# GoTyme Bank Corporation

**Financial Statements**
**As at and for the years ended December 31, 2023 and 2022**

# 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended 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, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in capital funds for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022;
- the notes to the financial statements, including material accounting policy information.

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

### 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, 2023 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 21 and 22, 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 audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 12, 2024, Makati City
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
April 8, 2024

**GoTyme Bank Corporation**

Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Due from other banks | 2 | 2,008,551,708 | 114,775,419 |
| Due from Bangko Sentral ng Pilipinas (BSP) | 2 | 1,244,980,327 | 498,972,928 |
| Securities purchased under agreements to resell | 2,3 | 1,334,021,895 | 538,792,952 |
| Investments at amortized cost | 4 | 8,087,035,621 | 50,039,652 |
| Financial assets at fair value through other comprehensive income | 4 | 1,207,863,897 | - |
| Loans and receivable, net | 5 | 1,106,807 | - |
| Bank premises, furniture, fixtures and equipment, net | 6 | 370,386,316 | 215,859,286 |
| Intangible assets, net | 7 | 375,116,066 | 443,739,028 |
| Due from settlement partners | 8 | 1,580,971,351 | 47,883,395 |
| Deferred tax asset, net | 16 | 18,615,253 | - |
| Other assets, net | 8 | 552,188,197 | 274,459,804 |
| **Total assets** | | 16,780,837,438 | 2,184,522,464 |
| **Liabilities and Capital Funds** | | | |
| **Liabilities** | | | |
| Deposit liabilities | 9 | 10,781,527,831 | 184,537,978 |
| Accrued interest, taxes, and other expenses | 10 | 48,213,776 | 46,897,355 |
| Lease liabilities | 11 | 86,941,220 | 103,257,824 |
| Deposit for future stock subscription | 13 | 891,527,006 | - |
| Accounts payable | 12 | 3,430,247,019 | 151,938,721 |
| Other liabilities | 12 | 37,741,782 | 9,085,867 |
| Total liabilities | | 15,276,198,634 | 495,717,745 |
| **Capital funds** | | | |
| Share capital | 13 | 5,000,000,000 | 2,783,191,003 |
| Share-based compensation reserve | 13 | 93,916,803 | 15,633,317 |
| Deficit | 13 | (3,603,869,841) | (1,110,019,601) |
| Other comprehensive income | 4 | 14,591,842 | - |
| Total capital funds | | 1,504,638,804 | 1,688,804,719 |
| **Total liabilities and capital funds** | | 16,780,837,438 | 2,184,522,464 |

The notes on pages 1 to 38 are an integral part of these financial statements

**GoTyme Bank Corporation**

Statements of Total Comprehensive Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Interest income** | | | |
| On deposits with BSP and other banks | 2,3 | 170,740,797 | 14,155,865 |
| On investment securities | 4 | 97,030,742 | 2,456,994 |
| On loans and receivables | 5 | 21,262 | - |
| | | 267,792,801 | 16,612,859 |
| **Interest expense** | | | |
| On deposit liabilities | 9 | 166,975,769 | 393,044 |
| **Net interest income** | | 100,817,032 | 16,219,815 |
| **Other income (loss)** | | | |
| Fees and commissions | 14 | 102,032,198 | 1,365,996 |
| Foreign exchange gains (losses), net | 18.1 | 11,470,544 | (2,349,765) |
| Miscellaneous income | 14 | 17,113,921 | 197,372 |
| | | 130,616,663 | (786,397) |
| **Operating expenses** | | | |
| Technology costs | 15 | 949,519,240 | 364,366,894 |
| Management and other professional fees | 15 | 416,706,467 | 235,613,248 |
| Compensation and fringe benefits | 15 | 425,832,030 | 189,278,717 |
| Marketing expenses | 15 | 266,398,271 | 47,301,281 |
| Fees and commissions | 15 | 161,430,445 | 3,111,162 |
| Occupancy and equipment-related expenses | 6,7,11 | 143,714,729 | 43,865,966 |
| Permits, taxes and licenses | | 25,890,382 | 6,865,481 |
| Other administrative expenses | 15 | 283,361,361 | 31,308,571 |
| Total operating expenses | | 2,672,852,925 | 921,711,320 |
| **Loss before income tax** | | (2,441,419,230) | (906,277,902) |
| Provision for income tax | 16 | 30,262,920 | 3,390,713 |
| **Net loss for the year** | | (2,471,682,150) | (909,668,615) |
| **Other comprehensive income** | | | |
| Item that will be subsequently reclassified to profit or loss | | | |
| Net change in the fair value of financial assets at FVOCI, net of tax | 4 | 14,591,842 | - |
| **Total comprehensive loss for the year** | | (2,457,090,308) | (909,668,615) |

The notes on pages 1 to 38 are an integral part of these financial statements.

**GoTyme Bank Corporation**

Statements of Changes in Capital Funds
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

| | Share capital (Note 13) | Share-based compensation reserve (Note 13) | Deficit (Note 13) | Other comprehensive income (Note 4) | Total |
|---|---|---|---|---|---|
| **Balances, January 1, 2022** | 1,000,000,000 | - | (182,519,076) | - | 817,480,924 |
| **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) |
| **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 |
| **Balances, December 31, 2022** | 2,783,191,003 | 15,633,317 | (1,110,019,601) | - | 1,688,804,719 |
| **Comprehensive loss(income)** | | | | | |
| Net loss for the year | - | - | (2,471,682,150) | - | (2,471,682,150) |
| Other comprehensive income | - | - | - | 14,591,842 | 14,591,842 |
| Total comprehensive loss | - | - | (2,471,682,150) | 14,591,842 | (2,457,090,308) |
| **Transactions with owners** | | | | | |
| Share issuance | 2,216,808,997 | - | (22,168,090) | - | 2,194,640,907 |
| Share-based compensation | - | 78,283,486 | - | - | 78,283,486 |
| **Balances, December 31, 2023** | 5,000,000,000 | 93,916,803 | (3,603,869,841) | 14,591,842 | 1,504,638,804 |

The notes on pages 1 to 38 are an integral part of these financial statements.

