

# uno digital bank

2023 ANNUAL REPORT



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## OFFICE

20F The Finance Centre Building,  
26th Street corner 9th Avenue,  
Bonificaio Global City, Taguig City,  
Metro Manila, Philippines



uno.bank



UNO Digital Bank

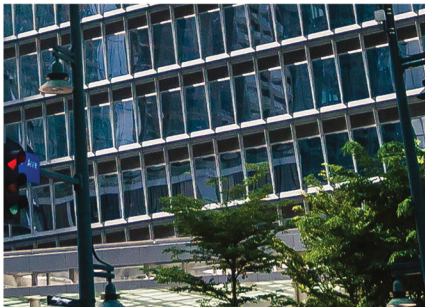
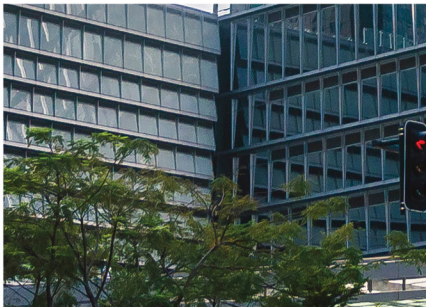
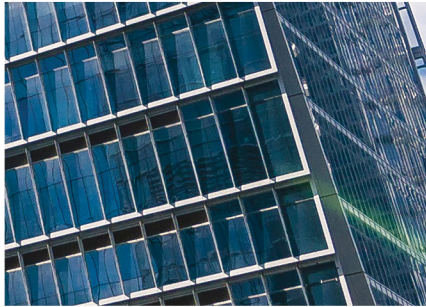
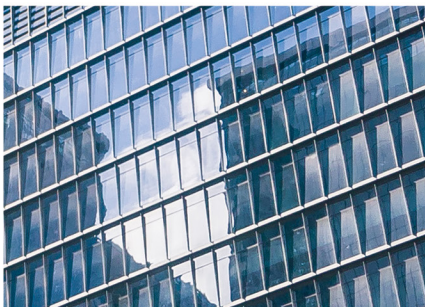
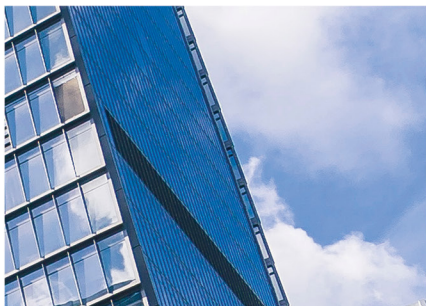
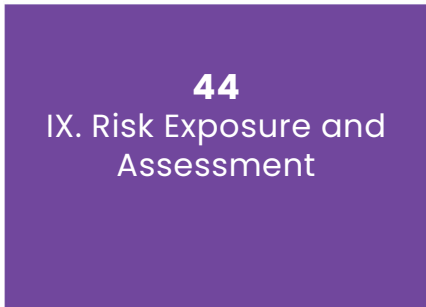
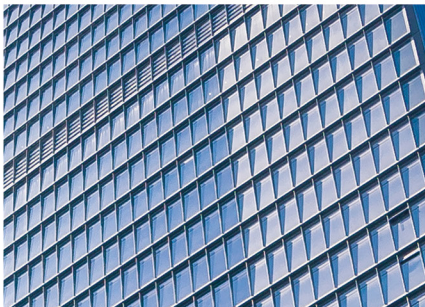
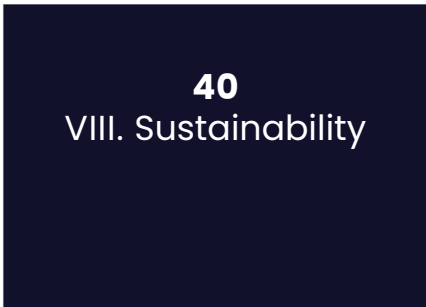
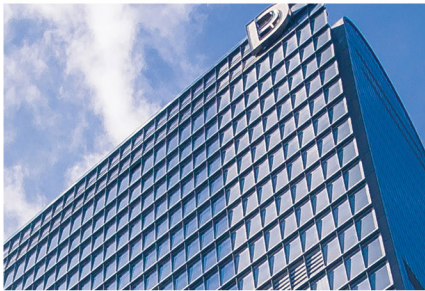


@unodigitalbank



UNO Digital Bank





# Achieving an elevated life is within everyone's reach, and UNO Digital paves the way for Filipinos to have it.

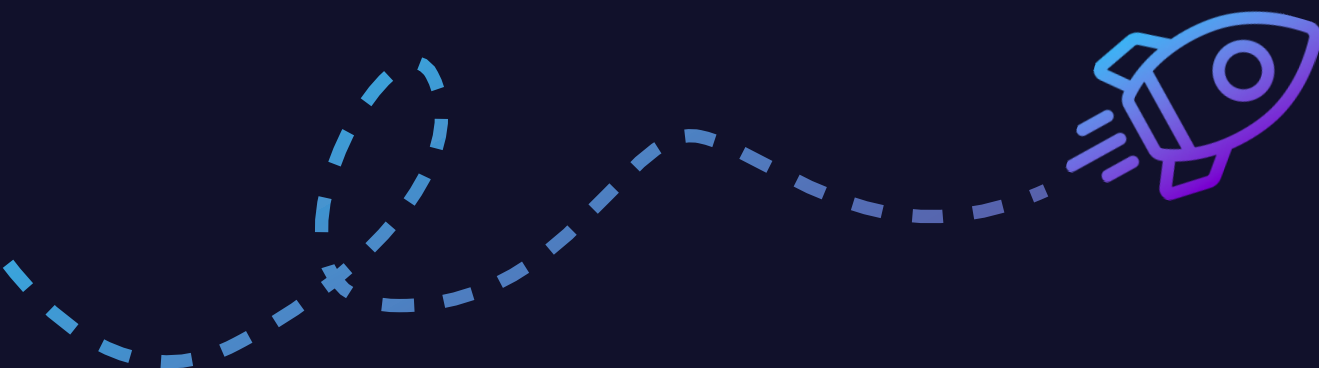
Launched in 2022, UNO Digital is the first full-spectrum digital bank licensed by the Bangko Sentral ng Pilipinas in Southeast Asia. It aspires to make an elevated life achievable through a new approach to banking: simple, better, and accessible.

Simple banking is having a single trusted interface to meet life's full financial needs with speed and ease. UNO Digital provides a convenient way where customers can save, borrow, transact, invest, and protect — all in one platform.

Better financial transactions mean every need is met, every desire is considered, and every living condition is made comfortable. UNO Digital enables transactions that are easy, fast, and accessible. Customers have a reliable resource for when they need assistance, with products and services tailored to their exact requirements.

Accessibility allows every generation — young, old, underbanked, and unbanked, to have equal access to every financial service and enjoy mutual benefits.

In a digital world where financial needs are constantly evolving and lifestyles are ever-changing, UNO Digital aims to bring banking to every Filipino's fingertips, making the elevated life achievable for all.





# Elevating U

1st full-spectrum digital bank  
licensed under the Bangko Sentral  
ng Pilipinas in Southeast Asia



Pioneer of digitally meeting  
your financial needs



## VISION

Provide Filipinos with simpler, better,  
and accessible banking for an elevated  
life.



## MISSION

Create a single, trusted interface to  
meet your life's full financial needs  
with speed and ease.



## BRAND PURPOSE

Elevating you by making banking  
simpler, better, and accessible.



## COMPANIONS

Transactions Investments  
Savings Protection  
Loans

# Message from the Leaders

“

**UNO** aspires to be at the leading edge of financial innovation and bring best-in-class products and services to the tens of millions of ordinary **Filipinos** who are served by the traditional banks. The access to products and services is expected to help them improve their life by offering them flexibility, convenience, personalization, and control.

”

**Kalidas Ghose**

Chairman and Co-Founder





“

We are committed to providing Filipino people with a simpler, better, and more accessible digital banking experience for elevated lives.

**We continuously pursue innovation and strive to ensure alignment with our customers' long-term financial needs**, serving as their reliable and steadfast companion on their financial journeys – whether saving, borrowing, settling bills and payments, or even protecting their health. We empower our customers to improve their financial management journeys.

”

**Manish Bhai**

CEO and Co-founder



# Details in Digital: UNO's Journey

## 2023

December: 1,000,000 customers

April: Released R1EVersion (Dark Mode)  
#UNOnow Quick Cash loan (for NTB Customers)

## 2022

December 22: Closed User Group  
Testing in GSave

October 21: Launch announcement of UNO  
Digital Bank at the Philippine Fintech Festival

October 19: Availability of the UNO bank app  
in the App Store and Google Play Store

September 19: UNO Digital Bank goes  
live in PESOnet

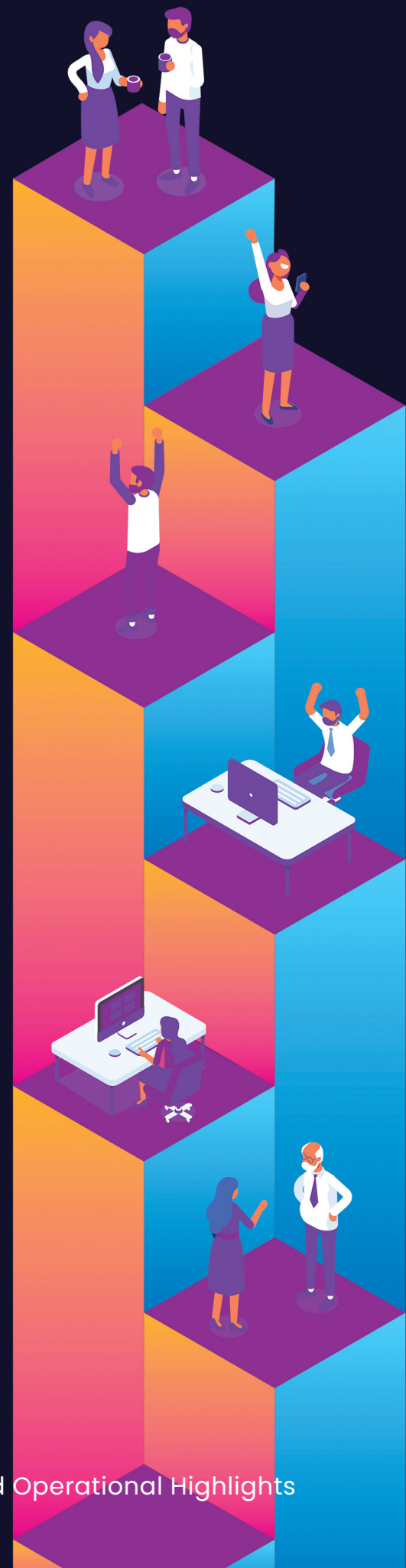
July 5: UNO Digital Bank's Day 1 of Operations

June 7: BSP grants UNO the Certificate  
of Authority (COA) as a digital bank

## 2021

October 27: UNObank Inc. was incorporated  
into the local operating company, Uno Digital  
Bank

June 7: BSP grants UNO Digital Bank  
permission to operate as a digital bank





# Elevating Life through an AI-First Approach to Customer Onboarding

UNO Digital is a bank driven by the vision of serving Filipinos — including everyone in the general population, particularly the unbanked and underbanked.

To address this need and allow Filipinos to start living elevated lives, and to extend credit to those previously excluded from conventional lending systems, UNO Digital employs a partnership ecosystem and an AI-first approach for the consumer onboarding process. This approach provides alternate data-based scoring to those who may not have traditional credit histories.

UNO Digital provides people the opportunities to start. With access to credit, people will be empowered to start and grow businesses, invest in education, and improve their overall living standards.

## Status of Banking in the Philippines



**9%**

Consumer Credit



**34%**

Traditional Bank Accounts



**66%**

No access to basic banking services

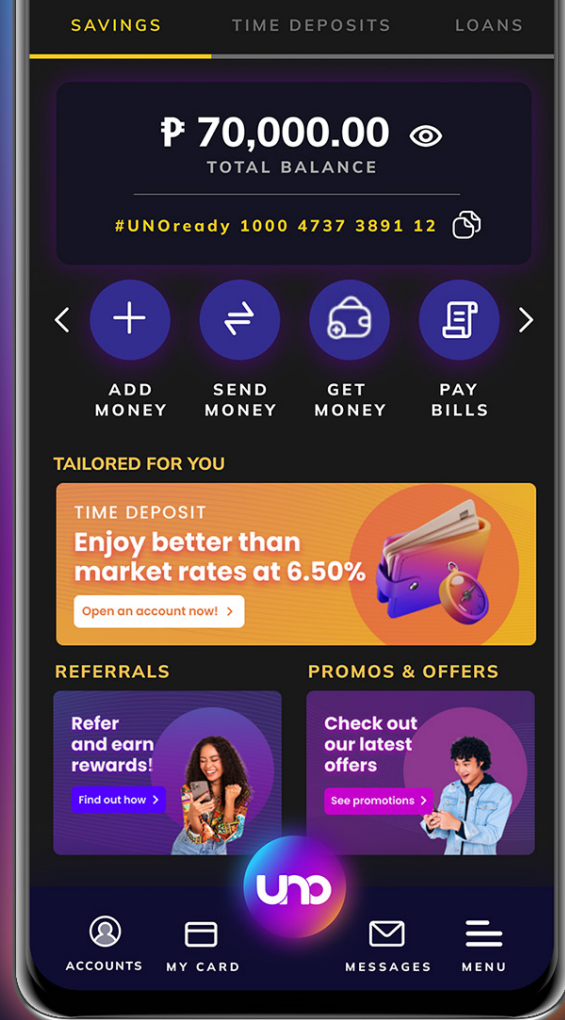


**54%**

Borrow from informal lenders

# Making Banking Accessible Across Generations Through Technology

Today's fast-paced world makes individuals seek solutions that simplify their finances. This allows them to allot more time for things that matter more. The goal of the single interface is to enable consumers to save, borrow, transact, invest, and protect their resources — all within one ecosystem through a mobile application.



