancy and equipment-related expenses)		1,969,782
Expense relating to leases of low-value assets		791,931
		10,306,589

The total cash outflow for leases as at December 31, 2022 is P13,771,302.

(iii)   Discount rate

The lease payments for lease of office space are discounted using the lessee's incremental borrowing rate, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Critical accounting judgment - Determining the lease term

In determining the lease term, the Bank 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).

Critical accounting estimate - Determining the incremental borrowing rate

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing; and
- makes adjustments specific to the lease (e.g. term, currency and security).

The Bank's incremental borrowing rate applied to the lease liabilities is 5.5687%. The rate was determined in reference to PHP BVAL.

As at December 31, 2022, if the Bank's incremental borrowing rate increased/decreased by 1% while holding all other assumptions constant, the Bank's lease liabilities would be lower/higher by P2,346,603 and P2,420,025, respectively, and profit before tax for the year ended December 31, 2022 would be lower/higher by P124,843 and P134,621, respectively.

Note 11 - Other liabilities

The account as at December 31 consists of:

	2022	2021
Suppliers payable	95,308,078	43,769,926
Accounts payable	56,629,643	-
Withholding and other taxes payable	3,873,684	10,000,000
SSS, PHIC and HDMF premium payable	808,673	-
Miscellaneous liabilities	4,404,510	-
	161,024,588	53,769,926

Suppliers payable pertains to the outstanding liabilities to local and overseas suppliers for goods and services received by the Bank.

Accounts payable pertains to amounts due to settlement partners and other counterparties related to the daily operational transactions of the Bank.

The following table shows the current and non-current classification of other liabilities:

	2022	2021
Current	158,740,933	53,769,926
Non-current	2,283,655	-
	161,024,588	53,769,926

Note 12 - Capital funds

Share capital; Deficit

Details of the authorized share capital as at December 31 follows:

2022	Number of shares	Amount
Authorized share capital (at P1 par value per share)	5,000,000,000	5,000,000,000
Issued and outstanding common shares	2,783,191,003	2,783,191,003

2021	Number of shares	Amount
Authorized share capital (at P1 par value per share)	5,000,000,000	5,000,000,000
Issued and outstanding common shares	1,000,000,000	1,000,000,000

In 2022, the Bank incurred stock issuance costs amounting to P17,831,910 (2021 - P20,301,790) which consists of license fees, documentary stamps and legal fees. These are directly charged to deficit in capital funds.

Share-based compensation reserve

On June 20, 2022, the BOD of the Bank approved to grant Restricted Stock Units (RSU) to qualified beneficiaries up to the following amount for future distribution:

Date	Approved RSU amount
September 23, 2022	P147,500,000

Restricted Stock Units vest in varying amounts between 2 years and 5 years, subject to capital protection conditions.

The award price for RSU is equal to the value of a share as at the award date, calculated with reference to the results of the most recently conducted company equity valuation preceding the award date. Valuation employed a model based approach, using the latest plans and projections and observable inputs from the market, adjusted for risk factors inherent in the business. Further, model was calibrated to ensure that output was reasonably in line with comparative market prices.

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of the RSU.

The impact of RSU is not considered material to the financial statements; thus, the disclosures were limited only to the information mentioned above.

Subsequent event

On January 25, 2023, a capital call was made amounting to P575,000,000, in line with the capital infusion schedule as approved by the BOD last October 5, 2022. The capital infusion was made on February 27, 2023.

The table below summarizes the issued and outstanding common shares as at March 28, 2023.

	Number of shares	Amount
Authorized share capital (at P1 par value per share)	5,000,000,000	5,000,000,000
Issued and outstanding common shares		
Balance as at December 31, 2022	2,783,191,003	2,783,191,003
Issuance of additional common shares at par value	575,000,000	575,000,000
Balance as at March 28, 2023	3,358,191,003	3,358,191,003

Note 13 - Operating expenses

a) Technology costs

Technology costs amounting to P364,366,894 (2021 - P16,200,267) consist mostly of platform and services charges billed by Tyme Pte. Ltd., an entity under common control, to the Bank as part of the Master Service Agreement (Note 15). In addition, this also includes software license and subscriptions used by the Bank.

b) Management and other professional fees

Details of the account for the periods ended December 31 follow:

	Note	2022	2021
Third party consultant fees		93,783,819	51,052,087
Related party consultant fees	15	82,253,457	46,576,667
Outsource fees		53,104,970	-
Professional and legal fees		6,471,002	2,085,639
		235,613,248	99,714,393

Third party consultant fees consist of in-house consultants and technology services rendered by third parties.

Outsource fees consist of kiosk ambassadors and recruitment services provided by third parties.

Professional and legal fees consist of audit, advisory and legal fees.

c) Compensation and fringe benefits

Details of the account for the year ended December 31, 2022 follow:

	Amount
Salaries and wages	161,977,713
Share-based compensation	15,633,317
Retirement expense	2,283,655
Other employee benefit expenses	9,084,032
Director’s fee	300,000
	189,278,717

Other employee benefit expenses pertain to employee incentives such as HMO coverage, SSS, PHIC and HDMF premiums.

