2023 Annual Report

PETNET

Who We Are

Established in 1998, PETNET, Inc. started to grow the network of Western Union (WU) in the Philippines, becoming one of the largest agent location networks of WU with over 3,000 locations nationwide.

In 2015, Aboitiz Equity Ventures (AEV) acquired a 51% stake in PETNET, catalyzing the acceleration of the company's branch and service offering expansion program.

In April 2016, the company rebranded its retail network into PERA HUB, to gain a stronger foothold in the urgent transaction center services category. A signifier of the brand's competitive selling proposition as a one-stop location for urgent transactions, PERA HUB offers complementary products, cash, and payment solutions such as foreign exchange (FOREX), bills payment, airline ticketing services, cellphone load, ATM withdrawals, cash in/cash out services, loans, and micro-insurance to their continually growing market.

In December 2017, PETNET received its ISO 9001:2015 Quality Management System (QMS) certification from the Certification International Philippines, Inc. (CIP) and again in January 2019.

In 2018, Aboitiz Equity Ventures (AEV) sold its 51% stake in PETNET, Inc. (PETNET) to City Savings Bank (CSB) and UBP Investments Corporation (UIC). This decision was brought about by the direction of the Aboitiz Group to consolidate all its financial services under one entity, Unionbank — of which both CSB and UIC are subsidiaries — to strategically facilitate closer collaboration among the Group's banking and financial service units, and leverage synergies toward maximum business optimization.

PETNET remains a part of the Aboitiz Group, committed to improving and innovating business to provide relevant services that cater to customers' changing needs. Over the years, the company evolved into a lead network for non-bank financial services with a strong nationwide presence in remittance, added value products, loans, foreign exchange, and cross-border payments in both physical and digital channels.

Today, PETNET, Inc. has two (2) major divisions: Retail and Corporate, and has four (4) major business lines namely 1) Remittance, which includes both physical counters and digital channels; 2) Added Value Products, which includes money changing, airline ticketing, microinsurance, and ATM withdrawals; 3) Loans Services Group; and 4) Forex Trading and Global Business Solutions.

PERA HUB, the retail brand of PETNET Inc., is a premier urgent transaction center in the Philippines that offers domestic and international remittance, money changing, and other transactional services at over 3,000 locations nationwide. PERA HUB also has digital services in the form of the PERA HUB Mobile App, as well as the PERA HUB Digital Remittance Platform which connects remittance companies with digital sub-agents. Aside from remittance and other cash-related transactions, PERA HUB is an authorized outsourced service provider of City Savings Bank, Inc. (CSB), with loan products such as Teachers' Salary (DepEd) Loans, Pensionado Loans, and Government Salary Loans, among others.

PETNET, Inc.'s corporate network is PETNET Forex Solutions (PFS), is a Forex solutions provider that offers forex trading and cross-border payments across all industries. The group extends its array of services through PETNET Forex and PETNET Forex Global Business which makes it easier for companies to bring their businesses to the global market.

FOREX SOLUTIONS

PETNET, Inc. also has the following BSP Product/Service Licenses:

-Remittance License
-Money Changing/Foreign Exchange
-Operator of Payment System (OPS) License
-Advance Electronic Payment and Financial Service License (Mobile App)

In June 2022, PETNET launched an enterprise-wide program called 'The PETNET WAY Program', which aims to rediscover the 'PETNET Way' (culture) by revisiting the company's Purpose, Mission, and Vision (PMV).

This is because PETNET, Inc. has evolved over the years from being a remittance company into a network for non-bank financial services with a strong nationwide presence in remittance, added value products, loans, foreign exchange, and cross-border payments in both physical and digital channels. Hence, the management recognized the need to revisit its mission and vision statements in order to align with where PETNET is now and where it wants to be as an organization. The company also decided to define its overarching Purpose which will drive its organizational strategies and decision-making.

Using its own purpose-led transformation methodology, PETNET spent the second half of 2022 going through rigorous Discovery, Synthesis, and Design phases to arrive at its new PMV statements, which were finalized with its Management Committee in September 2022 and approved by its Board of Directors in April 2023. PETNET's new PMV statements were officially launched in a Hybrid Town Hall Meeting in May 2023.

Purpose

To empower and uplift Filipinos by providing access and choices for financial inclusion.

Mission

We put the customer first by delivering innovative, reliable, and secure solutions to all our stakeholders through digital and human touchpoints.

Vision

A nation where financial services are inclusive and borderless.

Values

The PERA HUB core values are adapted from Aboitiz Equity Ventures (AEV), namely integrity, teamwork, innovation, and responsibility. To better describe daily interactions with branch customers and those offsite, the core value of friendliness has been added.

Integrity
We remain committed to expertly practicing transparency and accountability in delivering brand promises.

Teamwork
We work interdependently to promote cooperation and mutual respect among all team members.

Responsibility
We see to it that we adhere to good corporate governance while maintaining strong relationships with stakeholders.

Innovation
We continue to improve operations to ensure maximum efficiency in serving clients, employees, and partners.

Friendliness
We promote warm, friendly atmospheres in day-to-day business while maintaining respect and proper conduct across all aspects of operations.

Board of Directors

Manuel G. Santiago Jr.
Chairman

Michael Ashwin Sehwani Singh
Director

John F. Januszczak
Director

Manoj Varma
Director

Beatriz B. Romulo
Director

Adrian Alfonso T. Ocampo
Director

Rafael H. Montinola
Director

John Clifford M. Eala
Independent Director

Ramon Vicente T. Roxas
Independent Director

Management Committee

Adrian Alfonso T. Ocampo
President and CEO

Dennis A. Catubay
Executive Vice President, PETNET Forex Solutions

Theodore P. De Guzman
Senior Vice President, Loans Services Group

Madeline Elba B. Gacutan
Senior Vice President, Support Services

Jenny Lyn G. Sablon
Senior Assistant Vice President, Finance Head & Comptroller

Diana M. Lim
Senior Assistant Vice President, PETNET Forex Solutions

Aniceto P. Mallo Jr.
Senior Assistant Vice President, Sub Agent Management

Denis D. Hollanda
Chief Technology Officer, Information Technology

Bryan Sinclair M. Makasiar
Senior Assistant Vice President, Digital Business

Management Committee

Godfrey A. Santos
Assistant Vice President, Customer Experience

Mennie C. So
Assistant Vice President , Digital Business

Pamela Joy D. Gracela
Assistant Vice President, Chief Compliance Officer

Victor Emmanuel A. Villano
Assistant Vice President, Chief Audit Executive

Ericho C. Victorino
Assistant Vice President, Chief Information Security Officer

Bernardo D. Garcia
Assistant Vice President, General Services Division

Paula Bianca V. Tiongson
Senior Manager, Added Value Products

Olivia Louise S. Cada
Senior Manager, Marketing Head

Renamae D. Co
Senior Manager, Risk Management

Mellyssa Luz P. Capitulo
Manager, Human Resources

Richard Lorenz P. Galura
Assistant Manager, Strategy and Data Analytics Lead

Alyssa Mae R. Tolcidas
Senior Supervisor, Executive Assistant to the President & CEO

Partners

Gcash
Internationally-acclaimed micropayment service that transforms the mobile phone into a virtual wallet for secure, fast, and convenient money transfer.

Maya
The all-in-one money platform that is bringing Filipinos bolderways to master their money.

City Savings
An outsourced service provider of City Savings Bank, PERA HUB offers customers Teachers' Salary Loan, Pensionado Loan, and LGU Loan.

Western Union
Powered by Western Union, PERA HUB offers services for both local and international remittances.

Cebu Pacific
A key player in the Philippine air transportation industry, Cebu Pacific offers flights to local and international destinations at low cost.

Air Asia
Air Asia is a Malaysian low-cost airline that provides Filipinos with affordable travel services to more than 130 destinations, both local and international.

Malayan Insurance
In partnership with AV Ocampo, Malayan Insurance provides PERA HUHB customers insurance coverage of up to Php 100,000 through Accident Protect.

Bayad Center
Bayad Center is the country's pioneering and leading bills collection company that provides reliable and convenient cashpay-ment solutions.

AVOcampo ATR KimEng
AV Ocampo is an insurance broker with an expertise in selecting insurers best suited for its clientele.

Remittance

Through our roster of trusted remittance partners available online and/or in any PERA HUB branch nationwide, we guarantee 100% safety and reliability for your domestic and international money transfers! PERA HUB is partnered with known remittance players such as Western Union, Ria, Remitly, Transfast, and Moneygram through Cebuana Lhuillier.

Current remittance partners:

Added Value Products

Cash-In and Cash-Out (CICO) Services

PERA HUB provides convenient cash-in and cash-out services for customers of e-wallet providers such as GCash, Maya, DragonPay, and Diskartech at any branch nationwide!

Bills Payment Services

PERA HUB accepts bills payment in cash for various Bayad Center billers at any branch nationwide.

Money Changing Services

PERA HUB offers a competitive dollar-exchange rate at any PERA HUB branch nationwide.

ATM Withdrawal Services

Your partner for day-to-day transactions, every PERA HUB branch nationwide offers hassle-free and easy cash withdrawals from any Bancnet-accredited bank account through BDO's mobile ATM Point-of-Sale (POS) device.

E-load Products

PERA HUB offers convenient electronic loading of products for various networks, satellite cable subscriptions, and game credits like Globe Amax, Smart eload, Cignal Digital TV, and Mobile Legends.

Airline Ticketing Services

As your reliable airline ticketing agent, customers may visit any PERA HUB branch nationwide to book flights to almost any destination through our list of partner airlines.

Products & Services
Added Value Products

Insurance Products

PERA HUB offers a wide range of affordable micro-insurance products, in partnership with Malayan Insurance, Prudential Guarantee, and other insurance providers, with AV Ocampo ATR Kim Eng as the Insurance Broker. Also offered through our branches is a pre-need micro-memorial service in partnership with Eternal Plans, Inc.

Micro-insurance Plans

COVID Protect Plus covers cash benefits for loss of life due to COVID-19, Dengue, Chikungunya, and accidents. It also provides medical reimbursement for accidental injuries and daily hospital income benefits for those infected with the COVID-19 virus, covering a maximum of 14 days of confinement in a DOH-accredited hospital/medical facility. Age eligibility is from 1 to 75 years old.

A 3-in-1 plan. Dengue Protect Plus offers coverage for accidental death/disablement/dismemberment, unprovoked murder or assault, and medical assistance benefits for dengue or leptospirosis without the need for hospitalization. The plan covers ages 1 to 70 years old.

Accident Protect offers coverage for 7-64-year-olds for accidental death, permanent total disablement, partial disablement or dismemberment, murder, and unprovoked assault.

Malayan PA
(Accident Plus 100K and Accident Plus 25K)

Life Insurance intended for personal accident(s). Age eligibility is from 7-64 years old.

Compulsory Third Party Liability

A non-life insurance plan that protects the owner of the vehicle from financial obligations to anyone who is injured or killed by the insured vehicle. A compulsory insurance meaning it is required by law; only covers third-parties not the drivers. For eligibility, owners of cars and motorcycles are required to get this coverage before they register their vehicle with the Land Transportation Office (LTO).

Pera Payapa 2.0

A special Group Yearly Renewable Term (GYRT) program covering life/natural death. Age eligibility is from 18-65 years old who are healthy and actively at work (physically and mentally able to perform his normal duties of daily living without the need of assistance from anyone)

Loans

As an authorized loans service provider of City Savings Bank, PERA HUB offers various loans that cater to different market needs, such as the Teachers' Salary Loan, Pensionado Loan, AFP Loan, and Government Salary Loan.

CitySavings UnionBank

Teachers' Salary Loan

Teaching and non-teaching public schools and DepEd may avail of Teachers' Salary Loan and get the most of their salary.

- Up to PHP 2,000,000
- 12 to 60 months flexible terms depending on your needs
- Interest Rate varies depending on the loan term

AFP Salary Loan

This loan is available to all active, retired soldiers, and civilian personnel of the Armed Forces of the Philippines.

- Up to PHP 2,000,000
- 12 to 60 months flexible terms depending on your needs
- Interest rate varies depending on the loan term
- Service fee: 2.5%
- Tax with DST: 3%
- Automatic payroll deduction

Pensionado Loan

This loan provides financial assistance to GSIS and SSS Pensioners with UnionBank accounts.

- Up to PHP 500,000*
- 12 to 24 months flexible terms depending on your needs
- Loan proceeds directly credited to your ATM card
- Hassle-free automatic deduction from pension credits
- One-time Credit Life Insurance payment varies depending on your loan

Government Salary Loan

A salary loan product for regular government employees accredited by their respective LGUs.

- For permanent government employees, elected officials, and coterminous under 65 years old
- Up to PHP 1,500,000 depending on net take-home pay
- 12 months to 60 months payment terms

PETNET FOREX Solutions

PETNET Forex, the pioneering foreign exchange partner in the Philippines, allows businesses to operate on the global stage. It serves as the single point of access for local US Dollar exchange and cross-border foreign currency payments to provide cost-saving and convenient Forex services for more than 130 currency conversions from over 200 countries.

PETNET FOREX

PETNET Forex is the corporate arm of PETNET Inc. for buying/selling of USD to be credited to the client's local account in the Philippines.

PETNET FOREX Global Business

PETNET Forex is the corporate arm of PETNET Inc. for buying/selling of USD to be credited to the client's local account in the Philippines.

Multiple Settlement Banks

Competitive Foreign Exchange Rate

Dedicated Account Officers and Foreign Exchange Specialist

Bank Affiliated Foreign Exchange Corporation

Our Digital Channels
Digital Remittance Platform

FROM BRICK & MORTAR TO BRICK & CLICK

Our Digital Channels
Digital Remittance Platform

The PH's 1st single aggregated API platform that allows you to integrate and connect to a network of retail & over-the-counter partners, major PH banks, remittance companies, wallets & fintech partners

Faster, cheaper, safer and more accessible remittances

Providing you a network of dozens of remittance partners in one go!