**GoTyme Bank Corporation**

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | (2,441,419,230) | (906,277,902) |
| Adjustments for: | | | |
| Share-based compensation expense | 13,15 | 78,283,486 | 15,633,317 |
| Depreciation and amortization | 6,7 | 138,335,281 | 41,896,184 |
| Provision for retirement expense | 15 | 5,978,402 | 2,283,655 |
| Interest income | 2,3,4,5 | (267,792,801) | (16,612,859) |
| Interest expense on deposit liabilities | 9 | 166,975,769 | 393,044 |
| Interest expense on lease liability | 11 | 5,379,448 | 1,969,782 |
| Unrealized foreign exchange losses, net | 18.1 | 4,709,586 | 1,718,540 |
| Provision for credit losses | 5 | 108,747 | - |
| Operating loss before changes in operating assets and liabilities | | (2,309,441,312) | (858,996,239) |
| (Increase) decrease in: | | | |
| Loans receivable | | (1,215,554) | - |
| Due from settlement partners | | (1,618,277,741) | - |
| Other assets | | (258,167,596) | (165,984,433) |
| Increase (decrease) in: | | | |
| Deposit liabilities | | 10,596,989,853 | 184,537,978 |
| Accrued interest, taxes, and other expenses | | (28,413,477) | 33,042,066 |
| Accounts payable | | 1,394,136,393 | - |
| Other liabilities | | 22,677,513 | 104,971,007 |
| Net cash from (used in) operations | | 7,798,288,079 | (702,429,621) |
| Interest received | | 195,806,421 | 16,231,666 |
| Interest paid | | (137,245,871) | (195,455) |
| Payments of interest portion of lease liability | 11 | (5,379,448) | (1,969,782) |
| Income taxes paid | | (53,742,120) | (3,390,713) |
| Net cash from (used in) operating activities | | 7,797,727,061 | (691,753,905) |
| **Cash flows from investing activities** | | | |
| Acquisition of bank premises, furniture, fixtures and equipment | 6 | (223,264,937) | (110,579,229) |
| Development of intangible assets | 7 | (1,222,519) | (237,899,715) |
| Acquisition of investments at amortized cost and financial assets at FVOCI | 4 | (13,967,545,079) | (462,142,011) |
| Settlement of investments at amortized cost | 4 | 6,685,000,000 | 411,800,000 |
| Proceeds from disposal of bank premises, furniture, fixtures and equipment | 6 | 264,609 | 41,060 |
| Net cash used in investing activities | | (7,506,767,926) | (398,779,895) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of shares | 13 | 2,216,808,997 | 1,783,191,003 |
| Proceeds from deposit for future stock subscription | 13 | 891,527,006 | - |
| Settlement of stock issuance costs | 13 | (22,168,090) | (17,831,910) |
| Settlement of advances from shareholders | 17 | - | (563,191,000) |
| Payments of principal portion of lease liability | 11 | (16,316,604) | (11,801,520) |
| Net cash from financing activities | | 3,069,851,309 | 1,190,366,573 |
| **Net increase in cash and cash equivalents** | | 3,360,810,444 | 99,832,773 |
| Cash and cash equivalents at January 1 | | 1,152,541,299 | 1,054,525,088 |
| Effects of exchange rate changes on cash and cash equivalents | | 74,202,187 | (1,816,562) |
| **Cash and cash equivalents at December 31** | 2 | 4,587,553,930 | 1,152,541,299 |

The notes on pages 1 to 38 are an integral part of these financial statements.

**GoTyme Bank Corporation**

Notes to the Financial Statements
As at and for the years ended December 31, 2023 and 2022
(All amounts are shown in Philippine Peso, unless otherwise stated)

## 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's ownership structure comprises 40% held by Tyme Global Limited, with 20% ownership each attributed to Robinsons Land Corporation and Robinsons Retail Holdings Inc. Additionally, 15.0% is held by Robinsons Bank Corporation, in which the merger agreement with Bank of the Philippines Islands was approved by the regulators in 2023 and executed on January 1, 2024. GoTyme Financial Pte. Ltd. holds a 3.9% stake, while the remaining 1.1% is owned by Giga Investment Holdings Pte. Ltd.

The Bank’s registered office address is at 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, 2023, the Bank has 228 employees (2022 - 125 employees).

*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 April 8, 2024.

## 2 Cash and cash equivalents

The account as at December 31 consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Due from other banks | | 2,008,551,708 | 114,775,419 |
| Due from BSP | | 1,244,980,327 | 498,972,928 |
| SPAR | 3 | 1,334,021,895 | 538,792,952 |
| | | 4,587,553,930 | 1,152,541,299 |

Due from other banks pertain to current and savings accounts with various bank counterparties which have annual interest rates ranging from 0.000% to 0.125% for the years ended December 31, 2023 and 2022.

Interest income from due from other banks for the year ended December 31, 2023 amounts to P496,998 (2022 - P1,127,112).

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 transactions. This also consists of the overnight and term deposit placements with the BSP with annual interest rates ranging from 5.000% to 6.7225% (2022 - 3.750% to 6.345%).

Interest income on due from BSP for the year ended December 31, 2023 amounts to P141,559,422 (2022 - P10,427,275).

## 3 Securities purchased under agreements to resell (SPAR)

The account as at December 31, 2023 consists of reverse repurchase agreement (RRPs) with the BSP amounting to P1,334,021,895 (2022 - P538,792,952).

All 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, 2023 is from 5.500% to 6.400% (2022 - 4.250% to 5.500%).

Interest income from SPAR for the year ended December 31, 2023 amounts to P28,684,377 (2022 - P2,601,478).

## 4 Investments at amortized cost; Financial assets at fair value through other comprehensive income (FVOCI)

*Investments at amortized cost*

The account as at December 31, 2023 consists of BSP bills amounting to P8,087,035,621 (2022 - P50,039,652).

Movements in the investments at amortized cost are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at the beginning of the year | 50,039,652 | - |
| Purchases | 14,669,586,890 | 462,142,011 |
| Disposals | (6,685,000,000) | (411,800,000) |
| Amortization of discount/premium | 52,409,079 | (302,359) |
| Balance at the end of the year | 8,087,035,621 | 50,039,652 |

As at December 31, 2023, purchases amounting to P1,890,449,919 (2022 - nil) remains unsettled and presented as part of Securities awaiting settlement under Accounts payable (Note 12).

The effective interest rate of investments at amortized cost for the year ended December 31, 2023 range from 6.790% to 6.960% (2022 - 4.375%). Interest income for the year ended December 31, 2023 amounts to P65,758,423 (2022 - P2,456,994).

Investments at amortized cost are classified as current assets and are expected to be realized within 12 months from the reporting date.

*Financial assets at FVOCI*

The account as at December 31, 2023 consists of treasury notes and government bonds amounting to P1,207,863,897 (2022 - nil).

Movements in the financial assets at FVOCI are as follows:

| | 2023 |
|---|---|
| Balance at the beginning of the year | - |
| Additions | 1,188,408,108 |
| Changes in fair value | 19,455,789 |
| Balance at the end of the year | 1,207,863,897 |

The movements in net unrealized gain on investments in other comprehensive income are as follows:

| | 2023 |
|---|---|
| Balance at the beginning of the year | - |
| Changes in fair value recognized in equity | 19,455,789 |
| Deferred tax | (4,863,947) |
| Balance at the end of the year | 14,591,842 |

The effective interest rate of investments in other comprehensive income range from 6.125% to 7.000%. Interest income earned from these investments amounted to P31,272,319 (2022 - nil).

Financial assets at FVOCI are classified as non-current assets and are expected to be realized within three (3) to seven (7) years from the reporting date.

## 5 Loans and receivables, net

In November 2023, the Bank launched the Flexible Financing Pilot program to small and medium-sized enterprises.

The account as at December 31, 2023 consists of:

| | Amount |
|---|---|
| Loans receivables | 1,359,338 |
| Unearned discount/income | (143,784) |
| | 1,215,554 |
| Allowance for impairment | (108,747) |
| | 1,106,807 |

Interest income for the year ended December 31, 2023 amounts to P21,262.

Loans and receivables are unsecured and are collectible within three (3) to six (6) months from the reporting date.

## 6 Bank premises, furniture, fixtures and equipment, net

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

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Bank premises (Note 11) | Furniture and Office equipment | IT Equipment | Kiosk | Total |
| Cost | | | | | |
| January 1, 2023 | 115,059,344 | 590,077 | 16,075,681 | 97,241,406 | 228,966,508 |
| Additions | - | 374,695 | 8,714,154 | 214,176,088 | 223,264,937 |
| Disposals | - | - | (325,530) | - | (325,530) |
| December 31, 2023 | 115,059,344 | 964,772 | 24,464,305 | 311,417,494 | 451,905,915 |
| Accumulated depreciation | | | | | |
| January 1, 2023 | 7,544,876 | 74,813 | 2,861,834 | 2,625,699 | 13,107,222 |
| Depreciation and amortization | 22,634,625 | 279,958 | 6,158,305 | 39,416,912 | 68,489,800 |
| Disposals | - | - | (77,423) | - | (77,423) |
| December 31, 2023 | 30,179,501 | 354,771 | 8,942,716 | 42,042,611 | 81,519,599 |
| Net book value, December 31, 2023 | 84,879,843 | 610,001 | 15,521,589 | 269,374,883 | 370,386,316 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Bank premises (Note 11) | 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 | 2,577,224 | 2,625,699 | 12,822,612 |
| Disposals | - | - | (29,330) | - | (29,330) |
| December 31, 2022 | 7,544,876 | 74,813 | 2,861,834 | 2,625,699 | 13,107,222 |
| Net book value, December 31, 2022 | 107,514,468 | 515,264 | 13,213,847 | 94,615,707 | 215,859,286 |

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

In 2023, the Bank disposed of IT equipment for P264,609 (2022 - P41,060) resulting to a gain on sale of properties of P16,502 (2022 - nil) (Note 14).