The Bank did not incur any compensation and fringe benefits expenses in 2021.

d) Marketing expenses

Marketing expenses for the year ended December 31, 2022 amount to P47,301,281 (2021 - P29,181,032) and consist of advertisements, campaigns and promotions.

e) Other administrative expenses

Details of the account for the periods ended December 31 follow:

	Note	2022	2021
Card issuance cost		10,219,865	-
Travelling cost		3,351,295	27,223
Courier fees		3,330,501	-
Representation and entertainment		1,769,945	362,294
Insurance expenses		1,641,885	-
Postage, telephone, cables and telegrams		1,532,239	-
Membership fees and dues		949,662	-
Supervision fees		817,394	-
Rent	10	791,931	-
Fuel and lubricants		687,924	-
Stationery and supplies used		637,757	-
Security, clerical, messengerial and janitorial services		332,820	-
Power, light and water		256,508	-
Other expenses		4,988,845	2,921,723
		31,308,571	3,311,240

Card issuance cost pertains to the cost of debit cards issued to the depositors.

Travelling cost pertains to business expenses incurred by employees for off site visits.

Courier fees pertains to expenses incurred for the transport of kiosks from warehouse to store sites.

Other expenses mainly pertains to GoRewards points purchased, employee related training and seminars and warehouse and storage fees.

Note 14 - Income taxes

Current income tax expense for the periods ended December 31, 2022 and 2021 pertain to final taxes paid. The Certificate of Registration with the Bureau of Internal Revenue was issued last January 5, 2022.

The following is the reconciliation of income taxes computed at the statutory income tax rate to income tax expense as shown in the statement of total comprehensive income for the year ended December 31, 2022:

	Amount	Rate (%)
Loss before income tax	(906,277,902)	
Applicable tax rate	25%	
Statutory income tax	(226,569,476)	25.00
Adjustments for:		
Income subject to lower tax rates	(848,299)	0.09
Non-deductible expenses	231,910	(0.03)
Unrecognized deferred tax assets	29,235,519	(3.22)
Net operating loss carry-over (NOLCO)	201,341,058	(22.21)
Income tax expense	3,390,713	(0.37)

Deferred income tax assets on the Bank's temporary differences and NOLCO have not been recognized because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Details of unrecognized deferred tax assets on temporary differences as at December 31, 2022 are as follows:

	Amounts
Accrued expenses and other liabilities	24,897,555
Share-based compensation	3,908,329
Unrealized foreign exchange losses	429,635
	29,235,519

Details of unrecognized NOLCO at December 31, 2022 are as follows:

Year of incurrence	Year of expiry	Amount
2022	2025	805,364,231
Income tax rate		25%
Unrecognized deferred income tax asset		201,341,058

Note 15 - Related party transactions

In the normal course of business, the Bank transacts with its major shareholders and other related entities. These transactions such as advances, technology and consultancy services are made in the normal operating activities and have terms and conditions that are generally comparable to those offered to non-related parties and to similar transactions in the market.

The table below summarizes the Bank's transactions with its related parties as at and for the periods ended December 31:

	2022		2021		
	Transactions	Outstanding balances	Transactions	Outstanding balances	Terms and conditions
Due from other banks					
Robinsons Bank Corporation	(1,017,479,108)	37,045,980	1,054,525,088	1,054,525,088	Refer to Note 2
Advances for kiosk					
Tyme Pte Ltd.	72,224,649	102,859,241	130,563,978	130,563,978	Refer to note (a)
Technology and Other administrative expenses					
Tyme Pte Ltd.	3,240,296	-	3,240,296	175,829	Refer to note (a)
Robinsons Land Corporation	256,508	158,045	-	-	Refer to note (d)
Permits, taxes and licenses					
Robinsons Retail Holdings, Inc.	-	-	481,827	481,827	Refer to note (c)
Robinsons Bank Corporation	-	-	481,827	481,827	Refer to note (c)
Robinsons Land Corporation	224,579	-	-	-	Refer to note (d)
Intangible asset					
Tyme Pte Ltd.	211,120,406	-	227,846,003	28,183,582	Refer to note (a)
Consultant fees					
Tyme Pte Ltd.	79,737,642	6,295,093	38,473,042	5,282,974	Refer to note (a)
Data Analytics Ventures Inc.	2,515,815	-	8,103,625	1,732,819	Refer to note (b)
IT solutions and support services					
Tyme Pte Ltd.	252,381,730	52,088,053	5,649,373	175,829	Refer to note (a)
Marketing expense					
Data Analytics Ventures Inc.	1,200,000	560,000	5,600,000	5,600,000	Refer to note (b)
Summit Publishing Co. Inc.	15,827,308	15,827,308	-	-	Refer to note (f)
Advances from shareholders					
Robinsons Bank Corporation	(130,000,000)	-	130,000,000	130,000,000	Refer to note (c)
Robinsons Land Corporation	(130,000,000)	-	130,000,000	130,000,000	
Robinsons Retail Holdings, Inc.	(130,000,000)	-	130,000,000	130,000,000	
Tyme Global Limited	(173,191,000)	-	173,191,000	173,191,000	
Lease agreement					
Robinsons Land Corporation	103,530,076	103,257,824	-	-	Refer to note (d)
Data Analytics Ventures Inc.	744,258	-	-	-	Refer to note (b)
Security deposit					
Robinsons Land Corporation	6,464,613	6,464,613	-	-	Refer to note (d)
Robinsons Retail Holdings, Inc.	84,357,000	84,357,000	-	-	Refer to note (e)
Master Service Agreement with Robinsons Retail Holdings, Inc.					
Service fee	891,039	546,001	-	-	Refer to note (e)
Deposit, net of withdrawals	232,693,679	21,908,021	-	-	
GoRewards Integration and Support with Data Analytics Ventures Inc.					
GoRewards points conversion	2,089,143	577,802	-	-	Refer to note (b)
GoRewards points purchased	4,739,076	2,080,042	-	-	
Directors' remuneration	300,000	-	-	-	

Key management personnel

In 2022, the salaries, allowances and other short-term benefits, and post-employment benefits of key management personnel amount to P27,340,558 and P803,720, respectively. There are no salaries and benefits paid to key management personnel in 2021.

