



MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

July 06, 2020

The Markets and Securities Regulation Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, Mandaluyong City

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets and Securities Regulation Dept.

The Disclosure Department
THE PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **MS. JANET A. ENCARNACION**
Head of Disclosure Department

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC FORM 20-IS Definitive Information Statement in relation to Annual Stockholder's Meeting to be held on July 30, 2020 via remote communication.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

Very truly yours,

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer/Compliance Officer



MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

NOTICE OF THE 2020 ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS
MAKATI FINANCE CORPORATION

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of Makati Finance Corporation, will be held on 30 July 2020, Thursday, 4:00 p.m., through remote communication, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 25 July 2019.
4. Presentation and Approval of the 2019 Annual Report and 2019 Audited Financial Statements
5. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting
6. Declaration of Cash /Stock Dividends
7. Election of Directors
8. Appointment of Independent External Auditors
9. Other Matters
10. Adjournment

The record date for stockholders entitled to notice of and vote at the said meeting is 2 July 2020. Considering health and safety concerns arising from the Covid-19 pandemic, as well as the corresponding restrictions on travel and gatherings, stockholders may attend through remote communication by registering at <https://sh.makatifinance.ph> between 6 July 2020 to 24 July 2020. The guidelines for attendance and participation through remote communication shall be available to registered qualified stockholders.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the corporation on or before 23 July 2020 5:00 pm, addressed to the attention of The Corporate Secretary. Corporate Shareholders are required to submit duly notarized Board Resolutions designating their proxies. Validation of proxies shall be on 24 July 2020 at 10:30 a.m. at the principal office of the Corporation. No proxy is being solicited.


ATTY. D. ENRIQUE O. CO.
Corporate Secretary



P R O X Y

The undersigned stockholder of MAKATI FINANCE CORPORATION (the "Corporation") hereby constitutes and appoints _____ as proxy to represent and vote **all shares of stock** registered in the name of the undersigned stockholder in the books of the Corporation at all meetings (annual or special) of the stockholders of the Corporation, including that to be held on **30 July 2020, Thursday, at 4:00 p.m.** and at any postponement or adjournment thereof. The proxy is authorized to vote on all matters which may be taken up by the stockholders during the meeting(s). This proxy shall be valid for all stockholders meetings held within a period of five (5) years from the date indicated below, unless sooner revoked or superseded by the undersigned.

Date

NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER
OR DULY AUTHORIZED REPRESENTATIVE

CERTIFICATION

I, **DANILO ENRIQUE O. CO**, Filipino, of legal age and with office address at 11F Atlanta Centre, 31 Annapolis St., San Juan, M.M., after having been duly sworn to in accordance with law do hereby declare that:

1. I am the duly elected and incumbent Corporate Secretary of Makati Finance Corporation.
2. I hereby certify that, to the best of my knowledge, none of the 2020 nominees for the Board of Directors of Makati Finance Corporation named below currently works with the Philippine government, or any of its departments, agencies, branches or other offices:

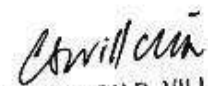
RENE B. BENITEZ
MAX O. BORROMELO
MAXCY FRANCISCO JOSE R. BORROMELO
FRANCISCO C. EIZMENDI JR.
JOEL S. FERRER
JOSE DANIEL R. BORROMELO
ALAN MICHAEL R. CRUZ
ROBERT CHARLES M. LEHMANN
ERIC B. BENITEZ
LAWRENCE EE HOCK LEONG
ASTERIO L. FAVIS JR.

3. This certification is being issued as part of the disclosure requirements of the Securities and Exchange Commission.


DANILO ENRIQUE O. CO
Affiant

SUBSCRIBED AND SWORN to before me this JUN 29 2020 at QUEZON CITY affiant personally appeared before me and exhibited his Competent Evidence of Identity (Passport) No. P0416443A issued at DFA/NCR East on 28 September 2016 expiring 27 September 2021.

Doc No. 10
Page No. 2
Book No. 78
Series of 2020.


ATTY. CONCEPCION P. VILLA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 9296041 - 1-2-2020/OC
IBP No. 093586 - 10-22-2019/OC
Roll No. 30457 - 05-09-80
MCLE VI - 0030379
Adm. Matter No. NP-001(2020-2021)
TIN No. 131-942-754

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter MAKATI FINANCE CORPORATION

3. MAKATI CITY, PHILIPPINES

Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 28788

5. BIR Tax Identification Code 000-473-966-000

6. **3F Mazda Makati, 2301 Chino Roces Ave., Brgy. Magallanes, Makati City 1231**
Address of principal office Postal Code

7. Registrant's telephone number, including area code (+632) 7751-8132

8. Date, time and place of the meeting of security holders

Date : **July 30, 2020,**
Time : **4:00 p.m.**
Place : **via remote communication**

9. Approximate date on which the Information Statement is first to be sent or given to security holders July 09, 2020.

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<u>COMMON STOCK</u>	<u>248,566,443</u>

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes / No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
PHILIPPINE STOCK EXCHANGE Common Stock

INFORMATION REQUIRED IN INFORMATION STATEMENT

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of the Company will be held on **July 30, 2020, 4:00 p.m.** via remote communication. The complete mailing address of the principal office of Makati Finance Corporation is: 3/F Mazda Makati, 2301 Chino Roces Ave. Brgy. Magallanes, Makati City, Philippines. This information statement is to be sent to the Company's stockholders on **July 09, 2020**.

DISSENTERS' RIGHT OF APPRAISAL

Under Section 81, Title X of the Revised Corporation Code of the Philippines ("Revised Corporation Code"), a stockholder shall have the right to dissent and demand of the fair value of his shares in the following instances:

- (a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the code; and
- (c) In case of merger or consolidation.

The procedure to be followed in exercising the appraisal right of dissenting stockholders, how right is exercised, effect of demand and termination of right, when right to payment ceases, who bears costs of appraisal and notation on certificates/rights of transferee shall be in accordance with Section 82 to 86 of the Revised Corporation Code. A stockholder must have voted against any proposed corporate action in order to avail himself of the appraisal right.

There are no matters to be taken up in the stockholders' meeting which would warrant exercise of appraisal.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

Other than their election to the Board of directors, none of the incumbent Directors or Officers of the Company has any substantial interest, direct or indirect, in any matter to be acted upon in the Annual Stockholders' meeting.

None of the Company's Directors has informed the Corporation in writing that he intends to oppose any action to be taken in the Annual Stockholders' Meeting.

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total number of common shares outstanding as of **May 31, 2020** is **262,948,243** with a par value of P1 per share. Pursuant to Article III, Section 4 of the Company's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of the stock standing in his name in the books of the Company on the Record Date as fixed by the Board of Directors.

Every stockholder voting on the election of directors may cumulate such number of votes in accordance with Section 24 of the Corporation Code. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted. Unless otherwise provided in the articles of incorporation or in the by-laws, members of corporations which have no capital stock may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely if, for any reason, no election is held, or if there are not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the member entitled to vote.

Stockholders of record of the Company as of **July 2, 2020** (“the Record Date”) shall be entitled to notice of, and to vote at, the Annual Stockholders’ Meeting.

**SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS
(MORE THAN 5% AS OF MAY 31, 2020)**

Title of class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
Common	Amalgamated Investment Bancorporation 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	112,576,292	42.8100%
Common	Motor Ace Phils. Inc. MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	66,517,910	25.3000%
	TOTAL			179,094,202	68.1100%

**SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS WITH DIRECT OWNERSHIP
As of May 31, 2020**

Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	7,333,268	2.7900%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	5,298,171	2.28791%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	313,285	0.1200%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	313,285	0.1200%
Common	Rene B. Benitez ITF Matias Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	300,771	0.1100%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,648,849	1.0100%
Common	Maxcy Francisco Jose R. Borrromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,466	0.0000%
Common	Max O. Borrromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	44,883	0.0171%
Common	Francisco C. Eizmendi, Jr. 34 Celery Drive, Valle Verde 5, Pasig City	Beneficial owner	Filipino	17	0.00000%
Common	Alan Michael R. Cruz 410 madrigal Avenue, Ayala Alabang, Muntinlupa	Beneficial owner	Filipino	1	0.00000%
Common	Jose Daniel R. Borrromeo Mandaue, Cebu City	Beneficial owner	Filipino	2,467	0.00093%
Common	Lawrence Ee Hock Leong Residence 34, Dunbar Walk, Singapore	Beneficial owner	Singaporean	1	0.00000%
Common	Robert Charles M. Lehmann 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.00000%
Common	Asterio L. Favis, Jr No 33 Yuchengco Drive Pacific Malayan Village, Muntinlupa City	Beneficial owner	Filipino	1	0.0000%
	All directors & officers as a group			16,257,466	6.45594%

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Robert Charles Lehmann. The representative of MF Pikeville Holdings/Pikeville Bancshares entitled to vote is Mr. Rene B. Benitez. The representative of Motor Ace Philippines, Inc entitled to vote is Mr. Maxcy Francisco Jose R. Borrromeo. There are no directors and nominees owning more than 5% of the outstanding shares who are affected by any acquisition, business combination or other reorganization, and there are no other commitments with respect to issuance of shares.

No changes in control have occurred since the beginning of the last fiscal year.

NOMINATIONS TO THE BOARD

The nomination committee is composed of: Mr. Eric B. Benitez, Chairman, Mr. Max Francisco Jose O. Borrromeo, Mr. Rene B. Benitez and Mr. Jose Daniel R. Borrromeo as members. Pursuant to the Company's Corporate Governance Manual, the Nomination Committee has pre-screened and shortlisted all candidates to be nominated as members of the Board of Directors. The Nomination Committee has considered the guidelines set forth in the Manual. The nominated individuals to be elected during the Stockholders' Meeting, for the term 2020 to 2021, are as follows:

1. Mr. Rene B. Benitez
2. Mr. Max Francisco Jose O. Borrromeo
3. Mr. Joel S. Ferrer
4. Mr. Francisco Eizmendi Jr.
5. Mr. Eric B. Benitez
6. Mr. Lawrence Hock Leong Ee
7. Mr. Jose Daniel R. Borrromeo
8. Mr. Maxcy Francisco Jose R. Borrromeo
9. Mr. Alan Michael R. Cruz
10. Mr. Robert Charles M Lehmann
11. Mr. Asterio L. Favis, Jr.

Mr. Lawrence Hock Leong Ee, Mr. Francisco Eizmendi, Jr. and Mr. Alan Michael R. Cruz have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Mr. Ee, Mr. Eizmendi and Mr. Cruz up to the fourth degree either by consanguinity or affinity.

DIRECTORS AND EXECUTIVE OFFICERS

The Directors elected who shall serve for a term of one (1) year or until their successors shall have been elected, and their business experience for the last five years:

Mr. Rene B. Benitez, 58, Filipino, is the Company's *Chairman* and has been a director since 1996. Prior to assuming his role as Chairman, Mr. Benitez has served in various board and senior executive capacities in various private and public corporations, domestically and overseas. He is also Chairman of Amalgamated Investment Bancorporation, and Vice Chairman of the Dearborn Motors Group of car dealerships. To help the start up ecosystem, he recently co-founded the Manila Angel Investors Network. Mr. Benitez graduated with a dual major in Business Economics and Organizational Studies from Pitzer College of the Claremont Colleges, and has a master's degree in International and Development Economics from Yale University in New Haven, CT.

Mr. Max Francisco Jose O. Borrromeo, 71, Filipino, is the Company's *Vice Chairman*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borrromeo is currently a Director in the following companies: Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc., and Salud Borrromeo Foundation, Inc. and Amalgamated Investment Bancorporation. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Joel S. Ferrer, 66, Filipino, is the Company's *Treasurer*. He has been a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., a staffing company serving local and international clients. At the same time he also manages interests in real estate and agribusiness. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Francisco C. Eizmendi Jr., 84, Filipino, is one of the Independent Directors of the Company. Mr. Eizmendi is currently the Chairman of Dearborn Motors Co., Inc. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently an Independent Director of Sun Life Grepa Financial and Independent Director of Amalgamated Investment Bancorporation. Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He was an Independent Director of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

Mr. Eric B. Benitez, 53, Filipino, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

Mr. Lawrence Hock Leong Ee, 78, Singaporean, is one of the Independent Director. He has been a Director since 2014 and was elected as a Independent Director on July 27, 2017.. He is currently Senior Adviser and Board of Director of Amalgamated Investment Bancorporation. He is lifetime member of the Institute of Singapore Chartered Accountants. He had been a Partner of Ernst and Young for 11 years and retired in 1997. His other work experience includes being an Independent Director of Lum Chang Holdings, Inc. for 9 years. He also served as Non-Executive Chairman of LCD Global Investments for 2 years. He graduated in the Institute of Chartered Accountants and Wales in 1965.

Mr. Maxcy Francisco Jose R. Borromeo, 47, Filipino, is the Company's President and Chief Operating Officer of Makati Finance Corporation. He joined the company in 2014 and was elected Director in 2016. Outside of Makati Finance Corporation, he is also the President of HMW Lending Investors, Inc. and MAPI Lending Investors, Inc. He also serves as Director of Honda Motor World, Inc., Motor Ace Philippines, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Borromeo Brother's Estate, Inc. and Mizukawa Motors Corporation. He is also a member of the Board of Trustees of Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He obtained his Master's degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

Mr. Jose Daniel R. Borromeo, 48 Filipino, He was elected as Director last July 28, 2016. He is the President and General Manager of Honda Motor World, Inc., Motor Ace Philippines, Inc., and Dream Honda, Inc. .He is also the Managing Director of Borromeo Brothers Estate, Inc., Margarita Agro Industrial Corp., Tolar Development Corp. and , MC Bros. Development Corp. He is the President of Astron Gestus, Inc., Sakura Autoworld Inc., Cebu Maxi Management Corp., and Maxi Agricultural Corporation. He's the Corporate Planning Officer of Dearborn Motors, Inc. He graduated in Business Management degree major in Marketing from Hampshire College, New Hampshire, USA and completed his MBA in the University of Wollongong, Wollongong, Australia.

Mr. Alan Michael R. Cruz, 57, Filipino, he was elected as Independent Director last July 27, 2017. He was the President and General Manager of Northpine Land, Inc. from June 2011 to December 2016. He was also the Real Estate Development Manager of San Miguel Properties, Inc. from March 2007 to June 2011. He also served as Vice President and Division Head of United Coconut Planters Bank (UCPB) from 2004-2007 and Vice President and OIC – Asset Management Division from 2000-2003. He graduated in 1985 from University of the Philippines with the degree of B.S. Architecture. He was also 10th placer in 1985 board examination.

Mr. Robert Charles “Bob” M. Lehmann, 64, Filipino, he was elected as Director last October 20, 2017. He is currently the President and CEO of Amalgamated Investment Bancorporation (AIB). Also, Mr. Lehmann is concurrently a Director of Philippine Eagle Foundation. He has served 24 years in the banking industry in various senior positions here and abroad. His last position being the Executive Vice President of Security Bank. Prior to that, he was with Standard Chartered Bank in the region for many years, after several Philippine Country Manager positions with American and U.K. banks. A graduate of Ateneo High School, he has an undergraduate degree in B.S. International Business and a Masters in Business Administration from the University of San Francisco.

Mr. Asterio L. Favis, Jr., 67, Filipino, he was elected as Director of Makati Finance Corporation. He is currently working as consultant of Amalgamated Investment Bancorporation (AIB) and Ateneo-BAP Institute of Banking. Mr. Favis had been in banking industry for about 30 years handling various senior positions. His last position being the Executive Vice President(EVP) of Sterling Bank of Asia from April 2007 to December 2013, as Head, Treasury Group for two years, one year as OIC of Consumer Lending Group and three years as EVP/Office of the President . He was EVP/Head, Treasury Division of Philippine National Bank from November 2002 to March 2007. He was also SVP/Head, Financial Markets Division in AB Capital & Investment Corporation from 1999 to 2002 and SVP/Head, Treasury Division in Asianbank Corporation from 1990 to 1999. Prior to that, he was with PCI Bank from 1983 to 1990 as AVP/Head, Foreign Exchange for three years, VP/Head, Domestic Money Market for three years and VP/Office of the President for one year. He graduated in 1976 from Ateneo de Manila University with the degree of B.S. Management Engineering (Cum Laude).

INDEPENDENT DIRECTORS

Among the Directors, Messrs. Francisco C. Eizmendi, Jr., Alan Michael R. Cruz and Lawrence Hock Leong Ee were elected as the three (3) Independent Directors of the Company at the 2019 Annual Stockholders' Meeting.

SENIOR MANAGEMENT

Mr. Marcos E. Larosa, CPA – *Chief Finance Officer, 41, Filipino*, was employed by the Company in July 1, 2014 as its new CFO. He was the Regional Finance Manager of Dole Asia Company Limited since November 2013 before joining Makati Finance Corporation. For 11 years he has worked with Matimco Incorporated, a local wood manufacturing and distribution company handling several managerial positions; as Finance Manager (2010-2013), Sales Support Manager (2004-2009), Budget Planning and Control Manager (2003) . He graduated with a Bachelor of Science degree in Accounting from the Polytechnic University of the Philippines in 1999.