*Available to consumers in the App Store and Google Play since October 2022*



**Quick and Convenient  
banking**



**Anytime and Anywhere**



**Financial transactions in  
one single application**

This integration fulfills the goal of making transactions accessible for all generations, regardless of location and demographics. The interface allows them to have an overall view of their financial needs, including how much is deducted and how much they need to pay. This creates a bank to consumer relationship founded on transparency and sustainability.

UNO Digital's innovative app development process is reliant on consumer needs and wants, guaranteeing that every product is tailored to make digital banking as frictionless as possible, eliminating barriers to consumer adoption.



# UNO Breakthroughs and Progress

For the Bank's initial year of operations, focus was placed on these critical items:

- Launching Products with relevant and differentiated benefits;
- Optimizing UNO Mobile App reliability
- Establishing strategic partnerships with other industry players.

These are critical items in scaling the business and ensuing sustainability of the brand in the market.

## UNO Digital Moving Forward

UNO Digital is taking concrete steps to build a sustainable future for itself and its partners, utilizing cloud-based infrastructure to significantly reduce energy consumption and carbon emissions.

The company is also aiming to financially educate its consumers, enabling them to make informed financial decisions beyond the use of its services and products. This initiative allows Filipinos to build a solid foundation to reach their goals.

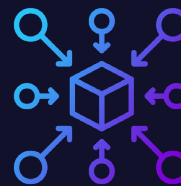
In a few years, UNO Digital aims to develop a system faster than the legacy players, using an ML and AI-based approach to improve customer preferences and comply with regulations. It is building a world where the elevated life is accessible and achievable for everyone.



**Cloud-based  
infrastructures**



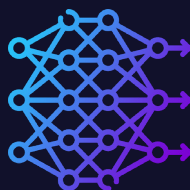
**Reducing carbon  
footprint**



**Responsible sourcing  
practices**

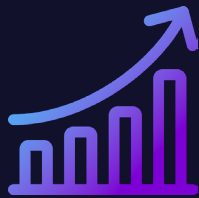


**Financial education  
for consumers**



**Improve services  
using ML and AI**

# Financial and Operational Highlights



## 2023 Total Assets

6.84 Billion (Increase of 5.054 Billion from 2022)



## Net Loans

920 Million (Increase of 27.1 Million from 2022)



## Deposit Liabilities

4.8 Billion



## Increase in Capital Infusions

911 Million

# Launch of Different Services



## #UNOready Savings Account



## Partnership Integration in its savings marketplace



## #UNOearn Time Deposit



Singlife

**Singlife**  
Financial Protection  
and Insurance



**Virtual Debit Mastercard**  
Online transactions + seamless  
shopping



# Products and Services

1



## #UNOready

- Savings account
- Offers no minimum initial deposit or maintaining balance

2



## #UNOboost

- Time deposit
- UP to 6.50% interest p.a.
- Flexible terms

3



## #UNOearn

- Time deposit
- UP to 6.50% interest p.a.
- Enjoy monthly payouts

4



## #UNOnow

- Loans
- Borrow up to P200,000
- No collaterals and guarantors needed

5



## Virtual Debit Mastercard

- Securely shop online with Mastercard-accepting merchants worldwide

6



## Pay Bills

- Settle payments fast and easy

# NUMERO UNO Priority: Customer Satisfaction

4.4 ★

“UNO’s Free cash-ins, free transfers, in-app bill payment, scan to pay/QRPh, virtual debit. I just hope that free cash-ins via 711 stay forever as it is the most important feature of UNO that made me sway. All other digital banks have convenience fees or linked other bank accounts just to be able to deposit, which literally kills the very idea of a digital bank. Kudos to UNO!”

- **Nonoy Barruga, App user**

“User-friendly and Fast Customer Service: I had a problem with my Gcash savings since I lost my sim. I called the UNOBANK customer service number and they immediately answered. In less than a week, they were able to transfer my funds from my old account to my new account. Thank you so much.”

- **Nlcnic0612, App user**

“Kudos to UNO Digital Bank CS representatives they are always very active online in addressing my concerns even during weekends and holidays.”

- **Truj Valeria**

“Thank you UNO Digital Bank for the high interest!”

- **Kier Gonzales**

# UNO Risk Management Framework

The Risk Culture at UNObank consists of norms, attitudes and behaviour related to risk awareness, risk-taking and risk management, and the controls that affect decisions on risk.

The Board of Directors, Senior Management and all employees of the Bank contribute to the creation of a sound risk culture at UNObank. Clear governance structure, policies, and procedures, support the creation of a sound risk culture. Ultimately, the risk culture is created by day-to-day actions and the way key decisions are made and communicated. Cooperation and constructive dialogue are part of the sound risk culture, as they foster an environment of open communication to reach common goals.

The Bank aims to achieve a high level of competence by supporting each other across business units by sharing information, skills and experiences. A sound risk culture enables the organization to do the right thing, even in challenging circumstances, and it supports the organization to identify its risks, and to adhere to its values and principles of high ethical standards. It's everyone's responsibility to contribute to a sound risk culture.

UNObank's risk culture fosters high levels of risk awareness where existing practices are critically reviewed and challenged. Constructive challenge is encouraged and is a natural part of discussions and decisions on risk-taking, risk awareness and risk culture.

As part of an open culture, employees are encouraged to escalate and highlight issues, if any, through various management meetings/forums.



# UNO Risk Appetite and Strategy

The Bank's risk-taking is primarily in its core activity of lending to mass, upper mass and mass affluent individual customers in Philippines. The Bank funds its activities through deposit acquisition, equity infusion, direct funding by investment entities and through borrowing in the local market. The Bank's operating model relies on its ability to obtain funding at a favourable cost, which enables its lending program, which is expected to have a tenor ranging between 1 month to 36 months, at launch. To support its lending and funding operations, the Bank maintains a portfolio of liquid assets of optimal size. The primary objective of the liquid portfolio is to ensure that the Bank is able to operate and continue its core activities even in stressed market conditions. The composition and maturity of the liquid portfolio are aligned with this objective, in addition to the reserve ratios that are mandated by the BSP. The Risk Appetite sets the tolerance for risk-taking in the Bank's operations within the bank's risk-bearing capacity. Risk limits and risk profile assessments are within the Bank's risk appetite framework.

Risk-bearing capacity is defined as the financial and non-financial resources that the Bank has at its disposal. The risk appetite is to set a level within the risk-bearing capacity to ensure that the Bank's risk exposure remains sustainable. Financial resources consist of the Bank's paid-in capital, deposits, and retained earnings. Non-financial resources are the skills and competencies of the staff, IT systems, internal procedures and control systems. The Bank's risk-bearing capacity builds on a careful customer underwriting process. Therefore, financial resources and robust governance contribute to maintaining the Bank's competitive position and its strong capital and liquidity position.

The Risk Appetite Statement is a written articulation of the Bank's risk-taking, risk mitigation and risk avoidance, taking into consideration the Bank's statutory requirements. It contains risk type specific statements and forms a tool for the Board of Directors and senior management to guide and monitor the Bank's risk-taking activities.

The Risk Appetite Statement is a written articulation of the Bank's risk-taking, risk mitigation and risk avoidance, taking into consideration the Bank's statutory requirements. It contains risk type specific statements and forms a tool for the Board of Directors and senior management to guide and monitor the Bank's risk-taking activities.

Risk limits are used to allocate the aggregate risk-taking mandate to business lines and portfolios. The main risk limits are established in the Bank's risk management policies and/or in its annual Business Plan. The limit system sets boundaries for the accepted levels of credit, market, interest, liquidity, operational, reputational, IT and information security risks, within the established risk appetite.

Risk Profile assessment aims to ascertain the Bank's risk profile within its risk limits and consequently with the risk appetite and risk-bearing capacity. This is a point-in-time evaluation of the level and types of the Bank's risk exposures and includes an evaluation of the Bank's material risks. The risk profile assessment is based on the Bank's internal capital adequacy assessment process (ICAAP). The resulting capital and liquidity requirements are compared against the Bank's risk appetite and risk-bearing capacity. This process creates a continuous interaction between Risk Appetite Statement (RAS) and ICAAP. RAS affects the bank's risk profile and risk-bearing capacity; these in turn may affect how the bank sets its risk appetite.

# UNO Risk Governance Structure

The operating model of the Bank's Risk governance structure is comprised of three lines of defense. These three lines provide a clear set of principles by which to implement a cohesive operating model and provides a framework for managing risk across the organization.

## GOVERNING BODY (BOARD OF DIRECTORS)

Accountability to stakeholders for organizational oversight

### 1ST LINE OF DEFENSE

#### Business Management Functions

Providing of banking / financial products / services to clients; managing risk while doing this business function.

### 2ND LINE OF DEFENSE

#### Independent Risk & Control Functions (Risk, Compliance)

Expertise, support, monitoring and challenging on risk-related matters of banking / financial services.

### 3RD LINE OF DEFENSE

#### Internal Audit Function

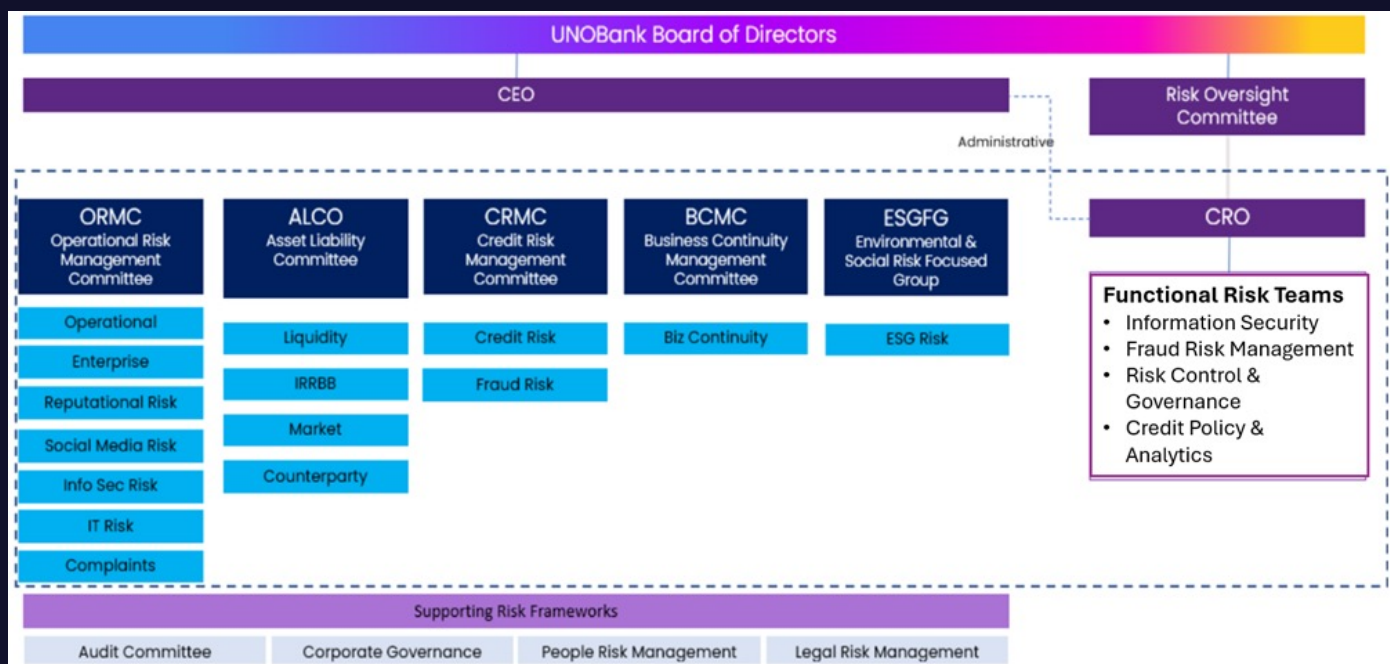
Independent and objective assurance & advice on all material related matters to achievement of objectives.

The first line of defense includes management and supervision responsibility for owning, managing and supervising, within a defined risk appetite, the risk in business areas and support functions. The guiding principle is that those responsible for risk-taking are also accountable for managing associated risks.

The second line of defense provides oversight and control, including responsibility for leading risk culture and appetite and analyzing the aggregate risk profile to the desired level (risk appetite). Additionally, it oversees the development and deployment of risk management tools utilized across the organization, involving periodic reviews, executive committee meetings, management information systems, and risk event reporting.

The third line of defense includes the responsibility of internal audit for reporting any matters that warrant escalation to the Bank's board, audit committee or executive committee. The Board is ultimately responsible for the system of risk management and internal control. The Board implements the controls through dedicated expert board-level committees, e.g., Risk Oversight Committee, Audit Committee, Corporate Governance Committee. At an executive level, the Chief Risk Officer (CRO) is responsible for adherence to the Risk Management Framework for the Bank and the effectiveness of the implementation of the system. The CRO, the Chief Executive Officer (CEO) and the Risk Oversight Committee in turn implement the governance through a series of executive level committees, which are directly responsible for designing, implementing, monitoring and reporting on the various types of risks taken by the Bank.