*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.

## 7 Intangible assets, net

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

| | 2023 | 2022 |
|---|---|---|
| Opening net carrying value | 443,739,028 | 234,912,885 |
| Additions | 1,222,519 | 237,899,715 |
| Amortization for the year | (69,845,481) | (29,073,572) |
| Closing net carrying value | 375,116,066 | 443,739,028 |

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.

Accumulated amortization as at December 31, 2023 amounts to P98,919,053 (2022 - P29,073,572).

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.

## 8 Due from settlement partners; Other assets, net

*Due from settlement partners*

Due from settlement partners represents receivables from the daily operational transactions of the Bank with its settlement partners. These include deposits via the Bank's cash agents, interbank transfers, bills payments and other payment services that remain unsettled as of reporting date. The account as at December 31, 2023 amounts to P1,580,971,351 (2022 - P47,883,395).

Due from settlement partners are classified as current assets.

*Other assets, net*

The account as at December 31 consists of:

| | 2023 | 2022 |
|---|---|---|
| Security deposits | 260,696,814 | 102,272,613 |
| Inventories | 91,747,650 | 6,222,559 |
| Accounts receivable | 70,533,221 | 243,889 |
| Advances to suppliers | 55,014,347 | 124,202,875 |
| Prepaid fees | 53,991,297 | 40,960,328 |
| Accrued interest income | 20,085,436 | 508,138 |
| Creditable withholding tax | 1,747 | - |
| Miscellaneous assets | 117,685 | 49,402 |
| | 552,188,197 | 274,459,804 |

Security deposits mostly pertain to bond deposits to cover future payables to settlement partners. This also includes the deposit made by the Bank in relation to its lease agreement (Note 11).

Inventories consist of unissued debit cards and kiosk spare parts.

Accounts receivable primarily comprise outstanding incentives from the Bank's card issuer, in accordance with the terms outlined in the growth agreement partnership.

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 17), and purchase of debit cards which are expected to be delivered in 2024.

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

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

| | 2023 | 2022 |
|---|---|---|
| Current | 345,685,584 | 170,263,117 |
| Non-current | 206,502,613 | 104,196,687 |
| | 552,188,197 | 274,459,804 |

## 9 Deposit liabilities

The account as at December 31 consists of savings accounts amounting to P10,781,527,831 (2022 - P184,537,978)

Deposit liabilities, which all come from retail customers, are denominated in Philippine peso and carry interest rates ranging from 0.000% to 6.500% (2022 - 0.000% to 3.000). The related accrued interest payable amounted to P29,927,487 (2022 - P197,589) as of December 31, 2023 (Note 10).

Interest expense on deposit liabilities for the year ended December 31, 2023 amounts to P166,975,769 (2022 - 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 No. 1154 was issued mandating digital banks to have a reserve requirement of 8%. This was superseded by BSP Circular No. 1176 amending the level of reserve requirement to 6% effective end of June 2023.

As at December 31, 2023, the reserves (included in 'Due from BSP') amounted to P628,343,135 (2022 - P13,768,192). The Bank is in full compliance with the reserve requirement as at December 31, 2023 and 2022.

## 10 Accrued interest, taxes, and other expenses

The account as at December 31 consists of:

| | Notes | 2023 | 2022 |
|---|---|---|---|
| Interest payable on deposit liabilities | 9 | 29,927,487 | 197,589 |
| Philippine Deposit Insurance Corporation insurance premium | | 8,691,286 | 258,872 |
| Outsource fees | | 7,901,001 | 23,186,027 |
| BSP supervision fees | | 1,434,573 | 817,394 |
| Marketing expenses | 15 | - | 19,621,443 |
| Professional and legal fees | | - | 985,600 |
| Other administrative expenses | | 259,429 | 1,830,430 |
| | | 48,213,776 | 46,897,355 |

Outsource fees pertain to the kiosk ambassadors and recruitment fees 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.

## 11 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 which is refundable at the end of the lease term.

Rent expense charged against current operations (included in “Other administrative expenses”) amounted to P34,412 in 2023 (2022 - P791,931). Rent expense pertains to expenses from leases of low-value assets.

*(i) Amounts recognized in the statement of financial position*

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

| | Note | 2023 | 2022 |
|---|---|---|---|
| *Right-of-use assets* | | | |
| Bank premises | 6 | 115,059,344 | 115,059,344 |
| Accumulated depreciation | 6 | (30,179,501) | (7,544,876) |
| | | 84,879,843 | 107,514,468 |
| *Lease liabilities* | | | |
| Current | | 22,154,637 | 16,316,604 |
| Non-current | | 64,786,583 | 86,941,220 |
| | | 86,941,220 | 103,257,824 |

There were no additions to the right-of-use assets in 2023 (2022 - P115,059,344) (Note 6).

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

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

| | Note | 2023 | 2022 |
|---|---|---|---|
| Depreciation expense | 6 | 22,634,625 | 7,544,876 |
| Interest expense (included in "Occupancy and equipment related expenses") | | 5,379,448 | 1,969,782 |
| Expense relating to leases of low-value assets | | 34,412 | 791,931 |
| | | 28,048,485 | 10,306,589 |

The total cash outflow for leases as at December 31, 2023 is P21,696,052 (2022 - 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, 2023, 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 P1,563,751 and P1,486,886, respectively (2022 - P2,346,603 and P2,420,025, respectively), and profit before tax for the year ended December 31, 2023 would be lower/higher by P318,380 and P335,711, respectively (2022 - P124,843 and P134,621, respectively).

## 12 Accounts payable; Other liabilities

*Accounts payable*

The account as at December 31 consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Securities awaiting settlement | 4 | 1,890,449,919 | - |
| Due to settlement partners | | 1,370,424,560 | 56,630,643 |
| Suppliers payable | | 169,372,540 | 95,308,078 |
| | | 3,430,247,019 | 151,938,721 |

Securities awaiting settlement pertains to the purchased financial assets at amortized cost that are yet to be settled by the Bank as at reporting date.

Due to settlement partners represents the daily operational transactions of the Bank with its settlement partners. These include withdrawals via the Bank's cash agents, interbank transfers and other payment services that remain unsettled as at reporting date.

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

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

*Other liabilities*

The account as at December 31 consists of:

| | 2023 | 2022 |
|---|---|---|
| Withholding and other taxes payable | 27,858,417 | 3,873,684 |
| Retirement benefit liability | 8,262,057 | 2,283,655 |
| SSS, PHIC and HDMF premium payable | 1,552,227 | 808,673 |
| Miscellaneous liabilities | 69,081 | 2,119,855 |
| | 37,741,782 | 9,085,867 |

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

| | 2023 | 2022 |
|---|---|---|
| Current | 29,479,725 | 6,802,212 |
| Non-current | 8,262,057 | 2,283,655 |
| | 37,741,782 | 9,085,867 |

## 13 Capital funds

*Share capital; Deficit*

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

| **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 | 5,000,000,000 | 5,000,000,000 |

| **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 |

In 2023, the Bank issued 2,216,808,997 (2022 - 1,783,191,003) common shares amounting to P2,216,808,997 (2022 - P1,783,191,003).