(a) The Bank entered into an agreement with Tyme Pte Ltd, an entity under common control, for the latter to (i) produce kiosks, (ii) develop the Bank's core banking (iii) provide consultancy services (iv) provide information technology (IT) solutions and support services and (iv) provide other support services to the Bank. The advances for kiosk were recorded as part of Advances to suppliers under Prepayments. The remaining unpaid amounts for IT solutions and support services, and consultancy fees are recorded as part of Suppliers payable under Other liabilities and are payable in cash on demand at gross amounts, non-interest bearing and unsecured.

(b) The Bank entered into a master collaboration agreement with Data Analytics Ventures Inc. (DAVI), an entity under common control, for the latter to provide GoRewards integration and support and precision marketing services. The remaining uncollected GoRewards points conversion and fee income are recorded as part of Accounts receivable under Other assets, unpaid Go Rewards points purchased and service fee recorded as part of Accounts payable under Other liabilities and unpaid marketing services recorded as part of Accrued interest, taxes and other expenses are receivable/payable in cash on demand at gross amount, non-interest bearing and unsecured.

    In addition, the Bank also entered into a service agreement with DAVI to provide executive services in the bank build pre-operations phase and an 8-month short term lease agreement.

(c) In August 2021, the Bank was granted by the BSP an authority to establish a digital bank, which was yet to be incorporated. During the year, the shareholders provided the Bank advances to be used for the various pre-incorporation and pre-operating expenses. It was further agreed that the Bank shall pay the advances from shareholders once the Bank completed its incorporation. The balance is payable in cash on demand at gross amount, non-interest bearing and unsecured.

    The documentary stamp taxes related to the advances are subject to reimbursement to the shareholders.

    As at December 31, 2021, the unreimbursed amount is presented as part of Advances from shareholders and is payable in cash on demand at gross amount, non-interest bearing and unsecured. In 2022, the Bank fully settled the unreimbursed amount.

(d) In August 2022, the Bank entered into a lease agreement with Robinsons Land Corporation, a shareholder (Note 10). In relation to this, documentary stamp tax and utilities expenses are paid by the latter on behalf of the Bank and is being charged as part of Permits, taxes and licenses, and Other administrative expenses, respectively, with the outstanding balance under Accrued interest, taxes, and other expenses. The amount is payable in cash on demand at gross amount, non-interest bearing and unsecured.

(e) The Bank entered into a master service agreement with Robinsons Retail Holdings, Inc, an entity under common control, for the latter to provide cash agent services which allows to accept and disburse cash on behalf of GoTyme, fund transfers, bills payment and other services it is allowed to perform on behalf of GoTyme in accordance with the MORB. The remaining uncollected cash in (acceptance) are recorded as part of Accounts receivable under Other assets, unpaid cash out (disbursement) recorded as part of Accounts payable under Other liabilities and unpaid service fee recorded as part of Accounts payable under Other liabilities charged as part of fees and commissions. These amounts are receivable/payable in cash on demand at gross amounts, non-interest bearing and unsecured.

(f) The Bank entered into an agreement with Summit Publishing Co Inc, an entity under common control, for the latter to provide various PR placements, campaigns, media services and event coordination. The remaining uncollected fee are recorded under Accrued interest, taxes, and other expenses charged under Marketing expense.

Note 16 - Risk management

Risk management framework

The Bank uses the Enterprise Risk Management Framework (ERMF) to address all material risks inherent in the business. The framework covers all systems, policies, processes, and control procedures designed to identify, measure, monitor, mitigate and report risks on a continuing basis. The Bank ensures that the ERMF is reviewed periodically to address all material risks, including emerging risks and ensures compliance with the Manual of Regulations of the BSP.

The central element of the ERMF is the Risk Appetite Statement (RAS). The RAS shall be maintained and should clearly articulate the nature and level of risk that the Bank is willing to take in pursuit of the business objective. The risk appetite is managed and monitored closely together with the business units taking in consideration the regulatory requirements and expectations.

Risk organization and governance

The BOD operates as the highest level of the Bank's risk governance. The BOD is ultimately responsible for establishing and approving the risk framework and overseeing the efficient implementation of policies and procedures to manage all material risks. The BOD is also responsible for determining optimal governance structures for the Bank, including the relevant Board sub-committees to be delegated with functional activities for overseeing risks and compliance activities in the Bank.

To support the BOD to discharge its responsibilities, five sub-committees will be established in the governance framework. Further, management committees are established to provide oversight and governance of material risks and act as decision making forums on operational matters arising from the implementation of Board-approved policies.