Atty. Danilo Enrique O. Co, *Corporate Secretary and Legal Counsel, 51, Filipino*. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer Ang-Co & Gonzales Law Offices, a full-service Philippine law firm specializing in corporate law. He is also a Director, Corporate Secretary and/or Asst. Corporate Secretary of several other Philippine corporations, such as Art Provenance Philippines Inc., Amalgamated Investment Bancorporation, Anvaya Cove Beach and Nature Club, Cuervo Appraisers Inc., Dearborn Motors Co. Inc., Empowerment Through Education Inc., Health Blocks Inc., Kalayaan College Inc., Maroon Studios Inc., Sakura Autoworld Inc., Santos Knight Frank Inc., Sleep Well Land Development Corporation, Talent Scout Inc., The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

FAMILY RELATIONSHIP

Mr. Rene B. Benitez and Eric B. Benitez are siblings. Mr. Maxcy Francisco Jose R. Borromeo and Mr. Jose Daniel R. Borromeo are sons of Mr. Max O. Borromeo.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers were involved in any legal proceedings during the past five (5) years up to the latest date that are material to evaluation. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor any action by any court or administrative body to have violated a securities or commodities law.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 21

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

Category/Transaction	Ref	2019		2018		Nature, Terms and Condition
		Amount of related parties	Outstanding Balances Due from related parties	Amount of transactions	Outstanding Balances Due to related parties	
<i>Parent Company</i>						
Miscellaneous receivables	a		P80,514	P—	P80,514	Non-interest bearing, unsecured; No impairment
Notes payable	b		—	385,000,000	—	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Avalments		222,900,000	—	177,000,000	—	
Settlements		83,000,000	—	93,800,000	—	
Interest expense		10,916,628	—	9,250,114	—	
<i>Entities under common control</i>						
Motor Ace Philippines, Inc.						
Miscellaneous receivables	a		156,894	—	—	Non-interest bearing, unsecured; No impairment
Avalments		220,522	—	320,477	—	
Settlements		63,628	—	2,430,775	—	

Forward

Category/Transaction	Ref	Amount of Transaction	2019				2018				Nature, Terms and Condition
			Outstanding Balances		Outstanding Balances						
			Due from related parties	Due to related parties	Due from related parties	Due to related parties					
Accounts payable	d	145,524,243	P-	P12,177,800	P-	P12,451,141	30 day unsecured, non-interest bearing				
Availments		145,797,584	-	-	-	-	-				
Settlements		-	-	-	87,174,559	-	-				
Short term placements	c	8,000,000	-	-	79,083,847	-	-				
Availments		8,000,000	-	-	-	-	-				
Settlements		8,000,000	-	-	-	-	-				
Interest income		101,150	-	-	-	-	-				
MAPL Lending Investors, Inc.	a	1,441,521	2,936,329	-	1,077,320	1,494,807	30 day unsecured, non-interest bearing				
Miscellaneous receivables		-	-	-	334,673	-	-				
Availments		-	-	-	-	-	-				
Settlements		-	-	52,181	-	-	-				
Accounts payable	d	112,371	-	-	108,240	-	-				
Availments		60,190	-	-	4,976,642	-	-				
Settlements		-	-	-	-	-	-				
Short term placements	c	2,069,988	23,570,385	-	1,894,802	23,836,952	Short-term interest bearing				
Availments		2,182,426	-	-	1,287,493	-	placements at 10.5%				
Settlements		1,769,900	824,840	-	1,828,156	950,840	annual interest rate				
Interest income		-	-	-	-	-	-				
HMW Lending Investors, Inc.	c	83,111	-	-	40,000,000	-	Short-term interest bearing				
Short term placements		-	-	-	3,418,489	83,111	placements at 8.5% annual interest rate				
Interest income		-	-	-	-	-	-				
Honda Motor World, Inc.	a	117,042	44,542	-	86,406	-	Non-interest bearing, unsecured;				
Miscellaneous receivables		72,500	-	-	2,485,737	-	No impairment				
Settlements		-	-	-	-	-	-				
Accounts payable	d	65,330,486	-	2,227,484	30,839,616	1,266,646	Unsecured, interest bearing placement				
Availments		64,369,648	-	-	31,062,473	-	at 10.0% annual interest rate				
Settlements		-	-	-	-	-	-				
Pikeville Bancshares		1,193,920	-	468,384	1,193,920	390,320	Payment of consultancy fees				
Professional fees		-	-	-	-	-	-				
AERG Realty Development Corp.	a	-	18,057	-	-	236,631	Non-interest bearing; No impairment				
Miscellaneous receivables		-	-	-	-	-	-				
Availments		-	-	-	-	-	-				
Settlements		218,574	-	-	-	-	-				

Forward

Category/Transaction	Ref	2019		2018		Nature, Terms and Condition
		Amount of Transaction	Outstanding Balances Due from related parties	Amount of Transactions	Outstanding Balances Due from related parties	
Notes payable	b	21,200,154	-	10,007,418	P-	Unsecured interest bearing placements
Avaliments		40,000,000	-	7,055,202	-	at 5.5% annual interest rate;
Settlements		2,125,192	-	2,522,469	-	no impairment
Interest expense			-		-	
Directors and other stockholders						
Notes payable	b		-		-	28,407,908 Unsecured interest bearing placements
Avaliments		8,882,825	-	9,097,897	-	at 5.5% annual interest rate;
Settlements		7,622,000	-	9,996,000	-	no impairment
Interest expense		1,450,912	-	1,564,572	-	
Professional and other			-		-	16,780
management fees		3,142,397	-	4,158,291	-	Payment of professional fees
TOTAL		P27,631,561	P460,769,111	P26,682,855	P337,590,365	

Forward

- a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 7).
- b. As at December 31, 2019 and 2018, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱443.23 million and ₱320.87 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱14.49 million and ₱13.34 million in 2019 and 2018, respectively (Note 11).

Borrowings availed from related parties amounted to ₱252.98 and ₱196.11 million in 2019 and 2018, respectively. Settlement from borrowings amounted to ₱130.62 and ₱110.85 million in 2019 and 2018, respectively. Interest rates from borrowings range from 5.0% to 6.00% and 5.0% to 5.70% in 2019 and 2018 respectively. Borrowings from related parties are unsecured and to be settled in cash.

- c. The Company had short-term placements with related parties amounting to nil and ₱40.00 million in 2019 and 2018, respectively. As at December 31, 2019 and 2018, ₱23.57 million and ₱23.84 million of these placements remain outstanding. Interest income from these placements amounted to ₱1.77 million ₱1.83 million in 2019 and 2018, respectively (Note 6).
- d. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.
- e. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱18.90 million, ₱18.69 million and ₱17.80 million in 2019, 2018 and 2017 respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE				
YEAR	NAME AND PRINCIPAL POSITION	SALARY/MA NAGEMENT FEE	BONUS	OTHER COMPENSATION
2020 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borrromeo – Vice Chairman Maxcy R. Borrromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,020,082	2,223,343	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	12,912,547	3,485,176	2,470,000
2019 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borrromeo – Vice Chairman Maxcy R. Borrromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,020,082	2,223,343	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	12,912,547	3,485,176	2,470,000
2018 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borrromeo – Vice Chairman Maxcy R. Borrromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,477,902	5,905,574	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,477,902	5,905,574	2,310,000
2017 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borrromeo – Vice Chairman Maxcy R. Borrromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,383,400	3,854,678	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,383,400	5,370,997	2,050,000

The Company has an existing management contract with Cebu Maxi Management Corporation for advice and assistance to be provided by Mr. Max O. Borrromeo, Vice Chairman and with Pikeville Resources, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Chairman. The directors receive a per diem of ₱50,000 for each attendance at board meeting and ₱10,000 for each board committee meeting. There are no special compensatory plan or arrangement with any officer, which would give undue advantage over any other employee of the Company. No stock warrants or stock options on the Company's shares have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered. The Compensation Committee has four members, one of whom is independent director namely: Joel S. Ferrer (Chairman), Francisco S. Eizmendi, Jr., Eric B. Benitez, and Alan Michael R. Cruz.

IDENTITY OF SIGNIFICANT EMPLOYEES

There is no person who is not an executive officer who is expected to make a significant contribution to the business of the company.

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Roxas Cruz Tagle & Co. is the incumbent external auditor of the Company for the calendar year 2019. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Mr. Clark Joseph C. Babor, the partner in charge, is the lead auditor, and Mr. Aljuver R. Gamao, as the signing Partner, of the Company. It is expected that Roxas Cruz Tagle & Co. will be reappointed as the Company's external auditor for year 2020.

The representatives of the said firm are expected to be present at the shareholders' meeting, will have the opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions.

There had been no disagreements with Roxas Cruz Tagle & Co. with regard to accounting policies and financial disclosures of the Company.

Audit Committee is comprised of the following – Mr. Francisco C. Eizmendi Jr. as Chairman and Mr. Asterio L. Favis, Jr., Mr. Robert Charles M. Lehmann and Mr. Lawrence Hock Leong Ee as members.

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with Roxas Cruz Tagle & Co. with regard to accounting policies and financial disclosures of the Company. Mr. Clark Joseph C. Babor, the engagement partner, and Mr. Aljuver R. Gamao, the signing partner, are the newly appointed auditors of the Company for the Calendar Year ending December 31, 2019, and has not yet completed the five-year cap requirement of SEC.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has engaged Roxas Cruz Tagle & Co. for FY 2019 and FY 2018 audit periods for a service fee of ₱283,250 and ₱375,000, respectively. The Company has not engaged Roxas Cruz Tagle & Co. for any tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the BOD. Recommendations by the audit committee are then deliberated during the Board meetings.

ISSUANCE AND EXCHANGE OF SECURITIES

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

As approved by the Board of Directors and upon concurrence by the Stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2006, the Board of Directors approved the following: 30% of the audited net income after tax of ₱ 16,205,137 is ₱ 4,861,541 of which 50% was declared as stock dividends amounting to ₱2,430,710 in favor of the stockholders of record as of July 12, 2007 and 8.28% of the outstanding capital stock as of October 31, 2007 amounting to ₱ 83,117,897 is ₱6,882,103 was declared as stock dividends in favor of the stockholders of record as of November 26, 2007. For the year 2005, the Board of Directors approved the following: 30% of the audited net income after tax of ₱12,193,904 is ₱3,658,170, 50% of the amount, ₱1,829,066 was declared as stock dividend. Stock dividends shall be approved by a majority vote of the stockholders. On June 19, 2008, the Board of Directors approved the declaration of 2.51% stock dividends in the aggregate amount of ₱2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008.

For the year 2009, the Board of Directors approved the following: 30% of the audited net income after tax of ₱5,465,094 is ₱1,639,528, 50% of the amount, ₱819,716 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2010, the Board of Directors approved the following: 30% of the audited net income after tax of ₱10,748,518 is ₱3,224,556, 50% of the amount ₱1,612,240 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2011, the Board of Directors approved the following: 30% of the audited net income after tax of ₱12,355,253 is ₱3,706,576, 50% of the amount ₱1,853,245 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2012, the Board of Directors approved the following: 30% of the audited net income after tax of ₱13,827,722 is ₱4,148,317, 50% of the amount ₱2,074,121 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2013, the Board of Directors approved the following: 30% of the audited net income after tax of ₱16,301,689 is ₱4,890,507, 50% of the amount ₱2,445,209 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2014, the Board of Directors approved the following: 30% of the audited net income after tax of ₱23,103,929 is ₱6,931,178, 50% of the amount ₱3,465,553 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2015, the Board of Directors approved the following: 30% of the audited net income after tax of ₱41,685,179 is ₱12,505,553, 50% of the amount ₱6,252,710 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2016, the Board of Directors approved the following: 30% of FY 2015 audited net income after tax of ₱45,980,891 amounting to ₱13,794,267, 50% of the amount ₱6,897,073 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2017, the Board of Directors approved the following: 30% of FY 2016 audited net income after tax of ₱46,331,949 amounting to ₱13,899,584, 50% of the amount ₱6,949,792 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2018, the Board of Directors approved the following: 30% of FY 2017 audited net income after tax of ₱54,339,143 amounting to ₱16,319,742, 50% of the amount ₱8,159,810 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

In 2019, the Company, upon the approval of its stockholders has declared a Special Stock Dividends amounting 12.9549278928% of the outstanding capital stock equivalent to a maximum of 30,000,000 shares of stocks, and was released out of its un-issued capital stock. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1,376,174.

In 2020, it is expected that the Board shall propose dividend declaration of 30% of FY2019 Net Income After Tax in the next BOD Meeting in July 30, 2020.

OTHER MATTERS

AMENDMENT OF CHARTER, BY-LAWS AND OTHER DOCUMENTS

The Articles of Incorporation have already been amended to change the principal corporate office address in compliance with SEC Memo Circular No. 6, Series of 2014. The amendment was approved by SEC in January 2015. There were no significant effects of such amendment to the Company's operation.

PROPOSED ACTION

The following matters will be submitted to a vote at the Annual Meeting of the stockholders:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 25, 2019.
2. Presentation and Approval of the 2019 Annual Report and the 2019 Audited Financial Statements
A copy of the 2019 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2019 Annual Report will be presented during the Annual Stockholders' Meeting.

3. Declaration of Dividends (50% cash and 50% stock)

The dividend policy dictates that 30% of 2019 Net Income after Tax will be declared as dividends. It is expected that the Board shall proposed this in the next BOD Meeting in July 30, 2020.

4. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting

All acts and proceedings taken by the Directors and Corporate Officers relate mostly to the regular business transactions wherein the Board of Directors is required to act upon. These actions are subjected to annual review of the Company's independent auditors. Major items are as follows:

- a. Approval of audited financial statements
- b. Approval of Corporate budget
- c. Election of Directors/Officers/Committees
- d. Approval of credit facilities
- e. Appointment of signatories to bank accounts
- f. Approval of dividends (cash/stock)
- g. Approval of the minutes of the previous meetings
- h. Execution of contracts and investments in the ordinary course of business

Upon prior written request, copies of the Minutes of the Meetings of the Board of Directors may be examined by stockholders of record as of Record Date at the office of the Corporate Secretary at Co Ferrer & Ang-Co Law Offices at 11/F Atlanta Center, 31 Annapolis St., Greenhills, San Juan, Metro Manila at a mutually agreed time, during regular office hours.

5. Election of Directors
6. Appointment of Independent External Auditors

VOTING PROCEDURES

The affirmative vote of stockholders present in person or by proxy representing at least a majority of the outstanding capital stock of the Corporation shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting. Matters to be approved under "Other Matters" of the agenda, if any, shall be approved by stockholders owning majority of the shares of stock present during the annual stockholders' meeting or such other voting requirement as may be mandated by law.

The manner of voting and counting of votes will be as follows:

- a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his/her/their respective name of record as of the close of business hours of **July 02, 2020**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 23, 2020** for inspection and recording shall be honored for purposes of voting.
- b) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
- c) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder under this voting system has the option to (i) to cast all his votes in favor of one (1) nominee; or (ii) distribute those votes in the same principle among as many nominees as he shall see fit. Only candidates duly nominated during the meeting shall be voted by the stockholders entitled to vote or by their proxies.
- d) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
- e) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The registrant undertakes to provide *without charge* to each stockholder a copy of the Company's Annual Report on SEC Form 17-A upon written request to the Company addressed to:

MARCOS E. LAROSA
Chief Finance Officer
Makati Finance Corporation
3/F Mazda Makati Bldg.2301 Chino Roces Ave.
Brgy. Magallanes 1231, Makati City

UNDERTAKING TO PROVIDE UPDATED CERTIFICATION OF INDEPENDENT DIRECTOR

The registrant undertakes to provide SEC the updated Certificate of Qualification and Disqualification of Independent Directors within thirty (30) days after the Annual Stockholders' Meeting in July 30, 2020.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MAKATI FINANCE CORPORATION
Issuer

A handwritten signature in black ink, appearing to read 'M. Larosa', is written over a horizontal line. The signature is stylized and somewhat cursive.

MARCOS E. LAROSA / CFO/Compliance Officer
Signature and Title

Date: July 06, 2020

MAKATI FINANCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2020

With a milestone performance in 2019, MFC greeted 2020 with full of optimism and drive to achieve another milestone in its overall performance during the year. Prior to the imposition of the Enhance Community Quarantine (ECQ) in March 2020, the overall performance of MFC from January to February 2020 saw an increase in sales by 57% or about P78 million from P136 million in 2019 to P214 million in 2020. Our momentum in the first 2 months went into a screeching halt as the Covid 19 pandemic brought uncertainties not only for MFC but to all other business sectors in the country. To adapt to the new normal, MFC has to realign its operations to mitigate the impact of the Pandemic. Sales target for the rest of the year has to be re-evaluated as we consider the financial and health risk of this pandemic on the business sectors and individuals we cater to. New releases will be directed on businesses which shall continue to be viable during this period and beyond.

As we focus on collection in the coming months, our aim is to assist our existing clients in overcoming the impact of the pandemic by closely working with them on their repayment, by providing alternatives to keep their account with us moving. MFC believes that the success of our clients in overcoming this global pandemic will also be our organization's invaluable achievement which will catapult MFC into a new milestone amid this new normal in doing business.

With the Plans and Prospects of MFC for 2020 being held temporarily by uncertainties during this global pandemic, MFC shall continue to position itself as among the top players and the financing company of choice in the market we serve. MFC will be capitalizing on its 54 years of existence and its vast experience in prudent lending activities shall emerge even stronger in these trying times and shall continuously adapt and raise the quality of the services it provide to all its clients.

Funds Generation

We currently have a ₱350 million facility with Amalgamated Investment Bancorporation (AIB) and ₱355 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2018.

Currently fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule.

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with Roxas Cruz Tagle & Co. with regard to accounting policies and financial disclosures of the Company. Mr. Clark Joseph C. Babor, the engagement partner, and Mr. Aljuver R. Gamao, the signing partner, are the newly appointed auditors of the Company for the Calendar Year ending December 31, 2019, and has not yet completed the five-year cap requirement of SEC.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has engaged Roxas Cruz Tagle & Co. for a service fee of ₱283,250 for 2019 audit period. The Company has not engaged Roxas Cruz Tagle & Co. for any tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the BOD. Recommendations by the audit committee are then deliberated during the Board meetings.

Discussion of Past Financial Performance

As of December 31, 2019

Results of Operation

The Company released a total loans of ₱1.05 billion in 2019, 40% higher or about ₱296 million versus ₱758 million in 2018. On the other hand, total collections amounted to ₱904 million, an increase of 28% or about ₱196 million versus ₱709 million in 2018, which resulted to a net income of P21.7 million, or about 137% higher versus P9.2 million in 2018 as reflected in its audited financial statements.

Total operating income ended at ₱175.7 million in 2019 from ₱135.3 million in 2018. The growth was mainly due to increased in collections which generated an interest income of ₱173.3 million in 2019 from ₱133.9 million in 2018. Total expenses in 2019 ended at ₱141.3 million, higher versus ₱117.4 million in 2018, mainly due to additional provisions for expected credit losses which includes the Company's preliminary assessment on the impact of novel strain of coronavirus (COVID-19).

Interest income in 2019 amounted to ₱173.3 million; major breakdown of which is ₱29.54 million from Rx Cashline, ₱57.29 million from MFC Factors and Business Loans and ₱78.06 million from Motor Vehicle (MC/Car) Financing.

As of December 31, 2019, Earnings Per Share ended at ₱0.10 from ₱0.04 in 2018.

Financial Condition and Capital Resources

Total assets as of December 31, 2019 ended at ₱1,324.62 million, higher versus ₱1,018.44 million in 2018 mainly due to increase in loans receivables by ₱281.6 million from ₱738.59 million in 2018 to ₱1,020.2 million in 2019. On the other hand, total liabilities also grew by ₱294.07 million, from ₱509.15 million in 2018 to ₱803.21 million in 2019 mainly due to net loan availments amounting to ₱244.57 million during the year.