## UNO Anti-Money Laundering / Terrorist Financing Governance

The Bank employs a multi-layered risk management framework to prevent the risks of money laundering and terrorism and proliferation financing. It prioritizes the implementation of a robust risk management framework that encompasses significant areas of customer due diligence, client profiling and risk assessment, ongoing monitoring using technology/systems, reporting of covered and suspicious transactions and sanction screening, to comply with the regulatory requirements and at the same time safeguard the integrity of financial system. The framework also includes the training and awareness of all employees, including the directors and third-party service providers, on the updates of the regulations of money laundering and other financial crimes.

The Board of Directors, through the Corporate Governance Committee, plays a crucial role in providing oversight, guidance and strategic direction in supporting the functions of anti-money laundering and counter terrorism and proliferation financing.

# UNO Corporate Governance

## A. Overall corporate governance structure and practices

The Shareholders, Board of Directors, and Senior Management of UNObank Inc. share the principle that a sound corporate governance should be one of the pillars of the Bank's foundation, not only for the success of the Bank, but to create sustainable value for the Bank's stakeholders, including its clients, suppliers, counterparties, the Philippine Government, and the Philippine banking and financial system. The Bank fully agrees with the Securities and Exchange Commission that corporate governance is the proper system of stewardship and control which shall guide the Bank in fulfilling its long-term economic, moral, legal and social obligations towards its shareholders/members and other stakeholders. It shall provide a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors and Senior Management accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with shareholder/member value to the benefit of all stakeholders and society.

## B. Selection process for the Board and Senior Management

The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

At least 1/3 but not less than two (2) members of the board of directors shall be independent directors and any fractional result from applying the required minimum proportion (i.e. 1/3) shall be rounded up to the nearest whole number. An independent director is one who is independent of management and free from business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director and must possess all the qualifications. and none of the disqualifications, as prescribed by the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and other regulatory authorities, from time to time."

The Board may, from time to time, appoint officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or President and Secretary at the same time.

### C. Board's overall responsibility

The Board should act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the company and all shareholders. The Board should oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength. The Board should review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures. Sound strategic policies and objectives translate to the company's proper identification and prioritization of its goals and guidance on how best to achieve them. This creates optimal value to the corporation.

The Board is primarily responsible for defining the Bank's vision and mission. The Board has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The Board shall approve the selection of the Chief Executive Officer ("CEO") and key members of senior management and shall likewise oversee the performance of their functions.



## **D. Description of the role and contribution of executive, non-executive and independent directors, and of the chairman of the Board**

The Chairperson of the Board shall provide leadership in the Board. He shall ensure effective functioning of the Board, including maintaining a relationship of trust with members of the Board. He shall, in addition to his functions under Article III, Section 8 of the Bank's By-Laws:

1. Ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
2. Ensure a sound decision-making process;
3. Encourage and promote critical discussion;
4. Ensure that dissenting views can be expressed and discussed within the decision-making process;
5. Ensure that members of the Board receive accurate, timely, and relevant information;
6. Ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
7. Ensure the conduct of performance evaluation of the Board at least once a year.

An independent director is one who is independent of management and free from business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director and must possess all the qualifications and none of the disqualifications, as prescribed by the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and other regulatory authorities, from time to time.

# Board of Directors

## Founders



### **KALIDAS GHOSE**

Chairman and Co-founder

- The principal stockholder represented if nominee – UNO Asia Pte. Ltd.
- The number of years served as director – 2 years, 8 months
- Number of direct and indirect shares held – 1 Common A
- Percentage of shares held to total outstanding shares of the bank – 0.00%



### **MANISH BHAI**

Executive Director/CEO and Co-founder

- The principal stockholder represented if nominee – UNO Asia Pte. Ltd.
- The number of years served as director – 2 years, 8 months
- Number of direct and indirect shares held – 1 Common A
- Percentage of shares held to total outstanding shares of the bank – 0.00%

## Directors



### **BENJAMIN CROSS SEVILLA**

Director

- The principal stockholder represented if nominee – Digippines Holding Inc.
- The number of years served as director – 2 years, 8 months
- Number of direct and indirect shares held – 1 Common B
- Percentage of shares held to total outstanding shares of the bank – 0.00%



### **RONALDO MODESTO VENTURA**

Director

- The principal stockholder represented if nominee – UNO Digital Holdings Inc.
- The number of years served as director – 2 years, 8 months
- Number of direct and indirect shares held – 1 Common A
- Percentage of shares held to total outstanding shares of the bank – 0.00%



### **JUAN MIGUEL MAPA**

Director

- The principal stockholder represented if nominee – UNO Digital Holdings Inc.
- The number of years served as director – 2 years, 8 months
- Number of direct and indirect shares held – 1 Common A
- Percentage of shares held to total outstanding shares of the bank – 0.00%

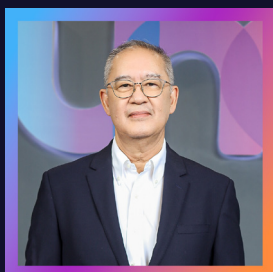
## Independent Directors



### MARIA NANCY VALIENTE

Independent Director

- Type of directorship - Independent
- The principal stockholder represented if nominee - N/A
- The number of years served as director - 2 years, 8 months
- Number of direct and indirect shares held - 1 Common A
- Percentage of shares held to total outstanding shares of the bank 0.00%



### WILFRIDO ATIENZA

Independent Director

- The principal stockholder represented if nominee - N/A
- The number of years served as director - 2 years, 8 months
- Number of direct and indirect shares held - 1 Common A
- Percentage of shares held to total outstanding shares of the bank 0.00%



### GRISELDA GLORIA SANTOS

Independent Director

- The principal stockholder represented if nominee - N/A
- The number of years served as director - 2 years, 8 months
- Number of direct and indirect shares held - 1 Common A
- Percentage of shares held to total outstanding shares of the bank 0.00%



### DAVID JOHN BINDER

Independent Director

- The principal stockholder represented if nominee - N/A
- The number of years served as director - 2 years, 8 months
- Number of direct and indirect shares held - 1 Common A
- Percentage of shares held to total outstanding shares of the bank 0.00%

## Board Qualification

The Bank is headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Bank's operations. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.





# Accessible Leadership in UNO Digital

UNO Digital's organizational structure is designed with the highest standards of leadership and accountability, ensuring accessibility for all. Accessibility to leaders cultivates a culture of inclusivity among employees, offering employees training and growth opportunities.

**MANISH BHAI**  
CEO/President

**LESTER CRUZ**  
Head of Customer Franchise

**UTKARSH SAXENA**  
Head of Assets

**LEA PAGADUAN**  
Chief Operations Officer

**CLARO BONILLA**  
Chief Financial Officer

**SAIKAT SARKAR**  
Deputy CEO

**VIKAS JHA**  
Head of Digital Products and Innovations

**LUIS AFRICA**  
Chief Technology Officer

**SAMIR KHARE**  
Chief Information Officer

**EMS REQUINA**  
OIC, Sr Gen, Human Resources

**VIVIAN PEREZ**  
Chief Risk Officer

**MICHAEL GATELA**  
Head of Collections and Credit Operations

**SHIENE SANTOS**  
Head of Marketing

**ROMEL MENIADO**  
Chief Compliance Officer

**KAREN ABELLA**  
Head of Legal

**RONALDO MENDOZA**  
Head of Treasury

**AMELIA TEJERO**  
Head of Audit

Reporting to ALCO

Reporting to Board Committee

Functional Support

\*As of June 2024

# UNO Board-level Committees

## 1. Executive Committee

Chairperson: Manish Bhai

Members: Kalidas Ghose, Benjamin Cross Sevilla

The Committee may act on such specific matters within the competence of the Board of Directors so far as may be permitted by applicable laws and by the Articles of Incorporation and By-Laws of the Corporation, principally in terms of day-to-day operations, including:

- A. The appointment of a new vendor for an activity already authorized by the Board;
- B. The appointment of authorized representatives and signatories to vendors and other business partners, or to government agencies or local government units;
- C. Submission of regulatory reports or requirements.

## 2. Corporate Governance Committee

Chairperson: Griselda Gay Santos

Members: Wilfrido Atienza, Kalidas Ghose

The CG Committee shall assist the Board in fulfilling its corporate governance responsibilities. In this regard, the CG Committee shall:

- A. Oversee the nomination process for members of the Board and for positions appointed by the Board.
- B. Review and assess the structure, size and composition of the Board, including the examination and assessment of the effectiveness of the Board's selection standards, nomination and recruitment process of directors.
- C. Annually review the independence of the members of the Board.
- D. Oversee the continuing education program for the Board.
- E. Oversee the design and operation of the remuneration and other incentives policy.

### **3. Risk Oversight Committee**

Chairperson: Wilfrido Atienza

Members: David Binder, Manish Bhai, Kalidas Ghose, Nancy Valiente

The ROC shall advise the Board on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank.

### **4. Information Technology Risk Committee**

Chairperson: Kalidas Ghose

Members: Manish Bhai, Juan Miguel Mapa

The IT Risk Committee is a Board Committee that shall oversee and assess the Corporation's technology-related strategies, assess risks, and make recommendations. It shall also oversee the development and implementation of the Corporation's cybersecurity policy.

### **5. Audit Committee**

Chairperson: David Binder

Members: Benjamin Cross Sevilla, Griselda Gay Santos

Oversee the financial reporting framework. The committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

Monitor and evaluate the adequacy and effectiveness of the internal control system. The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.

## 6. Human Resources Committee

Chairperson: Nancy Valiente

Member: Kalidas Ghose, Manish Bhai, Ronaldo Ventura

The HR Committee, a vital Board Committee, is entrusted with ensuring adherence to best practices concerning employees' compensation, diversity, and talent development within the organization. This committee plays a pivotal role in overseeing and implementing policies and strategies aimed at fostering fair and competitive compensation structures, promoting diversity and inclusion initiatives, and nurturing talent development programs. By upholding these standards, the HR Committee contributes significantly to creating a positive work environment, attracting top talent, and fostering the professional growth and well-being of employees within the Bank.

## 7. Related Party Transactions Committee

Chairperson: Nancy Valiente

Member: David Binder, Benjamin Cross Sevilla

The duties and responsibilities of the RPT Committee include:

- A. Review policy guidelines and implementing procedures for handling relevant RPTs by ensuring effective compliance with existing laws, rules and regulations, and global best practices and recommend such policies as may be appropriate for the approval of the Board;
- B. Evaluate existing relations between and among businesses, clients and counterparties to ensure that all Related Parties and RPTs are continuously identified and monitored, including subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- C. Review of material RPTs to ensure that these are conducted in the regular course of business (fair process) and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances (fair terms), and that no corporate or business resources of the Bank are misappropriated or misapplied;



# Directors' Attendance at Board and Committee Meetings

Director	BOARD MEETING		EXECUTIVE COMMITTEE	
	No. of meetings	Attended	No. of meetings	Attended
Kalidas Ghose	5	5	3	3
Manish Bhai	5	5	3	3
Ben Sevilla	5	5	3	3
Ronaldo Ventura	5	4	N/A	N/A
Juan Miguel Mapa	5	5	N/A	N/A
Freddie Atienza	5	5	N/A	N/A
David Binder	5	5	N/A	N/A
Nancy Valiente	5	5	N/A	N/A
Gay Santos	5	5	N/A	N/A

Director	CORP GOV COMMITTEE		AUDIT COMMITTEE	
	No. of meetings	Attended	No. of meetings	Attended
Kalidas Ghose	5	4	N/A	N/A
Manish Bhai	N/A	N/A	N/A	N/A
Ben Sevilla	N/A	N/A	4	4
Ronaldo Ventura	N/A	N/A	N/A	N/A
Juan Miguel Mapa	N/A	N/A	N/A	N/A
Freddie Atienza	5	5	N/A	N/A
David Binder	N/A	N/A	4	4
Nancy Valiente	N/A	N/A	N/A	N/A
Gay Santos	5	5	4	3

Director	RISK OVERSIGHT COMMITTEE		IT RISK COMMITTEE	
	No. of meetings	Attended	No. of meetings	Attended
Kalidas Ghose	9	8	3	3
Manish Bhai	9	9	3	3
Ben Sevilla	N/A	N/A	N/A	N/A
Ronaldo Ventura	N/A	N/A	N/A	N/A
Juan Miguel Mapa	N/A	N/A	3	3
Freddie Atienza	9	9	N/A	N/A
David Binder	9	8	N/A	N/A
Nancy Valiente	9	8	N/A	N/A
Gay Santos	N/A	N/A	N/A	N/A

Director	RPT COMMITTEE		HR COMMITTEE	
	No. of meetings	Attended	No. of meetings	Attended
Kalidas Ghose	N/A	N/A	3	3
Manish Bhai	N/A	N/A	3	3
Ben Sevilla	2	2	N/A	N/A
Ronaldo Ventura	N/A	N/A	3	3
Juan Miguel Mapa	N/A	N/A	N/A	N/A
Freddie Atienza	N/A	N/A	N/A	N/A
David Binder	2	2	N/A	N/A
Nancy Valiente	2	2	3	3
Gay Santos	N/A	N/A	N/A	N/A

# Ensuring Performance Excellence

The Bank's integrated Performance Excellence Program Framework, comprises of four stages namely Communicate, Engage, Coach, Excel (CE-CE), which is designed to clarify, coach, assess and reward performance in an objective and fair manner; to support career development and achievement of business objectives. It will establish the following:

- Performance appraisals assessed through key performance indicators (KPI's) and "be TRUE@UNO" value components to uphold the bank's Values
- Drive excellence in the performance of the employees as individuals, teams and functions
- Individual Goal settings aligns with business objectives as agreed between the manager and the employees
- Engage employees and managers through a regular, ongoing communication and feedback process
- Performance coaching and improvement plans

The procedure is composed of three (3) phases: Goal setting, Interim/Mid-year Review and Year- end Review. Goal setting is performed at the start of the year and/or when a new employee joins the organization. Interim/Mid-year Review is conducted on specified timeline or before the end of the probation period of the employee and Year-end Review is completed at the end of the year.