In 2023, the Bank incurred stock issuance costs amounting to P22,168,090 (2022 - P17,831,910) which consists of license fees, documentary stamps and legal fees. These are directly charged to deficit in capital funds.

*Deposit for stock subscription (DFFS)*

On September 26, 2023, the BOD approved an increase of 3,600,000,000 shares in the authorized capital stock with a par value of P1 per share.

Subsequently, on December 14, 2023, a capital infusion request was initiated to secure a deposit for future stock subscriptions amounting to P908,191,000. This deposit is intended to fulfill the minimum 25% paid-out capital requirement for the increase in capital stock. As at December 31, 2023, the Bank received P891,527,006 from the capital call.

On the basis of the foregoing, the Bank has considered its DFFS as a liability since not all of the following elements are present:
1. There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
2. The Bank's Board of Directors and shareholders have approved an increase in authorized capital stock to cover the shares corresponding to the amount of the deposit; and,
3. An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

Since the Bank has not yet filed an application with the SEC considering that the approval from the BSP is still pending, the DFFS is recognized as part of liability as at December 31, 2023.

*Share-based compensation reserve*

The BOD of the Bank approved to grant Restricted Stock Units (RSU) and Performance Share Units (PSU) to qualified beneficiaries up to the following amount for future distribution:

| Year | Approved RSU amount | Approved PSU amount |
|---|---|---|
| 2022 | 147,500,000 | - |
| 2023 additions | 3,000,000 | 44,100,000 |

Share-based compensation reserve represents the portion of the approved grant to qualified beneficiaries that has been accrued in accordance with the vesting schedule. As at December 31, 2023, there were no share units exercised. Total vested shares as at December 31, 2023 is at 7,157,534 shares.

*a) Restricted share units*

The movement in the share-based compensation reserve for the years ended December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Beginning of the year | 15,633,317 | - |
| Share-based compensation expense | 56,171,151 | 15,633,317 |
| End of the year | 71,804,468 | 15,633,317 |

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

*b) Performance share units*

The movement in the share-based compensation reserve for the years ended December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Beginning of the year | - | - |
| Share-based compensation expense | 22,112,335 | - |
| End of the year | 22,112,335 | - |

PSU is issued as part of the overall rewards and recognition program of the Bank in 2023. These shares vest equally over three 3 years, subject to certain performance conditions, as approved by the Board of Directors.

The award price for RSU and PSU is derived from 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, the model was calibrated to ensure that output was reasonably in line with comparative market prices.

## 14 Fees and commissions; Miscellaneous income

*Fees and commissions*

The account for the years ended December 31 consists of the following:

| | 2023 | 2022 |
|---|---|---|
| Transaction fees | 84,314,110 | 1,075,037 |
| Commissions fees | 17,457,888 | 290,959 |
| Miscellaneous | 260,200 | - |
| | 102,032,198 | 1,365,996 |

Transaction fees pertain to interchange and interbank transfer fees earned.

Commissions fees pertain to revenue share paid by our settlement partners.

Miscellaneous fees pertains to card replacements fees.

*Miscellaneous income*

The account for the year ended December 31, 2023 mainly consists of incentives granted to the Bank from the Bank’s card issuer, in accordance with the terms outlined in the growth agreement partnership, and gain on sale of properties amounting to P17,097,418 and P16,502 (2022 - 197,372 and nil), respectively.

## 15 Operating expenses

*a) Technology costs*

Technology costs amounting to P949,519,240 (2022 - P364,366,894) consist mostly of platform and service charges billed by Tyme Pte. Ltd., to the Bank as part of the Master Service Agreement (Note 17). In addition, this also includes software license and subscription fees used by the Bank.

*b) Management and other professional fees*

Details of the account for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Outsource fees | 282,750,147 | 53,104,970 |
| Consultant fees | 122,504,074 | 176,037,276 |
| Professional and legal fees | 11,452,246 | 6,471,002 |
| | 416,706,467 | 235,613,248 |

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

Consultant fees consist of in-house consultants and technology services rendered 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 years ended December 31:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Salaries and wages | | 318,549,480 | 161,977,713 |
| Share-based compensation | 13 | 78,283,486 | 15,633,317 |
| Retirement expense | | 5,978,402 | 2,283,655 |
| Social security costs and other contributions | | 8,894,466 | 3,287,258 |
| Other employee benefit expenses | | 11,246,196 | 5,796,774 |
| Director's fee | | 2,880,000 | 300,000 |
| | | 425,832,030 | 189,278,717 |

Other employee benefit expenses pertain to health benefits provided to the Bank's employees and its dependents.

The Bank did not incur any fringe benefits expense in 2023 and 2022.

*d) Marketing expenses*

Marketing expenses for the year ended December 31, 2023 amount to P266,398,271 (2022 - P47,301,281) and consist of advertisements, campaigns and promotions.

*e) Fees and commissions*

Fees and commissions for the year ended December 31,2023 amount to P161,430,445 (2022 - P3,111,162). These fees represent service and commission payments to the Bank's settlement partners, card transaction fees remitted to card issuers, and other bank charges.

*f) Other administrative expenses*

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

| | Note | 2023 | 2022 |
|---|---|---|---|
| Card issuance cost | | 161,116,620 | 10,219,865 |
| GoRewards points redemption | | 32,723,099 | 771,802 |
| Postage, telephone, cables and telegrams | | 30,483,126 | 1,532,239 |
| Insurance expenses | | 13,227,676 | 1,641,885 |
| Spare parts used | | 12,450,832 | 428,051 |
| Travelling cost | | 9,252,989 | 3,351,295 |
| Courier fees | | 6,297,346 | 3,330,501 |
| Representation and entertainment | | 4,427,291 | 1,769,945 |
| Fuel and lubricants | | 3,718,732 | 687,924 |
| Supervision fees | | 1,070,839 | 817,394 |
| Provision for credit losses | | 108,747 | - |
| Rent | 11 | 34,412 | 791,931 |
| Other expenses | | 8,449,652 | 5,965,739 |
| | | 283,361,361 | 31,308,571 |

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 employee related training and seminars, repairs and maintenance, stationaries and office sundries, utilities expenses, security, messengerial and janitorial services and warehouse and storage fees.

## 16 Income taxes

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

| | 2023 | 2022 |
|---|---|---|
| Final | 53,742,120 | 3,390,713 |
| Deferred | (23,479,200) | - |
| | 30,262,920 | 3,390,713 |

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 years ended December 31:

| | 2023 | |
|---|---|---|
| | Amount | Rate (%) |
| Loss before income tax | (2,441,419,230) | |
| Applicable tax rate | 25% | |
| Statutory income tax | (610,354,808) | 25.00 |
| Adjustments for: | | |
| Income subject to lower tax rates | (13,451,815) | 0.55 |
| Non-deductible expenses | (8,363,082) | 0.34 |
| Net operating loss carry-over (NOLCO) | 662,432,625 | (27.13) |
| Income tax expense | 30,262,920 | (1.24) |

| | 2022 | |
|---|---|---|
| | Amount | Rate (%) |
| Loss before income tax | (906,277,902) | |
| Applicable tax rate | 25% | |
| Statutory income tax | (226,569,475) | 25.00 |
| Adjustments for: | | |
| Income subject to lower tax rates | (848,299) | 0.09 |
| Non-deductible expenses | 29,467,429 | (3.25) |
| Net operating loss carry-over (NOLCO) | 201,341,058 | (22.21) |
| Income tax expense | 3,390,713 | (0.37) |

The Bank's deferred tax asset, net are as follows:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Deferred tax asset | | | - |
| Share-based compensation | | 23,479,200 | |
| Deferred tax liability | | | |
| Fair value gain on financial assets at FVOCI | 4 | (4,863,947) | - |
| Deferred tax asset, net | | 18,615,253 | - |

Tax effect on the fair value gain on financial assets at FVOCI is recognized directly against other comprehensive income.