Interest Income

The interest income this year ended at ₱173.3 million in 2019 from ₱133.9 million in 2018. This is mainly due to increase in loan releases and collections in 2019.

Net Interest Income

Net interest income amounted to ₱147.36 million in 2019, higher versus ₱112.44 million in 2018. This is mainly due to increase in loan releases and collections in 2019.

Other Income

Other income increased by ₱5.48 million, from ₱22.86 million in 2018 to ₱28.34 million in 2019, mainly due to gain on sale of repossessed assets amounting to ₱8.04 million in 2019.

Income Before Income Tax

As of December 31, 2019, the company's Income before share in net income of an associate and gain on sale of investment in an associate amounted to ₱34.41 million, higher versus ₱18.65 million in 2018, mainly due to increase in operating income from ₱135.3 million in 2018 to ₱175.7 million in 2019.

Funds Generation

We currently have a P385 million facility with Amalgamated Investment Bancorporation (AIB) and P324 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2020.

Currently fund requirements are being met by loans, collections, acceptance of private placements under the 19 lenders rule.

As of December 31, 2018

Results of Operation

Net Income after Tax for the year ending December 31, 2018, as reflected in the audited financial statements ended at ₱9.2 million, though lower versus P54.4million a year ago mainly due to a onetime gain on sale of investment in an associate amounting to Php 102 million in 2017. However, the Company's Income after taking out the gain on sale of investment significantly improved from a loss of Php 50.65 million in 2017 to an income of Php 9.2 million in 2018, mainly driven by reduction in the Company's operating expenses from P223.25 million in 2017 to just Php 117.4 million in 2018.

Total operating income ended at ₱135.3 million in 2018 from ₱154.7 million in 2017. The decline was mainly due to lower generated interest income. Total expenses in 2018 ended at ₱117.4 million, lower versus ₱223.25 million in 2018, mainly due to decrease in loss on sale of repossessed motorcycle inventories by ₱21.17 million, decrease in provision for credit losses by ₱38.99 million due to efficient collection efforts of receivables in 2018, decrease in provision for impairment loss in inventory by ₱26.23 million.

Interest income in 2018 amounted to ₱133.93 million; major breakdown of which is ₱23.65 million from Rx, P43.29 million from MFC Factors and Business Loans and ₱61.64 million from MC Financing.

As of December 31, 2018, Earnings Per Share ended at ₱0.04 from ₱0.24 in 2017.

Financial Condition and Capital Resources

Total assets as of December 31, 2018 ended at ₱1,019.47 million, higher versus ₱970.79 million in 2017 mainly due to increase in loans receivables by ₱121.6 million. On the other hand, total liabilities also grew by ₱46.18 million, from ₱464 million in 2017 to ₱510 million in 2018 mainly due to net loan availments amounting to ₱37.4 million during the year.

Interest Income

The interest income this year ended at ₱133.93 million in 2018 from ₱157.66 million in 2017. This is mainly due to lower loans receivable at the beginning of 2018.

Net Interest Income

Net interest income amounted to ₱112.44 million in 2018 versus ₱124.75 million in 2017. This is mainly due to lower loans receivable at the beginning of 2018.

Other Income

Other income decreased by ₱7.09 million, from ₱29.95 million in 2017 to ₱22.86 million in 2018, mainly due to lower gain on foreclosure of assets from ₱10.53 million in 2017 to ₱4.32 million 2018.

Income Before Income Tax

As of December 31, 2018, the company's Income before share in net income of an associate and gain on sale of investment in an associate amounted to ₱18.65 million, higher versus a loss of ₱68.55 million in 2017, mainly due to reduction in operating expenses from P223.25 million in 2017 to just Php 117.4 million in 2018.

As of December 31, 2017

Results of Operation

Net Income after Tax for the year ending December 31, 2017, as reflected in the audited financial statements ended at ₱54.4 million, or 17.41% higher from ₱46.33 million in 2016. This is mainly due to reduction in operating expenses by ₱ 77 million and increase in other income by ₱ 24.15 million.

Total operating income ended at ₱257.5 million in 2017 from ₱273.1 million in 2016. The 5.71% decline was mainly due to decline in generated interest income. Total expenses in 2017 ended at ₱222.25 million, lower versus ₱300.33 million in 2016, mainly due to decrease in loss on sale and inventory write-down of repossessed motorcycle inventories by ₱48.14 million and decrease in provision for credit losses by ₱9.4 million. Salaries and employee benefits also decreased by ₱19.14 million

Interest income in 2017 amounted to ₱157.66 million; major breakdown of which is ₱19.54 million from Rx, P32.15 million from MFC Factors and Business Loans and ₱101.54 million from MC Financing.

As of December 31, 2017, Earnings Per Share ended at ₱0.24 from ₱0.21 in 2016.

Financial Condition and Capital Resources

Total assets as of December 31, 2017 ended at ₱970.79 million, lower versus ₱1,227.58 million in 2016 mainly due to decrease in loans receivables by ₱232.08 million and sale of investment in associate amounting to ₱94.96 million. On the other hand, total liabilities also declined by ₱303.49 million, from ₱767.49 million in 2016 to ₱464 million in 2017 mainly due to net settlement of notes payable amounting to ₱283.85 million.

Interest Income

The interest income this year ended at ₱157.66 million in 2017 from ₱209.49 million in 2016. This is mainly due to lower loans receivable at the beginning of 2017.

Net Interest Income

Net interest income amounted to ₱124.75 million in 2017 versus ₱164.5 million in 2016. This is mainly due to lower loans receivable at the beginning of 2017.

Other Income

Other income increased by ₱24.15 million, from ₱108.6 million in 2016 to ₱132.75 million in 2017 due mainly to increase in gain from sale of investment in an associate amounting to ₱18.17 million and ₱10.53 million gain on foreclosure of investment properties .

Income Before Income Tax

As of December 31, 2017, the company ended at Income before share in net income of an associate amounting to ₱34.25 million, higher versus a loss of ₱27.24 million in 2016, mainly due to lower total operating expenses by ₱77.08 million.

Net Income

The Company posted a net income of ₱54.4 million in 2017, or 17.41% higher versus ₱46.3 million in 2016.

As of December 31, 2016

Results of Operation

Net Income after Tax for the year ending December 31, 2016, as reflected in the audited financial statements had increased by 0.76% to P46.33 million in 2016 from P45.98 million in 2015. This is mainly due to the increase in share in net income from of an associate by P6.4 million from P40.78 million in 2015 to P47.22 million in 2016 and a onetime gain from sale of investment in an associate amounting to P84.63 million.

Total operating income improved from P186.32 million in 2015 to P273.1 million in 2016, mainly due to onetime gain from sale of investment in an associate as discussed above. Total expenses in 2016 ended at P300.33 million, higher versus P185million in 2015, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by P60.7 million and increase in provision for credit losses by P17.47 million. Taxes and licenses also increased by P13.84 million due to accrued capital gains tax from sale of investment in an associate amounting to P12 million.

Interest income in 2016 amounted to P209.49 million; major breakdown of which is P21.2 million from Rx, P24.26 million from MFC Factors and Business Loans and P163.22 million from MC Financing.

As of December 31, 2016, Earnings Per Share ended at P0.21 from P0.22 in 2015.

Financial Condition and Capital Resources

Total assets as of December 31, 2016 ended at P1,227.6 million, lower versus P1,321 million in 2015 mainly due to decrease in repossessed motorcycle inventories by P88.0 million and sale of investment in an associate with a book value amounting to P75.35 million. On the other hand, total liabilities also declined by P133.3 million, from P900.7 million in 2015 to P767.5 million in 2016 mainly due to net settlement of notes payable amounting to P132.1 million.

Net Interest Income

Net interest income amounted to P164.5 million in 2016 versus P166.5 million in 2015. This is mainly due to lower loans receivable at the beginning of 2016.

Interest Income

The interest income this year ended at P209.5 million in 2016 from P211.4 million in 2014. This is mainly due to lower loans receivable at the beginning of 2016.

Other Income

Other income increased by P88.7 million, from P19.9 million in 2015 to P108.6 million in 2016 due mainly to a onetime gain from sale of investment in an associate amounting to P84.6 million and higher collections of processing fees from new loan releases and late payment charges collected from past due accounts.

Income Before Income Tax

As of December 31, 2016, the company ended at a loss before share in net income of an associate amounting to P27.2 million, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by P60.7 million and increase in provision for credit losses by P17.47 million.

Net Income

The Company posted a net income of P46.3 million in 2016, higher versus P46.0 million in 2015 or an increase of 0.76%.

As of December 31, 2015

Results of Operation

Net Income after Tax for the year ending December 31, 2015, as reflected in the audited financial statements increased by 10.3% to P46.0 million in 2015 from P41.7 million in 2014. This is mainly due to the increase in operating income by P1.5 million, increase in share in net income of an associate by P1.2 million and increase in income tax benefit by P2.6 million.

Total operating income rose from P185.2 million in 2014 to P186.3 million in 2015 or 0.5% increase from the previous year's performance. Total expenses in 2015 ended at P185.0 million which was 0.36% higher from P184.4 million expenses in 2014.

Interest income in 2015 amounted to P211.4 million, major breakdown of which is P21.2 million from Rx; P9.1 million from Factors; P6.9 million from Business Loans and P174.4 million from MC Financing.

With higher income in 2015, Earnings Per Share went up to P0.22 compared to P0.21 in 2014.

Financial Condition and Capital Resources

Total assets increased by P60.8 million in 2015 as against that in 2014, from P1,260.2 million to P1,321.0 million due primarily to the increase in loans receivables as a result of higher loan releases from P668.4 million in 2014 to P859.8 million in 2015. On the other hand, total liabilities slightly increased by P20.1 million, from P880.6 million 2014 to P900.7 million in 2015.

Interest Income

The interest income this year ended at P211.4 million in 2015 from P220.2 million in 2014. This is mainly due to lower loans receivable at the beginning of 2015.

Net Interest Income

Net interest income amounted to P166.5 million in 2015 versus P169.6 million in 2014. This is mainly due to lower loans receivable at the beginning of 2015

Other Income

Other income increased by P4.3 million or 27.45% from 2014 due mainly to higher collections of processing fees from new loan releases and late payment charges collected from past due accounts.

Income Before Income Tax

Due to the slight increase in total operating income, income before income tax and before share in net income from an associate increased to P1.3 million in 2015 from from P0.9 million in 2014.

Net Income

The Company posted a net income of P 46.0 million in 2015, higher versus P 41.7 million in 2014 or an increase of 10.3%.

KEY PERFORMANCE INDICATORS:

Following are the top five (5) key performance indicators of the Company.

**EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019**

	2019	2018
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	162.65%	156.99%
Debt to equity ratio	154.05%	99.97%
Quick ratio	95.55%	92.44%
PROFITABILITY RATIOS		
Return on assets	1.64%	0.90%
Return on equity	4.16%	1.80%
Net profit margin	12.35%	6.78%
ASSET TO EQUITY RATIO	254.05%	199.97%
INTEREST RATE COVERAGE RATIO	2.33	1.87
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	4.75%	6.05%
Total receivables to total assets	77.02%	72.45%
Total DOSRI receivables to net worth	4.54%	4.71%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.02%	0.00%
Honda Motor World, Inc.	0.00%	0.00%
Amalgamated Investment Bancorporation	0.01%	0.01%
MAPI Lending Investors, Inc.	0.29%	0.20%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.00%	0.34%
Honda Motor World, Inc.	0.00%	0.39%
Amalgamated Investment Bancorporation	0.01%	0.01%
MAPI Lending Investors, Inc.	0.20%	0.12%

Computation for the Ratios:

- Current Ratio = Current Assets/Current Liabilities
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Quick Ratio = Quick Assets/Current Liabilities
- Return on Assets = Net Income After Tax/Total Assets
- Return on Equity = Net Income After Tax/Total Equity
- Net Profit Margin = Net Income After Tax/Total Income
- Asset to Equity Ratio = Total Assets/Total Equity

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON LIQUIDITY

There are no known trends, events or uncertainties that will have a material impact on the company's liquidity.

EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

MATERIAL OFF-BALANCE SHEET TRANSACTIONS, ARRANGEMENT OR OBLIGATION

There are no material off-balance sheet transactions, arrangement or obligation.

CAPITAL EXPENDITURES

Capital expenditures mainly pertain to purchases of new office equipments, furnitures and vehicles as service units of the Company's field officers.

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON SALES

There are no known trends, events or uncertainties with material impact on sales.

SIGNIFICANT ELEMENTS OF INCOME OR LOSS

Significant elements of net income of the Company for 2009 came from its continuing operations.

SEASONAL ASPECTS

There was no seasonal aspect that had material effect on the Company's financial condition or results of operation

HOLDERS OF COMMON STOCK as of May 31, 2020
TOP 20 Stockholders

There are a total of 109 stockholders as of May 31, 2020

Name of Stockholders	Nat	Class	No. of Common Shares Held	Percentage
1. AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	112,576,292	42.81%
2. MOTOR ACE PHILIPPINES, INC.	FIL	A	66,517,910	25.30%
3. PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	20,438,969	7.77%
4. BORROMEO BROS. ESTATE INC.	FIL	A	9,780,727	3.72%
5. MF PIKEVILLE HOLDINGS, INC.	FIL	A	9,298,350	3.54%
6. GRACEFIELD CAPITAL HOLDINGS INC.	FIL	A	8,700,484	3.31%
7. ERIC B. BENITEZ	FIL	A	7,333,268	2.79%
8. MELLISSA B. LIMCAOCO	FIL	A	6,581,626	2.50%
9. GLENN B. BENITEZ	FIL	A	6,266,403	2.38%
10. RENE B. BENITEZ	FIL	A	6,016,030	2.29%
11. JOEL FERRER	FIL	A	2,648,849	1.01%
12. MICHAEL WEE	FOR	A	1,001,253	0.38%
13. REYES, MARY GRACE V.	FIL	A	780,784	0.30%
14. SALUD BORROMEO FOUNDATION	FIL	A	531,615	0.20%
15. TERESITA B. BENITEZ	FIL	A	511,415	0.19%
16. MERG REALTY DEVELOPMENT	FIL	A	454,354	0.17%
17. GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	275,903	0.12%
18. GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	275,903	0.12%
19. GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	275,903	0.12%
20. RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	275,903	0.12%
SUB-TOTAL			260,691,469	99.14%
OTHER STOCKHOLDERS (89)			2,256,774	0.86%
GRAND TOTAL (109 stockholders)			262,948,243	100.00%

Currently the Company is compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 10% minimum public float. MFC has 15.53% public float.

MARKET SHARE INFORMATION

The Company was listed in the Philippine Stock Exchange on January 6, 2003.

On January 6, 2003 with authorized capital stock of ₱90 million, a total of 19.56 million shares of stock were offered to the general public in the company's Initial Public Offering (IPO). On November 6, 2007, the Board of Directors and Stockholders approved the increase in the Company's authorized capital stock to ₱300 million. On March 27, 2008, the Securities and Exchange Commission approved the Company's application for a follow-on offering to the general public of 75,500,000 new common shares and 7,598,892 secondary shares. But the sharp fall in stock prices locally and globally prompted the Board and Management to forego the planned additional public offering.

The latest available price information on Makati Finance's stock price is **₱1.90** per share as of **July 05, 2020**.

Philippine Stock Exchange Market prices for the last two years were as follows:

Quarter Ending	Market Prices	
	High	Low
March 2020	2.00	2.00
December 2019	2.48	2.48
September 2019	3.09	3.09
June 2019	3.03	3.03
March 2019	2.69	2.69
December 2018	2.73	2.73
September 2018	2.80	2.80
June 2018	3.03	3.03
March 2018	2.92	2.92

DIVIDENDS

As approved by the BOD and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2017, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱6,949,792.35. Fractional shares were settled in cash. For the year 2018, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱8,159,871.45. Fractional shares were settled in cash. For the year 2019, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱1,376,174. Fractional shares were settled in cash.

NAMES OF THE UNDERWRITERS OR IDENTITY OF PERSONS TO WHOM THE SECURITIES WERE SOLD

There were no underwriters or persons to whom the stock dividends were sold.

EXEMPTION FROM REGISTRATION CLAIMED

Pursuant to SRC Rule No. 10 Section D, the declaration of stock dividends is an exempt transaction. The approval of the Commission for the stock dividend declaration was not sought by the Company.

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Makati Finance shall set up an evaluation system that will determine and measure compliance with the Manual on Corporate Governance.

Measures undertaken by MFC for full compliance with the adopted leading practices on good corporate governance includes election of independent directors and creation of the Nomination Committee starting year 2003 and continued up to the present time. Each incumbent director of MFC underwent seminars on good corporate governance in year 2003. The Company submitted to the SEC its Revised Anti-Money Laundering Manual as mandated by Republic Act 9160, as amended by Republic Act. No. 9194 on October 28, 2004. Also, the Company submitted the Audit Charter Manual. Lastly, the Company's By-Laws shall be amended to incorporate provisions on independent directors. Deviations from the Company's Manual on Corporate Governance are not applicable. With regards to plans on improving corporate governance of the Company, Makati Finance is already adopting the International Accounting Standards in the presentation of its financial statements with the help of its external auditors. Communications are open with Roxas Cruz Tagle & Co. with regards to further compliance with the IAS.

In reference to SEC Memorandum Circular No.15 Series of 2017, The Company shall no longer be required to file a Consolidated Changes in the ACGR. Pursuant to its regulatory and supervisory power under the Section 5 of the Securities Regulation Code, mandates all companies to submit an Integrated Annual Corporate Governance Report (I-ACGR). Beginning 2018, covering the information for the year 2017, the I-ACGR will be replacing the ACGR and the PSE CG Disclosure Survey.

Document	Submitted to	Date of Submission
2017 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	May 30, 2018
	The Philippine Stock Exchange, Inc. (PSE)	
2018 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	May 30, 2019
	The Philippine Stock Exchange, Inc. (PSE)	

The Company shall submit the 2019 Integrated Annual Corporate Governance Report or the I-ACGR (formerly known as the Annual Corporate Governance Report or the ACGR) to SEC and PSE on or before July 30, 2020.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECURITIES AND EXCHANGE
COMMISSION
RECEIVED
JUL 01 2020
MARKET REGULATION DEPT.
BY: *[Signature]* TIME: *12:35*

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. ALAN MICHAEL R. CRUZ**, Filipino, of legal age and a resident of address at No. 410 Madrigal Avenue, Ayala Alabang, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation** ("MFIN") for its Annual Stockholders' Meeting to be held on July 30, 2020 and have been its independent director since July 27, 2017.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
NORTHPIKE LAND INC.	President and General Mgr.	June 2011 – Dec.2016
SAN MIGUEL PROPERTIES, INC.	Real Estate Development Mgr.	March 2007 – June 2011
UNITED COCONUT PLANTERS BANK (UCPB)	VP and Division Head, Corporate Service Division	2004 – 2007
UNITED COCONUT PLANTERS BANK (UCPB)	VP and OIC, Asset Management Division	2000 – 2003
BELLE CORPORATION	Asst. VP–Construction Division	1995 – 2000
KREUZ MANAGEMENT	Assistant Vice President	1988 – 1994
A.R. CRUZ & PARTNERS	Managing Director	1989 – 1995
WEISBERG, CASTRO & ASSOCIATES, NEW YORK, USA	Project Architect	1988 – 1989
BRENNAN BEER GORMAN ARCHITECTS, NEW YORK, USA	Designer	1986 – 1988

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 29th day of June 2020 at Makati City, Philippines.