All employees of the Bank shall be formally evaluated semi-annually to provide feedback. Through course correction, performance recognition, skills development, and monitoring of objectives, areas of focus for the continuous progression of their career are identified.

## Encouraging Talent Growth

The Bank is committed to providing staff training and development to ensure not only all the employees are continuously knowledgeable and skilled to carry out their roles, but also that training and development activities are delivering a benefit to both the employee and the business. Training programs shall be classified and developed based on compliance, skills and company-specific needs. The Bank shall use multiple methodologies and channels which will match the training needs and the content of the programs. The Bank is committed to ensure equality of learning opportunities; hence, no employee will be excluded from learning on the grounds of gender (including gender reassignment), marital status, family status, religious belief, disability, age, racial grounds, sexual orientation, etc. Probationary and regular employees shall have equal access to learning and development opportunities appropriate to their role and/or learning needs.

# Empowering the Future

The Succession Management and Talent Development Programme is a dynamic framework aimed at strategically identifying, assessing, and nurturing talent for future critical roles, ensuring ongoing organizational excellence. By maintaining a pool of individuals with the requisite competencies and readiness to step into key positions as required, the program addresses organizational exigencies effectively.

Oversight is provided by an HR Board Committee comprising senior officers, responsible for decisions regarding talent nominations and inclusion to succession plans. The process begins with the identification of key management positions and proceeds with the nomination of candidates based on performance, potential, and competencies. Subsequent talent screening involves various assessments and interviews to evaluate nominees' readiness. Those qualifying are recommended for inclusion in the Executive Talent Pool, subject approval by the CEO.

To support talent development, Individual Development Plans are crafted, encompassing on-the-job training, interactive programs, and classroom sessions. Progress is regularly reviewed, and engagement strategies are deployed to sustain performance and commitment. The process continues until talents are placed in key positions within the organization, ensuring a seamless transition and sustained organizational effectiveness.



# Engaging Talent through Merit-based Reward Strategy

UNO is committed to fostering a high-performance culture that attracts, motivates, and retains top talent. To achieve this goal, the bank maintains a robust Remuneration Policy designed to appropriately compensate directors and officers for exceptional performance. This policy aligns with UNO's efforts to recruit and develop the best talent through competitive recruitment practices and ongoing learning initiatives. The Remuneration Policy encompasses a sustainable compensation structure and benefits program tailored for directors and officers, ensuring competitiveness within the industry. It includes provisions for basic compensation, incentives, recognition, and rewards for individuals who meet performance targets and objectives, thereby incentivizing excellence and driving organizational success.

The implementation of the remuneration policy provides framework for the design of the rewards program across the bank to ensure that business and people strategies are appropriately aligned with our compensation, benefits, and rewards approach as approved by the board.

To ensure high employee morale and its alignment to drive business objectives the key pillars of the remuneration policy are:

- Compliance with regulatory requirements and principles of employee code of conduct.
- Structure to drive sustainable performance, by maintaining consistency between remuneration and performance, and between rewards and value creation.
- Clear and transparent organizational governance structures and role goal clarity.
- Motivation and retention of employees
- Continuous monitoring of market trends and practices, aimed to ensure



# UNO Related Party Transactions Framework

## I. Overarching policies and procedures for managing related party transactions

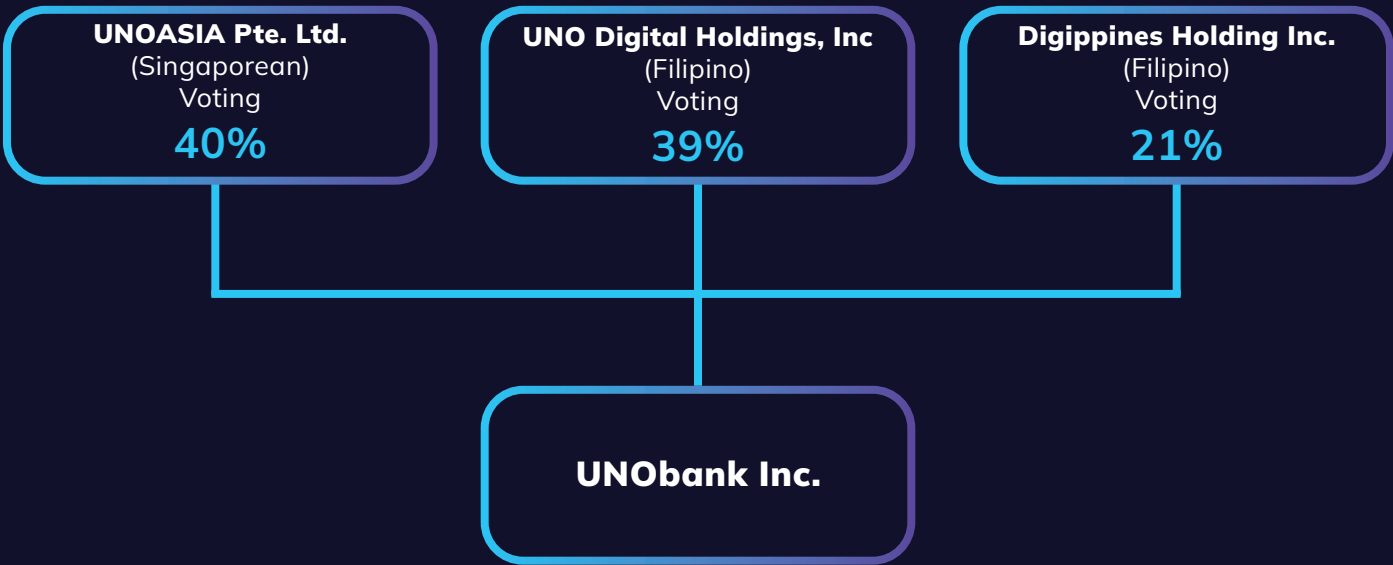
The Board of Directors, Management and Staff of UNObank and its affiliates commit themselves to adopt and adhere with the Policy Guidelines on Related Party Transactions (RPT). These guidelines were formulated in accordance with the requirements of the Revised Corporation Code, the Securities Regulation Code and its implementing rules, the Revised Code of Corporate Governance and other circulars issued by the Securities and Exchange Commission (“SEC”), Bangko Sentral ng Pilipinas (“BSP”) Guidelines in Strengthening Corporate Governance on RPT of Banks, BSP Guidelines on RPT, Prudential Policy on Loans to directors, officers, stockholders, and their related interests (“DOSRI”)/ Subsidiaries/Affiliates, Basel Core Principles (“BCP”) for Effective Banking Supervision and other related laws and regulations. These guidelines shall be updated regularly to adopt new issuances by relevant regulatory agencies and/or new applicable rules and regulations.

The Bank recognizes that engaging in RPTs has economic benefits to the parties involved and to the entire UNObank Group. RPTs are generally allowed provided that these are done on an arm’s length basis. RPTs are monitored and appropriate steps must be taken to control or mitigate the risks. As such, RPTs shall be conducted in the regular course of business (fair process) and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances (fair terms).

The Board of Directors, through the RPT Committee, exercises appropriate oversight in the implementation of the control systems for managing RPT exposures and ensures that RPTs are handled in accordance with the policies set out in this Manual. The RC shall be apprised, on an ongoing basis, of any regulatory governance requirements or updates relating to related party transactions.

The materiality threshold of RPT/s, either individually or in aggregate over a twelve (12) month period with the same related party, amounting to ten percent (10%) or higher of the Bank’s total assets based on its latest audited financial statement, shall be considered material RPTs.

II. Conglomerate Structure



# UNO Self-Assessment Function

## Internal Audit

The internal audit function of the Bank is responsible for providing independent, objective assurance and consulting services designed to add value and improve the Bank's operations. The internal audit activity helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The internal audit function maintains its organizational independence by reporting functionally to the Board of the Directors, through the Audit Committee, and administratively to the President/Chief Executive Officer.

The internal audit function has established policies and procedures, approved by the Board, to guide the internal audit activity, and to comply with sound internal audit standards, such as the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (ISPPA) and other supplemental standards and best practices issued by international organizations/regulatory authorities/government agencies, as well as the Code of Ethics for the profession. The internal audit function has also developed its risk-based internal audit work plan to determine the priorities of audit for 2023 based on the documented annual risk assessment, which takes into consideration the inputs of the Board and Senior Management.

To effectively carry out the approved IA work plan and to fulfill its mandate, the Board of Directors authorizes the internal audit function to:

- A. Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- B. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- C. Obtain assistance from the necessary personnel of the Bank, as well as other specialized services from within or outside the Bank, in order to complete the engagement.

## Compliance

The Compliance Department is headed by the Chief Compliance Officer (CCO) vested with the role of designing the Bank's Compliance Program and overseeing and coordinating its effective implementation towards the sound management of business and compliance risks. The CCO directly supervises the Compliance Officers in managing compliance risk areas of anti-money laundering, regulatory, and compliance testing, as well as data privacy. Compliance Department also coordinates with the Senior Management Team/Heads of Departments to propagate the right compliance culture across the organization.

The Compliance Department is independent from the business activities of the Bank. It carries out its responsibilities on its own initiative in all units where business and compliance risks exist and shall be provided with sufficient resources to carry out its responsibilities effectively. The Compliance Department is free to report to Senior Management and the Board of Directors through the Corporate Governance Committee, any irregularity or breach of laws, regulations, code of conduct, standards of good governance, etc., without fear of retaliation or disfavor from management and/or other affected parties.



# UNO Corporate Social Responsibility Initiatives



In alignment with our commitment to customers and communities, UNO has outlined several key initiatives for the upcoming year. Firstly, we will prioritize strategic succession planning to ensure the continuity of our business operations. Additionally, we are dedicated to supporting businesses and initiatives that promote economic growth, environmental protection, social development, and nation-building.

To further our sustainability efforts, we will actively raise awareness about sustainability and our sustainability objectives through various communication channels. Moreover, we will focus on promoting financial wellness by offering tailor-fit and sustainable products and services to our customers. As part of our commitment to social inclusion and gender equality, we will provide gender-sensitive financial solutions and support initiatives that enhance social inclusion and gender equality.

In 2023, we expanded our efforts to promote financial literacy by integrating campus education and extending workshops to nearby working-class individuals. Through these workshops, both students and blue-collar workers were empowered to explore the full financial cycle, ultimately aiming to improve their livelihoods.

# UNO Consumer Protection Practices

UNObank, Inc. Consumer Protection Program is in line with the Bangko Sentral ng Pilipinas (“BSP”) Regulations on Financial Consumer Protection Circular 1048 as amended by Circular 1160, “The Financial Consumer Protection Framework”. The Consumer Protection Program of UNObank is consistent with the BSP policy to provide for an enabling environment that protects the interests of financial consumers and institutionalizes the responsibilities of stakeholders of the Bank. This program ensures that UNObank is responsive to the needs of their customers and stakeholders while being held to against a high standard of accountability.

The Executive Management is responsible in approving and overseeing the implementation of UNObank Inc. Consumer Protection Program as well as the mechanism to ensure compliance with the said program. The ExeCom is also responsible for monitoring the performance of the Philippine Management Team in managing the day to day consumer protection activities of UNObank.

The UNObank Management Team is responsible for the implementation of UNObank Consumer Protection Program, its Consumer Assistance Process and Complaint Handling Process for consumers. The Management Team is comprised of business heads and support function heads such as Product, Digital, Operations, Technology, Risk, Legal, Compliance and Finance Heads. A dedicated Quality and Customer Experience Lead or the Consumer Assistance Officer with support from the Human Channels Head is responsible for the adequate performance of the consumer assistance process, who oversees and manages the customer satisfaction metrics and service level of the customer service operations. The Quality and Customer Experience Lead ensures that complaints are recorded, tracked, analyzed and resolved. The QCE Lead also ensures that the root cause is identified and preventive measures are provided to avoid recurrence. The QCE Lead reports to the Management Team the findings of this analysis and recommendations, and escalates immediately significant complaints affecting the Bank’s compliance to the financial consumer protection. Customer Happiness Specialists (CSS) are responsible for handling direct contact with clients, and ensuring the resolution of a client query, request, complaint or feedback through appropriate channels in a timely manner.

UNObank's Customer Assistance Management System (CAMS) allows the Bank to effectively monitor, measure and control consumer protection risks inherent in its operating model and its operations. The CAMS is implemented to ensure UNObank's adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations thus ensuring identified risks to UNObank and risks of financial harm to customers are addressed or prevented.

The Bank's Customer Happiness team allows financial consumers<sup>1</sup> to provide feedback, inquiry concerns, and complaints 24 hours through the following channels:

- UNObank Phone banking Support upon launch, UNObank Customer Support Specialists are available to assist customers.
- UNObank Mobile-In-App Message upon launch, for longer and secure messages, customers may opt to send it via the authenticated in-app message.
- UNObank Mobile-In-App Chat after public launch, our Customer Support Specialists are online 24/7 to assist customers.
- UNObank Viber and Whatsapp Messaging as additional channels post-introduction to the public and upon readiness, customers may opt in to send it via Viber App and Whatsapp App for any inquiries or feedback.