The Enterprise Risk Management Committee is responsible for the ongoing oversight and review of all risk exposures across all categories and ensure risks are managed within appetite. The Financial Risk Committee is responsible for oversight and management of all financial risks with specific focus on credit risk, funding and liquidity risk and capital management. On the other hand, the Non-Financial Risk Committee is responsible for oversight and management of Operational Risks, IT Risks, and other nonfinancial risks such as Fraud Risks, Third Party Related Risks, and Business Continuity Risks.

The Bank adopts the three lines of defense model of accountability in managing risks. The first line is the risk owner and is responsible and accountable for the identification, assessment, and management of all risks inherent in the business operations. The second line provides risk oversight by setting the risk standards and at the same time advise risk owners on key matters relating to optimizing risk taking and control implementation. The third line is the independent Audit team that provides assurance to the BOD and Senior Leadership on the adequacy and effectiveness of the Bank's governance and risk management.

16.1 Market risk

Market risk is the risk due to adverse impact on profitability or net worth of the Bank due to changes in market rates or prices such as interest rates and foreign exchange rates.

Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

The table below summarizes the Bank's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
As at December 31, 2022					
Financial Assets					
Due from other banks	-	-	-	114,775,419	114,775,419
Due from BSP	-	-	-	498,972,928	498,972,928
Securities purchased under agreements to resell	-	-	-	538,792,952	538,792,952
Investment securities at amortized cost	-	-	-	50,039,652	50,039,652
Other financial assets	-	-	-	150,908,035	150,908,035
Total financial assets	-	-	-	1,353,488,986	1,353,488,986
Financial Liabilities					
Deposit liabilities	184,537,978	-	-	-	184,537,978
Accrued interest and other expenses*	-	-	-	45,821,089	45,821,089
Lease liabilities	-	-	-	103,257,824	103,257,824
Other financial liabilities	-	-	-	151,937,721	151,937,721
Total financial liabilities	184,537,978	-	-	301,016,634	485,554,612
Total interest gap	(184,537,978)	-	-	1,052,472,352	867,934,374

**Excludes payable to government agencies*

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at December 31, 2022 and 2021, the Bank has no financial instruments that are exposed to price risk.

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 Bank's foreign currency exchange risk exposure arises primarily from the following financial assets and liabilities denominated in US Dollar (USD), shown in their Peso equivalent as at December 31, 2022.

	Amounts
Financial assets	
Due from other banks	63,157
Other financial assets	218,346
Total financial assets	281,503
Financial liabilities	
Other financial liabilities	1,439,401
Total financial liabilities	1,439,401
Net on-balance sheet position	(1,157,898)

In 2021, the Bank has no significant exposures to financial assets and liabilities denominated in foreign currency.

Presented below is a sensitivity analysis demonstrating the impact on pre-tax income of reasonably possible change in the exchange rate between US Dollar and Philippine Peso. The fluctuation rate is based on the historical movement of US Dollar against the Philippine Peso year on year.

Year	Change in currency	Effect on pre-tax income
2022	+/- 4.82%	+/- 55,811

Details of the Bank's foreign exchange losses, net, for the year ended December 31, 2022 are as follows:

	Amounts
Realized losses, net	631,225
Unrealized losses, net	1,718,540
	2,349,765

16.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is defined as possible losses due to the default of counterparties. Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures arise primarily from the following on-balance sheet financial assets at December 31:

	2022	2021
Due from other banks	114,775,419	1,054,525,088
Due from BSP	498,972,928	-
Securities purchased under agreements to resell	538,792,952	-
Investments in amortized cost	50,039,652	-
Other financial assets	150,908,035	-
	1,353,488,986	1,054,525,088

Credit quality of financial assets

(a) Due from other banks

The Bank has cash deposited with various universal banks which carry a performing status (Stage 1). In the Philippines, universal banks are deemed of good credit and financial standing. Accordingly, management has assessed that credit risk is minimal. As at December 31, 2022 and 2021, the due from other banks balance is fully performing.

(b) Due from BSP

Due from BSP are considered fully performing as at reporting date.

(c) Investments at amortized cost

Investments at amortized cost are considered fully performing and no impairment allowance has been recognized as these are comprised of Philippine government treasury bonds with remote credit risk.

The investments are expected to be realized within 12 months from reporting date and carry effective interest rate of 4.375%.

The related interest income of the securities held amounts to P2,456,994 for the year ended December 31, 2022.

(d) Securities purchased under agreement to resell

Securities purchased under agreement to resell are considered fully performing as at reporting date.

(e) Other financial assets

The Bank's other financial assets (shown under Other assets) at December 31, 2022 consist mainly of accrued interest receivable, settlement accounts receivable and security deposits from various unrated counterparties with good credit standing.

None of the fully performing financial assets represent renegotiated accounts.

Concentration of risks of financial assets with credit risk exposure

The Bank's main credit exposures at their carrying amounts relating to significant on-balance sheet financial assets, categorized by industry sectors, are summarized as follows:

	Financial institutions	Retail	Real Estate	Others	Allowance	Total
At December 31, 2022						
Due from other banks	114,775,419	-	-	-	-	114,775,419
Due from BSP	498,972,928	-	-	-	-	498,972,928
Securities purchased under agreements to resell	538,792,952	-	-	-	-	538,792,952
Investments in amortized cost	50,039,652	-	-	-	-	50,039,652
Other financial assets	36,531,348	107,334,272	6,464,613	577,802	-	150,908,035
	1,239,112,299	107,334,272	6,464,613	577,802	-	1,353,488,986

In 2021, due from other banks is categorized as part of financial institution sector.