Our Digital Channels
Digital Remittance Platform

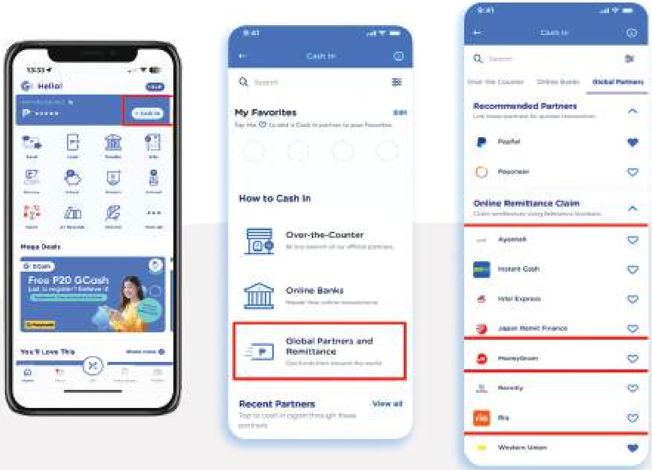
Our Remittance Partners

Western Union · Remitly · ria Money Transfer · UniTeller · JRF · Instant Cash · sendah Remit

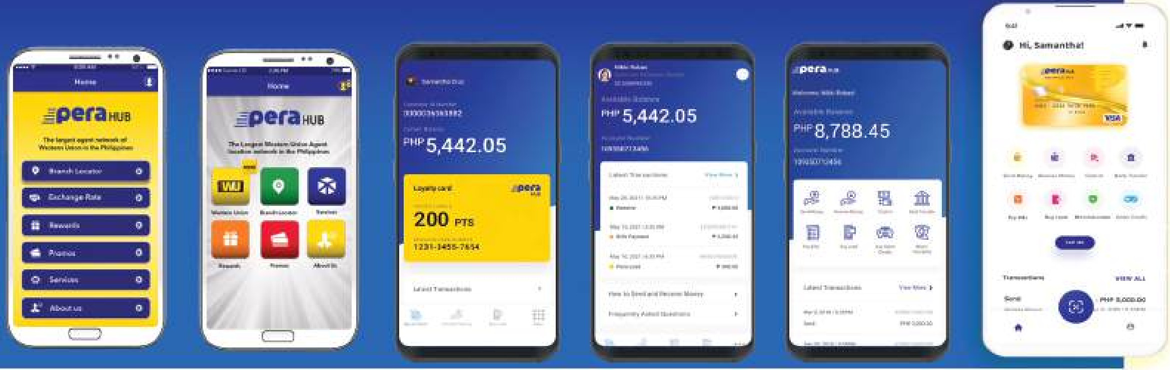
Our Digital Community Partners

GCash · UnionBank · DiskarTech · PalawanPay

Anchor for Growth: GCash Partnership



Our Digital Channels
PERA HUB Mobile App



2017
Information App

2018
Western Union

2019
Loyalty Card
New UI

2020
Bills Payment
Transaction History
New UI

2022
Interbank Fund Transfer
Peer to peer, Cash-In,
Microinsurance

2023

App Features

- **SEND/RECEIVE** Remittances in-app Western Union
- **SEND MONEY** to other banks/ e-wallets via Interbank Fund Transfer (IBFT), or to other PHVC/EON account holders via PERA HUB to PERA HUB Transfer (P2P)
- **BILLS PAYMENT** with over 250 billers
- **BUY LOAD/GAME CREDITS** for any network, or multiple online games/ apps **CASH-IN** at over 15,000 nationwide such as 7-Eleven locations
- **BE PROTECTED** from COVID-19 or Motorcycle Accidents for as low as Php 1.67 /day with **MICROINSURANCE**

eKYC Virtual Card

PERA HUB Mobile App Partners

ecPAY

onfido

ThreatMetrix.

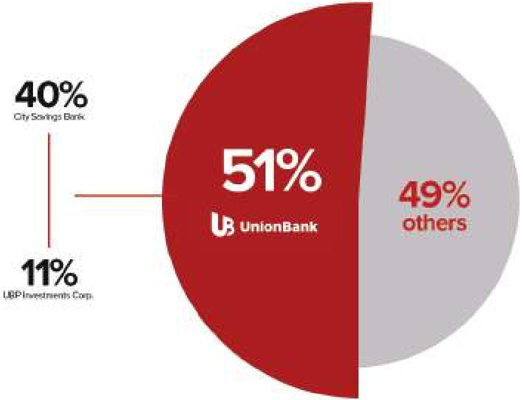
RuralNet

eon UnionBank

UBX

Capital Equity & Ownership

PETNET's major shareholders are City Savings Bank and UBP Investments Corporations with 40% and 11% share, respectively. Both are wholly-owned subsidiaries of Union Bank of the Philippines.



Financial Highlights

Our Total Revenue for 2023 is 10% higher as compared to 2022. Main growth drivers are Loans (32%) and Forex (17%) businesses

***Net Income of P224M (excluding Unrealized FX Gain) grew by 11% from P202M in 2022. We achieved 96% of our Target of P233M.**

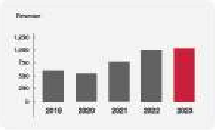
Two Year Financial Highlights

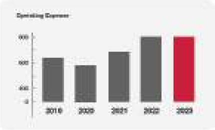
INCOME STATEMENT *(amounts in millions, PHP)*	2023 2022	2022
REVENUE	1,122	995
COST OF SERVICES	367	345
GROSS PROFIT	755	650
OTHER OPERATING INCOME	9	37
TOTAL INCOME	764	687
OTHER OPERATING EXPENSES	414	348
OPERATING INCOME	350	339
FINANCE COSTS - NET	47	21
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE	303	318
SHARE IN NET LOSS OF AN ASSOCIATE	-	(0.3)
INCOME BEFORE INCOME TAX	303	318
PROVISION INCOME TAX	77	81
NET INCOME	226	237

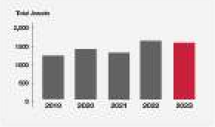
*The Net Income includes Unrealized FX Gain amounting to P2M and P35M in 2023 and 2022, respectively.

BALANCE SHEET *(amounts in millions, PHP)*	2023	2022
Cash and cash equivalents	765	907
Trade and other receivables	604	510
Other current assets	84	78
Current Assets	1,453	1,495
PPE and Intangibles	76	63
Other noncurrent assets	66	69
Noncurrent Assets	142	132
TOTAL ASSETS	1,595	1,627
Trade and other payables	374	360
Other current liabilities	39	58
Current Liabilities	413	418
Noncurrent Liabilities	30	33
TOTAL LIABILITIES	443	451
TOTAL EQUITY	1,152	1,176

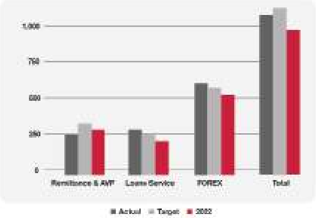
Five Year Financial Highlights







2023 Actual Performance Versus Target and 2022



Operational Highlights

Remittance

8% down in revenue vs. 2022 and 18% behind target
12% down in transactions vs. 2022 and 17% behind target

Added Value Products

13% down in revenue vs. 2022 and 31% behind target

- 8% growth in GCash CICO
- $BB is also down by 21% y-o-y due to dependencies on declining WU volume
- Bills payment is also being disrupted
- SMJ Pawnshop, our largest Pera Hub Remit Partner (PRP) contributor in terms of AVPs, was acquired by Palawan Pawnshop

Loans

Optimized Loan Ranger Utilization
- 82 FSAs in December used Loan Ranger or
- 62% utilization
- 12,813 Transactions 319% better over LY's 3,067

Loans Service Fee grew from P211M in 2022 to P278M in 2023 (32% increase)

Revenue
- 109% attainment 278 M vs 254 M
- 31% growth vs LY same period's 211.8 M

Loan Amount
- 113% attainment or 17.6 B vs 15.6 B target
- 39% vs growth vs LY's 12.7 B, same period

TXNs at 67,846 or 99% attainment vs 59,421 target
23% better vs LY same period's 46,947

FOREX

Revenue ended on a high side at 648M vs 2023 target of 619M, this delivers a 29M excess at 105% target achievement and 17% growth against 2022;

Traded volume for the year is at 4.56B, though only at 86% target achievement, this is 7% higher against the volume delivered in 2022;

Profit Margin remains up at 0.139 against the target of 0.115 accounting for the excess in revenue despite the low volume achievement. This is also 8% above 2022's margin.

Digital Business

PERA HUB was recognized by the Asian Banking and Finance Retail Banking Awards with the Fintech Digital Innovation of the Year – Philippines award for its digital efforts to make more financial services accessible to many Filipinos nationwide through the Digital Remittance Platform and Mobile App.

Awards & Recognition

Key Partnership / Launches

GCash
88M

PalawanPay
15M

Strategic Objective:

To be the preferred partner for the distribution of financial and non-financial solutions and other offerings by leveraging data driven insights and a strong nationwide network in both physical and digital touch points.

Likewise, we aim to put a premium on customer experience (CX) combined with a holistic approach to employee experience (EX) & welfare to drive business growth and expansion.

Key Strategies

- Transform From a Traditional Brick And Mortar to a Dynamic Brick and Click Network by integrating our Digital Remittance Platform to relevant wallets and digital communities and by continuing to convert our branch customers to our Mobile App
- Further Strengthen our Loans Business as an Authorized Service Provider of CSB and grow the substantial contribution of PETNET (18% of CSB's total loan releases) to the overall lending operations of CSB
- Intensify our Forex Business through Loyalty and Engagement, Strategic Expansion, and Digital Innovation

Challenges, opportunities, and responses during the year

In a fast-paced business world disrupted by advancing technologies, PETNET saw a profound change in the way people are integrating technology with their lives, especially with remittances and payments. The company also faces the challenge of preserving the performance of its counter business given the decline in remittance transactions, which can be attributed to the emergence of digital channels for remittances, leading customers to send or receive from their loved ones digitally.

In response to these challenges and opportunities, PETNET saw the need to leverage digital solutions in order to properly adapt to the needs of its customers. The company is currently in the process of transitioning from a brick-and-mortar to brick-and-click business through its digital channels, the PERA HUB Mobile App and the PERA HUB Digital Remittance Platform.

Financial Results of Business Segments

PETNET, Inc.'s total revenue for 2022 is 33% higher compared to 2021. The main growth drivers of revenue are the Forex (61%) and Loans (21%) businesses.

The company's net income of P237M grew by 117% from P109M in 2021, surpassing its target of 170M by 39%. The contribution to net income of the 3 main business units are the following:
Forex: 74%
Loans: 25%
Remittance & Added Value Products: 1%

Despite a slowdown in the contribution of remittance & AVP to revenue and net income, the Forex and Loans businesses drove PETNET to surpass its income targets for 2022.

Plans and Strategies
Remittance & Added Value Products

PERA HUB: The Remittance Partner of Filipinos for 25 Years

Remittances are the lifeline of the Filipino economy. Through the years, PERA HUB has been an integral part of this journey, helping Filipinos by offering relevant remittance and financial services through its over 3,000 company-owned and partner locations nationwide.

With the ever-changing needs of Filipinos to make transactions easier and more convenient, PERA HUB has diversified its portfolio of products and services by growing partnerships that are relevant to our customer segments. These include bills payment, cash-in and cash-out, micro-insurance, and loans, among others. Today, PERA HUB is not just a remittance service provider. We are an all-in-one hub for everyone's cash-related transactions - anytime, anywhere, always.

Building partnerships, expanding the network
Initially established in 1998 to exclusively grow the retail network of Western Union (WU) in the Philippines, PERA HUB continuously grows its remittance business by forging partnerships with different networks that began with 5 business partners in 2020 to 40 this year. These partnerships enabled our business to reach a wider range of customers by activating big ticket corridors including the USA, Canada, and the Middle East.

Given the rigid competition in the market, , PERA HUB rationalized its company-owned branches and expanded its PERA HUB Remit Partner (PRP) channel by onboarding new PRP Entities. The PRPs greatly augmented the expansion of our network in key strategic areas nationwide, thus catering to localized customer segments. This massive activation focuses on all PRP locations and has ensured transactions through PRP engagement activities like location visits, continuous training and enablement of frontliners, awareness drives, recognition programs, and promos. This initiative was developed to make our services more accessible, reaching a broader segment of our customers across different regions nationwide.

Embracing the digital space
In a digitally-led service environment, PERA HUB saw the opportunity to expand its presence outside the counters. With our efforts to make our services more accessible, our customers can now enjoy a seamless brick-and-click experience with our digital products and channels.

PERA HUB is currently present in the digital space with its PERA HUB Mobile App and the PERA HUB Digital Remittance Platform (DRP), which was launched in 2019. The DRP is the first aggregated, single Application Programming Interface (API) platform in the region that allows different businesses to integrate and connect to a network of retail and over-the-counter partners, major Philippine banks, remittance companies, digital wallets, and other emerging fintech. In 2022, the DRP was recognized by Asian Business Review's Asian Technology Excellence Awards and has received the Philippines Technology Excellence Award for Fintech–Remittance.

PERA HUB has grown from simply being just a traditional brick-and-mortar remittance company, to an innovative brick-and-click provider. PERA HUB also continues to build its credibility as one of the country's foremost urgent transaction centers through its sister brand, PETNET Forex Solutions which offers B2B forex trading solutions and global wire transfer services.

In our 25 years of existence as a business, our commitment is to continuously be customer-led in innovating our products and services. This means being present where our customers are - no matter what channel it may be. This enables us to fulfill our purpose in nation-building as we empower and uplift Filipinos by providing access and choices for financial inclusion.

Bida Ka Sa PERA HUB: A Customer-led Marketing And Brand Initiative

PERA HUB, the retail network of PETNET, provides customers with a comprehensive scope of reliable remittance and financial services in one location. For many years, PERA HUB has positioned itself as a convenient and reliable remittance and cash services provider to many Filipinos. While we recognize this brand identity as accurate, we acknowledge that our key differentiator does not solely rely on our product benefits. Our DNA has to be more personal, making our customers the focal dimension of our brand architecture. With an ever-evolving customer landscape, we recognize the need to keep up from being a product-focused to a customer-led brand.

From 'Basta Pera, Tiwala Ka' to 'Bida ka sa PERA HUB'

In designing the new brand architecture for PERA HUB, we conducted extensive market research including a series of focus group discussions to further explore our customers' attitude, perception, and behavior toward remittances. This allowed us to determine the attributes and functions they are looking for in remittance providers; to know their usual customer journey experience; and their overall perception of PERA HUB as a brand. This helped us identify whether their emotional and functional needs are being met through their experiences with different remittance providers.