# UNO Information on Sustainable Finance

## **A. Sustainability strategic objectives and risk appetite;**

The Bank's sustainability strategy has the following objectives:

- Doing business responsibly for UNObank is based on the belief that as the Bank grows in terms of profitability, it also needs to grow responsibly
- Conduct business responsibly so that it enhances operational performance, even while preserving the natural environment, conforming with best-in-class corporate governance, positively improving the lives of communities in which it operates and caring for development and well-being of its employees
- Optimize lifecycle engagement of the Bank's customers by providing them with simpler, better, accessible banking, through a single trusted interface to manage one's entire financial life cycle journey with speed and ease: a platform where customers can save, borrow, transact, invest and protect in a simple and transparent manner
- Provide services digitally, to make the products available to more people at a lower cost without sacrificing quality and security, and support the financial inclusion objective of BSP and the Government
- Integrate environmental and social risks into its internal risk management frameworks
- Continuous evaluation and application of international environmental and social standards within the Philippine business environment
- Assess implications of incidents that can lead to negative environmental and social outcomes which can result into business continuity risk, reputation risk, and a direct financial impact

## **B. Overview of E&S risk management system;**

The Bank's E&S risk management system is governed through the ESG Policy that was adopted by the Board on 29th April 2023. Within the limited scope of E&S contribution for a digital consumer bank, the policy provides for the following:

- Exclusion list comprising of sectors/professions which the Bank will not engage in any financial activity, especially lending and investment.
- Project categorization for non-individual lending aiming to avoid financing and lending activities to projects where utilization of proceeds is expected to have significant adverse environmental and social risks and /or impacts are diverse, irreversible, or unprecedented



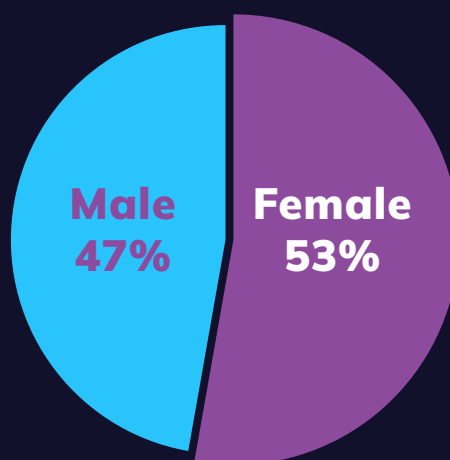
- Ensuring financial inclusion and financial literacy through liabilities products, lending products and investments (as applicable)
- Management of the bank's own E&S footprint
- Provision for products that have a positive climate action impact (e.g. credit/debit cards out of recycled plastics)
- Ensuring an employment environment that promotes E&S including diversity, skills enhancement, non-discrimination, etc.
- Mapping of UNObank's contributions against the 17 Sustainable Development Goals

The operationalization of the E&S Risk governance is achieved through the establishment of a multi-functional ESG Focused Group (ESGFG), comprising of the Chief Risk Officer (CRO), Chief People Officer (CPO), Chief Compliance Officer (CCO), Chief Finance Officer (CFO), Data Protection Officer (DPO), Chief Operations Officer (COO), Regulatory Compliance Head, and Enterprise Risk Management Head, Product Team nominee.











































This ESGFG will report to two Board level committees – the Corporate Governance Committee and The Risk Oversight Committee (ROC) – for the purpose of approval of the implementation of ESG standards in the Bank and for assessing and approving risks associated with the ESG standards, if any.

The ESGFG is currently headed by the CRO who will be responsible for guiding the group to engage with the frontline Business Units to design policies and procedures aligned to the Bank's ESG goals.

Furthermore, UNObank is committed to gender equality in the workplace with 53% of the employees being women (IMPROVE GRAPH)



Below table shows UNObank's compliance to United Nation's Sustainable Development Goals.

UNObank's Sustainability Initiatives		SDG 1	SDG 2	SDG 3	SDG 4	SDG 5	SDG 6	SDG 7	SDG 8	SDG 9	SDG 10	SDG 11	SDG 12	SDG 13	SDG 14	SDG 15	SDG 16	SDG 17
																		
1	Hybrid Working - WFS 2 / WFH 3																	
2	Head office in LEED certified building																	
3	All digital operations - no paper																	
4	71% of new accounts outside Metro Manila																	
5	Diversity - 53% female employees in Manila																	
6	MSME segment Focus - Education/Fin Tools																	
7	Financial Education - Bayani Foundation																	
8	Financial Education - APC Interns																	
9	Ergonomics - standing desks																	
10	Women's health - maternity/private rest area																	
11	Strong corporate Governance standards																	
12	Cards from recycled materials*																	

Notes:

- Currently UNObank is following a hybrid work strategy - where employees are required to work from site for two days a week.
- UNObank's head office is in a LEED Certified building, which helps UNO contribute towards environmental sustainability. Also, in line with regulation for digital banks, UNObank does not have branches in the Philippines.
- All digital product offering, and digital operations. Minimal to no paper in day-to-day functioning other than those required from a legal perspective. This supports climate action. Also facilitates financial inclusion since anyone with a mobile phone, internet connection, and valid ID can access the financial system using UNObank's products
- Approx 71% of UNObank's liabilities accounts are from outside Metro Manila. Approx 53% of UNObank's customers are women, facilitating financial inclusion and gender equality
- Workforce gender distribution includes 53% women. UNObank has been active in promoting gender equality
- MSME sector focus. With support from Digital Pilipinas and Proxterra, UNObank has initiated financial education and literacy for MSME entities, with certificates from Monetary Authority of Singapore at the end of the session.
- UNObank has participated in the head office Building admin's CSR activity for Bayani Foundation scholars for about 15 students. The session included education on financial literacy including phases of financial growth and its cycle - earning, savings, investments and donations
- UNObank's interns from APC have been onboarded with UNO savings accounts. These interns are being oriented in managing financial apps and management of finances
- Ergonomics - UNObank has a distribution of ergonomic tables, which can help employees raise tables at the press of a button. With sitting being considered as the new smoking, facilitation of a healthy work environment is a key UNO goal.
- While women are majority in UNO's workforce, UNO has also made provisions to ensure good healthy work environment for its women employees, with private rest areas, refrigerators for milk storage, and has already implemented a maternity policy
- Strong corporate governance standards to ensure a well-managed financial institution that can support the Philippines economy and population on a sustained basis. An ESG policy has also been published. The ESG Focused Group has also been initiated, which meets quarterly to develop, assess, and implement products and processes to support sustainability.
- New Product initiatives are in the pipeline - e.g. physical cards (debit or credit) to be made of recycled materials. We are evaluating other retail banking solutions like tool to measure carbon footprint of retail transactions, etc. As the bank stabilizes and operations become more robust, we expect to introduce such innovations in the future

### **C. Breakdown of E&S risk exposures of the bank per industry or sector;**

Sixty-four percent (64%) of the customers that have availed of loans are employed in the private sector, 29% of which are from the IT/BPO/Business Services and 10% from Retail/Wholesale. Being a credit-led financial institution, it is the Bank's thrust to provide credit products suited for the mass and mass affluent segment. 49% of existing customers have income greater than or equal to PHP300,000.00.

Loans to customers with small businesses (sari-sari stores) has also been initiated to provide financial assistance for business expansion.

### **D. Information on existing and emerging E&S risks and their impact on the bank; and**

Currently the Bank is mainly focused on providing financial service solutions to individual retail customers. Accordingly, the E&S risks are insignificant. The Bank provides access to financial products and hence facilitates financial inclusion through its various products, for the mass and mass affluent segment of customers. While the bank currently does not engage in non-individual lending, it has already adopted the ESG Policy, that already provides for assessment of partners / clients in the event that such a corporate deal is to be implemented. In the absence of such engagements, we assess the current E&S Risk of the bank to be negligible.

# UNO Risk Exposure and Assessments

UNOBank currently complies with all necessary regulatory risk reporting requirements.

The Bank is also in the process of establishing comprehensive internal risk monitoring and reporting solutions, as it scales up its loans portfolio. In phases, the bank is implementing risk leading indicators (risk profiles of borrowers), followed by risk coincident indicators (credit performance) and risk lagging indicators (losses and recoveries). Credit performance data is currently being collated for future development of custom scorecards as well as benchmarks which will enable the bank to scale the lending portfolio prudently. The Bank is also monitoring its PD, EAD, and LGDs, to have adequate assessment of Lifetime Expected Credit Loss for the portfolio and build adequate provisions for the lending portfolio.

Reconciliation between the Philippine Financial Reporting Standards (PFRS) Capital and capital under Philippine Regulatory Principles including Qualified Capital for Minimum Adequacy under Basel II are as follows;

	IN MILLION	
	2023	2022
PFRS Capital	1,469.85	1,212.49
Differences due to Accounting Principles	(28.67)	6.06
FRP Capital	1,441.18	1,218.56
General loan loss provision	20.19	0.02
Capital adjustments	(698.45)	(217.65)
Qualified Capital for Minimum Adequacy Compliance under Basel II	762.91	1,000.93
Per CAR Submitted to BSP	762.91	1,000.93

	2023		2022	
	Risk-Weighted Assets	Capital Requirement	Risk-Weighted Assets	Capital Requirement
Credit Risk-Weighted Assets	1.769 Billion	177 Million	437 Million	44 Million
Market Risk-Weighted Assets	125 Million	13 Million	91 Million	8 Million
Operational Risk-Weighted Assets	213 Million	21 Million	-	-

# UNO Credit Risk

The lending activities undertaken by the Bank entail exposure to credit and concentration risks, as well as susceptibility to fluctuations in business cycles. In order to mitigate these risks, each lending segment adheres to specific underwriting parameters that consider factors. The overarching goal of credit risk management is to uphold a portfolio of high-quality loans that are both profitable and align with standards for sustainable risk assessment.

Type of Exposure	Total Credit Risk Exposure (Outstanding Balance)	Risk Assessment
Personal Loan	PHP644,695,148.25	New
Salary Loan	PHP20,858,729.03	Low Risk
MSME	PHP64,676.36	New

\*As of December 31, 2023

# UNO Market Risk

Given that the Bank has not yet started its trading activity, its market risk occurs mainly in currency exchange transactions. In adherence to Section 99 of MORFXT, which stipulates that a bank’s consolidated net open foreign exchange position should not surpass 25% of its qualifying capital or USD 150.0 million, whichever is less, the Bank conducts daily monitoring of its position vis-à-vis this threshold.



# UNO Operational Risk

UNObank's operations consist of day-to-day routines and activities that enable the Bank to achieve its business objectives. The Bank has organized its operations through processes that are designed to promote efficiency and to mitigate potential errors. The Bank acknowledges that no organization can completely avoid errors and mistakes, though well-defined and robust processes support the Bank's internal control framework, reduces potential for losses, and also helps to mitigate impact on our reputation.

On a high level, the Bank's risk universe consists of financial and non-financial risks. Non-financial risks are due to inadequate internal processes, people and systems or external events. Thus, errors in the Bank's operations typically fall under the non-financial category. These risks are managed using specific tools, methodologies and procedures across all units and functions in the Bank. UNObank is willing to accept limited exposure to non-financial risk as part of its operations and is defined in its Operational Risk KRIs. Appropriate and economically viable mitigating measures are implemented to control these risks through these KRIs, along with strong internal controls.

The operations of the Bank are heavily reliant on reliable IT services, information security, data management and skilled resources. IT services undergo continuous updating and development to provide a high-quality service in an evolving environment. Continuity of operations is a key consideration. Business continuity capabilities are critical to the continued success of the Bank. Security of confidential client, business and employee information is of utmost importance to the Bank. Additionally, critical business functions require high levels of integrity and availability of IT systems and data. Hence, we have established an automated process of transfer of data to an internal data warehouse and strive towards automation of reporting (internal/external/regulatory) to the maximum extent possible.

The Bank also monitors the adequacy of models used to mitigate risks arising from decision making based on inadequate or incorrectly implemented models. Model tracking is done as part of the Operations Risk Management Framework. In line with the above, the Operational Risk KRIs are established for the following key areas: System Downtime, Outsourcing Risk, Operational Losses, Business Continuity, Risk Control Self-Assessment (RCSA), Model Risk Management and Human Resources.

# UNO Interest Rate in the Banking Book

For interest rate risk on banking book (IRRBB), the Bank measures the impact of interest rate increases on Net Interest Income (NII) over a 12-month period and will soon be looking at Economic Value of Equity.

In the meantime, pending validation of the IRRBB model/system, the Bank continues to use the Earnings-at-Risk methodology to monitor monthly the impact on earnings resulting from fluctuations in interest rates. This allows the Bank to assess the potential exposure of its earnings to changes in interest rate levels, enabling proactive management of interest rate risk. By employing this methodology, the Bank can better anticipate and mitigate the effects of interest rate movements on its profitability, thereby enhancing its overall financial resilience and stability.

# **Audited Financial Statements (AFS) with Auditor's Opinion**



## **Independent Auditor's Report**

**UNObank Inc.**  
2001 The Finance Center  
26th Street corner 9th Avenue,  
Bonifacio Global City, Taguig City

### **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 UNObank Inc. (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 (PFRS).

#### ***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 comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- 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 (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

#### ***Independence***

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





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- 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 by the Bureau of Internal Revenue under Revenue Regulations No. 15-2010 as disclosed in Notes 17 and 18, respectively, to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied the audit of the basic financial statements and, in our opinion, is fairly stated, all material respects, in relation to the basic financial statements taken as a whole.

#### Isla Lipana & Co.

Zaldy D. Aguirre  
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 12, 2024, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
March 20, 2024

UNObank Inc.