16.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings or capital arising from a Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Financial Risk Committee, in support of the Enterprise Risk Committee, provides ongoing oversight of the financial risks and ensures that appropriate frameworks, policies and procedures are implemented and embedded to enable effective management of financial risks.

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 Bank'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 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 actual liquidity metrics of the Bank:

	2022
Liquidity coverage ratio	9,913%
Total Stock of High Quality Liquid Assets (HQLA)	1,086,545,140
Total Net Cash Outflows	10,960,676
Net stable funding ratio	183%

Non-derivative cash flows

The table below presents the maturity profile of non-derivative financial instruments based on undiscounted cash flows, including interest, which the Bank uses to manage the inherent liquidity risk.

The maturity analysis is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized or the financial liability will be settled.

2022	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Financial assets				
Due from other banks	114,775,419	-	-	114,775,419
Due from BSP	499,217,193	-	-	499,217,193
Securities purchased under agreements to resell	539,039,899	-	-	539,039,899
Investments in amortized cost	50,294,860	-	-	50,294,860
Other financial assets	48,635,422	-	102,272,613	150,908,035
Total financial assets	1,251,962,793	-	102,272,613	1,354,235,406
Financial liabilities				
Deposit liabilities	188,048,835	-	-	188,048,835
Accrued interest and other expenses	45,821,089	-	-	45,821,089
Lease liabilities	21,714,631	53,701,953	42,276,642	117,693,226
Other financial liabilities	151,937,721	-	-	151,937,721
Total financial liabilities	407,522,276	53,701,953	42,276,642	503,500,871
Net financial assets	844,440,517	(53,701,953)	59,995,971	850,734,535

2021	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Financial assets				
Due from other banks	1,054,525,088	-	-	1,054,525,088
Financial liabilities				
Accrued interest and other expenses	13,657,700	-	-	13,657,700
Other financial liabilities	53,769,926	-	-	53,769,926
Advances from shareholders	563,191,000	-	-	563,191,000
	630,618,626	-	-	630,618,626
Net financial assets	423,906,462	-	-	423,906,462

Non-financial risks

Non-financial risks are risks associated with the Bank's operations that when left unmitigated may lead to financial, reputational, operational or regulatory consequences. The Bank considers strategic risk, operational risk, cyber security, compliance risk and financial crime as the primary non-financial risks.

- Strategic risk is the risk of loss arising from ineffective business plans and failure to respond appropriately to changes in the business environment. This is attributed to the results of unfavorable business decisions, failed process implementations, and inability to adapt to the changes in the industry. This type of risk includes reputational and people-related risks. Key framework and policies such as the Enterprise Risk Management Framework, RAS, Corporate Governance Policy, and Business Strategy and Operating Plan is implemented on an ongoing basis.

  The BOD sets the direction of the Bank's strategic plans. The Bank ensures that the goals are well-aligned with the business strategies, resources, and implementation plans. A detailed risk review and deliberation is done prior to implementation of new products and services as well as process and product enhancements.

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. The Bank acknowledges that operational risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the Bank, thus, control processes are in place to ensure that the risks are mitigated.

The Bank’s program includes activities to evaluate and monitor the operational risk profile. These activities that will be fully implemented once the Bank is commercially launched include the Risk and Control Self-Assessment (RCSA), Incident and Issue Management, Control Assurance, and tracking of the Operational Losses. The RCSA is the tool to help the business units to assess the specific risk exposures and the effectivity of the controls in place.

- Cyber security risk is the risk related to the Bank’s or its third parties’ data or technology that are inadequately assessed, manipulated, or damaged due to the cyber security threats. This is mitigated through activities that assesses and monitors the Bank’s vulnerabilities and remediation plans. As a digital bank, the Bank ensures that proper governance frameworks and policies to prevent cyber security risks are efficiently implemented.

- Compliance risk and financial crime is the risk of failing to abide to regulatory expectations and inability to deliver suitable and fair customer obligations and support market integrity. Policies are in place to safeguard the Bank’s compliance to the minimum requirements of local regulators. Meanwhile, financial crime risks are risks due to failure to prevent crimes that result to financial implications. The Bank will remain compliant to the Anti-Money Laundering Act and aligning all related Bank policies to the regulation. The Bank also assesses and continues to ensure it is meeting obligations and compliance to the Philippine Data Privacy Act.

16.4 Fair value measurement

The following tables present the carrying values of financial assets and liabilities and the level of fair value hierarchy within which the fair value measurements are categorized:

	Carrying	Fair value			
2022	Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Due from other banks	114,775,419	-	114,775,419	-	114,775,419
Due from BSP	498,972,928	-	498,972,928	-	498,972,928
Securities purchased under					
agreements to resell	538,792,952		538,792,952	-	538,792,952
Investments at amortized cost	50,039,652	50,199,758	-	-	50,199,758
Other financial assets	150,908,035	-	150,908,035	-	150,908,035
Financial liabilities					
Deposit liabilities	184,537,978	-	184,537,978	-	184,537,978
Accrued interest and other					
expenses	45,821,089	-	45,821,089	-	45,821,089
Lease liabilities	103,257,824	-	103,257,824	-	103,257,824
Other financial liabilities	151,937,721	-	151,937,721	-	151,937,721
Advances from shareholders	-	-	-	-	-