The market research revealed that providing a uniquely satisfying customer experience is what makes PERA HUB stand out among its competitors. Customer experience is among the top emotional needs that customers look for in a provider. Given this significant finding, PERA HUB leveraged on customer experience to develop our new brand positioning, verbal battlecry, and unique selling proposition.

From 'Basta Pera, Tiwala Ka', meaning our customers can trust us with their financial transactions, PERA HUB now uses 'Bida ka sa PERA HUB' as its verbal battlecry. This means our customers are the star, our VIPs, and our priority. This battlecry emphasizes how PERA HUB makes its customers feel "special and important" by providing them world-class and affordable products and services. As a one-stop location for urgent transactions, PERA HUB offers a complete suite of financial services delivered through warm, friendly, and efficient customer service.

The Bida Ka Experience

Today, PERA HUB embodies the 'Bida Ka' experience across the brand with excellent customer service as its top priority. Prior to implementing this experience, in 2022, PERA HUB conducted a series of training sessions for all tellers in our 200 locations so they can provide friendly, approachable, and professional customer service at all times. This also entails the availability of 24/7 customer service, enhancements in processes, and improvements in response and resolution turnaround time.

The new branding is also executed in key visuals in PERA HUB's counters, social media pages and website. Through focus group discussions, we tested different concepts and showed respondents which key visuals evoked more positive reactions or feelings of being "bida". Considering the results, we strategically used the "Bida Ka" message and applied elements of positivity to make a more appealing concept.

Aside from customer service, we ensured that our PERA HUB Remit Partners (PRPs) will also have the "bida ka experience" by conducting an annual PRP Summit to introduce new revenue streams that we can offer such as new remittance brands, cash-in & cash out services, bills payments, and Lazada drop-off points service.

We also initiated a network transformation which grew the number of our Business Development Officers from 10 in 2021 to 46 in 2022, to ensure that all PRP locations are visited, supported and updated with the new improvements in our products and services. Additionally, we hold an annual recognition program to honor and celebrate their achievements throughout the year. The development of the PRP brand was part of the organization's network transformation to extend our branding to our network in effort to become a household name. In line with this, over 3,000 PRPs now carry the new branding in their merchandise.

The Bida ka sa PERA HUB as a marketing brand strategy played a key role in strengthening the value that we provide to our customers. Not only do we get to highlight the quality of our products and services, but we also get to focus on the people that we serve. This just proves that being authentic and unapologetically people-centric will always be the way to boost the brand.

Plans and Strategies

Digital Remittance Platform

PERA HUB Digital Remittance Platform powers GCash for digital remittances

PERA HUB, one of the country's leading cash and payment-related transaction centers, partnered with GCash to enable digital remittances for GCash users through the PERA HUB Digital Remittance Platform (DRP).

This partnership allows GCash users to receive domestic and international remittances from their loved ones anytime and anywhere, powered by the PERA HUB DRP.

The platform will enable acceptance from remittance brands, such as RIA Money Transfer, Remitly, Instant Cash, Japan Remit, IntelExpress, and Ayannah. More remittance brands will be onboarded in the digital wallet app in the future.

PERA HUB DRP is an award-winning single aggregated API platform that allows businesses to integrate and connect to a network of retail & over-the-counter partners, major PH banks, remittance companies, wallets & fintech partners.

"It is part of PERA HUB's mission to serve more Filipino communities around the world. Through our remarkable partnership with GCash, we've unlocked the power to serve more customers with our remittance services and help them connect with their families across the globe," PETNET President and CEO Ian Ocampo said.

"Being able to connect with fintech partners like GCash and enabling them to carry faster and more accessible financial services through the PERA HUB Digital Remittance Platform brings us one step closer to driving financial inclusion across the country," PETNET Digital Business Head Bryan Makasiar said.

"Like-minded partners like PERA HUB are essential in our mission of serving Filipinos across the Philippines and wherever they are in the world. This is in line with our vision of achieving 'Finance for All', as we aim to reach more unserved and underserved Filipinos while making sure they stay connected to their families wherever they are," said Ren-Ren Reyes, President and CEO of G-Xchange, Inc. (GXI), the mobile wallet operator of GCash.

PERA HUB, the retail brand of PETNET, has been in the financial services industry for over 25 years, serving Filipinos through its over 3,000 locations nationwide. It continues to build up its services from remittance, loans, and other complimentary services by expanding the availability and accessibility of its products and services through its counters and digital channels to further promote financial inclusion to its customers nationwide.

PERA HUB Wins Digital Innovation of the Year at the Asian Banking & Finance Retail Banking Awards 2023

PERA HUB, the Philippines' foremost consumer financial services center, was recognized by the Asian Banking and Finance Retail Banking Awards with the Fintech Digital Innovation of the Year – Philippines award for its digital efforts to make more financial services accessible to many Filipinos nationwide.

For 25 years, PERA HUB has been bringing relevant remittance and cash-related transaction services to Filipinos through its over 3,000 locations nationwide. With the growing demand for digitized financial services, PERA HUB expanded its reach through the PERA HUB Digital Remittance Platform and PERA HUB Mobile App.

In 2021, PERA HUB introduced its Digital Remittance Platform (DRP), Southeast Asia's single aggregated application programming interface (API) remittance platform that allows businesses to connect to a network of remittance companies; retail and over-the-counter partners; major Philippine banks; wallets; and, fintech.

The PERA HUB DRP was recognized by the Asian Technology Excellence Awards and received the Philippines Technology Excellence Award for Fintech – Remittance in 2022.

This year, the company launched its enhanced PERA HUB Mobile App which aims to enable users to experience a faster and easier way to handle their remittances and other cash-related transactions with the introduction of the PERA HUB Virtual Card, which paves the way for faster digital onboarding.

"At PERA HUB, we see that embracing the innovation of digital financial services guides us toward serving real value to our customers and partner communities. We are grateful to be recognized through our digital efforts as we bridge the gaps in the current remittance landscape with new solutions," PETNET President and CEO Ian T. Ocampo said.

"As an emerging remittance and financial services provider, this recognition is a testament to our efforts and goal to create an impact – not just in the fintech and digital space, but most importantly, to the communities we serve," PETNET Senior Assistant Vice President for Digital Business Bryan Makasiar said.

The Asian Banking and Finance Retail Banking Awards is an annual awards program that recognizes outstanding banks and financial institutions with innovative and retail products, services, and strategies.

PERA HUB continues to build up its foray of services such as remittance services, cash-out transactions, loans, micro-insurance, and other complementary services. It has also been expanding the availability and accessibility of its products and services through its counters and digital channels to further promote financial inclusion to its customers nationwide.

Plans and Strategies
Loans

Empowering Filipino Customers through Financial Inclusion with PERA HUB Loans Services Group

PERA HUB is the country's all-in-one hub – providing simple, easy, and seamless remittance and financial services. It is our priority to make our products and services convenient, affordable, and accessible to our customers by going beyond our traditional brick and mortar practices to ensure that we go the extra mile to reach them - wherever and however the means are.

Aside from remittance and other cash-related transactions, PERA HUB is an authorized outsourced service provider of City Savings Bank, Inc. (CSB), with loan products such as Teachers' Salary (DepEd) Loans, Pensionado Loans, and Government Salary Loans.

The Loans Services Group (LSG) of PERA HUB is one of the focal drivers in boosting accessibility and convenience in loan applications across far-flung areas nationwide. With services covering coast to coast nationwide, PERA HUB's LSG Sales Teams, comprised of over 300 Field Sales Associates (FSAs), travel on toes in the mountains and ride river bamboo rafts just to reach our fellow Filipinos who need access to loan products that may help augment their everyday livelihood. This is a testament to our labor of love for our customers to ensure that financial services are borderless and within their reach.

We also integrate the use of 'Loan Ranger', a device (tablet) extended to us by CSB which our FSAs use to bring customers utmost convenience. This enables faster submission and approval of required documents, KYC approval, and disbursements of loan proceeds through ATMs, making the experience customized to the needs of our customers.

Through the incredible efforts of LSG, we get to empower our kababayans to bear with economic challenges such as the impacts of the pandemic and inflation. As a result, this initiative ultimately provided them additional opportunities to boost their income with the help of our loan products without the laborious effort of traveling to the city.

In PERA HUB, our mission is to build trusted relationships with our customers by empowering them to have universal access to safe, reliable, and quality financial services beyond borders. As we strive towards our purpose of supporting financial inclusion, we commit to bridge the gap between Filipinos and the financial services that they deserve, wherever they are - especially in moments when it truly matters.

Introducing PETNET Forex Solutions

PETNET Forex Solutions is a hub in which businesses like yours can rely and trust. Here, we believe that the proper tools hold the key to better Forex experiences, and so we provide all that is necessary for your business to be able to do what really matters, mainly because you can count on us, a one-stop-hub for all your foreign currency needs—from US Dollar exchange and cross border payments to over 200 countries.

Owned by PETNET Inc. which has an ISO 9001:2015 Quality Management Systems certification, PETNET Forex Solutions is the pioneering Forex provider in the Philippines that thrives on opportunities to define new futures for businesses and everyone involved in them. We are regulated by Bangko Sentral ng Pilipinas and are supervised by the Anti-Money Laundering Council.

We are on a mission to remove any obstacles typically associated with Forex through our two services: PETNET Forex Trading and PETNET Forex Global Business. PETNET Forex Trading focuses on bank-to-bank US Dollar and Philippine Peso conversion/buying-and-selling that will be credited amongst any of the major banks within the Philippines. Meanwhile, PETNET Forex Global Business handles all international outward Telegraphic Transfer Services otherwise known as cross border payments, for over 130 currencies.

Sounds ordinary? Not quite so. Apart from being the country's foremost urgent and innovative Forex transaction center, PETNET Forex Solutions is also more than you would expect from your typical Forex shop because of three pillars, designed to offer businesses a full-service Forex experience:

Specialized Service
At PETNET Forex Solutions, we commit fully to your long-term goals with the help of our highly personalized service that matches your business requirements. Both PETNET Forex and PETNET Global Business adapt their services according to your needs with a dedicated pool of talented and skilled account officers and foreign exchange specialists. They will provide a clear market outlook to help you make sound business decisions and guarantee ownership mentality to make sure your business and every transaction attached to it are all in good hands.

Convenience
We give our clients the flexibility to choose their most preferred bank partner/s from multiple bank options to settle payables—even split payments between any of them! This unique PETNET Forex Solutions approach allows clients to have a level of control and transparency that will yield the best and optimal results.

Savings
Businesses get to save more time and money with PETNET Forex Solutions. We offer competitive foreign exchange rates and allow our corporate clients to get these rates live straight from the market, ensuring maximum value at every stage of the process and the business. We know our clients and our markets, which is why you get the best from start to finish.

PETNET Forex Solutions leverage these three pillars, the breadth of expertise, and the vertically integrated services to deliver exceptional service, results, and experiences. So make a better decision and join the rest of our reputable local and international partners that utilize PETNET Forex Solutions' specialized suite of services. Visit our website at www.petnetforexsolutions.com, email info_forexsolutions@petnet.com.ph, and/or call (02) 7 966-8782 or 0917 529 5629.

PETNET Forex Solutions Opens Satellite Office in Cebu, Target MSMEs in Regional Expansion

PETNET FOREX SOLUTIONS EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER DENNIS CATUBAY AND SENIOR ASSISTANT VICE PRESIDENT DIANA MANGIDUYOS-LIM DURING THE RIBBON CUTTING CEREMONY OF THE NEW SATELLITE OFFICE OF PETNET FOREX SOLUTIONS IN ABOITIZ CORPORATE OFFICE IN CEBU.

PETNET Forex Solutions, a leading B2B forex solutions provider, unveiled its new location in Cebu as part of its regional expansion to service the growing businesses in the region.

With the growing number of industries such as wholesale trade, construction, transportation, storage, and manufacturing in Central Visayas, PETNET Forex Solutions sees the emerging demand of businesses for forex services.

PETNET Forex Solutions aims to serve these industries in the region by providing an all-in-one hub forex solutions that offers efficient and convenient buying and selling of USD and global payments.

The new satellite office located at Aboitiz Corporate Office in Cebu City will expand PETNET Forex Solutions' regional footprint with plans to promote additional auxiliary forex solutions services in the near future.

"We are excited to enter the flourishing business market of Central Visayas. As the fourth largest economy in the country, we see that our presence in the region will be a stepping stone for us to help new and upcoming businesses with their forex requirements," PETNET President and CEO Ian Ocampo said.

"This is a huge milestone for PETNET Forex Solutions. Through this regional expansion, we are able to serve more businesses and offer them reliable and personalized forex services," PETNET Forex Solutions Executive Vice President and General Manager Dennis Catubay.

PETNET Forex Solutions is the corporate arm of PETNET, Inc., that offers efficient and convenient buying and selling of USD and international telegraphic transfers worldwide. It is supervised by the Bangko Sentral ng Pilipinas and the Anti-Money Laundering Council.

Risk Management Framework

Overall risk management culture

PETNET, as a non-bank financial institution, upholds a robust risk culture and philosophy across its diverse business units. With the Board at the helm, we ensure their active participation in supervising and overseeing the institution's risk strategy and policies. We have established independent risk management functions to comprehensively understand, control, and mitigate risks while aligning our risk processes with our business strategies. Our commitment to prudent risk practices ensures the stability, integrity, and long-term success of our organization.

Petnet's Risk Appetite

PETNET's risk appetite is defined as the acceptable level of risk it is willing to undertake to achieve its business objectives across its diverse range of operations. It is important to note that risk appetite cannot be expressed through a single metric, but rather encompasses a variety of dimensions, including regulatory requirements and internal policies. In line with its strategic focus, PETNET maintains a conservative stance toward risks that do not align with its core business units.

PETNET ensures prudent risk management and strategic alignment across its diverse business units, ultimately safeguarding the institution's stability and sustainable growth.

Enterprise Wide Risk Governance and Process

PETNET follows a robust risk management process across its operations. The Three Lines of Defense Model is adopted to ensure effective risk management throughout the organization. The responsibility for identifying risks, establishing processes and systems, ensuring compliance, and implementing controls lie with the respective Business Units (1st line). They play a vital role in recognizing risks associated with their operations and adopting appropriate measures to mitigate them. The effectiveness of controls is evaluated by ERM, Information Security, and Compliance teams (2nd line). Internal Audit (3rd line) ensures the effectiveness of the identified controls through rigorous assessments.