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

	Notes	2023	2022
<b>Assets</b>			
Due from other banks	2	906,061,852	204,628,476
Due from Bangko Sentral ng Pilipinas	2	3,129,522,106	1,065,016,712
Loans and receivables, net	3	919,988,352	3,376,166
Property and equipment, net	4	42,244,227	47,671,138
Intangible assets, net	5	429,392,256	156,218,010
Deferred tax assets, net	13	311,134,421	52,553,193
Investment securities at amortized cost, net	6	798,256,043	-
Other assets, net	7	305,496,955	258,134,266
<b>Total assets</b>		<b>6,842,096,212</b>	<b>1,787,597,961</b>
<b>Liabilities and capital funds</b>			
Deposit liabilities	8	4,838,636,446	252,316,704
Accounts payable and other liabilities	9	381,401,701	155,209,308
Lease liability	10	21,753,712	25,970,596
Accrued interest expense		39,435,439	1,288,748
Due to related parties	14	91,022,465	140,317,835
<b>Total liabilities</b>		<b>5,372,249,763</b>	<b>575,103,191</b>
Share capital	11	1,385,446,840	1,385,446,840
Deposits for share subscription	11	912,680,651	1,832,613
Deficit		(828,281,042)	(174,784,683)
<b>Capital funds</b>		<b>1,469,846,449</b>	<b>1,212,494,770</b>
<b>Total liabilities and capital funds</b>		<b>6,842,096,212</b>	<b>1,787,597,961</b>

(The notes on pages 1 to 23 are an integral part of these financial statements.)

**UNObank Inc.**

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

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
Interest income	2,3,6	207,559,879	17,708,417
Interest expense	8,10	165,245,576	2,456,260
Net interest income		42,314,303	15,252,157
Provision for credit and impairment losses	3	31,295,622	17,912
Net interest income after Provision for credit and impairment losses		11,018,681	15,234,245
Foreign exchange gain, net	2,14	85,397	94,650,564
Other income		2,244,789	2,851,823
<b>Operating income</b>		<b>13,348,867</b>	<b>112,736,632</b>
Operating expenses	12	(886,522,542)	(339,479,946)
<b>Loss before income tax</b>		<b>(873,173,675)</b>	<b>(226,743,316)</b>
Income tax benefit	13	219,677,316	49,744,145
<b>Net loss for the year</b>		<b>(653,496,359)</b>	<b>(176,999,171)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(653,496,359)</b>	<b>(176,999,171)</b>

(The notes on pages 1 to 23 are an integral part of these financial statements.)

UNObank Inc.

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

	Share capital (Note 11)	Deposits for share subscription (Note 11)	Retained earnings / (losses)	Total
<b>Balances as at January 1, 2022</b>	1,149,930,296	26,070,331	2,214,488	1,178,215,115
<b>Transactions with shareholders</b>				
Issuance of shares	235,516,544	(24,237,718)	-	211,278,826
<b>Comprehensive loss</b>				
Net loss for the year	-	-	(176,999,171)	(176,999,171)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(176,999,171)	(176,999,171)
<b>Balances as at December 31, 2022</b>	1,385,446,840	1,832,613	(174,784,683)	1,212,494,770
<b>Transactions with shareholders</b>				
Deposit for stock subscription	-	910,848,038	-	910,848,038
<b>Comprehensive loss</b>				
Net loss for the year	-	-	(653,496,359)	(653,496,359)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	(653,496,359)	(653,496,359)
<b>Balances as at December 31, 2023</b>	1,385,446,840	912,680,651	(828,281,042)	1,469,846,449

(The notes on pages 1 to 23 are an integral part of these financial statements.)

UNObank Inc.

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

	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Loss before income tax		(873,173,675)	(226,743,316)
Adjustments for:			
Interest expense	8,10	165,245,576	2,456,260
Amortization of intangible asset	5	75,813,855	17,357,557
Provision for ECL	3	31,295,622	17,912
Depreciation	4	10,617,824	4,479,060
Bad debts written off		106,784	-
Interest income	2,3,6	(207,559,879)	(17,708,417)
Amortization of discount of investment at amortized cost		(4,169,316)	-
Unrealized foreign exchange gain		(2,581,469)	(26,800,739)
Operating loss before working capital changes		(804,404,678)	(246,941,683)
Changes in operating assets and liabilities			
Increase in:			
Loans and receivables		(940,431,808)	(1,637,832)
Other assets		(6,537,384)	(233,511,141)
Increase in:			
Accounts payable and other liabilities		224,829,656	253,997,460
Deposit liabilities		4,586,319,742	143,890,645
Net cash from (used in) operations		3,059,775,528	(84,202,551)
Interest paid		(126,040,935)	(1,167,512)
Interest received		199,977,095	17,078,950
Taxes paid		(38,903,912)	(3,473,670)
Net cash from (used in) operating activities		3,094,807,776	(71,764,783)
<b>Cash flows from investing activity</b>			
Acquisitions of property and equipment	4	(3,828,176)	(22,457,764)
Additions to software costs under development		(40,825,305)	-
Acquisition of intangible assets	5	(348,988,101)	(173,575,567)
Increase in investment securities at amortized cost	6	(794,086,727)	-
Net cash used in investing activities		(1,187,728,309)	(196,033,331)
<b>Cash flows from financing activities</b>			
Advances from related parties		339,351,934	121,318,813
Payments of related party transactions		(388,647,304)	(28,797,464)
Proceeds from deposits for share subscription	11	910,848,038	-
Payments of lease liability	10	(5,274,834)	(3,921,764)
Proceeds from share issuance	11	-	211,278,826
Net cash from financing activities		856,277,834	299,878,411
<b>Net increase in cash and cash equivalents</b>		2,763,357,301	32,080,297
Cash and cash equivalents			
Beginning of the year		1,269,645,188	1,210,764,152
Effects of foreign exchange in cash		2,581,469	26,800,739
<b>End of the year</b>	<b>2</b>	<b>4,035,583,958</b>	<b>1,269,645,188</b>

(The notes on pages 1 to 23 are an integral part of these financial statements.)



## UNObank Inc.

### Notes to Financial Statements

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

(In the notes, all amounts in Philippine Peso unless otherwise stated)

#### 1 General information

UNObank Inc. (the "Bank") was incorporated on October 27, 2021, primarily to engage in the business of digital banking. The Bank started its operations on July 5, 2022, upon obtaining its digital banking license with the Bangko Sentral ng Pilipinas (BSP).

The Bank's primary shareholders are as follows:

Shareholders	Country of incorporation	Percentage of ownership
UNOAsia Pte. Ltd.	Singapore	40%
Uno Digital Holdings, Inc.	Philippines	39%
Digippines Holding Inc.	Philippines	21%
		100%

On April 5, 2022, the Bank's office address, which also serves as its principal place of business, was transferred to Unit 2001, The Finance Center, 26th Street corner 9th Avenue, Bonifacio Global City, Taguig City. Prior to the transfer, the Bank's registered office address and principal place of business were both located at the 2<sup>nd</sup> Floor of BAIC Building, 2232 Don Chino Rocas Avenue, Makati City.

The Bank has 116 employees as at December 31, 2023 (2022 - 69 employees).

These financial statements have been approved and authorized for issuance by the Board of Directors (BOD) of the Bank on March 20, 2024.

#### 2 Cash and cash equivalents

This account as at December 31 consists of:

	2023	2022
Due from BSP	3,129,522,106	1,065,016,712
Due from other banks	906,061,852	204,628,476
	4,035,583,958	1,269,645,188

Interest income earned and received from cash and cash equivalents in 2023 amounts to P176.62 million (2022 - P17.38 million). To maximize its earnings, the Bank has been placing its excess funds with the BSP on both overnight and term deposit facilities with terms of one (1) to two (2) weeks and interest rates ranging from 5.0% to 6.6% (2022 - 4.5% to 6.4%). Due from BSP is partly maintained for liquidity reserve purposes.

As at December 31, 2023, the BSP reserve requirement is set at 6% (2022 - 8%) and the mandatory reserves amount to P289.54 million (2022 - P18.52 million). The Bank is in compliance with the said minimum reserve requirements.

Due from other banks pertain to current, savings accounts and time deposits with various counterparties. Further, some of the due from other banks are denominated in United States Dollar (USD) amounts to USD3.48 million in 2023 (2022 - USD2.26 million).

Foreign exchange losses relating to due from other banks in 2023 amounts to P0.02 million (2022 - P93.40 million gains).

### 3 Loans and receivable, net

This account as at December 31 consists of:

	Note	2023	2022
Loans receivables		670,876,227	661,053
Receivables from electronic fund transfer provider		272,062,882	1,242,524
Accrued interest receivables		8,212,250	629,467
Accounts receivables		150,527	861,034
		951,301,886	3,394,078
Less: Allowance for credit losses		(31,313,534)	(17,912)
		919,988,352	3,376,166

On December 29, 2023, the Bank acquired loans receivables from Fuse Lending, Inc., a third party. The fair value of the acquired loans approximates their aggregate book value as at acquisition date, which amounts to P529.11 million.

On December 1, 2022, the Bank acquired loans receivables from Esquire Financing, Inc., a third party. As at acquisition date, the fair value of the acquired loans approximates their aggregate book value, which amounts to P0.66 million.

For the year ended December 31, 2023, interest income earned on loans receivables amounts to P11.23 million (2022 - P0.32 million).

Loans and receivables are unsecured and are expected to be realized as follows:

	2023	2022
Current (within 12 months)	889,085,558	3,394,078
Non-current (over 12 months)	62,216,328	-
	951,301,886	3,394,078

In 2023, the Bank has provided allowance for impairment on its loans and receivables amounting to P31.30 million (2022 - P0.02 million). The movements of allowance for credit losses as at December 31 are determined as follows:

	2023	2022
At January 1	17,912	-
ECL provision for the year	31,295,622	17,912
At December 31	31,313,534	17,912

#### Critical accounting estimate and judgment - Measurement of expected credit loss (ECL) for loans and receivables

The Bank applies the ECL model in accordance with Philippine Financial Reporting Standards (PFRS) 9 to determine allowance on loans and receivables. Components used in the ECL model were based on management credit judgement in consideration of loan product, target market and market conditions. The Bank incorporated macroeconomic variables, identified through expert judgement and linear relationship to market conditions, as the forward-looking information applied as overlay to the probability of default. In the absence of significant increase in credit risk benchmarks, the Bank takes the reasonable approach of applying lifetime estimated credit loss across all loans and receivables. The carrying value of receivables at the end of each reporting period and the amount and timing of recorded provision could differ based on actual experience and changes in judgments made.

#### 4 Property and equipment, net

Movements in the account are summarized as follows:

	Note	Equipment	Leasehold improvements	Office space	Total
<b>Cost</b>					
January 1, 2022		545,000	-	-	545,000
Acquisitions for the year		4,205,445	18,252,319	29,162,573	51,620,337
December 31, 2022		4,750,445	18,252,319	29,162,573	52,165,337
Acquisitions for the year		3,828,176	-	1,362,737	5,190,913
December 31, 2023		8,578,621	18,252,319	30,525,310	57,356,250
<b>Accumulated depreciation</b>					
January 1, 2022		15,139	-	-	15,139
Depreciation for the year	12	524,813	-	3,954,247	4,479,060
December 31, 2022		539,952	-	3,954,247	4,494,199
Depreciation for the year	12	1,182,455	3,042,053	6,393,316	10,617,824
December 31, 2023		1,722,407	3,042,053	10,347,563	15,112,023
<b>Net book value at</b>					
December 31, 2022		4,210,493	18,252,319	25,208,326	47,671,138
December 31, 2023		6,856,214	15,210,266	20,177,747	42,244,227

Property and equipment account, net account is classified as non-current. As at December 31, 2023 and 2022, there were no equipment pledged or mortgaged as collateral for liabilities.

The Bank recognized a right-of-use asset included in Office space for the lease of its office premises (Note 10).

##### Critical accounting estimate - Useful lives of property and equipment

The Bank determines and reviews the estimated useful lives of its property and equipment based on the period over which the assets are expected to be available for use. 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 deemed it impracticable to perform a sensitivity analysis on the useful lives of property and equipment as to its effects in result of operations as the amounts involved are insignificant.

##### Critical accounting judgment - Impairment of property and equipment

The Bank's property and equipment are carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in this assessment and judgment could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

Based on management's assessment and judgment, there are no indicators of impairment or changes in circumstances indicating that the carrying value of its property and equipment may not be recoverable as at December 31, 2023 and 2022.

## 5 Intangible asset

Movements in the account are summarized as follows:

	Note	2023	2022
<b>Cost</b>			
Balance at beginning of the year		173,575,567	-
Additions		348,988,101	173,575,567
Balance at end of year		522,563,668	173,575,567
<b>Accumulated depreciation</b>			
Balance at beginning of the year		17,357,557	-
Amortization	12	75,813,855	17,357,557
Balance at end of year		93,171,412	17,357,557
<b>Net book values</b>		<b>429,392,256</b>	<b>156,218,010</b>

This account is classified as non-current asset which consists of internally developed software recognized in accordance with of Philippine Accounting Standard (PAS) 38, Intangible Assets. The Bank recognized an intangible asset relating to its mobile application, which it uses to conduct and operate its business. The intangible asset is amortized over a useful life of five years on a straight-line basis. Amortization expense is presented as part of operating expenses in the statements of comprehensive income.

### Critical accounting estimate - Useful lives of intangible asset

The Bank estimates the useful life of its intangible asset to be 5 years based on the expected technical obsolescence of similar assets. However, the actual useful life may be shorter or longer than five years, depending on technical innovations and competitor actions.

### Critical accounting judgment - Impairment of intangible asset

The Bank's intangible assets are carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in this assessment and judgment could have a significant effect on the carrying value of intangible assets and the amount and timing of recorded provision for any period.

Based on management's assessment and judgment, there are no indicators of impairment or changes in circumstances indicating that the carrying value of its intangible assets may not be recoverable as at December 31, 2023 and 2022.