	Carrying	Fair value			
2021	Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Due from other banks	1,054,525,088	-	1,054,525,088	-	1,054,525,088
Due from BSP	-	-	-	-	-
Securities purchased under					
agreements to resell	-	-	-	-	-
Investments in amortized cost	-	-	-	-	-
Other financial assets	-	-	-	-	-
Financial liabilities			-	-	-
Deposit liabilities	-	-			
Accrued interest and other				-	
expenses	13,657,700	-	13,657,700		13,657,700
Lease liabilities	-	-	-	-	-
Other financial liabilities	53,769,926	-	53,769,926	-	53,769,926
Advances from shareholders	563,191,000	-	563,191,000	-	563,191,000

16.5 Capital management

Capital management is understood to be a facet of risk management. The primary objective of the Bank is the generation of recurring acceptable returns to shareholder's capital. To this end, the Bank's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its various funders and stakeholders.

Cognizant of its exposure to risks, the Bank understands that it must maintain sufficient capital to absorb unexpected losses, to stay in business for the long haul, and to satisfy regulatory requirements. The Bank further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

The Bank considers its total capital funds as its capital.

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.

The Bank's regulatory capital position as at December 31, 2022 is as follows:

	Amounts
CET1 Capital	
Paid-up common stock	2,783,191,003
Retained earnings	(183,983,692)
Undivided profits	(891,731,182)
Regulatory adjustments:	
Total outstanding credit accommodations to DOSRI	(80,231,800)
Other intangible assets	(436,983,530)
Total CET1 Capital	1,190,260,799
Additional Tier 1 Capital	-
Total Tier 1 Capital	1,190,260,799
Tier 2 Capital	-
Total Qualifying Capital	1,190,260,799

	Amounts
Credit risk-weighted assets	558,820,015
Market risk-weighted assets	7,754,909
Operational risk-weighted assets	-
Total risk-weighted assets	566,574,924

	Ratios
Capital Ratios:	
CET1 Capital Ratio	210.08%
Tier 1 Capital Ratio	210.08%
Total Capital Adequacy Ratio	210.08%
Capital Conservation Buffer	204.08%

Breakdown of credit risk-weighted assets and market risk-weighted assets as at December 31, 2022 follows:

	Amounts			
	Total Credit Risk Exposure	0% - 50%	75% - 100%	Total Weighted Assets
Risk-Weighted On-Books Assets				
Due from BSP	499,168,291	499,168,291	-	-
Due from other banks	27,726,777	27,726,777	-	13,863,389
Investments at amortized cost	50,277,423	50,277,423	-	-
Securities purchased under agreements to resell	538,990,509	538,990,509	-	-
Other assets				
Bank premises, furniture, fixtures and equipment, net	216,304,737	-	216,304,737	216,304,737
Prepayments	165,163,203	-	165,163,203	165,163,203
Other assets	163,488,686	-	163,488,686	163,488,686
Total Risk-Weighted On-Books Assets, not covered by CRM	1,661,119,626	1,116,163,000	544,956,626	558,820,015
Total Risk-Weighted On-Books Assets, covered by CRM	-	-	-	-
Total credit-risk weighted assets	1,661,119,626	1,116,163,000	544,956,626	558,820,015

	Amounts
Foreign Exchange Exposures	
Total Capital Charge	620,393
Adjusted Capital Charge	775,491
Total market-risk weighted assets	7,754,909

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations and Corporates.

The Standardized Approach is used in the Bank's market risk-weighted assets and the Basic Indicator Approach is used in the Bank's operational risk-weighted assets. Given that the Bank commenced its operations in 2022, gross income for the previous three years is nil which served as the basis for the operational risk charge in 2022.

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 at December 31, 2022 is as follows:

Basel III Leverage Ratio	71.65%
Tier 1 Capital	1,190,260,799
Exposure Measure	1,661,119,627

Note 17 - Subsequent event

No subsequent events occurred from December 31, 2022 up to March 28, 2023 other than the capital call disclosed in Note 12.

Note 18 - Summary of significant accounting policies

The principal 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.

18.1 Basis of preparation

The financial statements of the Bank as at December 31, 2022 and 2021 and for the year ended December 31, 2022 and for the period from December 28, 2021 (incorporation date) to December 31, 2021 are prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council and adopted by the SEC.

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

The preparation of these financial statements in accordance with PFRSs 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. Actual results may ultimately differ from these estimates. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Critical accounting estimates
- Useful lives of bank premises, furniture, fixtures and equipment (Note 4)
- Useful lives of intangible assets (Note 5)
- Determining the incremental borrowing rate (Note 10)

Critical accounting judgment
- Determining the lease term (Note 10)

There are no areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant as at December 31, 2021.

18.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Bank

The Bank has adopted the following amendments to existing standards effective January 1, 2022:

- Amendment to PAS 16, '*Property, Plant and Equipment'*

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendment to PFRS 3, '*Business Combinations'*

  Amendments were made to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and Interpretation 21, 'Levies'.

- PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- *Annual Improvements to PFRS Standards 2018-2020*

  The following improvements were finalized in May 2020:

  i. PFRS 9, 'Financial Instruments', clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  ii. PFRS 16, 'Leases', amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments did not have a material impact on the financial statements of the Bank.