JUN 29 2020

[Signature]
ALAN MICHAEL R. CUZ
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of _____ at **MAKATI CITY** affiant personally appeared before me and exhibited his Tax Identification Number 103-569-603.

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Page No. 095
Book No. 001
Series of 2020

ATTY. MARIATO B. ARIÑAS JR.
Commission No. M-357
Notary Public for Makati City
Until December 31, 2020
SC Roll No. 65664
IBP No. 063936 01/07/2019 Pasig City
PTR No. 7533729 02/28/2019 Makati City
MCLE Compliance No. VI - 0002427
1108A Bldg. Chino Roces Avenue Ext
Makati City

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECURITIES AND EXCHANGE
COMMISSION
RECEIVED
JUL 01 2020
MARKET REGULATION DEPT.
BY: [Signature]
TIME: 12:55

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. FRANCISCO C. EIZMENDI, JR.**, Filipino, of legal age and with residence address at 34 Celery Drive, Valle Verde V, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation** ("MFIN") for its Annual Stockholders' Meeting to be held on July 30, 2020 and have been its independent director since June 14, 2007.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Dearborn Motors Corporation	Chairman	2000 – present
Sun Life Grepa Financial	Independent Director	2011 – present
Institute for Solidarity in Asia	Trustee	2008 – present
East West Seed Philippines	Advisory Board Member	2009 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 29th day of June 2020 at Makati City, Philippines.

[Signature]

FRANCISCO C. EIZMENDI, JR.
Affiant

Subscribed and sworn to before me this JUN 29 2020 day of _____ at **MAKATI CITY** affiant personally appeared before me and exhibited his Tax Information Number (TIN) 119-132-505.

Doc No. 400
Page No. 095
Book No. 001
Series of 2020

ATTY. MARIANO B. ARA
Commission No. M-357
Notary Public for Makati City
Until December 31, 2020
SC Roll No. 65664
IBP No. 063936-01-07-2019 Pasig City
PTR No. 7533729-02/28/2019 Makati City
MCLE Compliance No. VI - 0002427
4F G&A Bldg. Chino Roces Avenue Ext
Makati City

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.



CERTIFICATION OF INDEPENDENT DIRECTOR


I, **MR. LAWRENCE HOCK LEONG EE**, Singaporean, of legal age and with residence address at 34 Dunbar Walk, Singapore 459326, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation** ("MFIN") for its Annual Stockholders' Meeting to be held on July 30, 2020 and have been its independent director since July 27, 2017.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Amalgamated Investment Bancorporation	Director	2015 – present
Singapore Chartered Accountants	Lifetime Member	1965 - present
Lum Chang Holdings, Inc.	Independent Director	9-years
LCD Global Investments	Non-Executive Chairman	2 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 29th day of June 2020 at Makati City, Philippines.



LAWRENCE HOCK LEONG EE
Affiant

JUN 29 2020

MAKATI CITY

SUBSCRIBED AND SWORN to before me this ___ day of _____ at _____ affiant personally appeared before me and exhibited his Passport Number E4134630J issued by the Department of Foreign Affairs, Manila on December 1, 2015.

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Book No. 001
Series of 2020


ATTY. MARIANO B. ARIÑAS JR.
Commission No. M-357
Notary Public for Makati City
Until December 31, 2020
SC Roll No. 65664
IBP No. 063936 01/07/2019 Pasig City
PTR No. 7533729 02/28/2019 Makati City
MCLE Compliance No. VI - 0002427
1F G&A Bldg. Chino Roces Avenue Ext
Makati City

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on _____.

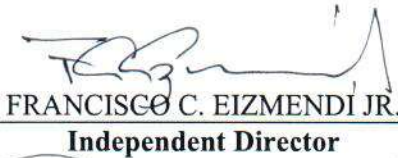
By:



RENE B. BENITEZ
Chairman of the Board



MAX O. BORROMEEO
Vice-Chairman



FRANCISCO C. EIZMENDI JR.
Independent Director



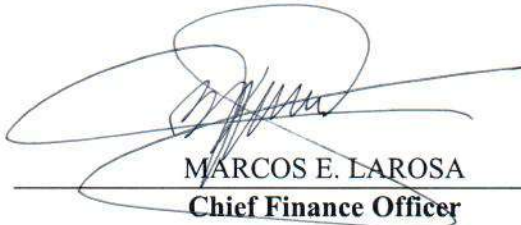
MAXCY FRANCISCO JOSE R. BORROMEEO
President



ALAN MICHAEL R. CRUZ
Independent Director



LAWRENCE HOCK LEONG EE
Independent Director



MARCOS E. LAROSA
Chief Finance Officer



DANILO ENRIQUE O. CO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 19 2020 day of _____ 2020 , affiant(s) exhibiting to me their _____, as follows:

<u>NAME/NO.</u>	<u>GOVT.I.D.</u>	<u>PLACE OF ISSUE</u>
RENE B. BENITEZ	TIN:137-438-326	
MAX O. BORROMEEO	TIN: 108-479-305	
FRANCISCO C. EIZMENDI JR.	TIN: 119-132-505	
ALAN MICHAEL R. CRUZ	TIN : 103-569-603	
LAWRENCE HOCK LEONG EE	TIN : 134-866-959	
MAXCY FRANCISCO JOSE R. BORROMEEO	TIN : 153-065-629	
MARCOS E. LAROSA	TIN : 206-361-568	
DANILO ENRIQUE O. CO	TIN : 134-866-959	

NOTARY PUBLIC

Doc No. 241
Page No. 57
Book No. 33
Series of 2020

RUBEN T.M. RAMIREZ
Notary Public for Makati City
Until December 31, 2021
2050 E. Pasig St., Makati City
DSP O.R. No. 0976711 December 10, 2019
Roll No. 289477/MCLIF No. VI-0000246
PTR No. MKT 8117084/002 2020
Appointment No. 98 428

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Financial Statements

Statement of Management's Responsibility for Financial Statements for the years ended December 31, 2019 and 2018

Independent Auditors' Report dated May 6, 2020

Statements of Financial Position as at December 31, 2019 and 2018

Statements of Comprehensive Income for the years ended December 31, 2019 and 2018
(with comparative figures for the year ended December 31, 2017)

Statements of Changes in Equity for the years ended December 31, 2019 and 2018
(with comparative figures for the year ended December 31, 2017)

Statements of Cash Flows for the years ended December 31, 2019 and 2018
(with comparative figures for the year ended December 31, 2017)

Notes to the Financial Statements as at and for the years ended December 31, 2019 and 2018
(with comparative figures for the year ended December 31, 2017)

Supplementary Schedules

Independent Auditors' Report on Supplementary Schedules dated May 6, 2020

Exhibit I. Reconciliation of Retained Earnings Available for Dividend Declaration

Exhibit II. Schedule of Financial Soundness

Exhibit III. Supplementary Schedules Under Annex 68-F

Exhibit IV. Supplementary Schedules Under Annex 68-J

Exhibit V. Map of the Group of Companies





STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Makati Finance Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Roxas Cruz Tagle Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

[Signature]
Rene B. Benitez
Chairman of the Board

[Signature]
Maxcy Francisco Jose R. Borromeo
President

[Signature]
Marcos E. Larosa
Chief Financial Officer

Signed this 06 day of MAY 2020, 2020

JUN 03 2020

SUBSCRIBED AND SWORN TO BEFORE ME THIS
AT MAKATI CITY, AFFIANT EXHIBITED TO ME HIS/HER
No. Issued on at

Doc. No. 211
Page No. 44
Book No. 29
Series No. 2020

3/F Mazda Makati Building, 2301 Chino Roces Avenue, Brgy. Magallanes, Makati City 1231 Philippines
Telephone Nos. (632) 7751-8132
Website: www.makatifinance.ph

RUBEN T. MORALES
Notary Public for Makati City
Until December 31, 2021
886 F. Pasqua St., Makati City
IBP O.R. No. 097071/December 10, 2019
Roll No. 28947/MCLE No. M1-0020246
PTR No. MKT 8117044/1-02-2020
Appointment No. M-158

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
Makati Finance Corporation
(A Subsidiary of Amalgamated Investment Bancorporation)
3rd floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Makati Finance Corporation ("the Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on April 12, 2018.

Key Audit Matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Assessment of Expected Credit Losses (ECL) on Loans and Other Receivables

The Company is required to use the ECL model to determine impairment of loans and other receivables. This is significant to our audit because loans and other receivables amounting to P1.02 billion as at December 31, 2019, represents 77% of total assets. Moreover, the assessment using the ECL model involves significant judgments and estimates. We have reviewed the reasonableness of the assumptions used by the management in the assessment of ECL. Necessary disclosures are included in Note 4, Use of judgments, estimates and assumptions, and Note 7, Loans and other receivables - net.

Other information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ROXAS CRUZ TAGLE AND CO.



Aljuver R. Gamao

Partner

CPA Certificate No. 0126931

Tax Identification No. 944-910-315

SEC Accreditation No. 1776-A, issued on September 10, 2019,
effective until September 09, 2022

BIR Accreditation No. 08-001682-015-2019, issued on February 08, 2019,
effective until February 07, 2022

PTR No. 8138977, issued on January 21, 2020, Cebu City

May 6, 2020

Makati City

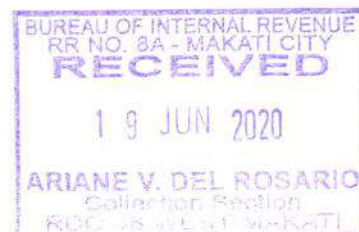


MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	Note	2019	2018
ASSETS			
Cash and cash equivalents	6	P62,726,271	P60,727,435
Loans and other receivables - net	7	1,020,201,707	738,592,949
Property and equipment - net	8	9,226,046	7,089,171
Investment properties - net	9	62,964,857	61,640,377
Right-of-use assets	20	23,882,655	—
Deferred tax assets - net	17	61,209,971	69,401,876
Retirement plan assets - net	15	—	244,127
Other assets - net	10	84,417,823	80,748,175
		P1,324,629,330	P1,018,444,110
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	11	P709,309,048	P464,742,883
Accounts payable	18	29,715,348	17,918,996
Accrued expenses	12	31,397,530	25,873,348
Income tax payable	17	726,531	611,610
Lease liabilities	20	28,094,989	—
Retirement benefits liability - net	15	3,974,808	—
		803,218,254	509,146,837
Equity			
Capital stock	14	262,948,243	231,572,111
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		248,566,443	265,783,544
Remeasurement gains on retirement benefit liability	15	4,092,468	6,137,696
		521,411,076	509,297,273
		P1,324,629,330	P1,018,444,110

See Notes to the Financial Statements.



MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

	Notes	2019	2018	2017
Interest income	6,7,18	P173,297,706	P133,929,324	P157,661,732
Interest expense	11,18,20	25,933,893	21,488,855	32,913,687
		147,363,813	112,440,469	124,748,045
Other income				
Service charges		9,532,386	6,024,171	4,404,252
Gain on foreclosed assets	9	—	4,320,613	10,526,725
Miscellaneous	16	10,772,120	12,511,588	15,019,422
		20,304,506	22,856,372	29,950,399
Total operating income		167,668,319	135,296,841	154,698,444
Operating expenses				
Salaries and employee benefits		58,700,908	55,040,738	56,006,403
Depreciation and amortization	8,9,10,20	19,369,163	5,340,924	5,677,458
Taxes and licenses		17,506,834	12,228,553	28,846,766
Provision (recovery) for credit losses	7	15,493,762	(11,712,656)	27,279,895
Management and professional fees		6,438,464	7,833,473	7,336,159
Travel and transportation		5,929,455	6,477,228	6,038,986
Occupancy costs	20	3,890,312	16,349,727	16,435,820
Commission		1,127,396	6,830,370	7,997,697
Entertainment, amusement and recreation		1,046,408	748,392	729,938
Provision for impairment loss of repossessed assets	10	60,937	6,359,127	32,595,997
Loss (gain) from sale of repossessed assets	10	(8,035,028)	2,794,153	23,961,274
Miscellaneous	16	11,727,273	9,116,363	10,346,249
Total operating expenses		133,255,884	117,406,392	223,252,642
Non-operating income				
Gain on sale of investment properties	9	—	758,000	—
Gain on sale of investment in an associate		—	—	102,801,839
Income before share in net income of an associate and income tax		34,412,435	18,648,449	34,247,641
Share in net income of an associate		—	—	2,252,071
Income before income tax		P34,412,435	P18,648,449	P36,499,712

forward



		2019	2018	2017
Income before income tax		P34,412,435	P18,648,449	P36,499,712
Income tax benefit (expense)	17	(12,706,786)	(9,473,953)	17,899,431
Net income		21,705,649	9,174,496	54,399,143
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement gains (losses) on retirement benefit liability, net of tax	15	(2,045,228)	2,399,700	(753,593)
Total comprehensive income		P19,660,421	P11,574,196	P53,645,550
Basic and Diluted Earnings Per Share	19	P0.09	P0.04	P0.24

See Notes to the Financial Statements.



MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings (Note 14)	Remeasurement Gains on Retirement Benefit Liability (Note 15)	Total Equity
Balance at January 1, 2019, as previously reported	P231,572,111	P5,803,922	P265,783,544	P6,137,696	P509,297,273
Transitional adjustment due to the adoption of PFRS 16 (Note 3)	—	—	(6,170,402)	—	(6,170,402)
Balance at January 1, 2019, as restated	231,572,111	5,803,922	259,613,142	6,137,696	503,126,871
Stock dividends	31,376,132	—	(31,376,132)	—	—
Cash dividends	—	—	(1,376,216)	—	(1,376,216)
Total comprehensive income	—	—	21,705,649	—	21,705,649
Net income	—	—	—	(2,045,228)	(2,045,228)
Other comprehensive income	—	—	—	(2,045,228)	(2,045,228)
Balance at December 31, 2019	P262,948,243	P5,803,922	P248,566,443	P4,092,468	P521,411,076

See Notes to the Financial Statements.



MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings (Note 14)	Remeasurement Gains on Retirement Benefit Liability (Note 15)	Share in Other Comprehensive Income of an Associate	Total Equity
Balance at January 1, 2018 as previously reported	P223,412,301	P5,803,922	P273,833,971 (905,181)	P3,737,996	P-	P506,788,190 (905,181)
Adjustment	-	-	(905,181)	-	-	-
Balance at January 1, 2018, as adjusted	223,412,301	5,803,922	272,928,790	3,737,996	-	505,883,009
Stock dividends	8,159,810	-	(8,159,810)	-	-	-
Cash dividends	-	-	(8,159,932)	-	-	(8,159,932)
Total comprehensive income	-	-	9,174,496	-	-	9,174,496
Net income	-	-	-	2,399,700	-	2,399,700
Other comprehensive income	-	-	-	2,399,700	-	11,574,196
Balance at December 31, 2018	P231,572,111	P5,803,922	P265,783,544	P6,137,696	P-	P509,297,273
Balance at January 1, 2017	P216,462,556	P5,803,922	P233,334,355	P4,491,589	P57	P460,092,479
Stock dividends	6,949,745	-	(6,949,745)	-	-	-
Cash dividends	-	-	(6,949,839)	-	-	(6,949,839)
Total comprehensive income	-	-	54,399,143	-	-	54,399,143
Net income	-	-	57	(753,593)	(57)	(753,593)
Other comprehensive income	-	-	-	(753,593)	(57)	53,645,550
Balance at December 31, 2017	P223,412,301	P5,803,922	P273,833,971	P3,737,996	P-	P506,788,190

See Notes to the Financial Statements.



MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

	<i>Notes</i>	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P34,412,435	P18,648,449	P36,499,712
Adjustments for:				
Depreciation and amortization	8, 9, 10, 20	19,369,163	5,340,924	5,677,458
Provision (recovery) for credit losses on loans and other receivables	7	15,493,762	(11,712,656)	27,279,895
Loss (gain) from sale of repossessed assets	10	(8,035,028)	2,794,153	23,961,274
Interest expense from lease liabilities	20	2,455,808	—	—
Retirement benefits expense (income)	15	1,297,181	1,842,045	(2,189,142)
Provision for impairment loss of repossessed assets	10	60,937	6,359,127	32,595,997
Gain on foreclosed assets		—	(4,320,613)	(10,526,725)
Gain on disposal of investment property	9	—	(758,000)	—
Recovery of impairment loss from investment property	9	—	(432,334)	—
Share in net income of an associate		—	—	(2,252,071)
Gain on sale of investment in an associate		—	—	(102,801,839)
Operating income before changes in working capital		65,054,258	17,761,095	8,244,559
Decrease (increase) in:				
Loans and other receivables		(297,102,520)	(109,934,241)	164,150,166
Other assets		(17,839,519)	(19,578,609)	(35,169,432)
Increase (decrease) in:				
Accounts payable		11,796,352	1,455,738	745,470
Accrued expenses		5,524,182	6,201,295	(17,878,065)
Net cash flows provided by (used in) operating activities		(232,567,247)	(104,094,722)	120,092,698
Income taxes paid		(2,456,316)	(1,555,782)	(3,298,135)
Proceeds from sale of repossessed assets		19,060,718	18,265,578	4,812,179
Net cash provided by (used in) operating activities		(215,962,845)	(87,384,926)	121,606,742

forward



	Note	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	8	(P6,505,018)	(P611,970)	(P1,434,292)
Investment properties	9	(2,000,000)	(8,899,692)	—
Software	10	(915,500)	(20,102)	(208,620)
Proceeds from sale of:				
Property and equipment		240,000	—	—
Investment in an associate		—	—	200,016,000
Investment properties		—	1,600,000	—
Net cash provided by (used in) investing activities		(9,180,518)	(7,931,764)	198,373,088
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable	21	502,958,988	267,152,586	240,696,640
Settlements of notes payable	21	(258,392,823)	(229,748,593)	(524,544,208)
Payments of lease liabilities		(16,047,750)	—	—
Cash dividends paid- including fractional shares	14	(1,376,216)	(8,159,932)	(6,949,839)
Net cash provided by (used in) financing activities		227,142,199	29,244,061	(290,797,407)
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS		1,998,836	(66,072,629)	29,182,423
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		60,727,435	126,800,064	97,617,641
CASH AND CASH EQUIVALENTS AT END OF YEAR		P62,726,271	P60,727,435	P126,800,064
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		P173,657,409	P134,679,111	P156,200,648
Interest paid		P29,603,629	P22,307,837	P40,124,997

See Notes to the Financial Statements.



MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

1. Reporting Entity

Makati Finance Corporation (the Company) was incorporated in the Philippines on February 17, 1966. The Company operates as a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

On October 21, 2015, the Philippine Securities and Exchange Commission (SEC) approved the request of the Company to amend its Articles of Incorporation for the extension of the corporate term for another 50 years.

Amalgamated Investment Bancorporation (AIB) (the Parent Company) owns 42.81% of the Company as at December 31, 2019 and 2018.

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the company was approved by the SEC and the Philippine Stock Exchange (PSE), on December 9, 2002 and November 28, 2002, respectively. The company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of ₱1.38 per share.

As at December 31, 2019, the Company's closing price at the PSE amounts to ₱2.48 per share.

The Company's principal place of business is at 3rd Floor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati, Makati City.

The financial statements were approved and authorized for issuance by the BOD on May 6, 2020

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Preparation

The financial statements of the Company have been prepared on the historical cost basis.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest peso (₱), except when otherwise indicated.



3. Significant Accounting Policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* - PFRS 16 supersedes PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee (SIC) -15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases to be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to *classify* leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Company is the lessor.

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4 and under which the cumulative effect on initial application is recognized in retained earnings at January 1, 2019.

The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed under "Leases" of this note.

Leases previously accounted for as operating leases

As a lessee, leases previously classified as operating lease, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if PFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of PAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied exemption not to recognize right-of-use assets and liabilities with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.



The effect of transition to PFRS 16 as at January 1, 2019 follows:

	January 1, 2019 <i>(as previously reported)</i>	<i>Adjustments</i>	January 1, 2019 <i>(as restated)</i>
Assets			
Other assets - net	P80,748,175	(P3,680,462)	P77,067,713
Right-of-use assets	—	38,129,874	38,129,874
Deferred tax assets - net	69,401,876	1,067,117	70,468,993
	<u>150,150,051</u>	<u>35,516,529</u>	<u>185,666,580</u>
Liabilities and Equity			
Lease liabilities	—	41,686,931	41,686,931
Retained earnings	265,783,544	(6,170,402)	259,613,142
	<u>265,783,544</u>	<u>35,516,529</u>	<u>301,300,073</u>

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rates at January 1, 2019 specific for each lease agreements as follows:

Operating lease commitment as at December 31, 2018	P51,810,257
Discounted using the incremental borrowing rate at January 1, 2019	(10,123,326)
<u>Lease liabilities as at January 1, 2019</u>	<u>P41,686,931</u>

Right-of-use assets and lease liabilities were recognized and presented separately in the statements of financial position.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* - The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* - The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (FVOCI) (instead of at fair value through profit or loss (FVPL)) if a specified condition is met. It also clarifies the requirements in PFRS 9 for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).
- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* - The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income (OCI) or equity according to where the entity originally recognized those past transactions or events.



- Annual Improvements 2015-2017 Cycle

- PFRS 3, *Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

- PFRS 11, *Joint Arrangements*

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

- PAS 12, *Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where it originally recognized those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

- PAS 23, *Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.



Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

The adoption these new and amended PFRS did not have any material effect on the financial statements, except for PFRS 16. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1 and PAS 8, *Definition of Material* - The amendments address the definition of material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* - This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.
- Deferred effectivity - Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* - The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under the prevailing circumstances, the adoption of these new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

Financial assets and financial liabilities

Date of recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition and measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.



“Day 1” Difference. Where the transaction 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. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference 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.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

Financial assets and liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognize OCI (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in OCI are not subsequently transferred to profit or loss.

As at December 31, 2019 and 2018, the Company does not have financial assets and liabilities at FVPL.

Financial assets at amortized cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.



After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Company's cash and cash equivalents, loans and receivables, security deposits and other investments under other assets are included under this category (Notes 6, 7 and 10).

Financial liabilities at amortized cost. Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest 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 effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Company's liabilities arising from its notes payable, accounts payable, accrued expenses and lease liabilities are included under this category (Notes 11,12, 18 and 20).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- 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.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.



As at December 31, 2019 and 2018, the Company's other investment under other assets is included under this category (Note 10).

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of financial assets at amortized cost

The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.



Derecognition of financial assets and liabilities

Financial assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.



Classification of financial instrument between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- 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.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Cash and cash equivalents

Cash includes cash on hand and in banks which are stated at amortize cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Loans and other receivables

Loans and other receivables are amounts due from customers for services performed in the ordinary course of business.

Loans and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for credit losses.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Furniture, fixtures and equipment	3 - 5
Leasehold rights and improvements	10 or the period of the lease, whichever is shorter
Transportation equipment	3 - 5

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.



The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period of retirement and disposal.

Investment properties

Investment properties primarily consist of foreclosed real estate properties. These are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. A gain or loss on exchange is recognized in profit or loss under "Gain on foreclosed assets" account.

Foreclosed real estate properties are classified under "investment properties" account upon:

- (a) entry of judgment in case of judicial foreclosure;
- (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- (c) notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, depreciable investment properties are carried at cost less depreciation and any impairment in value. The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for these assets is calculated on a straight line basis using a useful life that ranges from 15 to 20 years.

Expenditures incurred after the investment properties have been put into operations such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from the use and not future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Investment in an associate

An associate pertains to an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. Investment in an associate is accounted under the equity method of accounting.

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share in the net assets of the associate since acquisition date.



Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share in profit or loss of an associate is shown as a separate line item in the statements of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Company, using consistent accounting policies.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. Gain on sale of investment in an associate is recognized upon sale of the investment as the difference between the selling price and the carrying value of the investment sold.

Repossessed assets

Repossessed assets are carried at cost, which is the fair value at recognition date. The Company recognizes repossessed assets at cost less impairment. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. Repossessed assets is presented under "Other assets" account in the statements to financial position.

Software costs

Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under "Other asset" account in the statements of financial position, which includes costs incurred relative to the development of the Company's software.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred.

Software asset is amortized on a straight line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software assets for the current and comparative periods range from three to five years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.



In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair value measurements

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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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 market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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 the categorization 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.



Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Provisions and contingencies

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is charged against profit or loss, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements 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 in the notes to financial statements when an inflow of economic benefits is probable.

Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. Share capital is measured at par value. When the shares are sold at premium, the difference between the proceeds and par value is credited as additional paid-in capital.

Retained earnings

Unappropriated retained earnings include all current and prior period results and other capital adjustments as disclosed in the statement of changes in equity, free from any restriction.

Revenue recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.



Interest income on loans and other receivables. Interest income on loans and other receivables is recognized in profit or loss for all financial instruments measured at amortized cost using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Interest income from banks deposits - interest from bank deposit accounts is recognized as the interest is earned. Interest income is presented net of tax unless final tax is deemed significant.

Service charges - service charges are recognized as revenue as the services are rendered.

Miscellaneous - miscellaneous are recognized as revenue as the penalties and other charges accrues.

Gain or loss on sale of repossessed assets - Gain or loss on sale of repossessed assets is recognized when the Company disposes of its repossessed assets. Gain or loss is computed as the difference between the proceeds of the disposed repossessed assets and its carrying amount.

Expense recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Foreign currency denominated transactions and balances

Transactions in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated into Philippine Peso using the rates of exchange provided by its Parent Company, which approximate the prevailing exchange rate at statement of financial position date. Exchange gains or losses arising from translation of foreign currency-denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Retirement benefit costs

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.



Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income tax

The tax expense for the period comprises current and deferred tax. Tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity, or when the tax arises from a business combination. Current and deferred tax that relates to items that are recognized in OCI or directly in equity are also recognized in OCI or directly in equity, respectively.

Current tax

Current tax assets and current tax liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable tax rate for the years presented.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. However, deferred income tax liabilities are not recognized if it arises from:

- a) the initial recognition of goodwill; or
- b) the initial recognition of an asset or liability in a transaction which:
 - (i) is not a business combination;
 - (ii) the initial recognition of an asset or liability in a transaction which is not a business combination at the time of the transaction affects neither accounting nor taxable profit; and
 - (iii) investments in subsidiaries and jointly controlled entities where the Parent Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits from MCIT and NOLCO can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).



The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply 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 financial reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same transaction authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

For contracts entered into before January 1, 2019, the Company determines whether an arrangement is or contains a lease based on whether of:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of output.



Company as a lessee. The Company recognizes a right-of-use asset and lease liability at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use asset is initially measured as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The right-of-use asset is subsequently depreciated using the straight line method over the shorter of the estimated useful life of 3 to 15 years or the lease term.

In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments option renewal period if the Company is reasonably to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. It is remeasured when there is a change in future lease payments or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Short-term leases. The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Notes payable

Notes payable are recognized initially at transaction price (that is, the present value of cash payable to the creditors, including transaction costs). Notes payable are subsequently stated at amortized cost using EIR method, which ensures that any finance costs even the period of repayment is a consistent rate in the balance of the liability carried in the statements of the financial position.

Notes payable are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after financial reporting date.



Related parties

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. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties.

Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit to the weighted average number of common shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding and assume of all dilutive potential ordinary shares.

Segment reporting

The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5 to the financial statements.

Events after the statement of financial position date

Post year-end events up to the date the financial statements are authorized for issue by the BOD that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are recognized in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Determination whether an arrangement contains a lease - The Company assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.



The details of these lease agreements are disclosed in Note 20.

Company as lessee. The Company has entered into lease agreements as a lessee. Depreciation of right-of-use of asset and interest expense on lease liability recognized in profit or loss are disclosed in Notes 20.

Capitalization of software costs - The Company has entered into a contract for the development of its loans management system. The Company used judgment to decide whether development costs are capitalizable as intangible assets and to assess that the asset will generate probable future economic benefits. The Company recorded the cost under "Other assets" account in the statements of financial position.

Provisions and contingencies - The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As at December 31, 2019 and 2018, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed in the financial statements.

Determining the lease term of contracts with renewal and termination options - Company as lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates and assumptions

The key estimates and assumptions used in the financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Determining significant increases in credit risk and estimating allowance for credit losses - The Company establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

For the purpose of determining significant increases in credit risk and recognizing a loss allowance, the Company groups its loans and other financial receivables on the basis of share credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

At initial recognition of a financial asset, the Company recognizes a loss allowance equal to 12-month expected credit losses. These are the credit losses that are expected to result from default events that are possible within 12 months from the reporting date. This means that the actual loss does not need to take place within the 12-month period; it is the occurrence of the default event that ultimately results in that loss.



After initial recognition, the three stages would be applied as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition - recognize 12-month expected credit losses
- Stage 2: Credit risk has increased significantly since initial recognition - recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset
- Stage 3: There is objective evidence of impairment as at the reporting date (using the criteria currently included in PAS 39) - recognize lifetime expected losses, with interest revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

Determining from recognizing 12-month expected credit losses to lifetime expected credit losses requires judgment and careful estimates from management as the focus is on the change in the risk of the default, and not on the changes in the amount of expected credit losses. When determining which loans and other receivables may be subject to lifetime expected credit losses, the Company considers indicators such as request for loan modification or restructuring, changes in the health condition of borrowers, when accounts become past due or when accounts are in default, changes in industry or economic conditions that affect the ability of the borrowers to pay and other changes in the expected behavior of the borrower, and past-due information.

The measurement of expected credit losses is based on the present value of cash shortfalls, and takes into account both the amount and timing of contractual payments, including any proceeds from the repossession and sale of collaterals. These are reassessed and adjusted on any expected changes in the credit risks. Therefore, a credit loss may arise in instances where there is a delay in the payment of contractually required amount, even if all contractual cash payments are ultimately expected to be received in full.

As at December 31, 2019 and 2018, allowance for credit losses amounted to P123.67 million and P108.18 million, respectively (Note 7). The carrying values of loans and other receivables amounted to P1.02 billion and P738.59 million as at December 31, 2019 and 2018, respectively (Note 7).

Impairment of non-financial assets - The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

As at December 31, 2019 and 2018, the Company did not recognize impairment on property and equipment, investment properties and software costs.

The carrying values of property and equipment, investment properties and software costs are disclosed in Notes 8, 9 and 10.



As at December 31, 2019 and 2018, the carrying value of repossessed assets amounted to P76.71 million and P70.58 million, respectively. Provision for impairment loss of repossessed assets amounted to P0.06 million, P6.36 million and P32.60 million in 2019, 2018 and 2017, respectively (Note 10).

Realizability of deferred tax assets - The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 17.

Estimating useful lives of property and equipment, investment properties and software costs - The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3.

Valuation of retirement benefits - The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, 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. Further details on the retirement liability are provided in Note 16.

The Company's net retirement liabilities amounted to P3.97 million as at December 31, 2019 and net retirement plan assets amounted to P0.24 million as at December 31, 2018, respectively (Note 15).

Leases - Estimating the incremental borrowing rate - The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of its financial instrument are as follows:



Cash Equivalents

Carrying amounts approximate fair values due to the relatively short-term maturities of these financial assets.

Loans and Other Receivables

The carrying amounts of loans and receivables approximate the fair values due either to the relatively short-term maturities of these assets or the fact that the interest rates reflect the prevailing market rates.

Other investments

Debt securities. Fair values are generally based on quoted market prices. If the prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow method methodology.

Equity securities. Fair value are generally based on quoted market prices. For equity securities with quoted bid and offer prices, fair values are based on the price within the bid-offer spread that is most representative of the exit price in the circumstances. If the market prices are not readily available, fair values are estimated using values obtained from independent parties offering pricing services.

Notes Payable

The carrying amount of notes payable approximate fair values as the interest rates are repriced quarterly.

Accounts Payable and Accrued Expenses (excluding payable to government)

The carrying amounts of accounts payable and accrued expenses (excluding payable to government) approximate fair values due to their short-term maturities.

5. Segment Information

Operating Segments

The Company's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Company derives revenues from the following main operating business segments:

Rx Cashline Group

The Rx Cashline Group grants Rx cash line product - loans tailored to medical professionals.

MFC Factors Group

The MFC Factors Group is responsible for the research of businesses that seek to factor their receivables for extra liquidity.

MC Financing Group

The MC Financing Group grants loans to motorcycle buyers.



Other Segments

This segment includes business loans, car loans, and corporate salary loans.

The Company considers its Management Committee as chief operating decision maker. Management conducts weekly Management Committee meetings to monitor the performance and conversion of each of the product lines handled. Strategies and recommendations are formulated while operating parameters and guidelines are developed and implemented in these weekly meetings. Product line performance is evaluated based on how it performs versus target and versus last year's actual figures. Another major consideration is on the analysis of risk and collectability exposure contributed by each product line.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise all of the assets and liabilities, measured in a manner consistent with that shown in the statements of financial position.

The Company's assets producing revenues are located in the Philippines (i.e., one geographical location), therefore geographical segment information is no longer presented.

The Company does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues.

Financial information about operating segments follows:

	2019				
	Rx Cash Line	Business Loans and Motor Vehicles MFC Factors	Financing	Others	Total
Loans and Other Receivables	₱198,505,250	₱508,035,629	₱797,568,423	₱72,926,495	₱1,577,035,797
Results of operation					
Revenues					
Interest Income	29,548,067	57,293,673	78,055,306	8,400,660	173,297,706
Other Income	3,879,713	8,274,360	12,724,762	3,460,699	28,339,534
	33,427,780	65,568,033	90,780,068	11,861,359	201,637,240
Expenses					
Interest expense	4,421,850	8,573,962	11,680,928	1,257,153	25,933,893
Provision for losses	1,320,276	14,763,990	(826,940)	297,373	15,554,699
Operating expenses	15,160,656	27,414,200	77,473,253	5,688,104	125,736,213
	20,902,782	50,752,152	88,327,241	7,242,630	167,224,805
Net operating income	12,524,998	14,815,881	2,452,827	4,618,729	34,412,435
Less: Income tax expense	3,764,260	8,119,065	(540,683)	1,364,144	12,706,786
Net Income	₱8,760,738	₱6,696,816	₱2,993,510	₱3,254,585	₱21,705,649
Statement of Financial Position					
Total Assets	₱127,847,598	₱492,291,230	₱652,786,156	₱51,704,346	₱1,324,629,330
Total Liabilities	₱87,334,140	₱296,623,707	₱384,149,599	₱35,110,808	₱803,218,254
Other segment information					
Capital expenditures	₱1,185,783	₱3,034,781	₱4,764,323	₱435,631	₱9,420,518
Depreciation and amortization	₱2,106,014	₱7,152,916	₱9,263,555	₱846,678	₱19,369,163



	2018				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	P166,535,133	P378,586,886	P495,635,667	P118,492,785	P1,159,250,471
Results of operation					
Revenues					
Interest Income	23,652,725	40,285,247	61,636,851	8,354,501	133,929,324
Other Income	3,095,559	8,804,760	4,707,280	7,006,773	23,614,372
	26,748,284	49,090,007	66,344,131	15,361,274	157,543,696
Expenses					
Interest expense	1,560,058	5,481,098	8,960,984	5,486,715	21,488,855
Provision for losses	(5,328,844)	541,821	409,088	1,818,559	(2,559,376)
Operating expenses	12,415,643	31,012,835	66,992,955	9,544,335	119,965,768
	8,646,857	37,035,754	76,363,027	16,849,609	138,895,247
Net operating income(loss)	18,101,427	12,054,253	(10,018,896)	(1,488,335)	18,648,449
Less: Income tax expense	5,430,428	3,616,276	999,800	(572,551)	9,473,953
Net Income(loss)	P12,670,999	P8,437,977	(P11,018,696)	(P915,784)	P9,174,496
Statement of Financial Position					
Total Assets	P109,735,402	P381,895,803	P424,107,178	P102,705,727	P1,018,444,110
Total Liabilities	P64,834,871	P193,283,542	P189,000,790	P62,027,634	P509,146,837
Other segment information					
Capital expenditures	P1,369,310	P3,112,874	P4,075,290	P974,289	P9,531,764
Depreciation and amortization	P673,269	P2,007,126	P1,962,653	P697,876	P5,340,924

	2017				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	P118,275,453	P253,140,942	P581,487,644	P34,280,473	P987,184,512
Results of operation					
Revenues					
Interest Income	19,537,997	32,147,331	101,544,196	4,432,208	157,661,732
Other Income	2,650,408	3,984,746	7,454,834	118,662,250	132,752,238
	22,188,405	36,132,077	108,999,030	123,094,458	290,413,970
Expenses					
Interest expense	2,002,116	6,678,942	24,227,409	5,220	32,913,687
Provision for losses	809,670	—	26,470,225	—	27,279,895
Operating expenses	14,972,843	24,382,100	73,553,071	80,812,662	193,720,676
	17,784,629	31,061,042	124,250,705	80,817,882	253,914,258
Net operating income(loss)	4,403,776	5,071,035	(15,251,675)	42,276,576	36,499,712
Less: Income tax expense	(1,367,564)	(2,226,971)	(6,718,067)	(7,586,829)	(17,899,431)
Net Income(loss)	P5,771,340	P7,298,006	(P8,533,608)	P49,863,405	P54,399,143
Statement of Financial Position					
Total Assets	P64,724,751	P241,137,958	P475,396,141	P189,529,450	P970,788,300
Total Liabilities	P53,112,221	P110,605,096	P264,835,105	P35,447,689	P464,000,110
Other segment information					
Capital expenditures	P6,531,530	P13,979,213	P32,111,517	P1,893,072	P54,515,332
Depreciation and amortization	P587,949	P1,258,367	P2,890,481	P940,661	P5,677,458

6. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	P2,567,191	P1,982,700
Cash in banks	36,588,695	34,978,801
Cash equivalents	23,570,385	23,765,934
	P62,726,271	P60,727,435



Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2019 and 2018. Interest income on cash in banks amounted to ₱0.05 million, ₱0.05 million and ₱0.07 million in 2019, 2018 and 2017, respectively.

Cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from 30 to 120 days at 10.5% and 8.5% interest per annum, respectively. Interest income on cash equivalents amounted to ₱1.77 million, ₱3.15 million and ₱3.75 million in 2019, 2018 and 2017, respectively (Note 18).

7. Loans and Other Receivables - Net

This account consists of:

	2019	2018
Receivables from customers		
Consumer	₱1,190,077,491	₱872,560,125
Services	373,759,437	273,716,561
Other receivables	13,198,869	12,973,785
	1,577,035,797	1,159,250,471
Unearned interest income	(395,846,762)	(283,034,257)
Allowance for credit losses	(123,673,142)	(108,179,380)
Clients equity	(37,314,186)	(29,443,885)
	₱1,020,201,707	₱738,592,949

Loans and other receivables (gross of unearned interest income, client's equity and allowance for credit losses) grouped according to product type are as follows:

	2019	2018
Motorcycle financing	₱589,853,279	₱485,526,651
Business loans	383,913,894	289,475,750
Rx cash line	197,609,078	165,638,961
Car loans	177,443,684	76,484,813
Receivables purchased	124,121,735	98,146,282
Corporate salary loans	6,982,861	5,854,167
	1,479,924,531	1,121,126,624
Personal loans	25,518,103	3,233,904
Leisure bike loans	20,162,444	288,706
Pension loans	15,035,371	447,622
Housing loans	11,925,678	10,174,642
Accrued interest receivable	11,270,801	11,630,504
Sales contract receivable	1,368,200	1,491,200
Advances to officers and employees	265,978	182,024
Due from affiliates	101,007	101,007
Miscellaneous receivables	11,463,684	10,574,238
	₱1,577,035,797	₱1,159,250,471

Miscellaneous receivables pertain to receivables from employees, other related parties (Note 18) and other non-related parties.

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivables from customers amounted to ₱171.48 million, ₱130.80 million and ₱153.70 million in 2019, 2018 and 2017, respectively.



Motorcycle financing receivables amounting to P345.12 million and P194.98 million in 2019 and 2018, respectively, were used as collateral on notes payable to banks (Note 11).

The following table shows the breakdown of loans (gross of allowance for credit losses) as to secured and unsecured and the breakdown of the unsecured loans and the breakdown of secured loans as to type of security as at December 31, 2019 and 2018:

	2019	%	2018	%
Secured loans				
Chattel mortgage	P568,158,106	49.67%	P417,458,924	49.30%
Real estate mortgage	275,528,746	24.09%	221,106,372	26.11%
Other collaterals*	120,166,855	10.50%	102,017,477	12.05%
Total secured	963,853,707	84.26%	740,582,773	87.46%
Unsecured	180,021,142	15.74%	106,189,556	12.54%
	P1,143,874,849	100.00%	P846,772,329	100.00%

*Other collaterals pertain to deposits, assignment of receivables and salary

Movements in allowance for credit losses follow:

	December 31, 2019			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	P93,251,527	P10,462,137	P4,465,716	P108,179,380
Provision during the year	13,671,031	1,701,683	121,048	15,493,762
At December 31	P106,922,558	P12,163,820	P4,586,764	P123,673,142

	December 31, 2018			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	P97,474,427	P16,942,833	P5,474,776	P119,892,036
Recovery during the year	(4,222,900)	(6,480,696)	(1,009,060)	(11,712,656)
At December 31	P93,251,527	P10,462,137	P4,465,716	P108,179,380

	December 31, 2017			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	P72,945,970	P16,501,357	P3,164,814	P92,612,141
Provision during the year	24,528,457	441,476	2,309,962	27,279,895
At December 31	P97,474,427	P16,942,833	P5,474,776	P119,892,036

In determining the allowance for credit losses on loans and other receivables, the Company groups its loans and other financial receivables on the basis of share credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

In 2019, the Company recognized additional provision for ECL on loans and other receivables amounting to P4.50 million as a result of the Company's preliminary assessment on the impact of novel strain of coronavirus (COVID-19) pandemic (Note 23). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the collectability of loans and other receivables onwards.



8. Property and Equipment - Net

The roll forward analysis of this account follows:

	2019			Total
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	
Cost				
At January 1	P15,667,508	P7,476,840	P8,716,395	P31,860,743
Additions	1,733,218	—	4,771,800	6,505,018
Disposal	—	—	(1,200,000)	(1,200,000)
At December 31	17,400,726	7,476,840	12,288,195	37,165,761
Accumulated Depreciation				
At January 1	14,298,934	4,548,243	5,924,395	24,771,572
Depreciation	1,230,926	1,282,969	1,614,248	4,128,143
Disposal	—	—	(960,000)	(960,000)
At December 31	15,529,860	5,831,212	6,578,643	27,939,715
Carrying amount	P1,870,866	P1,645,628	P5,709,552	P9,226,046

	2018			Total
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	
Cost				
At January 1	P15,055,538	P7,476,840	P8,716,395	P31,248,773
Additions	611,970	—	—	611,970
At December 31	15,667,508	7,476,840	8,716,395	31,860,743
Accumulated Depreciation				
At January 1	12,756,436	3,155,087	4,486,353	20,397,876
Depreciation	1,542,498	1,393,156	1,438,042	4,373,696
At December 31	14,298,934	4,548,243	5,924,395	24,771,572
Carrying amount	P1,368,574	P2,928,597	P2,792,000	P7,089,171

	2017			Total
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	
Cost				
At January 1	P14,447,145	P7,476,840	P8,523,396	P30,447,381
Additions	699,292	—	735,000	1,434,292
Disposals	(90,899)	—	(542,001)	(632,900)
At December 31	15,055,538	7,476,840	8,716,395	31,248,773
Accumulated Depreciation				
At January 1	10,693,469	1,693,436	3,236,645	15,623,550
Depreciation	2,105,467	1,461,651	1,340,042	4,907,160
Disposals	(42,500)	—	(90,334)	(132,834)
At December 31	12,756,436	3,155,087	4,486,353	20,397,876
Carrying amount	P2,299,102	P4,321,753	P4,230,042	P10,850,897

In 2019, the Company sold transportation equipment at its carrying amount, hence no gains or losses on disposal was incurred.



As at December 31, 2019 and 2018, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱3.96 million and ₱3.26 million, respectively.

Management believes that there are no indicators that the Company's property and equipment is impaired and that its carrying amount approximates its fair value or realizable value.

9. Investment Properties - Net

The roll forward of this account follows:

	2019		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱15,285,692	₱63,275,646
Additions	—	2,000,000	2,000,000
At December 31	47,989,954	17,285,692	65,275,646
Accumulated depreciation and amortization			
At January 1	—	1,128,070	1,128,070
Depreciation	—	675,520	675,520
At December 31	—	1,803,590	1,803,590
Allowance for impairment loss	(507,199)	—	(507,199)
Carrying amounts	₱47,482,755	₱15,482,102	₱62,964,857
	2018		
	Land	Building	Total
Cost			
At January 1	₱43,580,954	₱11,637,000	₱55,217,954
Additions	—	8,899,692	8,899,692
Reclassification	5,251,000	(5,251,000)	—
Disposals	(842,000)	—	(842,000)
At December 31	47,989,954	15,285,692	63,275,646
Accumulated depreciation and amortization			
At January 1	—	452,550	452,550
Depreciation	—	675,520	675,520
At December 31	—	1,128,070	1,128,070
Allowance for impairment loss	(507,199)	—	(507,199)
Carrying amounts	₱47,482,755	₱14,157,622	₱61,640,377



	2017		
	Land	Building	Total
Cost			
At January 1	P3,544,001	P—	P3,544,001
Additions	41,235,421	11,637,000	52,872,421
Disposals	(1,198,468)	—	(1,198,468)
At December 31	43,580,954	11,637,000	55,217,954
Accumulated depreciation and amortization			
Depreciation	—	452,550	452,550
At December 31	—	452,550	452,550
Allowance for impairment loss	(939,533)	—	(939,533)
Carrying amounts	P42,641,421	P11,184,450	P53,825,871

The aggregate fair value of the investment properties of the Company amounted to P68.39 million and P66.39 million as at December 31, 2019 and 2018, respectively.

The Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to nil and P4.32 million in 2019 and 2018, respectively. These are presented under "Gain on foreclosed assets" account in the statements of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets.

Gain on sale on investment properties amounted to nil and P0.76 million in 2019 and 2018, respectively.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to P75,792 and P148,628 in 2019 and 2018, respectively.

The movements in the allowance for impairment losses on investment properties follow:

	2019	2018
Balance, January 1	P507,199	P939,533
Reversal	—	(432,334)
Balance, December 31	P507,199	P507,199

10. Other Assets - Net

This account consists of:

	2019	2018
Reposessed assets, net	P76,706,196	P70,577,608
Prepaid securities	5,824,509	5,289,819
Software costs	700,606	103,387
Security deposits	134,784	3,900,651
Other investments	1,051,728	876,710
	P84,417,823	P80,748,175



Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business carried at the cost less impairment. These units are intended for immediate resale. Included in the statements of comprehensive income are the gain from sale of repossessed assets amounted to P8.04 million in 2019 and loss from sale of repossessed assets of P2.79 million and P23.96 million in 2018 and 2017, respectively. Proceeds from sale amounted to P19.06 million, P18.27 million and P4.81 million in 2019, 2018 and 2017, respectively. Provision for impairment loss of repossessed assets amounted to P0.06 million, P6.36 million and P32.60 million in 2019, 2018 and 2017, respectively.

Prepaid securities pertain to expenses paid in advance but not yet incurred.

Other investments represent investment with debt and equity securities.

The movement in software costs follow:

	2019	2018	2017
Cost			
At January 1	P5,098,717	P5,078,615	P4,869,996
Additions	915,500	20,102	208,619
At December 31	6,014,217	5,098,717	5,078,615
Accumulated amortization			
At January 1	4,995,330	4,703,622	4,385,874
Amortization for the year	318,281	291,708	317,748
Accumulated Amortization	5,313,611	4,995,330	4,703,622
Carrying amount	P700,606	P103,387	P374,993

11. Notes Payable

This account consists of:

	Note	2019	2018
Related parties	18	P443,227,374	P320,866,395
Banks		259,181,674	135,376,488
Individuals/corporate		6,900,000	8,500,000
		P709,309,048	P464,742,883

Interest rates from borrowings range from 5.00% to 7.15% and 4.00% to 4.35% per annum in 2019 and 2018, respectively.

Interest expense on these notes payable amounted to P23.48 million, P21.49 million and P32.91 million in 2019, 2018 and 2017, respectively.

Notes payable to related parties and individuals/corporate are unsecured, with maturity of up to one (1) year.

Notes payable to banks have a maturity of up to three (3) years. As at December 31, 2019 and 2018, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per avilment basis.



The following assets were used to secure the notes payable to banks availed by the Company:

	2019		2018	
	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	P345,119,511	P228,118,876	P194,976,496	P135,376,488

12. Accrued expenses

This account consists of:

	Note	2019	2018
Accrued taxes		P7,020,117	P5,027,072
Accrued insurance payable		6,569,889	3,975,359
Accrued occupancy costs		4,077,131	3,215,311
Accrued interest	18	2,961,731	3,163,813
Accrued administrative expenses		978,822	783,723
Accrued management and professional fees		721,328	953,740
Others		9,068,512	8,754,330
		P31,397,530	P25,873,348

Others include accrual on utilities, commission and premium.



13. Maturity analysis of assets and liabilities

The following table shows an analysis of assets and liabilities of the Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2019			2018		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	P62,726,271	P—	P62,726,271	P60,727,435	P—	P60,727,435
Loans and other receivables gross	910,803,014	666,232,783	1,577,035,797	663,157,807	496,092,664	1,159,250,471
Security deposits, and other investments	—	1,186,512	1,186,512	—	4,777,361	4,777,361
	973,529,285	667,419,295	1,640,948,580	723,885,242	500,870,025	1,224,755,267
Nonfinancial Assets						
Property and equipment - net	—	9,226,046	9,226,046	—	7,089,171	7,089,171
Investment properties - net	—	62,964,857	62,964,857	—	61,640,377	61,640,377
Deferred tax assets - net	—	61,209,971	61,209,971	—	69,401,876	69,401,876
Retirement plan assets - net	—	—	—	—	244,127	244,127
Right-of-use assets	14,247,219	9,635,436	23,882,655	—	—	—
Other assets*	5,824,509	77,406,802	83,231,311	5,271,318	70,699,496	75,970,814
	20,071,728	220,443,112	240,514,840	5,271,318	209,075,047	214,346,365
Less: Allowance for credit losses	(71,426,324)	(52,246,818)	(123,673,142)	(61,884,815)	(46,294,565)	(108,179,380)
Unearned interest income	(228,617,781)	(167,228,981)	(395,846,762)	(161,911,840)	(121,122,417)	(283,034,257)
Client's equity	(37,314,186)	—	(37,314,186)	(29,443,885)	—	(29,443,885)
	(337,358,291)	(219,475,799)	(556,834,090)	(253,240,540)	(167,416,982)	(420,657,522)
	P656,242,722	P668,386,608	P1,324,629,330	P475,916,020	P542,528,090	P1,018,444,110
Financial Liabilities						
Notes payable	P571,879,756	P137,429,292	P709,309,048	P464,742,883	P—	P464,742,883
Accounts payable	29,715,348	—	29,715,348	17,918,996	—	17,918,996
Accrued expenses**	24,377,413	—	24,377,413	20,846,276	—	20,846,276
	625,972,517	137,429,292	763,401,809	503,508,155	—	503,508,155
Nonfinancial Liabilities						
Accrued expenses	7,020,117	—	7,020,117	5,027,072	—	5,027,072
Retirement benefits liability	—	3,974,808	3,974,808	—	—	—
Lease liabilities	13,773,527	14,321,462	28,094,989	—	—	—
Income tax payable	726,531	—	726,531	611,610	—	611,610
	21,520,175	18,296,270	39,816,445	5,638,682	—	5,638,682
	P647,492,692	P155,725,562	P803,218,254	P509,146,837	P—	P509,146,837

*excluding security deposit, other investments which are presented under financial assets

**excluding payable to government which is presented under nonfinancial liabilities



14. Equity

On July 25, 2019, the BOD and stockholders approved the declaration of 13.55% stock dividends in the amount of ₱31.38 million to stockholders of record as of August 22, 2019 with distribution date not later than September 18, 2019. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1.38 million.

On July 26, 2018, the BOD and stockholders approved the declaration of 3.65% stock dividends in the amount of ₱8.16 million to stockholders of record as of August 23, 2018 with distribution date not later than September 18, 2018. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱8.16 million.

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of ₱6.95 million to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6.95 million.

As at December 31, 2019, the Company has 262,948,243 common shares issued and outstanding which are owned by 109 shareholders.

The movements in the number of issued shares and capital stock follow:

	2019		2018		2017	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; ₱1 par value						
At January 1	231,572,111	₱231,572,111	223,412,301	₱223,412,301	216,462,556	₱216,462,556
Stock dividends	31,376,132	31,376,132	8,159,810	8,159,810	6,949,745	6,949,745
At December 31	262,948,243	₱262,948,243	231,572,111	₱231,572,111	223,412,301	₱223,412,301

Adjustment on retained earnings

In 2018, the Company adjusted its January 1, 2018 retained earnings amounting to ₱905,181 to reflect the appropriate remeasurement gain on retirement.

Capital Management

The primary objective of the Company's capital management policies and procedures are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and to maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or processes in 2019.

Under R.A No. 8556, the Company is required to maintain the following capital requirements:

- (a) minimum paid-up capital of ₱10.00 million; and
- (b) additional capital requirements for each branch of ₱1.00 million for branches established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.25 million for branches established in municipalities.

For the years ended December 31, 2019, 2018 and 2017, the Company is compliant with the minimum paid-up capital.

The Company is compliant with the minimum public float of 10% that is required by the PSE where the Company shares are traded.



15. Retirement Plan

The Company has a funded, tax-qualified defined benefit plan covering all of its officers and regular employees. The benefits are based on years of service and compensation on the last year of service.

The plan is non-contributory and of the defined benefit type which provides a retirement benefit equal to one hundred percent (100%) of the latest monthly salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the plan. Normal retirement age is at age 60.