The Board of Directors acts as a central driving force, providing active oversight and fostering transparency with external auditors and regulators. This comprehensive risk management process enables PETNET to proactively mitigate risks, ensuring stability and sustainable growth.

Anti-Money Laundering and Terrorist Financing Prevention governance

The financial services industry, to which the Company belongs, is always at risk of being used by criminals to conceal their illegal activities and the proceeds derived therefrom. As an entity under the supervision and regulation of the Bangko Sentral ng Pilipinas ("BSP") and the Anti-Money Laundering Council ("AMLC"), the Company is under obligation to promote high ethical and professional standards in the conduct of its business, and to ensure that its network shall not be used for money laundering, terrorist financing, and for any other unlawful activity.

In order to promote the said high AML standards and culture, Petnet implements the Board approved Money Laundering and Terrorist Financing Prevention Program Manual containing the latter. Further, it embodies the overarching AML policies, procedures and framework. To ensure its effective implementation, the Board thru its Corporate Governance Committee is in charge of the AML oversight. The Compliance Department as the unit implementor is in charge of monitoring its implementation. The said Department shall report to the Corporate Governance Committee and to the Board the noted breaches to the AML policies, if any.

Corporate Governance

Overall corporate governance structure and practices

The Board of Directors and Management of PETNET, INC. subscribe to the principles and best practices of good corporate governance. They also believe that the same is an essential component of sound strategic management. Adherence to the Revised Corporation Code of the Philippines, Manual of Regulations for Banks and for Non-Bank Financial Institutions, Securities Regulation Code, Revised Code of Corporate Governance, as amended, and other related references, facilitate the attainment of corporate goals.

In view of the above, PETNET hereby adopts this revised Manual on Corporate Governance (the "Manual") to institutionalize the principles of good corporate governance in the entire organization. The Board thru its Corporate Governance Committee shall oversee the implementation and adherence to the principles of the good corporate governance. Compliance Department shall monitor the compliance to the said principles and shall report Petnet's status of compliance with the latter to the Corporate Governance Committee and to the Board.

Selection process for the Board and Senior Management

In accordance with the by-laws, PETNET elects nine (9) directors to be members of the board of directors. It prides itself on its selection and vetting process to ensure that its leadership takes an active role in the company. To ensure effectiveness in carrying out their responsibilities, the Chief Executive Officer, President and other executive directors, shall submit themselves to a low indicative limit on membership in corporate boards. This multiple board seat limit shall also be observed by non-executive directors, who serve as full time executives in other corporations.

The membership of the Board may be a combination of executive and non-executive directors in order to ensure sound, balanced, and unbiased decision-making.

The BOD shall be responsible for the appointment of key members of senior management. The candidates for the senior management positions shall be presented to the Corporate Governance Committee. Hence, vetting and fit and proper test is done by the latter. The Corporate Governance Committee also ensures that the vetting of the directors and officers prior to appointment has been made. Determination of conflicts of interest as well as interlocking positions with other companies are being checked the said Committee.

Board's Overall Responsibility

The board of directors are ultimately responsible for upholding the safety and efficiency of Petnet's operations by ensuring that the board's overall strategies and critical decisions appropriately address the legitimate interests of the relevant stakeholders. The board shall approve and oversee the implementation of strategies to achieve business goals and meet the strategic objectives of the company. It shall also oversee the implementation of the risk governance framework and internal controls.

PETNET's board continuously moves towards restoring safe and efficient service to PETNET and its stakeholders as an effect of 2020's economic conditions. This was achieved by approving strategic objectives and plans that consider long-term business interests, risk tolerance, and stakeholder considerations. The board has reviewed operational policies governing major areas meticulously, including risk management, compliance, and internal control functions, to identify areas of improvement and address significant concerns.

Role of the Chairperson

Being the leader of the board, our Chairman is primarily responsible for the effective implementation of governance arrangements. He also played a crucial role in providing effective leadership to the Board of Directors and has successfully sustained focus on effective strategic matters, risk appetites and governance concerns. He has facilitated a sound decision-making and unbiased process by encouraging critical discussion and ensuring that views of all members may be expressed during board meetings.

Role of the Executive and Non-Executive Directors

PETNET's Executive Directors have effectively lead the company's day-to-day operations by providing hands-on management to ensure the implementation of effective strategic plans and programs set by the board. The non-executive Directors are elected to provide independent opinion and views to the overall strategic plans of the company. They are not part of the day-to-day management operations. They were able to provide independent oversight of Petnet by being the Chairperson of the Audit and Corporate Governance Committees.

Board Qualification

PETNET's board members possess exceptional qualifications. With their extensive professional knowledge and experiences in the finance industry, they are able to navigate PETNET through the complexities of the ever-changing financial industry. Moreover, PETNET has ensured that the members of the board have a comprehensive understanding of financial matters, including accounting principles and risk management, empowers them to evaluate financial performance and make well-informed decisions. They are physically and mentally fit and possess integrity and probity, as our directors play crucial and critical roles in the company. They were able to demonstrate diligence in avoiding conflicts of interest and have prioritized the best interests of the institution by staying updated on regulations and governance standards. They have ensured compliance and have fostered a culture of responsible business practices. Furthermore, their solid reputation and track record and high level of ethical conduct established PETNET's board members as trusted stewards, significantly contributing to the organization's stability, integrity, and overall success.

To also ensure continuing competence, the members of the Board are required to attend the Corporate Governance training annually.

Board Composition

Type of directorship

PETNET's Board of Directors has nine members, allowing for a mix of executive and non-executive directors to prevent any concentration of power in decision-making. The non-executive directors are chosen based on their qualifications and stature to actively contribute to board discussions. The board has exhibited integrity, possess collective skills, relevant work experience, and technical expertise in payment systems and financial markets, including associated risks. It operates with independent oversight of management, ensuring that at least 20% or two (2) members of the Board are independent directors. Currently, the board consists of seven executive directors and two non-executive independent directors:

No	Name	Type of Director
1	Manuel Santiago Jr.	Executive
2	Adrian Alfonso Ocampo	Executive
3	Ramon Vicente Rocas	Independent
4	John Clifford Bala	Independent
5	Beatriz Romulo	Executive
6	John Jonasczak	Executive
7	Rafael Ignacio Montinola	Executive
8	Michael Ashwin Satwani Singh	Executive
9	Manoj Varma	Executive

The Number of Years Served as a Director in PETNET			
No	Name	Effectivity Date	Number of Years Served as Director as of Dec 2023
1	Manuel G. Santiago Jr.	March 23, 2021	2 years
2	John Clifford Bala	October 26, 2022	1 year
3	Michael Ashwin Satwani Singh	April 26, 2023	Less than 1 year
4	Manoj Varma	February 22, 2021	1 year
5	Beatriz B. Romulo	September 13, 2018	4 years
6	Adrian Alfonso T. Ocampo	January 1, 2019	4 years
7	Rafael Ignacio Montinola	February 23, 2022	1 year
8	Ramon Vicente T. Rocas	December 12, 2020	3 years
9	John Jonasczak	April 12, 2022	1 year

Note: [illegible]

Number of shares held		
No	Name	No. of Shares
1	Manuel G. Santiago Jr.	1
2	John Clifford Bala	1
3	Michael Ashwin Satwani Singh	1
4	Manoj Varma	1
5	Beatriz B. Romulo	1
6	Adrian Alfonso T. Ocampo	88,643
7	Rafael Ignacio Montinola	1
8	John Jonasczak	1
9	Ramon Vicente T. Rocas	1

Percentage of Shares Held to Total Outstanding Shares of PETNET		
No	Name	% Share
1	Manuel G. Santiago Jr.	0.00
2	John Clifford Gala	0.00
3	Michael Ashwani Sehwani Singh	0.00
4	Manoj Varma	0.00
5	Beatriz B. Romulo	0.00
6	Adrian Alfonso T. Ocampo	1.84%
7	Rafael Ignacio Montinola	0.00
8	John Januszczak	0.00
9	Ramon Vicente T. Rosas	0.00

List of board-level committees including membership

BOARD LEVEL COMMITTEES 2023	
Executive Committee	
Chairman	Manuel G. Santiago Jr.
Director	Ramon Vicente V. De Vera
Director	Beatriz B. Romulo
Director	Adrian Alfonso T. Ocampo
Director	John Januszczak
Audit Committee	
Chairman	Ramon Vicente T. Rosas
Director	John Clifford M. Gala
Director	Beatriz B. Romulo
Corporate Governance Committee	
Chairman	John Clifford M. Gala
Director	Ramon Vicente T. Rosas
Director	Beatriz B. Romulo
IT Steering Committee	
Chairman	Adrian Alfonso Ocampo
Director	Ramon Vicente T. Rosas
Director	John Clifford Gala
Director	Manoj Varma

Director's attendance at Board and committee meetings

To ensure effective participation, all board members were required to attend regular and special board meetings either in person or through video/teleconferencing, following the rules and regulations set forth by the Securities and Exchange Commission (SEC).

The attendance of members, whether in person or via video/teleconferencing always constituted a quorum for the meeting. The meetings took place on the following dates in 2023: February 22, April 26, June 21, August 30, October 20, and December 13.

Changes in the Board of Directors for the year 2023

Changes in the Board of Directors for the year 2023

Director Ramon Vicente De Vera resigned effective February 22, 2023, and was succeeded by Director Manoj Varma, while Director Edwin Bautista resigned effective April 26, 2023, and was succeeded by Director Michael Ashwani Sehwani Singh.

Performance Assessment Program

The Board Assessment process was conducted to measure the efficiency and effectiveness of the board for the year 2023. It utilized a balanced and objective platform to review the performance of directors' roles and responsibilities in accordance with recognized corporate governance practices and principles set by the Securities and Exchange Commission (SEC) and Union Bank's group-wide governance policies, as applicable. The assessment provided valuable information to the Board, serving as a guiding tool for succession planning, objective setting, and analyzing the achievement of the company's purposes and objectives.

The performance evaluation of the Board was conducted using a Self-Assessment Questionnaire, where directors provided ratings and assessments based on their objective understanding of the evaluation areas. The Likert Scale was used to rate affirmative statements, with categories including "Strongly Agree," "Agree," "Disagree," "Strongly Disagree," and "Undecided."

Each category was assigned a numeric point, with "Strongly Agree" receiving four (4) points and the remaining categories receiving 3, 2, and 1 points, respectively. Directors were encouraged to provide remarks to support their answers.

This assessment was conducted for the performance period January 1, 2023 until December 31, 2023, and the results are to be presented to the Board at its first regular meeting every year. Prior to the Board, the results are presented to the Corporate Governance Committee.

Internal Audit

PETNET's Internal Audit is established to enhance and protect the organization's value by providing objective assurance, and consulting services to the organization. The Internal Audit evaluates and improves the quality and effectiveness of the organization's governance, risk management, and control processes.

The Chief Audit Executive leads the Internal Audit Department, and is reporting functionally to the Audit Committee. The Audit Committee of PETNET is composed of at least 3 (three) non-executive directors, with the majority comprised of independent directors. The committee chairperson cannot hold the position of the board of directors' chairperson or any other board-level committees. Each member of the committee possesses adequate understanding or competence in the company's financial management systems and environment. The Internal Audit's primary role is to monitor and assess the sufficiency and effectiveness of PETNET's' internal control system and shall ensure preparing audit reports and other pertinent documentation to guide the decision-making of the Board of Directors

Compliance function

PETNET's Chief Compliance Officer is appointed by the Board, and reports directly to the Corporate Governance Committee. The Chief Compliance officer's responsibilities include monitoring compliance with the company's policies and regulatory requirements, reporting violations to the Board, recommending disciplinary actions and preventive measures, clarifying matters with regulatory bodies, imposes penalties for violations, issuing annual compliance certifications, identifying and managing compliance risks, initiating policy revisions, providing guidance and training to employees, reporting significant compliance issues to senior management and to the Board, and undergoing performance evaluations by the Corporate Governance Committee. The Compliance role is crucial in ensuring adherence to corporate principles, policies, rules, regulations as well as best industry practices.

Consumer Protection Strategy and Programs

PETNET implemented a Board approved consumer protection program for guidance and adherence to BSP compliant consumer protection policies. The Board also monitors senior management's performance in managing consumer protection activities. As also required by BSP, the Board ensures the implementation of the Consumer Assistance Mechanism (CAM) and enforced reportorial requirements.

The customer experience department developed a comprehensive strategy and provided oversight of PETNET's consumer protection programs. They ensure that they are able to address customer related inquiries and concerns within the ideal turnaround time. They have established a reporting and escalation system covering risk governance framework with regard to customer experience handling.

The Consumer Protection and Risk Management System

PETNET implemented a robust risk management system to address consumer protection risks inherent in its operations. The Consumer Protection and Risk Management System (CPRMS) served as a comprehensive framework for identifying, measuring, monitoring, and controlling these risks, encompassing both financial consumers and PETNET itself. The CPRMS was tailored to PETNET's asset size, operational structure, and complexity, ensuring its alignment with the organization's specific needs.

By closely monitoring the CPRMS, PETNET ensured the adherence to proper rules and regulations, promoting effective risk management and the protection of consumers.

The Consumer Assistance Management system

The Consumer Assistance Management System (CAMS) is a mechanism that records all complaints filed by customers either through Petnet's channels. The said system also monitors the status of the complaints' processing and resolution.

The general process of handling customer complaints is as follows:

The client may lodge his/her complaint through phone via the following contact number: (+632 8737-2482) or via e-mail at customercare@perahub.com.ph. A virtual chat assistant is also available for consumer concerns on the perahub website: www.perahub.com.ph.

After receiving the concerns, the Customer Service Department will pass to the concerned Department the issue for resolution. Resolution of the issues and concerns are tracked by the Customer Service Department. Complaints are reported by Petnet's Customer Service Department to the Corporate Governance Committee as part of the Board oversight on consumer affairs.

PETNET, Inc.

Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report

Building a better
working world

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT

SGV

-3-

Report on the Supplementary Information Required Under Section 134-5 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 134-N of the MORNBFI in Note 28 and Revenue Regulations 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of PETNET, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-158
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Accreditation No. 08-001998-134-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079899, January 5, 2024, Makati City

March 13, 2024

PETNET, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 23)	₱760,041,783	₱806,248,111
Short-term investments (Note 6)	11,586,067	12,216,907
Trade and other receivables (Note 7)	408,114,077	509,879,882
Non-current asset held for sale (Note 12)	35,750,030	35,750,000
Other current assets (Note 8)	56,680,062	32,221,080
	1,492,085,276	1,494,045,975
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 9)	8,814,839	8,814,839
Property and equipment (Note 10)	55,143,000	44,326,475
Intangible assets (Note 11)	22,048,803	9,304,226
Right-of-use assets (Note 25)	21,952,293	22,878,959
Net retirement asset (Note 22)	–	18,979,730
Deferred tax assets (Note 24)	14,768,896	–
Other noncurrent assets (Note 11)	23,138,026	18,808,808
	145,500,116	123,413,607
	₱1,595,605,392	₱1,617,255,517
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	₱375,671,799	₱348,382,538
Contract liability (Note 16)	4,883,242	4,700,283
Lease liabilities (Note 25)	11,198,677	13,992,586
Income tax payable (Note 24)	22,144,496	48,986,258
	413,098,214	417,857,088
Noncurrent Liabilities		
Contract liability, net of current portion (Note 16)	11,539,256	30,357,180
Lease liabilities, net of current portion (Note 25)	13,156,300	18,441,953
Net retirement liability (Note 22)	8,144,349	–
Deferred tax liabilities (Note 24)	–	2,426,665
	34,239,818	51,136,798
	448,138,044	471,858,596
Equity		
Capital stock (Note 19)	282,618,800	282,615,500
Paid-in capital in excess of par value	177,584,863	177,589,163
Retained earnings (Note 19)	166,420,082	236,995,520
Fair value reserves on financial assets at fair value through other comprehensive income (Note 9)	(8,814,833)	(8,814,811)
Remeasurement gains on retirement plan (Note 22)	32,034,494	45,987,622
	1,155,445,348	1,176,365,455
	₱1,595,605,392	₱1,617,255,517

See accompanying Notes to Financial Statements.

PETNET, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
REVENUES (Note 20)	₱1,121,847,833	₱993,218,188
COST OF SERVICES (Note 20)	367,315,984	343,261,485
GROSS PROFIT	754,531,849	649,957,703
OTHER OPERATING INCOME (Note 21)	8,898,345	27,871,582
OTHER OPERATING EXPENSES		
Salaries and wages	148,481,809	130,737,482
Computer network system	55,310,484	22,293,227
Travel and transportation	55,250,515	47,284,713
Depreciation and amortization (Note 23)	28,711,481	23,881,279
Incentive expense	27,997,484	17,136,184
Light and water	15,565,835	15,182,853
Marketing expense	15,491,739	18,781,849
Taxes and licenses	13,435,997	14,224,857
Office rental (Note 25)	9,786,980	9,239,065
Repairs and maintenance	8,844,898	4,789,286
Professional fees	5,375,809	10,511,840
Office supplies	3,868,427	6,340,760
Provision for credit and impairment losses (Note 14)	1,233,208	–
Others (Note 21)	27,515,355	28,188,819
	415,560,875	348,967,571
OPERATING INCOME	350,069,519	338,866,711
FINANCE INCOME (COSTS)		
Interest income (Notes 6 and 25)	1,057,947	1,171,581
Interest expense (Notes 17, 23 and 25)	(48,568,118)	(22,166,198)
	(47,498,047)	(20,994,607)
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE	302,750,372	317,872,146
SHARE IN NET LOSS OF AN ASSOCIATE (Note 12)	–	(242,423)
INCOME BEFORE INCOME TAX	302,750,372	317,629,723
PROVISION FOR INCOME TAX (Note 24)	76,586,422	81,100,826
NET INCOME	226,163,950	236,528,897
OTHER COMPREHENSIVE INCOME (LOSS)		
Not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan (Note 22)	(18,844,371)	8,901,276
Income tax effect	4,711,843	(2,225,509)
	(14,132,528)	6,675,767
TOTAL COMPREHENSIVE INCOME	₱212,030,822	₱243,204,664

See accompanying Notes to Financial Statements.

PETNET, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 19)	Paid-in Capital in Excess of Par Value	Retained Earnings (Note 19)	Fair Value Reserves on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Remeasurement Gains on Retirement Plan (Note 22)	Total Equity
Balances at January 1, 2023	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Issuance of capital stock	[illegible]	[illegible]	–	–	–	–
Net income	–	–	[illegible]	–	–	[illegible]
Other comprehensive income (loss)	–	–	–	–	[illegible]	[illegible]
Total comprehensive income (loss)	–	–	[illegible]	–	[illegible]	[illegible]
Cash dividends paid (Note 19)	–	–	[illegible]	–	–	[illegible]
Balances at December 31, 2023	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Balances at January 1, 2022	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Issuance of capital stock	[illegible]	[illegible]				
Net income	–	–	[illegible]	–	–	[illegible]
Other comprehensive income	–	–	–	–	[illegible]	[illegible]
Total comprehensive income	–	–	[illegible]	–	[illegible]	[illegible]
Cash dividends paid (Note 19)	–	–	[illegible]	–	–	[illegible]
Balances at December 31, 2022	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

See accompanying Notes to Financial Statements.

PETNET, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	[illegible]	[illegible]
Adjustments for:		
Interest expense (Notes 17, 23 and 25)	[illegible]	[illegible]
Depreciation and amortization (Notes 11 and 23)	[illegible]	[illegible]
Retirement expense (Note 22)	[illegible]	[illegible]
Unrealized foreign exchange gain (Note 21)	[illegible]	[illegible]
Provision for credit and impairment losses (Note 14)	[illegible]	–
Interest income (Notes 6 and 25)	[illegible]	[illegible]
Gain on sale of property and equipment (Note 21)	[illegible]	[illegible]
Loss on pre-termination of lease contracts (Note 21)	[illegible]	–
Share in net loss of an associate (Note 12)	–	[illegible]
Operating income before changes in operating assets and liabilities	[illegible]	[illegible]
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables	[illegible]	[illegible]
Other current assets	[illegible]	[illegible]
Other non-current assets	[illegible]	[illegible]
Increase (decrease) in:		
Trade and other payables	[illegible]	[illegible]
Contract liability	[illegible]	[illegible]
Net cash provided by operations	[illegible]	[illegible]
Income taxes paid	[illegible]	[illegible]
Interest paid	[illegible]	[illegible]
Interest received	[illegible]	[illegible]
Net cash provided by operating activities	[illegible]	[illegible]
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 10)	[illegible]	[illegible]
Acquisitions of intangible assets (Note 11)	[illegible]	–
Proceeds from sale/disposal of property and equipment	[illegible]	[illegible]
Placements of short-term investments	[illegible]	–
Additional investment in an associate (Note 12)	–	[illegible]
Proceeds from settlement of short-term investments	–	[illegible]
Net cash used in investing activities	[illegible]	[illegible]
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	[illegible]	[illegible]
Settlement of loans	[illegible]	[illegible]
Cash dividends paid (Note 19)	[illegible]	[illegible]
Payment of principal portion of lease liabilities (Note 25)	[illegible]	[illegible]
Net cash used in financing activities	[illegible]	[illegible]
EFFECT OF FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	[illegible]	[illegible]
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	[illegible]	[illegible]
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	[illegible]	[illegible]
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	[illegible]	[illegible]

See accompanying Notes to Financial Statements.

PETNET, INC.
NOTES TO FINANCIAL STATEMENTS

1. General Information

PETNET, Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 12, 1998.

Its primary purpose is to engage in the business of remittance, transferring or transmitting money on behalf of any person to another person and/or entity, and in relation thereto, act as money changer/foreign exchange dealer or engage in the business of buying and/or selling foreign currencies, and manage, buy, sell, lease, own, and operate all types of merchandise, equipment, facilities and/or services, and engage in such other businesses, as may be necessary to accomplish the purpose for which the Company has been established, in accordance with laws and prevailing Bangko Sentral ng Pilipinas (BSP) rules and regulations. Provided, that the foreign exchange currency transactions of the Company shall be limited to ordinary money changing activity or "spot" foreign currency transactions. Provided further, that the Company shall not engage in the business of being a commodity merger, broker or otherwise engage in financial derivatives activities such as foreign currency swaps, forwards, options or other similar instruments as defined under BSP Circular No. 102, Series of 1995.

As of December 31, 2023 and 2022, the Company has a total company-owned branches of [illegible] and [illegible], respectively.

As of December 31, 2023 and 2022, the Company is [illegible] owned by Union Bank of the Philippines (UBP or the Parent Company) through its subsidiaries, City Savings Bank, Inc. (CSB) and UBP Investment Corporation (UIC), with [illegible] and [illegible] ownership interests in the Company.

The Company's registered address and principal place of business is at East Offices Building, 114 Aguirre Street, Legaspi Village, Makati City.

Authorization for Issuance of the Financial Statements
The accompanying financial statements were approved and authorized for issue by the Company's Board of Directors (BOD) on March [illegible], 2024.

2. Material Accounting Policy Information

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis except for equity investments which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is the Company's functional currency. All amounts are rounded to the nearest Peso unless otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.
Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted, to implement the Pillar Two Model Rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

Material Accounting Policy Information

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly
- Level 3 - inputs are unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign Currency Translation
Transactions and balances
Foreign currency-denominated monetary assets and liabilities are translated at closing rate prevailing at the reporting date while foreign currency-denominated income and expenses are translated using the weighted average rate for the year. Foreign exchange gains or losses arising from foreign currency transactions and revaluation of foreign currency-denominated assets and liabilities are credited to or charged against profit or loss in the year in which the rates change.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments include short-term cash placements that are convertible to known amounts of cash with original maturities of more than three months.

Financial Instruments - Initial Recognition
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVTPL), the initial measurement of financial assets and liabilities includes transaction costs.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification and Subsequent Measurement of Financial Instruments
Classifications of financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing financial assets. The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and financial assets measured at amortized cost (AC).

Contractual cash flows characteristics
The Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model
The Company's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its group of financial assets in order to generate cash flows (i.e., collecting contractual cash flows, selling financial assets or both).

Relevant factors considered by the Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel. The Company also considers the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed and how managers, if any, of the business are compensated.

As of December 31, 2023 and 2022, based on the results of the contractual cash flows characteristic and business model assessment, the Company classified its debt financial assets at amortized cost.

Financial assets at amortized cost
A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the profit or loss and is calculated by applying the EIR to the gross carrying amount of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' under 'Other expenses' in profit or loss. The Company's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Short-term investments', 'Trade and other receivables' and 'Rental deposits'.

Financial assets at fair value through other comprehensive income (FVOCI)
The Company may make an irrevocable election to measure at FVOCI on initial recognition with investments in equity instruments that are not held for trading. Amounts recognized in other comprehensive income (OCI) are not subsequently transferred to profit or loss. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

As of December 31, 2023 and 2022, the Company has designated its investment in unquoted equity as financial assets at FVOCI.

Reclassifications of financial instruments
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated.

Financial liabilities at amortized cost
Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities at amortized cost which include "Trade and other payables" and "Loans payable", where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Impairment of Financial Assets
PFRS 9 requires the Company to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

Definition of "default"
The Company defines a financial instrument as in default in all cases when the counterparty becomes over 90 days past due on its contractual payments. As a part of the qualitative assessment of whether a counterparty is in default, the Company also considers a variety of instances that may indicate objective evidence of impairment, such as significant problems in the operations of the customers and bankruptcy of the counterparties.

Significant increase in credit risk (SICR)
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's aging information, the counterparty becomes past due for over 30 days. Further, the Company assumes that the credit risk of a financial asset, particularly on cash and equivalents and short-term investments, has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial asset is considered "low credit risk" when it has an external rating equivalent to "investment grade".

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

Staging assessment
For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Company recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

ECL parameters and methodologies
For financial assets such as "Trade receivables", the Company applied the simplified approach in calculating the ECL which does not require tracking of changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL as of the reporting date. The Company determines impairment using a provision matrix that considers historical experience, adjusted for forward-looking inputs and assumptions. For 'Cash and cash equivalents', 'Short-term investments' and other financial assets, the Company applied the general approach in measuring ECL that considers assessment of significant increase in credit risk and adjustments for forward-looking information.

Forward-looking information
A range of economic overlays are considered, and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation.

Write-off
Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to 'Provision for credit and impairment losses' in profit or loss.

Offsetting Financial Instruments

Property and Equipment

Transportation equipment	5 years
Furniture, fixtures and equipment	3 years
Leasehold improvements	3 years or the term of the related lease, whichever is shorter
Building	25 years

Intangible Assets

Investment in an Associate

Non-current Asset Held for Sale

Leases

Office premises	2 to 5 years
Transportation equipment	5 years

Impairment of Non-financial Assets

Income Taxes
Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Provision for income tax is recognized in profit or loss.

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the statement of financial position date.

Deferred tax
Deferred tax is provided or recognized in full using the balance sheet - liability method on all temporary differences 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. Deferred tax asset is recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in profit or loss.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
The input VAT pertains to the 12.00% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of goods or services.

Output VAT pertains to the 12.00% tax due on the local sale of goods or services by the Company. If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Trade and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current assets" account.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

An onerous contract is a contract under which an unavoidable cost (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. If the Company has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end event that provide additional information about the Company's position at the reporting date (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PAS 21, *Lack of Exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRSs requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. Future events may occur which will cause the judgments and estimates used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Determining the timing of satisfaction of performance obligations and measurement of progress.* Assessing when the Company satisfies a performance obligation, i.e. transfer control of a promised good or service to the customer, over time or point in time involves significant judgment. Accordingly, it affects the timing of revenue recognition for those performance obligations.

  Based on management's assessment, performance obligations related to remittance services and services under the Company's added-value products (except for retail sale of electronic load) are series of distinct services that are satisfied over time. As the Company renders the services, the customers simultaneously receive and consume the benefits provided by the Company's performance of these services.

  In measuring the revenue to be recognized over time, management assessed that output method faithfully depicts the Company's performance in transferring control of the services to the customers. Since the Company bills a fixed price per transaction with the customers upon satisfaction of the performance obligations, management believes that this right to consideration from a customer corresponds directly with the value to the customer of the Company's performance completed to date. Accordingly, the Company has applied the "right to invoice" practical expedient in measuring the revenue recognized over time.

With respect to the non-refundable bonus received from Western Union, the measure of progress is based on the actual remittance transactions processed to date as a percentage of the total reasonably estimated remittance transactions to be processed over the contract period. This method of measuring progress faithfully depicts the transfer of remittance services to Western Union, as the agreed commission rates with Western Union are pegged on the volume of its transactions.