(b) New standards and amendments to existing standards not yet adopted by the Bank

The following amendments to existing standards are not mandatory for December 31, 2022 reporting period and have not been early adopted by the Bank:

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.
  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendment to PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, *'Income Taxes*

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Bank.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2023 that are considered relevant or expected to have a material effect on the financial statement of the Bank.

18.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank recognizes a financial instrument in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

18.3.1 Financial assets

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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

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 and the Bank has transferred substantially all the risks and rewards of ownership.

Classification and subsequent 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.

As at December 31, 2022 and 2021, the Bank only holds debt financial assets classified and measured at amortized cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognize directly in profit or loss and presented in other income. Impairment losses, if any, are presented as separate line item in the statement of total comprehensive income.

The Bank's financial assets at amortized cost consist of due from other banks (Note 2), due from BSP (Note 2), securities purchased under agreements to resell (Note 3), investments at amortized cost, and other financial assets (Note 7).

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Bank has no equity instruments as at December 31, 2022 and 2021.

Impairment and write-off

Measurement of ECL

The Bank assesses on a forward looking basis the ECL associated with its financial assets carried at amortized cost. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are measured using a three stage model based on changes in credit quality of the financial instrument since it was initially recognized (initial recognition):

- Stage 1 - performing financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month ECL are recognized and interest/profit revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance);
- Stage 2 - performing financial instruments that have experienced a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest/profit revenue is still calculated on the gross carrying amount of the asset; and
- Stage 3 - non-performing financial instruments that have been determined to be credit-impaired. For these assets, lifetime ECL are recognized and interest/profit revenue is calculated on the net carrying amount (that is, net of credit allowance).

The following diagram summarizes the impairment requirements under PFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Determination of significant increase in credit risk (SICR)

The Bank compares the probabilities of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine significant increase in credit risk. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings and credit score;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon favorable business or economic condition;
- assessment of the borrower's historical payment delinquencies; and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the Bank.

Measuring ECL - Inputs, assumptions and estimation techniques

ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood that the borrower will default, either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

    - 12-month PD is the portion of the lifetime PD that results from default events that are possible within the next 12 months after the balance sheet date.

- Lifetime PD is the probability of a default event when assessed over the lifetime of a loan/financing. It is a cumulative PD.

  Where there is no PD model developed for a portfolio (either due to data quality issue or insufficient number of defaults), the application of PD shall be based on judgmental approach, e.g., proxy of model or loss rate approach.

- EAD is based on the amounts that the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). This takes into account expected changes in the exposure after the reporting date, including repayments of principal and interest/profit, expected draw downs on committed facilities.

- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

  The LGDs are determined based on the factors which impact the recoveries made post-default. Where information is insufficient to determine the segment or components, portfolio average rate may be considered.

  Where there is no LGD model developed for a portfolio (either due to data quality issue or insufficient recovery data), the application of LGD shall be based on judgmental approach. For the application of proxy model, assessment shall be performed to determine if the portfolio shares the similar credit risk expectation with the proxy model.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the assets. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by product type.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed regularly.

The Bank's financial assets are considered fully performing, hence, no allowance is required.

18.3.2 Financial liabilities

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, 2022 and 2021, the Bank only has financial liabilities at amortized cost.

Financial liabilities measured at amortized cost consist mainly of deposit liabilities (Note 8), accrued interest and other expenses (Note 9), other liabilities (Note 11), and advances from shareholders (Note 15).

Recognition and measurement

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 plus transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Derecognition

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or expires).

18.3.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

As at December 31, 2022 and 2021, there are no financial assets and liabilities that have been offset.

18.4 Cash and cash equivalent

Cash and cash equivalents consist of due from other banks, due from BSP, and securities purchased under agreements to resell (SPAR) with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value.

These are carried in the statement of financial position at face amount or at nominal amount. Cash in bank earns interest at the prevailing bank deposit rates.

18.5 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks and customers and included in the statement of condition under “Interbank loans receivable and securities purchased under agreements to resell”. Securities lent to counterparties are also retained in the financial statements.

18.6 Prepayments

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. These are derecognized from the statement of financial position upon delivery of goods or services, through amortization over a period of time, or through use or consumption.

Prepayments are considered as current assets, except when the related goods or services are expected to be received or rendered more than twelve (12) months after the reporting period, which are then classified as non-current assets.

18.7 Bank premises, furniture, fixtures and equipment

All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of an asset which comprises its purchase price, import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

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

Asset category	Useful life
Furniture and office equipment	3 to 5 years
IT equipment	3 to 5 years
Kiosks	5 years

Right-of-use asset, included in Bank premises, is generally depreciated over the shorter of the asset's useful life of 3 to 10 years and the lease term, on a straight-line basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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 and value in use. There are no bank premises, furniture, fixtures and equipment that are impaired as at December 31, 2022 and 2021.

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

18.8 Intangible assets

The cost of intangibles includes all expenditures directly attributable to bringing the asset to a working condition for its intended use (being capable of operating in the manner intended by management). If an entity recognizes the cost of a replacement for a part of an intangible asset in the carrying amount of an intangible asset, then it must derecognize the carrying amount of the replaced part.

The intangible asset is amortized on a systematic basis over its useful life, if the asset has a finite life to allocate their costs to their residual values over their estimated useful lives, as follows:

Asset category	Useful life
Software	Generally 5-7 years, depending on the type of software
Licenses	Contract length

Amortization shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. As at December 31, 2022, the intangible is not yet available for use.