Deferred income tax assets on the Bank's temporary differences, retirement liability 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 these deferred income tax assets to be utilized. The deferred income tax assets on temporary differences and retirement liability are not considered material to the financial statements.

Details of NOLCO at December 31 are as follows:

| Year of incurrence | Year of expiry | NOLCO | Deferred tax asset |
|---|---|---|---|
| 2023 | 2026 | 2,649,730,501 | 662,432,625 |
| 2022 | 2025 | 805,364,231 | 201,341,058 |
| | | 3,455,094,732 | 863,773,683 |

*Critical accounting judgment - Recognition of deferred tax assets*

The recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied. The Bank reviews at the end of each reporting period the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. The Bank believes that sufficient taxable profit will be generated to allow all of the recognized deferred income tax assets to be utilized.

## 17 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 years ended December 31:

| | 2023 | | |
|---|---|---|---|
| | Transactions | Outstanding Balance | Nature |
| Robinsons Retail Holdings, Inc. | | | |
| Cash in transactions | 25,513,937,758 | 616,736,570 | - Cash agency transactions and its corresponding security deposit. Refer to (d). |
| Cash out transactions | 2,510,901,645 | 17,687,982 | |
| Security deposit | 7,000,000 | 91,357,000 | |
| Fees and commissions | 44,842,655 | 7,197,602 | - Service and commission fees for cash agency. Refer to (d). |
| Data Analytics Ventures Inc. | | | |
| Points conversion | 42,033,988 | 6,188,027 | - Points conversion and its corresponding commission |
| Points purchased | 57,376,491 | 7,579,123 | - Points purchased and its corresponding service fee |
| Marketing expenses | 7,994,391 | 2,954,391 | - Precision marketing and cost. Refer to (b). |
| Fees and commissions | 4,953,960 | 4,953,960 | - Success fee on onboarding subsidy. Refer to (b). |
| Robinsons Land Corporation | | | |
| Security deposit | 15,000 | 6,479,613 | - Security deposit on lease rental. Refer to (c). |
| Lease liability | (16,316,604) | 86,941,220 | - Lease rental. Refer to (c). |
| Marketing and Other administrative expenses | 5,567,071 | - | - Marketing and advertising cost. Refer to (c). |
| Technology and Other administrative expenses | (158,045) | - | - Refer to (c). |
| Robinsons Bank Corporation | | | |
| Due from other banks | 38,010,655 | 75,056,636 | - Banks deposit maintained with interest range of 0.10% to 0.125% |
| Tyme Pte Ltd. | | | |
| Advances for Kiosks and spare parts | (52,790,968) | 50,068,273 | - Advances for the purchase of Kiosks and spare parts. |
| Technology costs | 693,663,602 | 59,362,203 | - IT solutions and support services. Refer to (a) |
| Consultant fees | (6,295,093) | - | - Consultants fee. Refer to (a). |
| Summit Publishing Co. Inc. | | | |
| Payables | 27,091,091 | - | - Marketing and advertising services. Refer to (e).<br>- Billboard lease rental; outsource fees Refer to (e). |
| Aspen Business Solutions, Inc. | | | |
| Payables | 451,252 | - | - Payroll outsource services |
| Maxicare Healthcare Corporation | | | |
| Payables | 10,869,853 | - | - HMO premium for Bank's employees and its qualified dependent. Refer to (f). |
| Directors | 2,880,000 | 2,880,000 | - Directors fee |

| | 2022 | | |
|---|---|---|---|
| | Transactions | Outstanding Balance | Nature |
| Robinsons Retail Holdings, Inc. | | | |
| Cash in transactions | 269,050,739 | 22,731,788 | - Cash agency transactions and its corresponding security deposit. Refer to (d). |
| Cash out transactions | 36,357,060 | 823,367 | |
| Security deposit | 84,357,000 | 84,357,000 | |
| Service fee | 891,039 | 546,001 | - Service for cash agency. Refer to (d). |
| Advances from shareholders | (130,000,000) | - | - Refer to (g). |
| Data Analytics Ventures Inc. | | | |
| Points conversion | 2,089,143 | 577,802 | - Points conversion and its corresponding commission |
| Points purchased | 4,739,076 | 2,080,042 | - Points purchased and its corresponding service fee |
| Marketing expenses | 1,200,000 | 560,000 | - Precision marketing and cost. Refer to (b). |
| Consultant fees | 2,515,815 | - | - Refer to (b). |
| Lease agreement | 744,258 | - | - Refer to (b). |
| Robinsons Land Corporation | | | |
| Security deposit | 6,464,613 | 6,464,613 | - Security deposit on lease rental. Refer to (c). |
| Lease liability | 103,530,076 | 103,257,824 | - Lease rental. Refer to (c). |
| Technology and Other administrative expenses | 256,508 | 158,045 | - Refer to (c). |
| Permits, taxes and licenses | 224,579 | - | - Refer to (c). |
| Advances from shareholders | (130,000,000) | - | - Refer to (g). |
| Robinsons Bank Corporation | | | |
| Due from other banks | (1,017,479,108) | 37,045,980 | - Banks deposit maintained with interest range of 0.10% to 0.125% |
| Advances from shareholders | (130,000,000) | - | - Refer to (g). |
| Tyme Pte Ltd. | | | |
| Advances for Kiosks and spare parts | 72,224,649 | 102,859,241 | - Advances for the purchase of Kiosks and spare parts. |
| Intangible asset | 211,120,406 | - | - Software development. Refer to (a). |
| Technology costs | 252,381,730 | 52,088,053 | - IT solutions and support services. Refer to (a). |
| Consultant fees | 79,737,642 | 6,295,093 | - Consultants fee. Refer to (a). |
| Technology and Other administrative expenses | 3,240,296 | - | - Refer to (a). |
| Tyme Global Limited | | | |
| Advances from shareholders | (173,191,000) | - | - Refer to (g). |
| Summit Publishing Co. Inc. | | | |
| Payables | 15,827,308 | 15,827,308 | - Marketing and advertising services. Refer to (e). |
| Directors | 300,000 | - | - Directors fee |

*Key management personnel*

In 2023, the salaries, allowances and other benefits and share based and post-employment benefits of key management personnel amount to P105,066,554 (2022 - P34,885,487).

(a) The Bank entered into an agreement with Tyme Pte Ltd, 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) other support services to the Bank. The advances for kiosk were recorded as part of Advances to suppliers under Other assets, net. The remaining unpaid amount for IT solutions and support services, and consultancy fees are recorded as part of Suppliers payable under Accounts payable and is payable in cash on demand at gross amount, 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 and commission on onboarding are recorded as part of Accounts receivable under Other assets, unpaid Go Rewards points purchased and service fee recorded as part of Accounts payable, accrued marketing services recorded as part of Accrued interest, taxes and other expenses in 2022, and unpaid but billed marketing services recorded as part of Suppliers payable under Accounts payable in 2023. These are receivable/payable in cash on demand at gross amount, non-interest bearing and unsecured.

In addition, in 2022, 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 2022, the Bank entered into a lease agreement with Robinsons Land Corporation (Robinsons Land), a shareholder (Note 11). 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, under Accrued interest, taxes, and other expenses. The amount is payable in cash on demand at gross amount, non-interest bearing and unsecured.

In 2023, as part of its strategic expansion initiative, the Bank entered into an agreement with Robinsons Land that entails leasing space in Robinsons Land malls and utilizing advertising services to enhance the Bank's promotional efforts.