With respect to the performance obligations related to processing of teachers, pension and government loans, the Company assessed that control is transferred when the customer accepted the asset (i.e., TSIB approved the loan application) and the Company has the present right to payment for the asset.

(b) *Functional currency*
PAS 21, The Effects of Changes in Foreign Exchange Rates, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity.

The Company determined that its functional currency is in Philippine Peso and it is based on the economic substance of underlying circumstances relevant to the Company. The Company's performance is being evaluated in Philippine Peso and U.S. Dollars. In the existence of mixed indicators of functional currency, the Company considers the following:

- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) *Revenue recognition of non-refundable bonus*
The Company received from Western Union a non-refundable bonus representing advance payment as consideration of the Company continuing to offer money transfer services in the Philippines over a contract period. In recognizing revenue, the Company uses the output method based on the actual remittance transactions processed to date as a percentage of the total reasonably estimated remittance transactions to be processed over the contract period. The Company quantitatively and qualitatively considers information about historical experience, industry outlook and specified business plans in estimating the total remittance transactions over the contract period.

The details of the recognized revenue and the carrying value of the deferred portion of the bonus, presented under "Contract liability" are disclosed in Note 16.

(b) *Estimation of retirement benefits*
The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future increases in salary consider inflation, seniority, promotion and other relevant factors, such as supply and demand in the Philippine employment market.

The details of the assumptions used and the carrying value of the net retirement asset/liability as of December 31, 2023 and 2022 are disclosed in Note 22.

4. Fair Value Measurement

The Company uses the following hierarchy in determining and disclosing the fair value of financial and non-financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following describes the methodologies and assumptions used to determine the fair values of financial and non-financial instruments.

Cash and cash equivalents, short-term investments, trade and other receivables, trade and other payables, and loans payable
As of December 31, 2023, and 2022, the carrying amounts approximate fair values due to the relatively short-term maturities of these financial assets and liabilities.

Unquoted equity securities and rental deposits
As of December 31, 2023 and 2022, management assessed that the carrying amount of the investment approximates its fair value.

In 2023 and 2022, there were no transfers made between levels in the fair value hierarchy.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, short-term investments, trade and other receivables, investment in unquoted equity securities, rental deposits, trade and other payables and loans payable.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk. The Company's management reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the financial asset.

Maximum exposure to credit risk and collaterals and other credit enhancements
The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments and trade and other receivables. The Company accredits only recognized and credit worthy sub-agents. It is the Company's policy to subject all sub-agents to credit verification procedures. Generally, the Company continuously monitors the financial health and status of its counterparties to ascertain that receivables from these counterparties will be substantially collected on due date. Credit risk on receivables is monitored on an ongoing basis.

The maximum exposure to credit risks equals the carrying values of financial assets. The Company has no collaterals held and other credit enhancements.

Risk concentration of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

As of December 31, 2023 and 2022, the Company's risk concentration by industry, based on their carrying values is shown below:

	2023	2022
Concentration by Industry		
Financial institutions*	₱1,288,123,934	₱1,214,678,266
Real estate	9,784,189	18,836,924
Others**	99,695,878	73,411,321
	1,316,903,836	1,296,331,738
Less: Allowance for credit losses (Note 11)	5,119,865	4,417,738
	₱1,311,223,281	₱1,291,913,000

* Financial services counterparties are banks and non-bank institutions composed of Western Union, partner banks, insurance, pawnshops, financial service brokers, rural banks and CSP
** Others consisted of aggregated payables from non-financial service providers

Credit quality per class of financial assets
The Company classifies the credit quality of its financial assets as current performing, past due but not impaired and non-performing/impaired, described as follows:

Current performing - these are financial assets which have no missed payments and the counterparty has the apparent ability to satisfy its obligation.

Past due but not impaired - these are financial assets that have missed/late payments but are assessed to be collectible.

Non-performing/Impaired - financial assets for which the Company determines that it is probable that it will not be able to collect portion of the principal and interest due based on the contractual terms of the receivables.

The table below shows the credit quality of the Company's financial assets based on the stage classification as of December 31, 2023 and 2022. The amounts presented are gross of impairment allowances.

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Cash in banks, cash equivalents and short-term investments				
Current performing	₱688,238,699	₱–	₱–	₱688,238,699
Past due but not impaired	–	–	–	–
Non-performing/Impaired	–	–	–	–
	688,238,699	–	–	688,238,699
Trade and other receivables and rental deposits*				
Current performing	622,098,589	–	–	622,098,589
Past due but not impaired	54,663	–	–	54,663
Non-performing/Impaired	–	–	5,739,865	5,739,865
	622,404,252	–	5,739,865	628,724,117
	₱1,310,642,951	₱–	₱5,739,865	₱1,316,962,816

* These exclude advances from counterparties and advances to officers and employees and other receivables amounting to ₱[illegible] million.

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Cash in banks, cash equivalents and short-term investments				
Current performing	₱766,372,515	₱–	₱–	₱766,372,515
Past due but not impaired	–	–	–	–
Non-performing/Impaired	–	–	–	–
	766,372,515	–	–	766,372,515
Trade and other receivables and rental deposits*				
Current performing	523,598,075	–	–	523,598,075
Past due but not impaired	–	–	–	–
Non-performing/Impaired	–	–	4,987,766	4,987,766
	523,598,075	–	4,987,766	528,585,841
	₱1,289,970,590	₱–	₱4,987,766	₱1,294,958,356

* These exclude advances from counterparties and advances to officers and employees and other receivables amounting to ₱[illegible] million.

There are no movements or transfers among the stage classifications in 2023 and 2022.

The Company uses the simplified approach in measuring the lifetime ECL for trade receivables. The ECL is measured using historical experience based on days past due, adjusted for the current conditions and forecasts of future economic conditions. As of December 31, 2023 and 2022, the Company's trade receivables are all current and the impact of any forward-looking information is not significant. The Company assessed that ECL for trade receivable is not material.

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligations.

The Company maintains sufficient cash to meet operating capital requirements. The Company aims to maintain flexibility in funding by carefully monitoring scheduled payments of its liabilities and the efficient collection of receivables, as well as cash outflows due in day-to-day business.

The table below shows the maturity profile of the Company's financial assets and financial liabilities based on the remaining contractual undiscounted payments:

	On Demand	Up to 3 Months	More than 3 Months	[illegible]	[illegible]	[illegible]	Total
2023							
Financial Assets							
Cash and cash equivalents*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Short-term investments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade and other receivables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Advances to officers and employees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity investment at FVOCI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Financial Liabilities							
Trade and other payables**	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lease liabilities*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* [illegible]
** Excluding statutory liabilities amounting to ₱[illegible] million.

	On Demand	Up to 3 Months	More than 3 Months	[illegible]	[illegible]	[illegible]	Total
2022							
Financial Assets							
Cash and cash equivalents*	[illegible]	₱–	[illegible]	₱–	₱–	₱–	[illegible]
Short-term investments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade and other receivables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Advances to officers and employees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity investment at FVOCI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Financial Liabilities							
Trade and other payables**	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lease liabilities*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* [illegible]
** Excluding statutory liabilities amounting to ₱[illegible] million.

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity risk. In particular, the Company's financial instruments affected by market risk due to foreign exchange fluctuations are the cash and cash equivalents, trade and other receivables, trade and other payables and leases payable.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company follows a prudent policy in managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. As of December 31, 2023 and 2022, the Company's financial assets and financial liabilities are primarily short-term in nature and are non-floating rate hence, the Company is not subject to significant interest rate risk.

Equity price risk
Equity price risk is the risk that the Company will incur economic losses due to adverse changes in a particular stock or stock index. As of December 31, 2023 and 2022, the Company has no equity instruments that are subject to equity price risk.

Foreign currency risk
The Company's foreign currency exchange risk results from movements of the Philippine Peso (PHP) against the United States dollar (USD) of its financial assets and liabilities. To mitigate the Company's exposure, US dollar cash flows are monitored.

The following table summarizes the Company's exposure to foreign exchange risk as of December 31, 2023 and 2022:

	2023 USD	2023 Equivalents in PHP
Financial assets		
Cash and cash equivalents	$3,346,381	₱185,284,653
Trade and other receivables	471,806	26,126,317
	3,818,187	211,410,969
Financial liabilities		
Trade and other payables	5,274,889	292,078,626
	($1,456,702)	(₱80,667,656)

	2022 USD	2022 Equivalents in PHP
Financial assets		
Cash and cash equivalents	$3,711,698	₱118,455,718
Trade and other receivables	336,698	18,772,642
	4,048,396	137,228,120
Financial liabilities		
Trade and other payables	5,622,659	313,408,016
	$425,761	₱23,718,182

The table below sets forth the impact of the range of reasonably possible changes in the USD to Philippine Peso exchange rate on the Company's income before income tax for the years ended December 31, 2023 and 2022.

	2023		2022	
	USD appreciates (depreciates) by			
	5%	(5%)	5%	(5%)
Effect on income before tax	(₱4,033,083)	₱4,033,083	₱1,150,511	(₱1,150,513)

The exchange rates used to revalue the Company's USD denominated monetary assets and liabilities is ₱55.37: $1.00 and ₱55.76: $1.00 as of December 31, 2023 and 2022, respectively.

There is no impact on the Company's total comprehensive income other than those already affecting the income before income tax.

6. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

	2023	2022
Revolving and petty cash funds	₱89,033,349	₱111,413,373
Cash in banks (Note 23)	679,358,109	757,211,128
Cash equivalents	654,313	393,652
	₱765,043,781	₱906,348,151

Revolving and petty cash funds are maintained in the company-owned locations which are used in their money transfer and other services.

Cash in banks represent savings and current deposit accounts with various local banks. The savings deposits bear interest ranging from 0.25% to 0.50% per annum in 2023 and 2022.

Cash equivalents represent time deposits with maturities of up to three (3) months depending on the immediate cash requirements of the Company, and earn annual interest rates ranging from 0.15% to 2.00% in 2023 and 0.75% to 2.00% in 2022.

Short-term Investments
Short-term investments represent time deposits with maturities of more than three (3) months, and earn interest at 0.15% to 5.00% per annum. The carrying amounts of short-term investments amounted to ₱12.39 million and ₱12.16 million as of December 31, 2023 and 2022, respectively.

Interest income earned on cash and cash equivalents and short-term investments totaled ₱1.16 million and ₱1.17 million in 2023 and 2022, respectively.

7. Trade and Other Receivables

This account consists of:

	2023	2022
Trade receivables	₱318,343,063	₱409,193,056
Receivables from related parties (Note 23)	102,056,269	36,909,747
Advances to officers and employees (Note 23)	4,381,336	3,098,084
Others	67,618,377	63,250,428
	489,339,421	511,547,803
Less allowance for credit losses (Note 14)	6,709,064	4,142,761
	₱485,418,937	₱505,979,082

Trade receivables represent claims from Western Union for its inbound and outbound replenishments and amounts due from sub-agents representing the excess money for outbound services due to the Company against the inbound replenishments due to the sub-agents and cash advances to sub-agents.

Receivables from related parties include primarily amounts due from CSB for the commissions earned for being CSB's cashiers, pension, government loans, and other loan application channels (Note 23).

Others include receivables from various financial institutions related to the transactions processed by the Company as part of its added-value products, such as e-wallet, cash credits and payment processing, and receivable from one of its major sub-agents. It also includes insurance companies, Social Security System (SSS) and Health Maintenance Organization (HMO).

8. Other Current Assets

This account consists of:

	2023	2022
Input VAT	₱55,445,364	₱55,843,164
Prepaid expenses	33,179,272	26,809,927
Office supplies	3,758,467	1,765,140
Inventories	1,842,321	2,890,208
	93,145,325	86,308,244
Less allowance for impairment losses (Note 14)	55,445,364	55,843,164
	₱36,500,961	₱30,515,080

Input VAT primarily relates to several applications filed by the Company with the Bureau of Internal Revenue for tax refunds and conversion to tax credit certificates. As of December 31, 2023 and 2022, these input VAT claims are fully provided with impairment allowance.

Prepaid expenses include payments made on advance for rent on short-term lease arrangements, prepaid employee benefits and miscellaneous prepayments.

Office supplies represent those unused forms, brochures, stationeries, and miscellaneous office supplies.

Inventories represent the cost of remaining electronic load and prepaid cards at year-end. As of December 31, 2023 and 2022, inventories are carried at cost.

9. Financial Assets at Fair Value through Other Comprehensive Income

Investment in unquoted equity securities
The Company has unquoted equity securities classified as financial assets at FVOCI. This represents non-controlling interest in the common shares of Nationwide Development Corporation (NADECOR), a domestic and non-publicly listed company engaged in mining. The Company holds 18,726,700 shares of NADECOR. As of December 31, 2023 and 2022, the investment in NADECOR amounted to ₱0.81 million, net of fair value losses of ₱8.81 million recognized in other comprehensive income.

10. **Property and Equipment**

The composition of and the movements in this account follow:

[illegible]

Net gain on disposal of property and equipment is included under "Other operating income" in profit or loss (Note 21).

As of December 31, 2023 and 2022, the cost of fully depreciated items of property and equipment still in use amounted to ₱247.75 million and ₱254.27 million, respectively.

11. **Intangible Assets**

The movements in the Company's intangible assets in 2023 and 2022 are as follows:

	2023	2022
Cost		
Balance at beginning of year	₱58,658,382	₱56,658,382
Additions	18,970,743	–
Balance at end of year	77,629,125	58,658,382
Accumulated amortization		
Balance at beginning of year	29,298,136	25,521,505
Amortization (Note 21)	5,350,138	3,768,631
Balance at end of year	34,648,274	29,298,136
Net book value	₱42,980,851	₱29,360,246

12. **Investment in an Associate Classified as Noncurrent Asset Held for Sale**

Banana Fintech Services Corporation ("BFSC") was incorporated in the Philippines and registered with the Philippine SEC on March 1, 2018. On March 11, 2018, the Company fully paid its subscription to 320,000 common shares of BFSC at ₱100.00 par value, representing 32% ownership in BFSC.

BFSC's primary purpose is to engage in the business of providing business development, marketing and logistical support services, through offering of digital and software products and services, to facilitate the conduct of e-commerce and other activities necessary. Its registered address and principal place of business is at 3/F, A&V Crystal Tower No. 105 Esteban St., Legaspi Village, Makati City.