The assets' residual values and useful lives are to be reviewed and adjusted, if appropriate, at each reporting period.

Intangible assets are also reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable value.

18.9 Deposit liabilities, accrued interest and other expenses, advances from shareholders and other liabilities

Deposit liabilities, accrued interest and other expenses, advances from shareholders and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Bank is established.

Please refer to Note 18.3.2 for the recognition and derecognition of these liabilities.

18.10 Provisions

Provisions are recognized when all of the following conditions are met: (i) the Bank has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

18.11 Income and expense recognition

Interest income

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Interest income on bank deposits is recognized on a time-proportion basis using the effective interest method. The amount presented is gross of final tax which is shown as provision for final income tax in the statement of total comprehensive income.

Fees and commission income

Fees and commission income are recognized under PFRS 15, that is, revenue shall be recognized when it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

The Bank shall recognize revenue at the point of time when the customer is presently obliged to pay for the service, which may indicate that the customer has obtained the ability to direct use of an asset and obtain substantially all of the benefits from the performance obligation. Arrangement fee, placement fee, underwriting fee and transaction fee shall be recognized at the point in time upon satisfaction of the performance obligation.

The Bank shall recognize revenue over time if the customer simultaneously receives and consumes the benefits provided by the Bank as the Bank performs the services.

The Bank's fees and commissions for the year ended December 31, 2022 comprise of transaction fees earned for interbank transfers and commissions on GoReward points conversions.

Expenses

Expenses are charged to operations as incurred and presented in the statement of total comprehensive income according to the function of such expenses.

18.12 Equity

Share capital

Share capital consisting of common shares is classified as equity. These shares are initially recognized at the amount of consideration received and the related income tax effects, directly attributable to the issue of new shares.

Deficit

The amount included in accumulated deficit pertains to the current and prior years' net loss from operations and stock issuance cost.

Stock issuance costs

Transaction costs of an equity transaction are directly charged to deficit in capital funds to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Unpaid documentary stamp taxes are recorded as part of liability in the statement of financial position. This will be derecognized upon remittance to the BIR.

Share-based compensation reserve

The Bank shall measure the goods or services received, and the corresponding increase in equity, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. Otherwise, measurement shall be made by reference to the fair value of the equity instruments granted.

18.13 Foreign currency translation

(a) Functional and presentation currency

Items in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value is determined.

18.14 Income taxes

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense for the year except to the extent that current tax is related to items that are charged or credited in other comprehensive income or directly to capital funds.

The Bank has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the final tax paid or withheld is included in provision for income tax.

18.15 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. The 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 depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

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 lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The Bank accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the Bank:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Bank accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Bank recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets shall be recognized on a straight-line basis as an expense in the statement of total comprehensive income. Short-term leases shall be leases with a lease term of twelve (12) months or less. Low-value assets shall comprise IT-equipment and small items of office furniture.

18.16 Related party relationships and transactions

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

18.17 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. There were no changes to the presentation made during the year.

18.18 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the Bank's financial 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 financial statements when material.

Note 19 - Supplemental information required by the Bangko Sentral ng Pilipinas

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 and is not required in the basic financial statements.

(i) Basic quantitative indicators of financial performance

The key financial performance indicators follow (in %):

	2022
Return on average equity[1]	(72.59%)
Return on average assets[2]	(50.08%)
Net interest margin[3]	1.44%

[1]Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the periods ended December 31, 2022 and 2021.
[2]Net income divided by average total assets as at period indicated. Average total assets is based on the year-on-year balance of total assets as at December 31, 2022 and 2021.
[3]Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2022 and 2021.

(ii) Description of capital instruments issued

The Bank considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2022.

(iii) Significant credit exposures

The Bank does not have any significant credit exposures i.e. loans and advances, as at December 31, 2022.

(iv) Information on related party loans

The Bank does not have any loans and advances as at December 31, 2022.

(v) Secured liabilities and assets pledged as security

The Bank has no secured liabilities as at December 31, 2022.

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

The Bank has no off-balance sheet items as at December 31, 2022.

Note 20 - Supplementary information required by the BIR

Below is the additional information required by Revenue Regulations (RR) 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.

(i) Documentary stamp taxes (DST)

DST paid for the year ended December 31, 2022 consist of:

	Amount
Stock subscription	17,831,910
Lease	237,459
Others	10,069
	18,079,438

DST on stock subscription is directly charged to deficit in capital funds. Other DST is included under Permits, taxes and licenses in the statement of total comprehensive income.

(ii) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2022 follow:

	Paid	Accrued	Total
Withholding taxes on compensation	34,052,138	2,621,605	36,673,743
Expanded withholding tax	2,651,211	357,077	3,008,288
Final tax on deposits	29,207	49,402	78,609
	36,732,556	3,028,084	39,760,640

Accrued withholding taxes are included under Other liabilities in the statement of financial position.

(iii) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Gross receipts tax	121,352	845,600	966,952
Municipal tax	1,697,721	-	1,697,721
Custom tax	3,796,140	-	3,796,140
Others	157,140	-	157,140
	5,772,353	845,600	6,617,953

The above local and national taxes are included as part of Permits, taxes and licenses in the statement of total comprehensive income.

(iv) Tax cases and assessments

The Bank has no outstanding cases under preliminary investigation, litigation and/or bodies outside the BIR in 2022.