## 6 Investment securities at amortized cost

As at December 31, 2023, investment securities amounting to P798.26 million consist of the bank's investment in Government Securities with Bangko Sentral ng Pilipinas which bear annual interest rates of 6.77% to 6.81%.

Interest income from these investment securities for the year ended December 31, 2023 amounts to P19.70 million (2022 - nil).

Investments securities at amortized cost are expected to be realized within twelve (12) months from the reporting date.

As at December 31, 2023, there were no investment securities at amortized cost pledged as collateral for liabilities.



## 7 Other Assets

Details of this account are as follows:

	2023	2022
Software costs under development	288,672,167	247,846,862
Refundable deposit	2,683,380	2,013,380
Prepaid rent	1,759,296	1,759,296
Other prepaid expenses	12,382,112	6,514,728
	305,496,955	258,134,266

Software costs under development pertain to costs incurred for the Bank's mobile app and will be used in the Bank's operations as intangible assets once completed.

Refundable deposits include security deposit on the Bank's lease, as well as construction bond and advances on utilities.

## 8 Deposit liabilities

The account as at December 31 consists of:

	2023	2022
Time	3,287,295,153	223,268,134
Savings	1,551,341,293	29,048,570
	4,838,636,446	252,316,704

The Bank's deposits bear annual interest at rates ranging from 3.5% to 6.50% in 2023 (2022 - 4.25% to 6.50%).

The details of interest expense on deposit liabilities for the year ended December 31 is:

	2023	2022
Time	123,683,465	1,572,769
Savings	31,791,533	153,704
	155,474,998	1,726,473

## 9 Accounts payable and other liabilities

This account as at December 31 consists of:

	2023	2022
Accounts payable	80,414,324	86,969,169
Accrued expenses	231,388,514	67,668,896
Withholding taxes payable	25,495,321	566,723
Statutory obligations		
SSS, Philhealth, Employer's compensation premiums		
and Pag-IBIG contributions payable	8,274,122	-
Others	35,829,420	4,520
	381,401,701	155,209,308

Accounts payable primarily pertain to unpaid invoices from vendors and other third parties for purchased goods and services, while expenses pertain to accrual of unbilled purchases from vendors and other third parties.

All accounts payable and other liabilities are classified as current.



## 10 Lease liability

The Bank has a lease arrangement for its bank premises for a term of 5 years from May 3, 2022 to May 2, 2027. The lease is renewable upon mutual agreement of both parties and is subject to 5% escalation on the rental fees starting on its fourth year.

Refundable deposits paid for the existing lease agreement as at December 31, 2023 amounts to P2.68 million (2022 - P2.01 million) included as part of Other assets in the statement of financial position.

The Bank recognized a right-of-use asset for the lease of its office space. As at December 31 2023, right-of-use asset amounts to P20.18 million (2022 - P25.21 million) (Note 4).

The Bank's current and non-current lease liabilities are as follows:

	2023	2022
Current	6,184,794	3,921,764
Non-current	15,568,918	22,048,832
	21,753,712	25,970,596

Lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 4.5% as at February 11, 2022, commencement date of the lease agreement.

Rent expense charged against current operations (included in "Other administrative expenses") amounted to P2.46 million in 2023 (2022 - nil). Rent expenses in 2023 pertain to expenses from short-term leases and leases of low-value assets.

The movement in the lease liability is summarized as follows:

	2023	2022
Beginning	25,970,596	-
New lease	-	29,162,573
Cash outflows for principal and interest payments	(5,274,834)	(3,921,764)
Interest expense	1,057,950	729,787
Ending	21,753,712	25,970,596

Maturity analysis of contractual undiscounted cash flows of lease liability at December 31, 2023 follow:

	2023	2022
Less than one year	6,723,024	6,723,024
One to five years	15,649,239	21,812,011
Total undiscounted lease liability	22,372,263	28,535,035
Imputed interest discount on lease	(618,551)	(2,564,439)
Lease liability included in the statement of financial position	21,753,712	25,970,596

The statement of total comprehensive income shows the following amounts relating to the lease for the year ended December 31, 2023:

	2023	2022
Depreciation expense on right-of-use asset	6,393,316	3,954,247
Interest expense	1,057,950	729,787

The related right-of-use asset is presented as Office space under Property and equipment, net in the statement of financial position.

## 11 Equity

### Share capital

Details of authorized share capital of the Bank follow:

	Number of shares	Amount
Authorized:		
Class A Common - P100 par value	13,925,900	1,392,590,000
Class B Common - P2 par value	3,705,000	7,410,000
Preferred - P100 par value	6,000,000	600,000,000
	23,630,900	2,000,000,000

Details of the Bank's paid and issued shares are as follows:

	2023		2022	
	Number of shares	Amount	Number of shares	Amount
Class A Common - P100 par value				
At January 1	9,647,336	964,733,600	8,007,438	800,743,800
Issuance during the year	-	-	1,639,898	163,989,800
At December 31	9,647,336	964,733,600	9,647,336	964,733,600
Class B Common - P2 par value				
At January 1	2,564,420	5,128,840	2,128,498	4,256,996
Issuance during the year	-	-	435,922	871,844
At December 31	2,564,420	5,128,840	2,564,420	5,128,840
Preferred - P100 par value				
At January 1	4,155,844	415,584,400	3,449,295	344,929,500
Issuance during the year	-	-	706,549	70,654,900
At December 31	4,155,844	415,584,400	4,155,844	415,584,400
Total share capital		1,385,446,840		1,385,446,840

Class A Common shares may be transferred to anyone in accordance with relevant BSP rules and regulations, as may be amended from time to time. The holders of Class A Common shares shall be entitled to vote. The holders of Class A Common shares shall have a right to be elected as directors of the Bank. The holders of Class A Common shares shall be entitled to receive dividends based on the paid-up capital of their subscribed shares but only after dividends have been declared to the holders of Preferred shares. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Bank, the holders of Class A common shares that are outstanding at that time shall be entitled to payment or distribution in proportion to the paid-up capital of their subscribed shares upon distribution or liquidation, but only after payment or distribution has been made to the holders of Preferred shares.

Class B Common shares may be owned or subscribed by or transferred to any Philippine citizen, partnership, association, or corporation which is at least 60% owned by Philippine citizens or by partnerships, association, or corporations in which at least 60% of the voting share or the voting power is owned and controlled by citizens of the Philippines, or by persons or entities that are considered a "Philippine National" as defined under the Foreign Investments Act of 1991 (Republic Act No. 7042) and in accordance with relevant BSP rules and regulations, as may be amended from time to time. The holders of Class B Common shares shall be entitled to vote. The holders of Class B Common shares shall have a right to be elected as directors of the Bank. The holders of Class B Common shares shall be entitled to receive dividends based on the paid-up capital of their subscribed shares but only after dividends have been declared to the holders of Preferred shares. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Bank, the holders of Class B common shares that are outstanding at that time shall be entitled to payment or distribution in proportion to the paid-up capital of their subscribed shares upon distribution or liquidation, but only after payment or distribution has been made to the holders of Preferred shares.

Critical accounting judgment - Equity classification of preferred shares

The holders of Preferred shares shall not be entitled to vote except in those cases expressly provided by law. The Preferred shares shall be convertible into fully paid common shares of the Bank in accordance with relevant BSP rules and regulations and as may be amended from time to time and on the terms and conditions as may be determined by the BOD. The holders of Preferred shares shall enjoy a preference in receiving dividends. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Bank, the holders of Preferred shares that are outstanding at that time shall enjoy preference in payment or distribution. Authority is expressly granted to the BOD to fix all other rights, preferences, and limitations of the Preferred shares, which shall be compliant with relevant BSP rules and regulations, as may be amended from time to time. No transfer of share or interest which reduces the ownership of Filipino citizens to less than the required percentage of share capital shall be allowed or permitted to be recorded in the books of the Bank. Any violation of the foregoing restriction shall be treated as null and void.

Preferred shares are classified as equity since the Bank has no obligation to deliver cash or another financial asset to the holder.

Capital management strategy

The primary objective of the Bank's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Bank manages its capital structure and makes adjustments to it, in light of changes in economic conditions. For this purpose, capital is defined as total equity as disclosed in the statement of financial position.

Deposits for future share subscription

On February 17, 2023, the BOD approved the increase in the Bank's authorized share capital as follows:

	Number of shares	Amount
Class A Common - P100 par value	13,925,920	1,392,592,000
Class B Common - P2 par value	20,888,880	41,777,760
Preferred - P100 par value	4,000,000	400,000,000
	38,814,800	1,834,369,760

On August 16, 2023, an application for an increase in authorized share capital was filed with Securities and Exchange Commission (SEC). The application for the increase in authorized share capital is still awaiting approval of the SEC as at December 31, 2023. Accordingly, the said deposits are presented as equity in the statement of financial position in accordance with the SEC Financial Reporting Bulletin No. 006 (As Revised) issued in January 2013.

The Bank received deposits for share subscription amounting to P910.85 million during the year. As at December 31, 2023, the deposits for share subscription is amounting to P912.68 million (2022 - P1.83 million).

## 12 Operating expenses

The following are the items covered under operating expenses:

	Notes	2023	2022
Compensation and fringe benefits		257,186,237	146,792,603
Intercompany expenses		220,903,544	70,178,006
Information Technology Expenses		93,868,536	-
IT software amortization	5	75,813,855	17,357,557
Advertising and publicity expenses		58,287,431	11,066,711
Management and other professional fees		34,979,130	49,498,967
Documentary stamp taxes		22,941,510	3,316,273
Local and business taxes		14,477,537	8,890,129
Transactional expenses		12,637,336	-
Contact center expense		12,607,163	-
Fees and Commission Expense		11,269,037	-
Service charges		10,631,446	4,872,496
Depreciation expenses	4	10,617,824	4,479,060
Insurance expenses		9,616,640	4,937,340
Postages, telephone, cables and telegrams		7,261,420	3,629,250
Supervision fees		6,402,037	423,767
Representation and entertainment		5,743,231	230,000
Partner payments		4,219,512	-
Bank service fee		3,795,678	161,186
Rent		2,456,403	-
Security, janitorial, clerical service fees		1,936,383	792,867
Membership fees and dues		1,665,603	1,376,432
Power, light and water expense		538,581	229,350
Bad Debts Written Off		106,784	-
Travelling expenses		29,464	627,023
Stationery and supplies used expense		-	74,600
Other expenses		6,530,220	10,546,329
		886,522,542	339,479,946

Service charges are association fees levied by Mastercard primarily for connection services on the Bank's debit card.

Other expenses are primarily composed of de minimis expenses, repairs and maintenance and other fees.

## 13 Income taxes

The following are the components of income tax benefit for the years ended December 31:

	2023	2022
Deferred	258,581,228	53,217,815
Current	(38,903,912)	(3,473,670)
	219,677,316	49,744,145



The reconciliation between the statutory income tax benefit and effective income tax benefit for the years ended December 31 are as follows:

	2023	2022
Income tax benefit at statutory tax rate	218,293,419	56,685,829
Non-deductible expenses	(28,251,847)	(155,970)
Adjustment for realized foreign exchange losses / (gains)	6,054,818	(7,351,212)
Adjustment for interest income subject to lower tax rate	5,255,552	951,107
Impact of PFRS 16	(788,042)	(385,609)
Unrealized foreign exchange gains	11,765,794	-
Adjustment on Origination Fees	7,347,622	-
Income tax benefit	219,677,316	49,744,145

The Bank's deferred tax assets and liabilities are as follows:

	2023	2022
Deferred tax assets		
Net operating loss carryover (NOLCO)	311,779,788	59,253,378
Deferred tax liability		
Unrealized foreign exchange gain	(645,367)	(6,700,185)
Deferred tax assets, net	311,134,421	52,553,193

Critical accounting judgment - Realization of deferred income tax assets

Management reviews at each reporting date 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 assets will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

The Bank's NOLCO, with their respective years of expiration, are as follows:

Incurred for the year ended December 31	Year of expiry	2023	2022
2021	2026	31,136,460	31,136,460
2022	2025	239,672,002	239,672,002
2023	2026	1,010,105,641	-
		1,280,914,103	270,808,462

Pursuant to Revenue Regulations 25-2020 issued by the Bureau of Internal Revenue in September 2020, net operating loss incurred for taxable years 2021 and 2020 shall be allowed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

#### 14 Related party transactions

Details on related party transactions of the Bank are as follows:

2023	Transactions	Due to related parties	Terms and conditions
Shareholder			
Software development	(49,295,370)	91,022,465	Non-interest bearing, unsecured, payable on demand
		91,022,465	



2022	Transactions	Due to related parties	Terms and conditions
Shareholder			
Reimbursable expenses	(28,797,464)	-	
Software development	121,318,813	140,317,835	Non-interest bearing, unsecured, payable on demand
		140,317,835	

During the year, the transactions made were related to the management service, mark-up and accounting software. These are intercompany technology charges from the Group.

#### *Key management personnel*

There are no salaries and benefits paid to key management personnel for the period.

Foreign exchange gains relating to due to related party transactions in 2023 amounts to P0.78 million (2022 - P1.25 million)

## **15 Financial risk management**

The Bank's activities expose it to a variety of financial risks: mainly credit risk, liquidity risk and foreign exchange risk that could affect its financial position and performance. Other market risks such as price risk and interest rate risk are assessed by management as insignificant to the financial statements.

The BOD has overall responsibility for the establishment and oversight of the Bank's risk management framework. As of reporting date, the Bank has developed the appropriate policies which aim to identify and manage its exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies.