Net benefit cost (income) is included in the Company's profit or loss under 'Salaries and employee benefits'. The amounts of retirement benefit reserve recognized in the statements of comprehensive income follow:

	2019	2018
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	P1,315,564	P1,817,148
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	429,842	378,651
Interest expense on effect of asset ceiling	1,384	—
Interest income on plan assets	(449,609)	(353,754)
	<u>1,297,181</u>	<u>1,842,045</u>
Components of retirement benefit liability recorded in OCI		
Remeasurement loss (gain) on defined benefits obligation	3,185,498	(3,130,409)
Adjustment remeasurement gain on defined benefits obligation	—	(905,181)
Remeasurement loss (gain) on plan assets	(243,977)	589,064
Effect of asset ceiling	(19,767)	18,383
	<u>2,921,754</u>	<u>(3,428,143)</u>
Total components of retirement liability	P4,218,935	(P1,586,098)

The net retirement benefit liability (asset) recognized in the statements of financial position follows:

	2019	2018
Present value of retirement benefits obligation	P10,639,300	P5,708,396
Fair value of plan assets	(6,664,492)	(5,970,906)
Funded status - deficit (surplus)	3,974,808	(262,510)
Effect of asset ceiling	—	18,383
Net retirement benefit liability (asset)	P3,974,808	(P244,127)



The movements of the present value of retirement benefits obligation of the Company follow:

	2019	2018
Balance at beginning of year	P5,708,396	P6,643,006
Current service cost	1,315,564	1,817,148
Interest expense	429,842	378,651
Remeasurement losses (gains) on obligation arising from:		
Changes in financial assumptions	3,383,456	(2,094,951)
Experience adjustment	(197,958)	(1,035,458)
Balance at end of year	P10,639,300	P5,708,396

The movements of the fair value of plan assets of the Company follow:

	2019	2018
Balance at beginning of year	P5,970,906	P6,206,216
Interest income	449,609	353,754
Remeasurement gain (loss) on plan assets	243,977	(589,064)
Balance at end of year	P6,664,492	P5,970,906

Changes in the retirement benefit liability (asset) follow:

	2019	2018
Balance at beginning of year	(P244,127)	P436,790
Current service cost	1,315,564	1,817,148
Net interest cost (income) on the retirement liability	(18,383)	24,897
Remeasurement loss (gain) on plan assets	(243,977)	589,064
Effect of asset ceiling	(19,767)	18,383
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	3,383,456	(1,035,458)
Changes in financial assumptions	(197,958)	(2,094,951)
Balance at end of year	P3,974,808	(P244,127)

The fair values of plan assets by each class as at the end of the reporting period follow:

	2019	2018
Cash and cash equivalents	P1,443,928	P1,240,949
Financial assets at FVPL	5,194,760	4,685,499
Accrued and other receivables	25,804	44,458
	P6,664,492	P5,970,906

All debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.



The cost of defined benefit plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	January 1	
	2019	2018
Discount rate	5.22%	7.53%
Future salary increases	5.00%	5.00%
Average remaining working life (in years)	27.7	26.9

Assumptions for mortality and disability rate are based on the 2001 CSO Table- Generational and The Disability Study both published by the Society of Actuaries adjusted to suit local experience.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in Basis Points	Increase (decrease) in
		defined benefit obligation
Discount rate	+100 basis point	(P1,669,541)
	-100 basis point	2,080,748
Future salary increases	+100 basis point	2,063,656
	-100 basis point	(1,687,075)

Deferred tax asset recognized for the actuarial loss amounted to P876,526.

The Company has no contributions to the defined benefit plan in 2019 and 2018.

The average duration of the defined benefit plan as at the reporting date is 17.6 years and 16.5 years for year 2019 and 2018, respectively.

The plan's Board of Trustees has no specific matching strategy between plan assets and plan liabilities.

16. Miscellaneous

Miscellaneous income consists of the following items:

	2019	2018	2017
Penalties	P8,564,212	P8,988,019	P10,140,631
Recoveries	1,923,112	3,413,331	4,807,162
Others	284,796	110,238	71,629
	P10,772,120	P12,511,588	P15,019,422



Miscellaneous expense consists of the following items:

	2019	2018	2017
Communication	₱2,557,004	₱2,049,463	₱2,289,744
Stationeries and supplies	2,535,973	1,443,904	1,852,574
Insurance	1,580,127	1,655,406	2,425,303
Repairs and maintenance	1,467,754	1,921,282	1,147,845
Training and development	322,898	166,133	141,108
Meetings and conferences	158,630	220,200	300,172
Others	3,104,887	1,659,975	2,189,503
	₱11,727,273	₱9,116,363	₱10,346,249

Other expenses include advertising costs, donations, membership dues and other miscellaneous expenses.

17. Income taxes

Current tax regulations provide that the RCIT rate is 30%. The regulations also provide for MCIT of 2% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year incurrence.

The components of the Company's income tax expense (benefit) for the years ended December 31, 2019, 2018 and 2017.

	2019	2018	2017
Current:			
MCIT	₱2,571,237	₱2,078,273	₱1,897,303
RCIT	—	—	—
Deferred	10,135,549	7,395,680	(19,796,734)
	₱12,706,786	₱9,473,953	(₱17,899,431)

The components of deferred tax assets - net follow:

	2019	2018
Deferred tax assets on:		
Allowance for credit losses	₱37,031,683	₱32,453,814
Allowance of repossessed assets write-down	13,396,625	14,132,609
NOLCO	8,782,779	23,027,054
Accrued expenses	2,022,466	2,022,466
Effect of PFRS 16	1,263,700	—
Past service costs	48,352	48,352
Remeasurement loss on defined benefit obligation	(1,335,634)	(2,282,419)
	₱61,209,971	₱69,401,876

The Company did not recognize deferred tax asset on the MCIT amounting to ₱6.29 million and ₱6.81 million as at December 31, 2019 and 2018, respectively.



Details of the Company's NOLCO and MCIT which could be carried over as a deduction from the Company's future taxable income for the two taxable years as follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2019	P—	P—	P—	2022
2018	14,527,909	—	14,527,909	2021
2017	25,110,093	10,362,073	14,748,020	2020
2016	37,118,846	37,118,846	—	2019
	P76,756,848	P47,480,919	P29,275,929	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2019	P2,315,132	P—	P2,315,132	2022
2018	2,078,273	—	2,078,273	2021
2017	1,897,303	—	1,897,303	2020
2016	2,833,371	(2,833,371)	—	2019
	P9,124,079	(P2,833,371)	P6,290,708	

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

	2019	2018
Income before income tax	P34,412,435	P18,648,449
Income tax computed at statutory rate (30%)	P10,323,731	P5,594,535
Additions to (reduction in) income tax resulting from the tax effects of:		
Unrecognized DTA	2,315,132	2,077,913
Interest income subjected to final tax	(546,776)	(959,855)
Nondeductible expense	389,154	552,973
Non-deductible interest expense	225,545	395,940
Gain on repossessed assets	—	(1,296,184)
Adjustment on the beginning DTA	—	3,108,631
Effective income tax expense	P12,706,786	P9,473,953

Interest allowed as deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to P1.05 million, P0.75 million and P0.73 in 2019, 2018 and 2017, respectively.



18. Related party transactions

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

Category/Transaction	Ref	2019		2018		Nature, Terms and Condition		
		Amount of Transaction	Outstanding Balances		Amount of transactions		Outstanding Balances	
			related parties	Due to related parties			related parties	Due to related parties
<i>Parent Company</i>								
Miscellaneous receivables	a		P—	P—	P—	Non-interest bearing, unsecured; No impairment		
Notes payable	b		385,000,000	245,100,000		Unsecured, 1 year interest bearing placement at 5.75% annual interest rate		
Availments		222,900,000	—	—	—			
Settlements		83,000,000	—	—	—			
Interest expense		10,916,628	2,599,108	9,250,114	2,599,083			
<i>Entities under common control</i>								
<i>Motor Ace Philippines, Inc.</i>								
Miscellaneous receivables	a		—	—	—	Non-interest bearing, unsecured; No impairment		
Availments		220,522	—	320,477	—			
Settlements		63,628	—	2,430,775	—			
<i>forward</i>								



2019

2018

Category/Transaction	Ref	2019		2018		Nature, Terms and Condition
		Amount of Transaction	Outstanding Balances Due from related parties	Amount of transactions	Outstanding Balances Due to related parties	
Accounts payable	d		P-	P-	P-	
Availments		145,524,243		87,171,559		
Settlements		145,797,584		79,083,847		
Short term placements	c					
Availments		8,000,000				Short-term interest bearing placements at 10.5% annual interest rate
Settlements		8,000,000				
Interest income		101,150				
MAPI Lending Investors, Inc.						
Miscellaneous receivables	a		2,936,329	1,077,320	1,494,807	30 day unsecured, non-interest bearing
Availments		1,441,521		334,673		
Settlements						
Accounts payable	d					
Availments		112,371		108,240		Non-interest bearing, unsecured
Settlements		60,190	52,181	4,976,642		
Short term placements	c		23,570,385	23,836,952		
Availments		2,069,988		1,894,802		Short-term interest bearing placements at 10.5% annual interest rate
Settlements		2,182,426		1,287,493		
Interest income		1,769,900	824,840	1,828,156	950,840	
HMW Lending Investors, Inc.						
Short term placements	c			40,000,000		Short-term interest bearing placements at 8.5% annual interest rate
Interest income		83,111		3,418,489	83,111	
Honda Motor World, Inc.						
Miscellaneous receivables	a		44,542			Non-interest bearing, unsecured; No Impairment
Availments		117,042		86,406		
Settlements		72,500		2,485,737		
Accounts payable	d					
Availments		65,330,486		30,839,616		Unsecured, interest bearing placement at 10.0% annual interest rate
Settlements		64,369,648		31,062,473	1,266,646	
Pikeville Bancshares						
Professional fees		1,193,920		1,193,920		Payment of consultancy fees
MERG Realty Development Corp.						
Miscellaneous receivables	a		18,057		236,631	Non-interest bearing; No impairment
Availments						
Settlements		218,574				

forward



2019

2018

Category/Transaction	Ref	2019		2018		Amount of transactions	Outstanding Balances		Nature, Terms and Condition
		Amount of Transaction	Due to related parties	Due to related parties	Due to related parties				
Notes payable	b								
Availments		21,200,154	—	P28,558,641	—	10,007,418	P—	P47,358,487	Unsecured interest bearing placements at 5.5% annual interest rate; no impairment
Settlements		40,000,000	—	—	—	7,055,202	—	—	
Interest expense		2,125,192	—	—	—	2,522,469	—	—	
<i>Directors and other stockholders</i>									
Notes payable	b								
Availments		8,882,825	—	29,668,733	—	9,097,897	—	28,407,908	Unsecured interest bearing placements at 5.5% annual interest rate; no impairment
Settlements		7,622,000	—	—	—	9,996,000	—	—	
Interest expense		1,450,912	—	16,780	—	1,564,572	—	16,780	
Professional and other management fees		3,142,397	—	—	—	4,158,291	—	—	Payment of professional fees
TOTAL			P27,631,561	P460,769,111			P26,682,855	P337,590,365	



- a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 7).
- b. As at December 31, 2019 and 2018, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P443.23 million and P320.87 million, respectively and P2.62 million in both years. Interest expense from these borrowings amounted to P14.49 million and P13.34 million in 2019 and 2018, respectively (Note 11).

Borrowings availed from related parties amounted to P252.98 and P196.11 million in 2019 and 2018, respectively. Settlement from borrowings amounted to P130.62 and P110.85 million in 2019 and 2018, respectively. Interest rates from borrowings range from 5.0% to 6.00% and 5.0% to 5.70% in 2019 and 2018 respectively. Borrowings from related parties are unsecured and to be settled in cash.

- c. The Company had short-term placements with related parties amounting to nil and P40.00 million in 2019 and 2018, respectively. As at December 31, 2019 and 2018, P23.57 million and P23.84 million of these placements remain outstanding. Interest income from these placements amounted to P1.77 million P1.83 million in 2019 and 2018, respectively (Note 6).
- d. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.
- e. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to P14.40 million, P18.69 million and P17.80 million in 2019, 2018 and 2017 respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

19. Earnings Per Share (EPS)

	2019	2018	2017
a. Net Income	P21,705,649	P9,174,496	P54,399,143
b. Weighted average number of outstanding common shares	239,416,144	226,132,258	223,412,301
c. Basic/diluted earnings per share (a/b)	P0.09	P0.04	P0.24

The weighted average number of outstanding common shares in 2019 and 2018 was recomputed after giving retroactive effect to stock dividends declared on July 25, 2019, July 26, 2018 and July 27, 2017.



20. Leases

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense for short term leases included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2019, 2018, and 2017 amounted to P1.21 million, P16.35 million and P16.44 million, respectively.

The aggregate future minimum lease payments for the lease commitments are as follows:

	2019	2018	2017
Less than one year	P15,477,556	P13,102,722	P9,863,666
Between one and five years	20,533,217	18,647,091	18,643,031
	P36,010,773	P31,749,813	P28,506,697

Set out below are the carrying amounts of lease liabilities and the movements during the year:

As at January 1, 2019, restated	P41,686,931
Accretion of interest	2,455,808
Payments	(16,047,750)
As at December 31, 2019	P28,094,989
Current	P13,773,527
Non-current	14,321,462
	P28,094,989

Right-of-use assets

Balance at January 1, 2019, as restated	P38,129,874
Depreciation of right-of-use assets	(14,247,219)
Balance at December 31, 2019	P23,882,655

21. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for the year ended December 31, 2019:

Notes Payable, December 31, 2017	P427,338,890
Cash flows during the year	
Proceeds from loans payable	267,152,586
Payment of loans payable	(229,748,593)
	37,403,993
Notes Payable, December 31, 2018	464,742,883
Cash flows during the year	
Proceeds from loans payable	502,958,988
Payment of loans payable	(258,392,823)
	244,566,165
Notes Payable, December 31, 2019	P709,309,048



22. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. There is no change in the financial risk management objectives and policies of the Company.

Credit Risk

Credit Risk Management and Collateral and Other Credit Enhancements

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 a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers, and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

In addition, the Company obtains security where appropriate and enters into collateral arrangements with counterparties to limit the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example of this is the medical professional market where most doctors are able to pay because of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivable from customers are secured by real estate and other chattel properties.

It is the Company's policy to dispose repossessed properties in an orderly fashion and proceeds are used to repay or reduce the outstanding claim.

The Company evaluates the concentration of risk with respect to receivable from customers as low, as its customers are located in several areas around Southern Luzon.

The table below shows the maximum exposure of loans and receivables after financial effect of collateral and credit enhancements to the maximum exposure to credit risk.

	2019			2018		
	Gross Maximum Exposures	Fair value of Collateral Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposures	Fair value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Financial Assets at Amortized Cost						
Cash and cash equivalents*	P60,159,080	P—	P60,159,080	P58,744,735	P—	P58,744,735
Receivable from Customers:						
Consumer	883,321,451	618,834,377	264,487,074	654,600,487	421,009,611	233,590,876
Services	247,088,916	29,376,454	217,712,462	179,240,789	25,946,313	153,294,476
Other Receivables	13,464,482	—	13,464,482	12,931,054	—	12,931,054
Security deposits**	134,784	—	134,784	3,900,651	—	3,900,651
	P1,204,168,713	P648,210,831	P555,957,882	P909,417,716	P446,955,924	P462,461,792

*Excluding cash on hand

**Presented under "Other assets - net"



	2019					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Financial Assets at Amortized Cost						
Cash and cash equivalents*	P60,159,080	P—	P—	P—	P—	P60,159,080
Receivable from Customers:						
Consumer	522,814,613	—	154,264,928	107,633,273	98,608,637	883,321,451
Services	29,376,454	—	204,348,025	7,520,837	5,843,600	247,088,916
Other Receivables	—	—	13,464,482	—	—	13,464,482
Security deposits	—	—	134,784	—	—	134,784
Financial assets at FVOCI**	—	—	80,000	—	—	80,000
	P612,350,147	P—	P372,292,219	P115,154,110	P104,452,237	P1,204,248,713

*Excluding cash on hand

**Presented under "Other assets - net"

	2018					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Financial Assets at Amortized Cost						
Cash and cash equivalents*	P58,744,735	P—	P—	P—	P—	P58,744,735
Receivable from Customers:						
Consumer	253,544,871	—	157,279,464	141,437,797	102,338,356	654,600,488
Services	17,132,200	—	127,761,968	24,806,437	9,540,184	179,240,789
Other Receivables	—	—	12,931,054	—	—	12,931,054
Security deposits	—	—	3,900,651	—	—	3,900,651
Financial assets at FVOCI**	—	—	876,710	—	—	876,710
	P329,421,806	P—	P302,749,847	P166,244,234	P111,878,540	P910,294,427

Interest income was computed based on the carrying value (after allowance) for loans and receivables categorized under stage 3.

The Company's basis in grading its financial assets is as follows:

Cash in Banks

High grade pertains to cash deposited in local banks belonging to top ten (10) rank.

Cash Equivalents

High grade pertains to short term placements with AIB and other related parties, which have high probability of collection, as evidenced by AIB's and other related parties' ability to satisfy its obligations.



Loans and Other Receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.
- Past due but not impaired receivables represent transactions with third parties where no significant credit risk exposure is anticipated considering that there was no historical default rate.
- Impaired pertains to past due receivables the Company believes that impairment is appropriate based on the cash flows of the available collateral or status of collection of the amounts due to the Company.

The analysis of receivables from customers that were past due but not impaired is as follows:

	2019					Total
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	
Consumer Services	P34,785,641	P11,441,845	P5,169,233 493,026	P7,395,761 867,031	P48,840,794 6,160,780	P107,633,274 7,520,837
	P34,785,641	P11,441,845	P5,662,259	P8,262,792	P55,001,574	P115,154,111

	2018					Total
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	
Consumer Services	P46,450,039 14,874,292	P14,175,202 2,781,405	P41,700,858 6,466,580	P7,472,683 6,626	P31,639,015 677,534	P141,437,797 24,806,437
	P61,324,331	P16,956,607	P48,167,438	P7,479,309	P32,316,549	P166,244,234

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or Payment of asset purchases. The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and advances from related parties.



The table summarizes the contractual maturity profile of the Company's financial assets and liabilities based on undiscounted contractual payments and remaining contractual maturities.