(d) 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 Due from settlement partners, unpaid cash out (disbursement) recorded as part of Due to settlement partners under Accounts payable and unpaid service fee recorded as part of Accounts payable charged as part of fees and commissions are receivable/payable in cash on demand at gross amount, non-interest bearing and unsecured.

(e) 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 is recorded under Accrued interest, taxes, and other expenses and is charged under Marketing expense.

(f) In 2023, the Bank also entered into an agreement with Maxicare Healthcare Corporation, an entity under common control, as the HMO provider for the Bank's employees and its dependents.

(g) In 2022, the Bank fully settled the unreimbursed portion of the advances provided by the shareholders for various pre-incorporation and pre-operating expenses.

## 18 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 is maintained and clearly articulates 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 & 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 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 Board and Senior Leadership on the adequacy and effectiveness of the Bank's governance and risk management.

### 18.1 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 a 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 3years | Non-repricing | Total |
| As at December 31, 2023 | | | | | |
| Financial Assets | | | | | |
| Due from other banks | - | - | - | 2,008,551,708 | 2,008,551,708 |
| Due from BSP | - | - | - | 1,244,980,327 | 1,244,980,327 |
| Securities purchased under agreements to resell | - | - | - | 1,334,021,895 | 1,334,021,895 |
| Investment securities at amortized cost | - | - | - | 8,087,035,621 | 8,087,035,621 |
| Financial assets at FVOCI | - | - | - | 1,207,863,897 | 1,207,863,897 |
| Loans and receivables, net | - | - | - | 1,106,807 | 1,106,807 |
| Due from settlement partners | - | - | - | 1,580,971,351 | 1,580,971,351 |
| Other financial assets* | - | - | - | 351,315,471 | 351,315,471 |
| Total financial assets | - | - | - | 15,815,847,077 | 15,815,847,077 |
| Financial Liabilities | | | | | |
| Deposit liabilities | 10,781,527,831 | - | - | - | 10,781,527,831 |
| Accrued interest and other expenses** | - | - | - | 38,087,917 | 38,087,917 |
| Lease liabilities | - | - | - | 86,941,220 | 86,941,220 |
| Accounts payable | - | - | - | 3,430,247,019 | 3,430,247,019 |
| Total financial liabilities | 10,781,527,831 | - | - | 3,555,276,156 | 14,336,803,987 |
| Total interest gap | (10,781,527,831) | - | - | 12,260,570,921 | 1,479,043,090 |

**Other financial assets are comprised of security deposits, accounts receivable and accrued interest income*
***Excludes payable to government agencies*

| | 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 |
| Financial assets at FVOCI | - | - | - | - | - |
| Loans and receivables, net | - | - | - | - | - |
| Due from settlement partners | - | - | - | 47,883,395 | 47,883,395 |
| Other financial assets* | - | - | - | 103,024,640 | 103,024,640 |
| 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 |
| Accounts payable | - | - | - | 151,938,721 | 151,938,721 |
| Total financial liabilities | 184,537,978 | - | - | 301,017,634 | 485,555,612 |
| Total interest gap | (184,537,978) | - | - | 1,052,471,352 | 867,933,374 |

**Other financial assets are comprised of security deposits, accounts receivable and accrued interest income*
**Excludes payable to government agencies*

*Price risk*

Price risk is the risk that 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, 2023 and 2022, 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:

| | 2023 | 2022 |
|---|---|---|
| Financial assets | | |
| Due from other banks | 3,325,958 | 3,521,320 |
| Due from settlement partners | 66,058,025 | 1,022,898 |
| Other financial assets | 162,562,057 | 11,151,000 |
| Total financial assets | 231,946,040 | 15,695,218 |
| Financial liabilities | | |
| Accounts payable | 123,473,494 | 80,253,803 |
| Other financial liabilities | 62,377 | - |
| Total financial liabilities | 123,535,871 | 80,253,803 |
| Net on-balance sheet position | 108,410,169 | (64,558,585) |

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

| Year | Change in currency | Effect on post-tax income |
|---|---|---|
| 2023 | +/- 1.42% | +/-1,154,568 |
| 2022 | +/- 4.82% | -/+ 2,333,793 |

Details of the Bank’s foreign exchange gains (losses), net, for the years ended December 31 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Realized gains (losses), net | 16,180,130 | (631,225) |
| Unrealized losses, net | (4,709,586) | (1,718,540) |
| | 11,470,544 | (2,349,765) |

### 18.2 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:

| | 2023 | 2022 |
|---|---|---|
| Due from other banks | 2,008,551,708 | 114,775,419 |
| Due from BSP | 1,244,980,327 | 498,972,928 |
| Securities purchased under agreements to resell | 1,334,021,895 | 538,792,952 |
| Investments at amortized cost | 8,087,035,621 | 50,039,652 |
| Financial assets at FVOCI | 1,207,863,897 | - |
| Loans and receivables, net | 1,106,807 | - |
| Due from settlement partners | 1,580,971,351 | 47,883,395 |
| Other financial assets | 351,315,471 | 103,024,640 |
| | 15,815,847,077 | 1,353,488,986 |

*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, 2023 and 2022, the due from other banks balance is fully performing.

*(b) Due from BSP*

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

*(c) Securities purchased under agreement to resell*

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

*(d) Investment securities at amortized cost*

Investment securities at amortized cost are considered fully performing and no impairment allowance has been recognized as these are mainly comprised of government securities with remote credit risk.

*(e) Financial assets at FVOCI*

Investment securities at other comprehensve income are considered fully performing and no impairment allowance has been recognized as these are mainly comprised of government securities with remote credit risk.

*(f) Loans and receivables, net*

As at December 31, 2023, the loan portfolio has no accounts in late stage delinquency and is considered fully performing. The allowance for impairment as at December 31, 2023 is P108,747 (2022 - nil).

*(g) Due from settlement partners*

Due from settlement partners are transactions with various unrated counterparties with good credit standing. The account is substantially cleared a few days after month-end.

*(h) Other financial assets*

Other financial assets consist mainly of accrued interest 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, 2023 | | | | | | |
| Due from other banks | 2,008,551,708 | - | - | - | - | 2,008,551,708 |
| Due from BSP | 1,244,980,327 | - | - | - | - | 1,244,980,327 |
| Securities purchased under agreements to resell | 1,334,021,895 | - | - | - | - | 1,334,021,895 |
| Investments in amortized cost | 8,087,035,621 | - | - | - | - | 8,087,035,621 |
| Financial assets at FVOCI | 1,207,863,897 | - | - | - | - | 1,207,863,897 |
| Loans and receivable, net | - | - | - | 1,215,554 | (108,747) | 1,106,807 |
| Due from settlement partners | 1,207,960,430 | 373,010,921 | - | - | - | 1,580,971,351 |
| Other financial assets | - | 338,647,831 | 6,479,613 | 6,188,027 | - | 351,315,471 |
| | 15,090,413,878 | 711,658,752 | 6,479,613 | 7,403,581 | (108,747) | 15,815,847,077 |

| | 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 |
| Financial assets at FVOCI | - | - | - | - | - | - |
| Loans and receivable, net | - | - | - | - | - | - |
| Due from settlement partners | 36,531,348 | 11,352,047 | - | - | - | 47,883,395 |
| Other financial assets | - | 95,982,225 | 6,464,613 | 577,802 | - | 103,024,640 |
| | 1,239,112,299 | 107,334,272 | 6,464,613 | 577,802 | - | 1,353,488,986 |

## 18.3 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 Branch's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represents the Bank's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid assets. HQLAs therefore, serve as defense against potential stress events.