The BOD reviews the policies for managing each of these risks which are summarized below:

### **15.1 Credit risk**

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Significant changes in the economy, or financial condition of its counterparty, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

The maximum exposure to credit risk relates to the following financial assets as at December 31:

	2023	2022
Due from other banks	906,061,852	204,628,476
Due from BSP	3,129,522,106	1,065,016,712
Loans and receivables	919,988,352	3,376,166
Investment securities at amortized cost, net	798,256,043	-
Refundable deposits	2,683,380	2,013,380
	5,756,511,733	1,275,034,734

The Bank has cash and various placements deposited with the BSP and other banks which are considered fully performing as at reporting date. Cash with the BSP is covered by a sovereign guarantee. To reduce the Bank's credit risk, the Bank only maintains banking relationships with top, reputable universal banks in the country. Universal and commercial banks represent the largest single group, resource-wise, of financial institutions in the Philippines.

While cash and cash equivalents are also subject to the impairment requirements of PFRS 9, the impairment loss has been assessed to be immaterial.

Loans and receivables are classified as performing and non-performing (Note 17). There are no collaterals held for these receivables. These receivables are expected to be settled by the counterparty within one year. Further, the Bank has assessed its loans and receivables for impairment and has provided the sufficient level of allowance for expected credit losses (Note 3).

Loan Classification	Stage 1	Stage 2	Stage 3	Total
Personal	19,569,551	1,877,721	3,093,537	24,540,809
Salary	637,661	102,326	12,408	752,395
MSME	4,903	-	-	4,903
	20,212,115	1,980,047	3,105,945	25,298,107

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- For transfers between Stage 1 and Stages 2 or 3 due to financial instruments becoming credit-impaired in the period, the bank provides lifetime ECL for all stages since no data are available yet to determine significant increase in credit risk for transferring accounts from stage 1 to stage 2;
- Additional allowances for new financial instruments recognized during the year and releases for financial instruments derecognized during the year;
- Write-offs of allowances related to assets that were written off during the year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the year;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange translations for assets denominated in foreign currencies and other movements.

The table above summarizes the changes in the loss allowance for loans and advances between the beginning and the end of the annual period. No movement analysis of allowance for other financial asset subject to impairment as the related loss allowance is deemed insignificant for financial reporting purposes.

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

The Bank has assessed that the expected credit losses for refundable deposits have been deemed insignificant for financial reporting purposes (Note 6).

## 15.2 Liquidity risk

The Bank manages its liquidity to be able to finance its capital expenditures and operations. The Bank maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Bank regularly evaluates its projected and actual cash flows.

	2023			
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
<b>Financial assets</b>				
Cash and cash equivalents	4,035,583,958	-	-	4,035,583,958
Loans and receivables	889,085,558	62,216,328	-	951,301,886
Investment securities at amortized cost, net	798,256,043	-	-	798,256,043
Refundable deposit	2,683,380	-	-	2,683,380
<b>Total financial assets</b>	<b>5,725,608,939</b>	<b>62,216,328</b>	<b>-</b>	<b>5,787,825,267</b>
<b>Financial liabilities</b>				
<b>Deposit liabilities</b>				
Savings deposit	1,551,341,293	-	-	1,551,341,293
Time deposit	3,100,193,244	187,101,909	-	3,287,295,153
Accounts payable and other liabilities*	347,632,258	-	-	347,632,258
Accrued interest expense	39,435,439	-	-	39,435,439
Due to related parties	91,022,465	-	-	91,022,465
<b>Total financial liabilities</b>	<b>5,316,726,608</b>	<b>-</b>	<b>-</b>	<b>5,316,726,608</b>
<b>Total liquidity gap</b>	<b>408,882,331</b>	<b>62,216,328</b>	<b>-</b>	<b>471,098,659</b>

\*Excluding government payables

	2022			
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
<b>Financial assets</b>				
Cash and cash equivalents	1,269,645,188	-	-	1,269,645,188
Loans and receivables	3,394,078	-	-	3,394,078
Investment securities at amortized cost, net	-	-	-	-
Refundable deposit	2,013,380	-	-	2,013,380
<b>Total financial assets</b>	<b>1,275,052,646</b>	<b>-</b>	<b>-</b>	<b>1,275,052,646</b>
<b>Financial liabilities</b>				
<b>Deposit liabilities</b>				
Savings deposit	29,048,570	-	-	29,048,570
Time deposit	208,951,009	14,317,125	-	223,268,134
Accounts payable and other liabilities*	154,638,065	-	-	154,638,065
Accrued interest expense	1,288,748	-	-	1,288,748
Due to related parties	140,317,835	-	-	140,317,835
<b>Total financial liabilities</b>	<b>548,561,352</b>	<b>-</b>	<b>-</b>	<b>548,561,352</b>
<b>Total liquidity gap</b>	<b>726,491,294</b>	<b>-</b>	<b>-</b>	<b>726,491,294</b>

\*Excluding government payables

### Liquidity Coverage Ratio (LCR)

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

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



### Net Stable Funding Ratio (NSFR)

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

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

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

	2023	2022
Liquidity coverage ratio	919%	19,648%
Net stable funding ratio	279%	242%
Leverage ratio	12.08%	62.36%
Total exposure measure	6,150,278,752	1,604,930,614

### 15.3 Foreign exchange risk

The Bank's policy and objective is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The Bank's exposure to foreign exchange risk is as follows:

	2023	2022
Due from local banks (in USD)	3,478,175	2,264,880
Due to related parties (in USD)	(1,643,895)	(2,516,686)
Accounts payable - nonresidents (USD)	(474,347)	(803,351)
Accrued expenses - nonresidents (USD)	(570,000)	-
Net foreign currency denominated asset in USD	789,933	(1,055,157)
Foreign exchange rate as at December 31	55.37	55.76
Net foreign currency denominated asset in PHP	43,738,590	(58,830,279)

A reasonably possible change of 3% in the USD exchange rates, with all other variables held constant, would increase/decrease the Bank's income before income tax by P1.31 million (2022 - increase/decrease by P1.76 million).

### 15.4 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 depositors, and to its various funders and stakeholders.

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

As at December 31, the CAR of the Bank is shown in the table below:

	2023	2022
Common Equity Tier (CET1) capital	327,140,585	585,328,734
Additional Tier 1 Capital	415,584,400	415,584,400
Total Tier 1 Capital	742,724,985	1,000,913,134
Tier 2 Capital	20,187,304	17,911
Total Qualifying Capital	762,912,289	1,000,931,045
Total risk-weighted assets	2,107,879,998	527,550,955
Credit risk-weighted assets	1,769,492,263	437,008,035
Market risk-weighted assets	125,604,618	90,542,920
Operational risk-weighted assets	212,783,117	-
CET1 capital ratio	15.52%	110.95%
Tier 1 capital ratio	35.24%	189.73%
Total Capital Adequacy Ratio	36.16%	189.73%
Capital Conservation Buffer	9.52%	104.95%

The Bank has fully complied with the CAR requirement of the BSP as at December 31, 2023 and 2022.

#### Leverage ratio

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Leverage Ratio framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 based on BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III leverage ratio is designed to act as a supplementary measure to the risk-based capital requirements. This is intended 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. It reinforces the risk-based requirements with a simple, non-risk based backstop measure.

As at December 31, 2023 and 2022, the Basel III leverage ratio of the Branch is shown in the table below:

	2023	2022
Total Tier 1 capital	742,724,985	1,000,913,134
Total exposures	6,150,278,752	1,604,930,614
Basel III leverage ratio	12.08%	62.36%

As at December 31, 2023 and 2022, the Bank is compliant with the minimum required leverage ratio.



## 16 Summary of material accounting policies

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

### 16.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards 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 (formerly known as the Financial Reporting Standards Council) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are shown below:

#### *Critical accounting estimates*

- Measurement of ECL for loans and receivables (Note 3)
- Useful lives of property and equipment (Note 4)
- Useful lives of intangible asset (Note 5)

#### *Critical accounting judgements*

- Impairment of property and equipment (Note 4)
- Equity classification of preferred shares (Note 11)
- Realization of deferred income tax assets (Note 13)

### 16.2 Changes in accounting policies and disclosures

#### *(a) New amendments to existing standards effective January 1, 2023*

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

The amendment requires 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 this amendment, 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 this amendment resulted to changes in the accounting policies disclosures.

#### *(b) New standards, amendments to existing standards or interpretation not yet adopted by the Bank*

There are no 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.

## 16.3 Financial instruments

### *Amortized cost and effective interest rate*

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e., its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. Interest income (included within "Other income, net") is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

### 16.3.1 Financial assets

The Bank's financial assets comprise mainly of due from other banks, due from BSP, loans and receivables, investment in securities and refundable deposits that are measured at amortized cost.

#### *Classification and measurement financial assets*

At initial recognition, the Bank measures the above-mentioned financial assets at fair value plus transaction costs, if any. Subsequently, these financial assets are held at amortized cost based on the Bank's business model (e.g., hold-to collect) and cash flow characteristics of these assets (solely payment of principal and interest).

#### *Impairment of financial assets*

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

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, and Stage 3, as described below:

- Stage 1 - When loans are first recognized, the Bank recognizes an allowance for lifetime ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2 - When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3 - Loans considered credit-impaired. The Bank records an allowance for lifetime ECL.

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

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

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. The Bank used a proxy for its PD based on the look-alike portfolios offering similar products under the same market conditions, which was assessed to share the similar credit risk expectation with the Bank's portfolio.

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

- **Loss Given Default** - The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

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 Bank used a proxy for its LGD based on the LGD of look-alike portfolios offering similar products under the same market conditions, which was assessed to share the similar credit risk expectation with the Bank's portfolio.

Forward-looking information incorporated in the ECL models

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

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

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

Definition of default and credit-impaired assets

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

(i) Quantitative criteria

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

(ii) Qualitative criteria

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

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



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

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

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to pay in accordance with the credit terms and a failure to make contractual payments for a prolonged period despite the Bank exerting aggressive collection efforts. Subsequent recoveries of amounts previously written-off are credited against the same line item.

### **16.3.2 Financial liabilities**

The Bank's financial liabilities comprise mainly of deposit liabilities, accounts payable and other liabilities, accrued interest expense and due to related parties. Financial liabilities do not include provisions, tax liabilities and other statutory and legal obligations.

#### *Recognition and measurement of financial liabilities*

The Bank's financial liabilities as mentioned above are recognized when it becomes a party to the contractual provision of the instrument and initially measured at fair value plus transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the effective interest rate method.

As at December 31, 2023 and 2022, the Bank has no financial liabilities measured at fair value through profit or loss.

#### *Derecognition of financial liabilities*

Financial liabilities are derecognized when the obligation is settled, discharged, cancelled, or has expired.

### **16.4 Financial instruments**

Bank equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of bank equipment includes its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the bank equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of bank premises and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of bank equipment.

Depreciation is computed on a straight-line basis over the estimated useful lives of the asset of three (3) years.

The useful lives, depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of bank equipment.

When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any allowance for impairment loss are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

## 16.5 Leases

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate. The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortized cost using the effective interest rate method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### *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.

## 16.6 Software costs under development

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

The Bank amortizes its intangible asset with a limited useful life, using the straight-line method over five (5) years.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses.

## 16.7 Income taxes

The provision for income tax for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In which case, the tax is also recognized directly in equity.

### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.



### Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax over the regular corporate income tax and unused NOLCO, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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

### 16.8 Foreign currency transactions

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains or losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

### 17 Supplementary information required by the Bangko Sentral ng Pilipinas

Presented below is the additional information as required by BSP Circular No. 1074 issued on January 08, 2020. This information is presented for BSP reporting and is not required in the basic financial statements.

#### (i) Basic quantitative indicators of financial performance

The key financial performance indicators follow (in %):

	2023	2022
Return on average equity <sup>1</sup>	(48.73%)	(14.81%)
Return on average assets <sup>2</sup>	(15.15%)	(11.70%)
Net interest margin <sup>3</sup>	1.51%	1.27%

1. Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2023 and 2022.

2. Net income divided by average total assets as at period indicated. Average total assets are 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.

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

(ii) Description of capital instruments issued

The Bank considers its common and preferred shares as capital instruments for purposes of calculating its capital adequacy ratio as at December 31, 2023 and 2022.

(iii) Significant credit exposures

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

(iv) Breakdown of total loans

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

Breakdown of performing and non-performing loans, net of allowance for impairment, are as follows:

	2023	2022
Performing loans	666,856,946	661,053
Non-performing loans (NPL)	4,019,281	-
	670,876,227	661,053
Allowance attributable to performing loans	22,192,162	17,912
Allowance attributable to NPL	3,105,945	-
	25,298,107	17,912
Net carrying amount	645,578,120	643,141

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

(v) Information on related party loans

The Bank does not have outstanding directors, offices, stockholders and related interests (DOSRI) and other related party loans as at December 31, 2023 and 2022.

(vi) Secured liabilities and assets pledged as security

There are no secured liabilities and assets pledged as security as at December 31, 2023 and 2022.

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

There are no contingencies and commitments arising from off-balance sheet items as at December 31, 2023 and 2022.

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

Below is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

*(i)      Documentary stamp tax*

There were no documentary stamp taxes on original issuance of shares of stocks paid and accrued for the year ended December 31, 2023.

*(ii)      Withholding taxes*

Withholding taxes on compensation accrued for the year ended December 31, 2023 amount to P3,221,228.

*(iii)      All other local and national taxes*

All other local and national taxes paid and accrued for the year ended December 31, 2023 consist of license fee amounting to P7,651,031.

*(iv)      Tax assessments*

The Bank has no pending tax assessment from the BIR as at December 31, 2023.

*(v)      Tax cases*

The Bank has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2023.



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