The movements in the Company's investment in BFSC for the years ended December 31, 2023 and December 31, 2022 are as follows:

	2023	2022
Acquisition cost	₱32,000,000	₱32,000,000
Additional investment	14,400,000	14,400,000
Accumulated share in net loss:		
Balance at the beginning of the year	(10,643,990)	(10,301,567)
Share in net loss during the year	–	(342,423)
	(10,643,990)	(10,643,990)
Balance at end of the year	₱35,756,010	₱35,756,010

As of December 31, 2023 and 2022, the Company did not recognize any impairment allowance on its investment in BFSC.

The Company has no significant restrictions (e.g., resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of BFSC to transfer funds to the Company in the form of cash dividends or to repay loans or advances made by the Company. There are no contingent liabilities relating to Company's interest in its investment in BFSC.

On April 27, 2022, the Company's BOD approved the disposal of its investment in BFSC. Accordingly, the investment was reclassified as noncurrent asset held for sale. In 2023, the disposal was not completed due to regulatory requirements. As of December 31, 2023, the disposal is expected to be completed within twelve (12) months from the reporting date.

13. **Other Noncurrent Assets**

This account consists of:

	2023	2022
Rental deposits	₱9,764,135	₱10,020,929
Advances to officers and employees (Note 24)	9,822,280	7,593,259
Deferred input VAT	395,492	541,690
Other deposits	457,175	690,122
	₱20,439,082	₱18,846,000

Rental deposits represent non-interest bearing deposits made to the company-owned locations, which are refundable at the end of the lease term.

Deferred input VAT pertains to input taxes on purchases of capital goods for VAT reporting purposes with acquisition costs exceeding ₱1.00 million for each particular month. These are amortized over sixty (60) months or the life of the related asset, whichever is shorter.

14. **Allowance for Credit and Impairment Losses**

Changes in the allowance for credit and impairment losses follow:

	2023	2022
Balances at beginning of year:		
Trade and other receivables	₱4,387,761	₱4,387,761
Other current assets	55,843,164	55,843,164
	60,230,925	60,230,925
Provisions for credit and impairment losses:		
Trade and other receivables	1,332,104	–
Balances at end of year:		
Trade and other receivables (Note 7)	5,719,865	4,387,761
Other current assets (Note 8)	55,843,164	55,843,164
	₱61,563,029	₱60,230,925

The allowance for credit losses on trade and other receivables represents allowance for Stage 3 accounts as of December 31, 2023 and 2022.

15. **Trade and Other Payables**

This account consists of:

	2023	2022
Trade payables	₱512,871,466	₱336,798,830
Accrued expenses	19,970,640	13,170,811
Government payables	16,884,777	13,589,510
Other payables (Note 23)	4,886,918	7,075,004
	₱554,613,801	₱370,634,155

Trade payables represent amounts due to sub-agents to settle pay-out transactions. In connection with the Company's representative agreement with Western Union for money transfer services (Note 18), the Company appointed company sub-agents to receive funds from customers and make payments to recipients.

Accrued expenses, which consist mainly of accrual for incentives, rent, commission, professional fees, utilities and communications, are paid or settled the following month.

The terms of the sub-representative agreement provide, among others, that the sub-agent shall remit to the Company the principal amount of, and all fees and other charges payable for, each money transfer service transaction it originates and pending such remittance, all amounts shall be held in trust by the sub-agent for Western Union.

Settlement of the principal amount for pay-out transactions shall be made by the Company on the following banking day after the transaction, subject to interest for late payments. Money received by the sub-agent for outbound services, and other funds due to the Company shall be automatically offset against any inbound replenishment due to the sub-agent.

In the event that the sub-agent's outbound service is greater than its inbound service, sub-agent should deposit the difference to the Company's bank account on the following day after transaction date, subject to late payment penalty and presented as part of "Trade receivables". The sub-agent's commission, which ranges from 5.00% to 15.00% in 2023 and 2022, net of charges, serves as the sub-agent's compensation under the agreement. The initial term of the agreement is two (2) years, renewable under certain conditions.

Government payables include VAT payable, documentary stamp tax payable, withholding taxes payable, and dues to SSS, Pag-ibig and PhilHealth.

Other payable represents payable to Western Union.

16. **Contract Liability**

The Company's contract liability pertains to the non-refundable bonus amounting to US$[illegible] (or equivalent to ₱[illegible] million) received in January 2020 from Western Union, representing the consideration for the Company providing money transfer services in the Philippines from January 1, 2020 until December 31, 2026.

The rollforward analysis of the contract liability in 2023 and 2022 are as follows:

	2023	2022
Balances at beginning of year	₱35,052,683	₱42,861,818
Consideration received in advance	–	–
Revenue recognized during the year	(8,640,235)	(7,809,135)
Balances at end of year	₱26,412,448	₱35,052,683

The balance of contract liability is presented under:

	2023	2022
Current liabilities	₱4,485,262	₱6,785,318
Noncurrent liabilities	21,927,186	28,267,365
Balances at end of year	₱26,412,448	₱35,052,683

17. **Loans Payable**

Loans payable include loans to various banks with annual interest of 5.65% to 7.34% in 2023 and 3.50% to 6.50% in 2022 for USD-denominated loans payable, while from 6.25% to 7.50% in 2023 and 5.50% to 7.25% in 2022 for peso-denominated loans payable, which generally have terms ranging from one (1) to one hundred thirty (130) days. These bank loans represent drawdowns from the Company's unsecured credit line with local banks, which are used to finance transactions during the holidays and long weekends (Note 25).

As of December 31, 2023 and 2022, the Company has no outstanding loans payable.

In 2023 and 2022, interest expense on loans payable amounted to ₱[illegible] million and ₱[illegible] million, respectively.

18. Significant Contracts

The Company entered into an International Representation Agreement (the "Agreement") with Western Union Network (Canada) Company ("Western Union") wherein the Company shall offer Western Union's Money Transfer Services to the general public in the Philippines. The Agreement was made effective on July 16, 1998 and was renewed through various amendments until September 1, 2022. However, in the fourth quarter of 2019, the Company and Western Union executed an amendment to the International Representation Agreement whereby the Company became a non-exclusive remittance partner of Western Union in the Philippines effective January 1, 2020 until December 31, 2026.

The Company is entitled to a commission at predetermined rates for every transfer transaction processed. Under the agreement, the Company also provides appropriate marketing and promotion to raise the awareness level of Western Union by spending at least a certain percentage of its projected gross revenues.

In 2013, the Company was engaged by CSB as an outsourced loan application channel for the purpose of marketing and receiving salary loan applications of public school teachers and DepEd employees and subsequently, for pension and government loan applications in 2016 and 2019, respectively. The agreement with CSB is effective for a term of five (5) years, commencing on March 4, 2013. On March 4, 2020, the agreement was renewed for another term of five (5) years, effective beginning on March 4, 2020 up to March 3, 2025 unless sooner terminated, revoked, or cancelled by either of the parties (Note 23).

19. Equity

Capital Stock
Details of the Company's capital stock follow:

	2023		2022	
	Shares	Amount	Shares	Amount
Common - ₱[illegible] par value				
Authorized	10,000,000	₱1,000,000,000	10,000,000	₱1,000,000,000
Issued and outstanding	[illegible]	[illegible]	[illegible]	[illegible]

Retained Earnings
Cash dividends in 2022
On February 23, 2022, the BOD approved the declaration of cash dividends of ₱[illegible] per share totaling ₱[illegible] million for stockholders on record as of February 23, 2022, which was paid on March 11, 2022.

Cash dividends in 2023
On March 13, 2023, the BOD approved the declaration of cash dividends of ₱[illegible] per share totaling ₱[illegible] million for stockholders on record as of March 10, 2023, which was subsequently paid on March 14, 2023. Subsequently on August 30, 2023, the BOD approved the declaration of cash dividends of ₱[illegible] per share totaling ₱[illegible] million for stockholders on record as of August 30, 2023, which was subsequently paid on August 31, 2023.

Capital Management
The primary objective of the Company's capital management policy 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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company considers its equity as its capital and is not subject to externally imposed capital requirements.

20. Revenues and Cost of Services

Revenues
Revenues of the Company in 2023 and 2022 consist of:

	2023	2022
Revenues from contracts with customers		
Revenues on remittances and telegraphic services	₱[illegible]	₱[illegible]
Service fees on teachers, pension, and government loans	[illegible]	[illegible]
Income on added-value products	[illegible]	[illegible]
	[illegible]	[illegible]
Other revenues		
Revenues on foreign exchange currency transactions	[illegible]	[illegible]
Total	₱[illegible]	₱[illegible]

The following table illustrates the disaggregation disclosure by primary geographical markets and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties in with the different types of revenues:

	2023		
	Foreign	Domestic	Total
Primary geographical markets			
Revenues on remittances and telegraphic services	₱[illegible]	₱[illegible]	₱[illegible]
Service fees on teachers, pension and government loans	–	[illegible]	[illegible]
Income on added-value products	–	[illegible]	[illegible]
Total revenues from contracts with customers	₱[illegible]	₱[illegible]	₱[illegible]
Timing of revenue recognition			
Services transferred over time	₱[illegible]	₱[illegible]	₱[illegible]
Goods and services transferred at a point in time*	–	[illegible]	[illegible]
Total revenues from contracts with customers	₱[illegible]	₱[illegible]	₱[illegible]

* This comprises income earned from sale of electronic loads included in "Income on added-value products" and service fees on teachers, pension and government loans.

	2022		
	Foreign	Domestic	Total
Primary geographical markets			
Revenues on remittances and telegraphic services	₱[illegible]	₱[illegible]	₱[illegible]
Service fees on teachers, pension and government loans	–	[illegible]	[illegible]
Income on added-value products	–	[illegible]	[illegible]
Total revenues from contracts with customers	₱[illegible]	₱[illegible]	₱[illegible]
Timing of revenue recognition			
Services transferred over time	₱[illegible]	₱[illegible]	₱[illegible]
Goods and services transferred at a point in time*	–	[illegible]	[illegible]
Total revenues from contracts with customers	₱[illegible]	₱[illegible]	₱[illegible]

* This comprises income earned from sale of electronic loads included in "Income on added-value products" and service fees on teachers, pension and government loans.

Cost of Services
Cost of services in 2023 and 2022 consists of:

	2023	2022
Salaries and wages	₱[illegible]	₱[illegible]
Commission expense	[illegible]	[illegible]
Rental expense (Note 23)	[illegible]	[illegible]
Amortization expense (Note 23)	[illegible]	[illegible]
Postage and telephone	[illegible]	[illegible]
	₱[illegible]	₱[illegible]

21. Other Operating Income and Expenses

Other Operating Income
Other operating income consists of:

	2023	2022
Unrealized foreign exchange gain - net	₱[illegible]	₱[illegible]
Rental income (Note 23)	[illegible]	[illegible]
Gain on sale of property and equipment (Note 10)	[illegible]	[illegible]
Other income	[illegible]	[illegible]
	₱[illegible]	₱[illegible]

Other income includes cancellation fees on telegraphic transactions, refunds on bank charges and penalties, and sale of scrap and obsolete materials.

Depreciation and Amortization
The details of depreciation and amortization presented under "Other operating expenses" follow:

	2023	2022
Property, plant and equipment (Note 10)	₱[illegible]	₱[illegible]
Intangible asset (Note 11)	[illegible]	[illegible]
Right-of-use assets (Note 23)	–	[illegible]
	₱[illegible]	₱[illegible]

Other Expenses
Other expenses presented under "Other operating expenses" consist of:

	2023	2022
Trainings, seminars and conferences	₱[illegible]	₱[illegible]
Representation and entertainment (Note 24)	[illegible]	[illegible]
Subscriptions and membership	[illegible]	[illegible]
Bank charges	[illegible]	[illegible]
Insurance	[illegible]	[illegible]
Freight	[illegible]	[illegible]
Security and janitorial services	[illegible]	[illegible]
Retainer fee	[illegible]	[illegible]
Loss on fraud and robbery	[illegible]	[illegible]
Miscellaneous	[illegible]	[illegible]
	₱[illegible]	₱[illegible]

Miscellaneous expenses include meal allowances during product presentations and other company activities, and other branch expenses.

22. Retirement Benefits

The Company has a non-contributory defined benefit retirement plan covering substantially all its employees. Under this retirement plan, all covered employees are entitled to cash benefits after satisfying certain age and service requirements.

The cost of defined benefit pension plan and present value of the pension obligation are determined using actuarial valuation. The actuarial valuation involves making various assumptions. The principal actuarial assumptions used in determining the retirement benefit obligation in 2023 and 2022 are shown below:

	2023	2022
Discount rate	[illegible]	[illegible]
Future salary increases	[illegible]	[illegible]
Turnover rate	A scale ranging	A scale ranging
17 – 24 years	from [illegible] at	from [illegible] at
25 – 29 years	age 19 to [illegible]	age 19 to [illegible]
30 – 59 years	at age 49	at age 49
Average remaining working lives	[illegible]	[illegible]

Changes in the net retirement asset in 2023 and 2022 follow:

	2023		
	PBO	FVPA	Net retirement liability (asset)
Balances at beginning of year	[illegible]	[illegible]	[illegible]
Net benefit costs in profit or loss			
Current service cost	9,767,567	–	9,767,567
Net interest	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Remeasurements in OCI			
Actuarial losses (gains) arising from:			
Experience adjustments	[illegible]	–	[illegible]
Changes in financial assumptions	[illegible]	–	[illegible]
	[illegible]	–	[illegible]
Return on plan assets excluding interest income	–	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Benefits paid*	[illegible]	[illegible]	–
Balances at end of year	[illegible]	[illegible]	[illegible]

*Benefits paid [illegible]

	2022		
	PBO	FVPA	Net retirement liability (asset)
Balances at beginning of year	[illegible]	[illegible]	[illegible]
Net benefit costs in profit or loss			
Current service cost	11,593,226	–	11,593,226
Net interest	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Remeasurements in OCI			
Actuarial losses (gains) arising from:			
Experience adjustments	[illegible]	–	[illegible]
Changes in financial assumptions	[illegible]	–	[illegible]
	[illegible]	–	[illegible]
Return on plan assets excluding interest income	–	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Benefits paid*	[illegible]	[illegible]	–
Balances at end of year	[illegible]	[illegible]	[illegible]

*Benefits paid [illegible]

The amount of defined benefit included in the profit and loss is determined as follows:

	2023	2022
Current service cost	₱9,767,567	₱11,593,226
Net interest income	(1,187,421)	[illegible]
	₱8,579,546	[illegible]

The movements of the "Remeasurement gains (losses) on retirement plan" follow:

	2023	2022
Balance at beginning of year	₱67,987,622	₱61,310,015
Actuarial losses on defined benefit obligation	(16,995,588)	20,484,437
Actuarial gains (losses) on return on plan assets	(1,048,585)	(12,581,351)
	(18,044,173)	8,903,476
Income tax effect	4,711,043	(2,225,869)
Remeasurement loss for the year	(14,133,130)	6,677,607
Balance at end of year, net of tax	₱53,854,492	₱67,987,622

The fair value related to plan assets by each class as of the end of the reporting period follows:

	2023	2022
Cash and cash equivalents	₱9,832,473	₱18,384,640
Investment in:		
Unitized investment trust funds	45,112,289	44,677,126
Private corporation debt	27,710,904	32,647,975
Government securities	19,400,819	17,931,130
Interest and other receivables	588,277	702,159
Cost and other payables	(10,438)	(21,117)
	₱102,645,424	₱126,017,848

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2023 and 2022, assuming all other assumptions were held constant:

	Increase (Decrease)	Increase (Decrease) in PVO 2023	2022
Discount rate	+1.00%	(₱9,448,590)	(₱6,984,576)
	-1.00%	11,343,885	7,979,660
Salary increase rate	+1.00%	11,066,098	8,034,544
	-1.00%	(10,258,055)	(7,381,838)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
Less than 1 year	₱15,418,268	₱28,225,445
More than 1 year to 5 years	28,827,169	23,911,786
More than 5 years to 10 years	78,799,728	62,111,192
More than 10 years to 15 years	73,821,138	58,094,179
More than 15 years to 20 years	147,790,656	124,093,719
More than 20 years	447,211,463	414,929,155

The average duration of the defined benefit obligation at the end of the reporting period is 15.20 years and 14.06 years as of December 31, 2023 and 2022, respectively.