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

*Net Stable Funding Ratio (NSFR)*

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

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

The table below shows the actual liquidity metrics of the Bank:

| | 2023 | 2022 |
|---|---|---|
| Liquidity coverage ratio | 459% | 9,913% |
| Total Stock of High Quality Liquid Assets (HQLA) | 11,873,901,741 | 1,086,545,140 |
| Total Net Cash Outflows | 2,589,585,534 | 10,960,676 |
| Net stable funding ratio | 263% | 183% |

The Bank remains compliant with the LCR requirement by the BSP in 2023. The noted decrease from last year's figure resulted from a shift in its funding base from long-term capital to deposit, as its retail client base grew significantly from the start of operations in 2022.

The Bank is fully compliant with the NSFR requirement by the BSP in 2023. Observed increase in the ratio compared to last year was due to the increase in available funding from the consistent level of capital and the strong growth of the retail deposit business.

*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.

| 2023 | Up to 1 year | Over 1 up to 3 years | Over 3 years | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Due from other banks | 2,008,551,708 | - | - | 2,008,551,708 |
| Due from BSP | 1,245,153,494 | - | - | 1,245,153,494 |
| Securities purchased under agreements to resell | 1,334,683,348 | - | - | 1,334,683,348 |
| Investments at amortized cost | 8,116,772,288 | - | - | 8,116,772,288 |
| Financial assets at FVOCI | - | - | 1,284,338,897 | 1,284,338,897 |
| Loans and advances, net | 1,359,338 | - | - | 1,359,338 |
| Due from settlement partners | 1,580,971,351 | - | - | 1,580,971,351 |
| Other financial assets | 144,812,858 | - | 206,502,613 | 351,315,471 |
| Total financial assets | 14,432,304,385 | - | 1,490,841,510 | 15,923,145,895 |
| Financial liabilities | | | | |
| Deposit liabilities | 11,253,131,455 | - | - | 11,253,131,455 |
| Accrued interest and other expenses | 38,087,916 | - | - | 38,087,916 |
| Lease liabilities | 26,443,418 | 69,535,172 | - | 95,978,590 |
| Accounts payable | 3,430,247,019 | - | - | 3,430,247,019 |
| Total financial liabilities | 14,747,909,808 | 69,535,172 | - | 14,817,444,980 |
| Net financial assets | (315,605,423) | (69,535,172) | 1,490,841,510 | 1,105,700,915 |

| 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 at amortized cost | 50,294,860 | - | - | 50,294,860 |
| Financial assets at FVOCI | - | - | - | - |
| Loans and advances, net | - | - | - | - |
| Due from settlement partners | 47,883,395 | - | - | 47,883,395 |
| Other financial assets | 752,027 | - | 102,272,613 | 103,024,640 |
| 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 |
| Accounts payable | 151,938,721 | - | - | 151,938,721 |
| Total financial liabilities | 407,523,276 | 53,701,953 | 42,276,642 | 503,501,871 |
| Net financial assets | 844,439,517 | (53,701,953) | 59,995,971 | 850,733,535 |

*Non-financial risks*

Non-financial risks are risks associated to 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 Risk Appetite Statement (RAS) Corporate Governance Policy, and Business Strategy and Operating Plan are implemented on an ongoing basis.

  The Board of Directors 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 include operational risk tools such as Risk and Control Self-Assessment (RCSA), RAS, 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 Philippine Data Privacy Act.

### 18.4 Fair value measurement

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

| 2023 | Carrying amount | Fair value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Due from other banks | 2,008,551,708 | - | 2,008,551,708 | - | 2,008,551,708 |
| Due from BSP | 1,244,980,327 | - | 1,244,980,327 | - | 1,244,980,327 |
| Securities purchased under agreements to resell | 1,334,021,895 | - | 1,334,021,895 | - | 1,334,021,895 |
| Investments at amortized cost | 8,087,035,621 | 8,087,035,621 | - | - | 8,087,035,621 |
| Financial assets at FVOCI | 1,207,863,897 | 1,207,863,897 | - | - | 1,207,863,897 |
| Loans and receivable, net | 1,106,807 | - | 1,106,807 | - | 1,106,807 |
| Due from settlement partners | 1,580,971,351 | - | 1,580,971,351 | - | 1,580,971,351 |
| Other financial assets | 351,315,471 | - | 351,315,471 | - | 351,315,471 |
| Financial liabilities | | | | | |
| Deposit liabilities | 10,781,527,831 | - | 10,781,527,831 | - | 10,781,527,831 |
| Accrued interest and other expenses | 38,087,917 | - | 38,087,917 | - | 38,087,917 |
| Lease liabilities | 86,941,220 | - | 86,941,220 | - | 86,941,220 |
| Accounts payable | 3,430,247,019 | - | 3,430,247,019 | - | 3,430,247,019 |

| 2022 | Carrying amount | Fair value 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 | 50,039,652 | - | - | 50,039,652 |
| Financial assets at FVOCI | - | - | - | - | - |
| Loans and receivable, net | - | - | - | - | - |
| Due from settlement partners | 47,883,395 | - | 47,883,395 | - | 47,883,395 |
| Other financial assets | 103,024,640 | - | 103,024,640 | - | 103,024,640 |
| 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 |
| Accounts payable | 151,938,721 | - | 151,938,721 | - | 151,938,721 |

The carrying values of financial asset and liabilities not measured at fair value, except lease liabilities, approximate its fair values as at December 31, 2023 and 2022 considering its short-term nature.

### 18.5 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 is as follows:

| | 2023 | 2022 |
|---|---|---|
| CET1 Capital | | |
| Paid-up common stock | 5,000,000,000 | 2,783,191,003 |
| Retained earnings | (1,028,632,874) | (183,983,692) |
| Undivided profits | (2,534,255,695) | (891,731,182) |
| Other comprehensive income | 19,455,789 | - |
| Regulatory adjustments: | | |
| *Total outstanding credit accommodations to DOSRI* | (75,056,636) | (80,231,800) |
| *Other intangible assets* | (375,116,066) | (436,983,530) |
| Total CET1 Capital | 1,006,394,518 | 1,190,260,799 |
| Additional Tier 1 Capital | - | - |
| Total Tier 1 Capital | 1,006,394,518 | 1,190,260,799 |
| Tier 2 Capital | 107,299 | - |
| Total Qualifying Capital | 1,006,501,817 | 1,190,260,799 |

| | 2023 | 2022 |
|---|---|---|
| Credit risk-weighted assets | 3,492,322,825 | 558,820,015 |
| Market risk-weighted assets | 115,374,769 | 7,754,909 |
| Operational risk-weighted assets | 25,655,76 | - |
| Total risk-weighted assets | 3,607,723,325 | 566,574,924 |

| | 2023 | 2022 |
|---|---|---|
| Capital Ratios: | | |
| CET1 Capital Ratio | 27.70% | 210.08% |
| Tier 1 Capital Ratio | 27.70% | 210.08% |
| Total Capital Adequacy Ratio | 27.70% | 210.08% |
| *Capital Conservation Buffer* | 21.70% | 204.08% |

The Bank has fully complied with the CAR requirement of the BSP

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 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Basel III Leverage Ratio | 6.15% | 71.65% |
| Tier 1 Capital | 1,006,394,518 | 1,190,260,799 |
| Exposure Measure | 16,353,057,537 | 1,661,119,627 |

The Bank remains to be compliant with the BLR requirement by the BSP in 2023. There was a decline in the reported leverage ratio resulting from the rise in the Bank's asset base which was funded by the increase in Bank's retail deposits.

## 19 Subsequent events

*Merger of Robinsons Bank Corporation and Bank of the Philippine Islands*

In 2023, BSP approved the merger of Robinsons Bank Corporation, a shareholder, and Bank of the Philippine Islands (BPI). The merger was completed and executed effective January 1, 2024, resulting in the transfer of the Bank's 15.0% ownership right to BPI.

On March 21, 2024, BPI announced its plan to sell all the shares it gained from its merger with Robinsons Bank Corporation. It will sell 752,056,290 common shares of the Bank to GoTyme Financial Pte. Ltd. and Giga Investment Holdings Pte. Ltd. at a price of P1.20 per share, pending approval from the BSP.

*DFFS*

In January 2024, the Bank received an additional P16,663,994 as part of the DFFS of P908,191,000 which fulfills the 25% paid out capital requirements for the increase in capital stock. In March 2024, the Bank has filed an application for the amendment of its articles of incorporation for the increase in authorized capital to the BSP and the SEC, both of which are currently pending approval.

In addition, JG Digital Equity Venture has subscribed to the DFFS, acquiring a 2% share, thereby becoming a new shareholder of the Bank. Consequently, the Bank's ownership structure has been modified, with Tyme Global Limited holding 40%, Robinsons Land Corporation and Robinsons Retail Holdings Inc. each owning 19%, Bank of the Philippines Islands holding 12.7%, GoTyme Financial Pte. Ltd. possessing a 6.2% stake, and Giga Investment Holdings Pte. Ltd. securing the remaining 1.1% subject to BSP and SEC approval.

*Foreign currency deposit unit operation license*

On February 22, 2024, the Bank received notification from the BSP granting it the Foreign Currency Deposit Unit Operation License. This authorization enables the Bank to accept foreign currency deposits.

## 20 Summary of material accounting policies

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

### 20.1 Basis of preparation

The financial statements of the Bank as at and for the years ended December 31, 2023 and 2022 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 areas involving 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 6)
- Useful lives of intangible assets (Note 7)
- Determining the incremental borrowing rate (Note 11)

*Critical accounting judgments*
- Determining the lease term (Note 11)
- Recognition of deferred tax assets (Note 16)

### 20.2 Changes in accounting policy and disclosures

*Amendments to existing standards adopted by the Bank*

The Bank has adopted the following amendments to existing standards effective January 1, 2023:

- Amendments to PAS1, *'Presentation of Financial Statements'*, and PFRS Practice Statement 2

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

  To support these amendments, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The adoption of these amendments resulted to changes in the accounting policies disclosure in Note 20 series.

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 statements of the Bank.

### 20.3 Financial instruments

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.

#### 20.3.1 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), 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 FVOCI, gains and losses will recorded in other comprehensive income.

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

*Recognition*

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.

*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, 2023, the Bank only holds debt financial assets classified and measured at amortized cost and FVOCI.

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 recognized directly in profit or loss and presented in other income. Impairment losses, if any, are presented as provision for credit losses under Other administrative expenses 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 (Note 4), due from settlement partners (Note 8) and other financial assets (Note 8).

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, 2023 and 2022.

*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, and 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.

In 2023, the Bank has provided allowance for impairment on its loan's receivables amounting to P108,747.

### 20.3.2 Financial liabilities

*Classification*

As at December 31, 2023 and 2022, the Bank only has financial liabilities at amortized cost.

Financial liabilities measured at amortized cost consist mainly of deposit liabilities (Note 9), accrued interest and other expenses (Note 10), accounts payable (Note 12) and other liabilities (Note 12).

*Recognition and measurement*

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.

## 20.4 Cash and cash equivalents

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.

## 20.5 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 financial position under "Interbank loans receivable and securities purchased under agreements to resell". Securities lent to counterparties are also retained in the financial statements.

## 20.6 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 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, 2023 and 2022.

### 20.7 Intangible assets

The cost of intangibles includes all expenditure 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.

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.

### 20.8 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.

### 20.9 Income and expense recognition

*Interest income*

Interest income and expense for all interest-bearing financial instruments is recognized using the effective interest method.

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, in which 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 years ended December 31, 2023 and 2022 comprise of transaction fees earned from interchange fees, interbank transfer and commissions from settlement partners. These are recognized as revenue at point in time.

### 20.10 Equity

*Share capital*

Share capital is initially recognized at the amount of consideration received and the related income tax effects, directly attributable to the issue of new shares.

*DFFS*

Deposit made for future stock subscription is accounted for as a separate account under equity when all of the following elements are present at the end of the reporting period:

- The unissued authorized capital stock of the Company is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the Company);
- There is shareholders' approval of the said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

*Deficit*

The amount included in accumulated deficit pertains to the current year's 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.

### 20.11 Foreign currency translation

*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.

### 20.12 Income taxes

*Current income tax*

Income tax 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.

*Deferred income tax (DIT)*

DIT is recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, DIT is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.
date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Bank reassesses at each reporting date the need to recognize a previously unrecognized DIT asset.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

DIT assets and liabilities are derecognized when the related temporary differences are realized or settled.

### 20.13 Leases

*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).

*Measurement of right-of-use assets*

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.

*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.

### 20.14 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.

## 21 Supplemental information required by the Bangko Sentral ng Pilipinas

Presented below is the additional information required by BSP Circular No. 1074 for 2023. The 2022 information has been shown for comparison purposes. This information is presented for BSP reporting purposes and is not a required part of the basic financial statements.

*(i) Basic quantitative indicators of financial performance*

The key financial performance indicators follow (in %):

| | 2023 | 2022 |
|---|---|---|
| Return on average equity[1] | (154.80%) | (72.59%) |
| Return on average assets[2] | (26.07%) | (50.08%) |
| Net interest margin[3] | 1.34% | 1.44% |

*[1]Net income divided by average total equity for the year indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2023 and 2022.*
*[2]Net income divided by average total assets as at year indicated. Average total assets is based on the year-on-year balance of total assets as at December 31, 2023 and 2022.*
*[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, 2023 and 2022.*

*(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, 2023 and 2022.

*(iii) Significant credit exposures*

The Bank does not have any significant credit exposures i.e. loans and advances as at December 31, 2023 and 2022.

*(iv) Information on related party loans*

The Bank does not have any related party loans and advances as at December 31, 2023 and 2022.

*(v) Secured liabilities and assets pledged as security*

The Bank has no secured liabilities as at December 31, 2023 and 2022.

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

The Bank has no off-balance sheet items as at December 31, 2023 and 2022.

## 22 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, 2023 consist of:

| | Paid | Accrued | Amount |
|---|---|---|---|
| Stock subscription | 18,878,861 | 3,289,229 | 22,168,090 |
| Loan | - | 4,461 | 4,461 |
| Others | 281,740 | - | 281,740 |
| | 19,160,601 | 3,293,690 | 22,454,291 |

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.

Accrued DST are included under Other liabilities in the statement of condition.

*(ii) Withholding taxes*

Withholding taxes paid and accrued for the year ended December 31, 2023 follow:

| | Paid | Accrued | Total |
|---|---|---|---|
| Withholding taxes on compensation | 58,776,595 | 4,223,398 | 62,999,993 |
| Expanded withholding tax | 7,441,901 | 2,208,520 | 9,650,421 |
| Final tax | 25,924,184 | 7,519,158 | 33,443,342 |
| | 92,142,680 | 13,951,076 | 106,093,756 |

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

*(iii) All other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2023 consist of:

| | Paid | Accrued | Total |
|---|---|---|---|
| Gross receipts tax | 11,359,794 | 10,613,651 | 21,973,445 |
| Municipal tax | 69,524 | - | 69,524 |
| Custom tax | 3,521,578 | - | 3,521,578 |
| BIR annual registration fee | 500 | - | 500 |
| Others | 43,570 | - | 43,570 |
| | 14,994,966 | 10,613,651 | 25,608,617 |

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

Accrued other local and national taxes are included under Other liabilities in the statement of condition.

*(iv) Tax cases and assessments*

The Bank has no outstanding cases under preliminary investigation, litigation and/or bodies with and outside the BIR in 2023.