31. Leases

Company as a Lessee

The Company has various lease contracts covering its head office and branches, ranging from one (1) to five (5) years, with some of the lease contracts having a yearly escalation at 5% to 10% or on periodic amortization. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company applies the 'short-term lease' recognition exemptions for the leases of less than one (1) year term. This includes the Company's lease of the head office in 2023 and 2022.

The rollforward analysis of right-of-use assets account follows:

	2023		
	Office Space	Transportation Equipment	Total
Cost			
Balances at beginning of year	[illegible]	₱1,643,647	[illegible]
New contracts executed (Note 26)	10,774,084	–	10,774,084
Pre-termination of lease contracts	[illegible]	–	[illegible]
Balances at end of year	[illegible]	1,643,647	[illegible]
Accumulated Depreciation			
Balances at beginning of year	[illegible]	1,643,647	[illegible]
Depreciation (Note 20)	18,461,676	–	18,461,676
Pre-termination of lease contracts	[illegible]	–	[illegible]
Balances at end of year	[illegible]	1,643,647	[illegible]
Net Book Values	[illegible]	₱–	[illegible]

	2022		
	Office Space	Transportation Equipment	Total
Cost			
Balances at beginning of year	[illegible]	₱1,643,647	[illegible]
New contracts executed (Note 26)	10,607,274	–	10,607,274
Balances at end of year	[illegible]	1,643,647	[illegible]
Accumulated Depreciation Balances at beginning of year	[illegible]	[illegible]	[illegible]
Depreciation (Notes 20 and 21)	16,976,626	16,988	[illegible]
Balances at end of year	[illegible]	1,643,647	[illegible]
Net Book Values	[illegible]	₱–	[illegible]

The rollforward analysis of lease liabilities follows:

	2023	2022
Balances at beginning of year	₱22,347,319	[illegible]
New contracts executed (Note 26)	10,774,084	10,607,274
Interest expense	1,358,654	914,298
Lease payments	[illegible]	[illegible]
Pre-termination of lease contracts	[illegible]	–
Balances at end of year	₱22,654,943	₱22,347,319

The balance of lease liabilities is presented under:

	2023	2022
Current portion	₱12,198,677	₱11,902,346
Noncurrent portion	10,456,266	10,444,953
	₱22,654,943	₱22,347,319

Shown below is the maturity analysis of the undiscounted lease payments:

	2023	2022
Within 1 year	₱13,276,835	₱12,542,128
More than 1 year to 2 years	7,072,792	5,014,689
More than 2 years to 3 years	2,756,232	2,650,950
More than 3 years to 4 years	659,537	1,096,298
More than 5 years	355,526	1,653,079

The following are the amounts recognized in statement of income in 2023 and 2022:

	2023	2022
Amortization expense of right-of-use assets	₱18,461,676	[illegible]
Interest expense on lease liabilities	1,358,654	914,298
Expenses relating to short-term leases (Notes 20 and 25)	29,345,078	[illegible]
Total amounts recognized in statement of income	[illegible]	[illegible]

The breakdown of the depreciation of right-of-use asset in 2023 and 2022 follows:

	2023	2022
Cost of services (Note 20)	₱18,461,676	₱16,976,626
Operating expenses (Note 21)	–	16,988
	₱18,461,676	[illegible]

Amortization expense and rental expense presented in 'Cost of services' pertain to the right-of-use assets and short-term leases arising from the lease of its branches, respectively. Amortization expense and office rental expense presented in 'Operating expenses' pertain to the right-of-use assets and short-term leases arising from the lease of head office space and transportation equipment, respectively.

Company as a Lessor

The Company leases out portion of its building space to two (2) tenants. The contracts, which expired on July 31, 2023 and November 15, 2023, were renewed for another one (1) year. As of December 31, 2023 and 2022, these contracts are accounted for as operating leases. The future minimum lease receivables under the operating leases are as follow:

	2023	2022
Within 1 year	₱388,243	[illegible]

20. Income Taxes

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) was signed into law. Effective July 1, 2020, CREATE reduced the RCIT rate from 30% to 25% and to 20% for domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year. Interest expense allowed as a deductible expense shall be reduced by 20.00% of interest income subjected to final tax under the CREATE Act.

The regulations also provide for 1.0% from July 1, 2020 to June 30, 2023, before reverting to 2.0%) on modified gross income. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception. For the taxable years 2022 and 2023, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to the Section 4 (bbbb) of Republic [illegible] and as implemented under Revenue Regulations (RR) 25-2020.

The regulations also provide for the ceiling on the amount of entertainment and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses of the Company amounted to ₱1.28 million and ₱2.05 million in 2023 and 2022, respectively, included under "Other operating expenses" in Note 21.

They also provide that an optional standard deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Company elected to claim itemized deductions instead of OSD in computing for the RCIT in 2023 and 2022.

The provision for income tax consists of:

	2023	2022
Current:		
RCIT	₱88,005,381	₱77,902,376
Final tax	300,583	60,282
	88,005,384	77,962,658
Deferred	(12,417,262)	13,38,170
	₱76,006,422	₱91,100,826

In 2023 and 2022, the benefit from deferred tax credited directly to OCI amounted to ₱4.71 million and ₱1.23 million, respectively.

The components of the net deferred tax assets (liabilities) follow:

	2023	2022
Deferred tax assets on:		
Retirement benefit obligation (excluding deferred tax recognized in other comprehensive income)	₱38,812,585	₱17,875,100
Accrued expenses	7,409,463	5,250,002
Contract liability	4,508,638	4,263,171

(Forward)

	2023	2022
Allowance for credit and impairment losses	₱1,135,966	₱1,094,949
Leases	260,999	481,945
Unamortized past service cost	–	222,423
	52,127,706	29,886,180
Deferred tax liabilities on:		
Retirement benefit/obligation recognized in other comprehensive income	(17,531,498)	(22,462,592)
Unrealized foreign exchange gains	(972,432)	(1,049,594)
	(18,513,930)	(11,332,595)
	₱14,765,856	₱1,424,440

As of December 31, 2023 and 2022, the Company did not recognize deferred tax asset on fair value losses/impairment losses on investment in an unquoted equity amounting to ₱4.83 million, since management believes that it is not highly probable that the related benefits will be realized in the foreseeable future.

The reconciliation of statutory income tax to effective income tax follows:

	2023	2022
Statutory income tax	₱75,697,283	₱79,487,421
Tax effects of:		
Nondeductible expenses	907,527	1,040,082
Nondeductible share in net losses of associate	–	63,508
Income subjected to final tax	(89,388)	(237,612)
Effective income tax	₱76,996,422	₱81,100,826

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries, associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Company in its regular conduct of business has entered into transactions with its related parties. Transactions between related parties are based on terms similar to those offered to non-related parties. Related party transactions of the Company by category of related party are presented below. The Company settles transactions with related parties in cash.

Related Party	Terms and Conditions	2023 Transaction Amount	2023 Outstanding Balance	2022 Transaction Amount	2022 Outstanding Balance
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(Forward)

Related Party	Terms and Conditions	2023 Transaction Amount	2023 Outstanding Balance	2022 Transaction Amount	2022 Outstanding Balance
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Remuneration of key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

26. Notes to Statements of Cash Flows

The following is the summary of non-cash investing and financing activities of the Company:

	2023	2022
Non-cash investing activity:		
Right-of-use assets (recognition of new contracts)	₱38,775,084	₱11,657,274
Non-cash financing activity:		
Lease liabilities (recognition of new contracts)	38,775,084	11,657,274

The following are the cash flow movements of the Company's financing liabilities in 2023 and 2022:

	January 1, 2023	Net Cash Flows	Interest Accretion	New Additions	Foreign Exchange Movement	December 31, 2023
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	₱–	[illegible]	₱–	₱–	[illegible]	₱–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]		[illegible]		[illegible]		
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

27. Event after the Reporting Date

On March 15, 2024, the BOD has approved the declaration of cash dividends of ₱[illegible] per share totaling ₱[illegible] million for stockholders on record as of March 15, 2024, which will be paid on March 15, 2024.

28. Supplementary Information Required Under Section 134-N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI)

In compliance with Section 134-N of the MORNBFI, the Company presents information on the total volume and value of remittance, money changing and foreign exchange transactions during the year.

The transactions facilitated by the Company in 2023 and 2022 are as follows:

	2023		
	No. of transactions	Amounts in USD	Amounts in PHP
International payout remittance transactions:			
USD	[illegible]		₱[illegible]
PHP	[illegible]	[illegible]	
International send-out remittance transactions	[illegible]		[illegible]
Domestic payout remittance transactions	[illegible]		[illegible]
Domestic send-out remittance transactions	[illegible]		[illegible]
Foreign currencies bought	[illegible]	[illegible]	
Foreign currencies sold	[illegible]	[illegible]	

	2022		
	No. of transactions	Amounts in USD	Amounts in PHP
International payout remittance transactions:			
USD	[illegible]		₱[illegible]
PHP	[illegible]	[illegible]	
International send-out remittance transactions	[illegible]	[illegible]	[illegible]
Domestic payout remittance transactions	[illegible]		[illegible]
Domestic send-out remittance transactions	[illegible]		[illegible]
Foreign currencies bought	[illegible]	[illegible]	
Foreign currencies sold	[illegible]	[illegible]	

The Company has no transactions involving virtual currencies.

The following ratios measure the financial performance of the Company:

	2023	2022
Return on average equity*	19.29%	[illegible]
Return on average assets**	[illegible]	[illegible]

* Net income (loss) after tax divided by average total equity
** Net income (loss) after tax divided by average total assets

The ratios are based on the respective summaries of income accounts divided by average balance arrived at by [illegible] of the respective statements of financial position [illegible] divided by two.

29. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with RR 15-2010, the Company presents information on taxes, duties and license fees paid or accrued during the taxable year.

The Company reported and/or paid the following types of taxes for the taxable year ended December 31, 2023:

Value-Added Tax
The Company's sales are subject to output value-added tax ("VAT") while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.00%.

Details of the Company's net sales/receipts for the year ended December 31, 2023 and output and input VAT as of December 31, 2023 are as follows:

(a) Net Sales/Receipts and Output VAT

	Net Sales/ Receipts	Output VAT
Taxable sales: Sale of services	₱[illegible]	₱[illegible]
Zero-rated sale of services	[illegible]	
	₱[illegible]	₱[illegible]

Zero-rated sale of services pertain to its gross revenues from its remittance business with Western Union, which are entitled to VAT zero-rating under Section 108(B)(2) of the 1997 Tax Code, lodged under "Revenue from contracts with customers" in the books of the Company.

On the other hand, sale of services pertain to the gross revenues from other sources that is lodged under "Revenue from contracts with customers" and "Revenue on foreign exchange currency transactions" in the books of the Company.

The Company has no VAT-exempt sales in 2023.

(b) Input VAT

Balance at January 1, 2023	₱[illegible]
Input VAT on current year's domestic purchases/payments	[illegible]
Less:	[illegible]
Amounts filed as claims for tax credit/refund during the prior periods	[illegible]
Amounts claimed as deduction from output VAT payments	[illegible]
Balance at December 31, 2023	₱[illegible]

The remaining balance represents the unamortized portion of deferred input VAT as of December 31, 2023.

Withholding Taxes
Details of total remittances and withholding taxes payable as of December 31, 2023 are as follows:

	Total Remittances	Balance (Overpayment)
Withholding taxes on compensation and benefits	₱[illegible]	(₱[illegible])
Expanded withholding taxes	[illegible]	[illegible]
Final withholding taxes	[illegible]	[illegible]
	₱[illegible]	₱[illegible]

Other Taxes and Licenses
In 2023, this includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the "Taxes and licenses" account in profit or loss. Details consist of the following:

Business permits	₱[illegible]
Documentary stamp taxes	[illegible]
Other taxes and licenses	[illegible]
Total	₱[illegible]

Tax Assessments and Cases
On March [illegible], 2023, the Company received final assessment notice from the BIR for the taxable year 2018 covering tax deficiencies on its income tax, VAT, expanded withholding tax and documentary stamp tax aggregating to ₱[illegible] million. As of December 31, 2022, the Company recorded provision for the assessment amounting to ₱[illegible] million. On March [illegible], 2023, the Company settled the tax deficiencies amounting to ₱[illegible] million.

The Company has no pending tax cases, litigation and/or prosecution in any courts or bodies outside the BIR as of December 31, 2023.