	2019						Total
	Carrying Amount	Contractual Maturities					
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	
Financial assets							
Cash and cash equivalents	P60,159,080	P60,159,080	P—	P—	P—	P—	P60,159,080
Loans and other receivables							
Receivable from customers:							
Consumer	883,321,451	332,556,303	127,263,631	192,633,051	468,093,333	69,265,560	1,189,811,878
Services	247,088,916	169,845,752	28,848,290	47,559,705	92,556,530	34,949,160	373,759,437
Other receivables	13,464,482	12,096,282	—	—	—	1,368,200	13,464,482
Security deposits	134,784	—	—	—	134,784	—	134,784
Financial assets at FVOCI*	80,000	—	—	—	—	80,000	80,000
	1,204,248,713	574,657,417	156,111,921	240,192,756	560,784,647	105,662,920	1,637,409,661
Financial Liabilities							
Notes payable	709,309,048	24,500,000	133,500,000	365,546,819	185,762,229	—	709,309,048
Accounts payable	29,715,348	29,715,348	—	—	—	—	29,715,348
Accrued expenses**	24,377,413	24,377,413	—	—	—	—	24,377,413
	763,401,809	78,592,761	133,500,000	365,546,819	185,762,229	—	763,401,809
Net liquidity gap	P440,846,904	P496,064,656	P22,611,921	(P125,354,063)	P375,022,418	P105,662,920	P874,007,852

*includes investments in golf shares which is presented under 'Other assets-net'

**excluding government payable

	2018						Total
	Carrying Amount	Contractual Maturities					
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	
Financial assets							
Cash and cash equivalents	P60,727,435	P60,727,435	P—	P—	P—	P—	P60,727,435
Loans and other receivables							
Receivable from customers:							
Consumer	654,600,487	198,862,650	122,702,881	151,755,490	328,453,297	70,785,806	872,560,124
Services	179,240,789	136,485,304	17,887,248	28,219,991	62,533,000	28,591,018	273,716,561
Other receivables	12,931,053	1,684,901	1,059,586	4,499,756	5,729,543	—	12,973,786
Security deposits	3,900,651	—	—	—	—	3,900,651	3,900,651
Financial assets at FVOCI*	876,710	—	—	—	—	876,710	876,710
	P912,277,125	P397,760,290	P141,649,715	P184,475,237	P396,715,840	P104,154,185	P1,224,755,267
Financial Liabilities							
Notes payable	464,742,883	44,500,418	107,087,181	313,155,284	—	—	464,742,883
Accounts payable	17,918,996	17,918,996	—	—	—	—	17,918,996
Accrued expenses**	20,846,276	20,846,276	—	—	—	—	20,846,276
	503,508,155	83,265,690	107,087,181	313,155,284	—	—	503,508,155
Net liquidity gap	P408,768,970	P314,494,600	P34,562,534	(P128,680,047)	P396,715,840	P104,154,185	P721,247,112

Market Risk

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

Market risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company has no exposure to currency and price risks.



Interest Rate Risk

The probability of the Company may be influenced by changes in the level of interest rates. In the event that interest rates go up significantly, less people will be inclined to avail of a loan. The Company funds its loans operations through a combination of the operational cash flow and borrowings from related parties. Any increase in interest rates will cause the Company to incur more expenses for every peso they earn in interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from one (1) to three (3) years.

Sensitivity of Net Interest Income

A principal part of the Company's management of market risk in non-trading portfolios is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Company aims, through its management of market risk in non-trading portfolios, to mitigate the effect of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such activities on the current net revenue stream.

Presented below are the interest-bearing financial instruments:

	Note	2019	2018
Cash in banks and cash equivalents	6	P60,159,080	P58,744,735
Loans and receivable, net	7	1,008,738,023	730,120,068
Notes payable	11	(709,309,048)	(464,742,883)
Net exposure		P359,588,055	P324,121,920

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's interest-bearing financial instruments, with all other variables held constant, on the Company's statements of total comprehensive income before income and final tax for the years ended December 31:

	Increase/Decrease in Interest Rate (in basis points)	Effect to Total Comprehensive Income before Income and Final Tax
2019	+100bps	P6,267,164
	-100bps	(6,267,164)
2018	+100bps	P3,368,064
	-100bps	(3,368,064)



23. Subsequent Events

On March 11, 2020, the World Health Organization assessed that the COVID-19 has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, the Government issued Presidential Proclamation No. 929 on March 16, 2020. The Proclamation declared a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine, among others. These measures affected economic activities and business operations in an unprecedented manner as the effects continue to evolve.

In response to the pandemic, the Company recognized additional provision for ECL on loans and other receivables amounting to P4.50 million (Note 7). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, results of operations, and cash flows onwards. Management believes that the Company will continue as a going concern despite the effects of the pandemic.



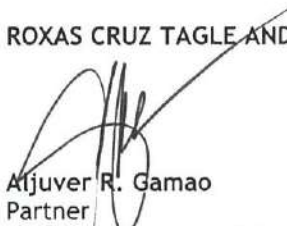
INDEPENDENT AUDITOR'S SUPPLEMENTAL WRITTEN STATEMENT

The Board of Directors and Shareholders
Makati Finance Corporation
(A Subsidiary of Amalgamated Investment Bancorporation)
3rd floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

We have audited the financial statements of Makati Finance Corporation ("the Company") for the year ended December 31, 2019 on which we have rendered the attached report dated May 6, 2020.

In compliance with the Revised Securities Regulation Code (SRC) Rule 68, we are stating that the said Company has ninety three (93) shareholders owning one hundred (100) or more shares each.

ROXAS CRUZ TAGLE AND CO.


Aljuver R. Gamao
Partner

CPA Certificate No. 0126931

Tax Identification No. 944-910-315

SEC Accreditation No. 1776-A, issued on September 10, 2019,
effective until September 09, 2022

BIR Accreditation No. 08-001682-015-2019, issued on February 08, 2019,
effective until February 07, 2022

PTR No. 8138977, issued on January 21, 2020, Cebu City

May 6, 2020
Makati City

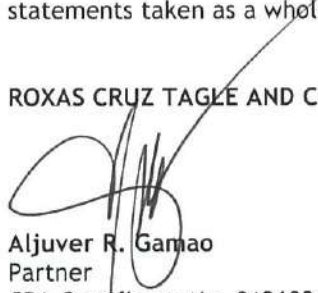


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Shareholders
Makati Finance Corporation
(A Subsidiary of Amalgamated Investment Bancorporation)
3rd floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation as at December 31, 2019 included in this Audited Financial Statements (AFS) and have issued our report thereon dated May 6, 2020. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules in this AFS are presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. Such schedules are the responsibility of management. The schedules have 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.

ROXAS CRUZ TAGLE AND CO.


Aljuver R. Gamao
Partner

CPA Certificate No. 0126931

Tax Identification No. 944-910-315

SEC Accreditation No. 1776-A, issued on September 10, 2019,
effective until September 09, 2022

BIR Accreditation No. 08-001682-015-2019, issued on February 08, 2019,
effective until February 07, 2022

PTR No. 8138977, issued on January 21, 2020, Cebu City

May 6, 2020
Makati City



EXHIBIT I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2019

Unappropriated Retained Earnings, available for dividends distribution - beginning as previously presented		P84,845,472
Add: Net income actually earned/realized during the year		
Net income during the period	21,705,649	
Deferred tax expense during the year	10,135,549	
Unrealized gain on foreclosure of investment properties	<u> —</u>	31,841,198
Less: Dividends declared during the year		<u>(32,752,348)</u>
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DISTRIBUTION		<u>P83,934,322</u>

EXHIBIT II
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

	2019	2018
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	162.65%	156.99%
Debt to equity ratio	154.05%	99.97%
Quick ratio	95.55%	92.44%
PROFITABILITY RATIOS		
Return on assets	1.64%	0.90%
Return on equity	4.16%	1.80%
Net profit margin	12.35%	6.78%
ASSET TO EQUITY RATIO	254.05%	199.97%
INTEREST RATE COVERAGE RATIO	2.33	1.87

Computation for the Ratios:

- Current ratio = Current Assets/Current Liabilities
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Quick Ratio = Quick Assets/Current Liabilities
- Return on Assets = Net Income After Tax/Total Assets
- Return on Equity = Net Income After Tax/Total Equity
- Net Profit Margin = Net Income After Tax/Total Income
- Asset to Equity Ratio = Total Assets/Total Equity

EXHIBIT III
 SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-F
 PURSUANT TO SRC RULE 68, AS AMENDED
 December 31, 2019

	2019	2018
Ratio or percentage of total real estate investments to total assets	4.75%	6.05%
Total receivables to total assets	77.02%	72.45%
Total DOSRI receivables to net worth	4.54%	4.71%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.02%	0.00%
Honda Motor World, Inc.	0.00%	0.00%
Amalgamated Investment Bancorporation	0.01%	0.01%
MAPI Lending Investors, Inc.	0.29%	0.20%

EXHIBIT IV
 SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
 PURSUANT TO SRC RULE 68, AS AMENDED
 December 31, 2019

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Other investments: Trust fund Orchard golf club shares	N/A 1	P971,728 80,000	— —

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Honda Motor World, Inc	P—	P117,042	P72,500	P—	P44,542	P—	P44,542
Motor Ace Phils, Inc.	—	220,522	63,628	—	156,894	—	156,894
MAPI Lending Investors, Inc.	25,331,760	3,511,509	2,182,426	—	26,660,843	—	26,660,843

Schedule C. Amounts Receivable from Related parties which are eliminated during the consolidation of financial statement

Name and designation of debtor	Balance of beginning period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
NONE	P—	P—	P—	P—	P—	P—	P—

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
	P1	P-	P-	P-	P-	P1
Windows 7 Prof OEM License	68,097	-	68,096	-	-	1
Other Software Cost	4,001	-	4,000	-	-	1
Web hosting domain Dot.Ph	-	-	-	-	-	-
DOTPH Services/2-years	1	-	-	-	-	1
HRIS Support	14,912	-	14,911	-	-	1
Sophos router/3-years Firewall License	6,786	-	6,785	-	-	1
Access point 55C 34900	1,255	-	1,254	-	-	1
Email domain payment (makatifinance.com.ph)	8,334	-	8,334	-	-	-
Renewal of web hosting (07/28/2018 - 07/27/2020)	-	132,000	29,333	-	-	102,667
Sophos Central Endpoint Protection - 60Users	-	99,000	22,000	-	-	77,000
Central Endpoint Intercept - 60Users @ 1650.00	-	58,200	12,933	-	-	45,267
Central Intercept and Advanced for Server - 3Servers	-	27,800	5,778	-	-	22,022
Central Device Encryption - 10Users	-	210,000	40,833	-	-	169,167
84pcs. GV 25 Tracking Device	-	388,500	43,167	-	-	345,333
SSophos XG210 Appliance - Upgrade Liscence Renewal	-	-	60,857	-	-	(60,857)
QNE ADJUSTMENT	-	-	-	-	-	-
TOTAL	P103,387	P915,500	P318,281	-	-	P700,606

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position
Landbank / PN	P142,000,000	P36,080,698	P98,848,595
SECURITY BANK/PN	117,700,000	65,672,080	38,580,697

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
NONE	P--	P--

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
NONE	P--	P--	P--	P--

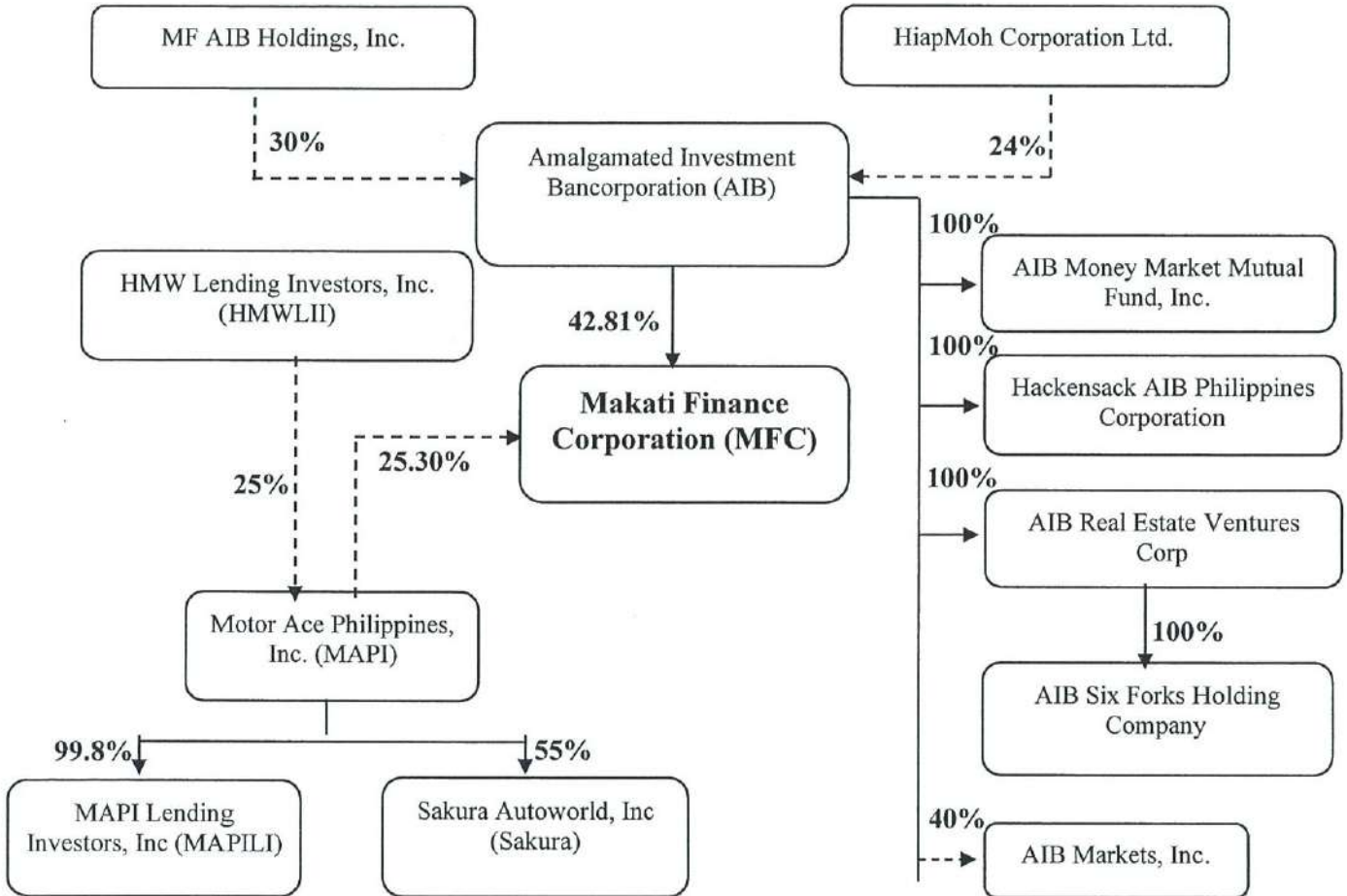
Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	74,729,246	74,729,246	—	74,729,246	—	—
COMMON	66,517,910	66,517,910	—	66,517,910	—	—
COMMON	58,286,015	58,286,015	—	37,847,046	—	20,438,969
COMMON	9,780,727	9,780,727	—	—	—	9,780,727
COMMON	9,298,350	9,298,350	—	9,298,350	—	—
COMMON	8,700,484	8,700,484	—	—	8,700,484	—
COMMON	7,333,268	7,333,268	—	—	7,333,268	—
COMMON	6,581,626	6,581,626	—	—	—	6,581,626
COMMON	6,266,403	6,266,403	—	—	—	6,266,403
COMMON	6,016,030	6,016,030	—	—	6,016,030	—
COMMON	2,648,849	2,648,849	—	—	2,648,849	—

COMMON	1,001,253	1,001,253	—	—	—	—	—	1,001,253
COMMON	780,784	780,784	—	—	—	—	—	780,784
COMMON	531,615	531,615	—	—	—	—	—	531,615
COMMON	511,415	511,415	—	—	—	—	—	511,415
COMMON	454,354	454,354	—	—	—	—	—	454,354
COMMON	313,285	313,285	—	—	—	—	—	313,285
COMMON	313,285	313,285	—	—	—	—	—	313,285
COMMON	313,285	313,285	—	—	—	—	313,285	—
COMMON	313,285	313,285	—	—	—	—	313,285	—
COMMON	313,285	313,285	—	—	—	—	—	313,285
COMMON	313,285	313,285	—	—	—	—	—	313,285
COMMON	313,285	313,285	—	—	—	—	—	313,285
COMMON	300,771	300,771	—	—	—	—	300,771	—
COMMON	189,166	189,166	—	—	—	—	—	189,166
COMMON	109,930	109,930	—	—	—	—	33,644	76,286
COMMON	87,453	87,453	—	—	—	—	—	87,453
COMMON	35,544	35,544	—	—	—	—	—	35,544
COMMON	34,752	34,752	—	—	—	—	—	34,752
COMMON	26,099	26,099	—	—	—	—	—	26,099
COMMON	26,099	26,099	—	—	—	—	—	26,099
COMMON	26,099	26,099	—	—	—	—	—	26,099
COMMON	26,099	26,099	—	—	—	—	—	26,099
COMMON	26,099	26,099	—	—	—	—	—	26,099
COMMON	26,099	26,099	—	—	—	—	—	26,099
COMMON	26,099	26,099	—	—	—	—	—	26,099
COMMON	26,099	26,099	—	—	—	—	—	26,099
COMMON	26,098	26,098	—	—	—	—	—	26,098
COMMON	24,716	24,716	—	—	—	—	8,239	16,477
COMMON	24,304	24,304	—	—	—	—	—	24,304
COMMON	21,136	21,136	—	—	—	—	—	21,136
COMMON	19,973	19,973	—	—	—	—	—	19,973
COMMON	18,658	18,658	—	—	—	—	—	18,658
COMMON	18,112	18,112	—	—	—	—	—	18,112
COMMON	16,977	16,977	—	—	—	—	—	16,977
COMMON	10,369	10,369	—	—	—	—	—	10,369
COMMON	8,864	8,864	—	—	—	—	—	8,864

COMMON	407	407	—	—	—	—	—	—	407
COMMON	281	281	—	—	—	—	—	—	281
COMMON	113	113	—	—	—	—	—	—	113
COMMON	113	113	—	—	—	—	—	—	113
COMMON	113	113	—	—	—	—	—	—	113
COMMON	113	113	—	—	—	—	—	—	113
COMMON	73	73	—	—	—	—	—	—	73
COMMON	34	34	—	—	—	—	—	—	34
COMMON	34	34	—	—	—	—	—	—	34
COMMON	34	34	—	—	—	—	—	—	34
COMMON	34	34	—	—	—	—	—	—	34
COMMON	34	34	—	—	—	—	—	—	34
COMMON	17	17	—	—	—	—	—	—	17
COMMON	17	17	—	—	—	—	—	—	17
COMMON	17	17	—	—	—	—	17	—	—
COMMON	17	17	—	—	—	—	—	—	17
COMMON	14	14	—	—	—	—	—	—	14
COMMON	1	1	—	—	—	—	1	—	—
COMMON	1	1	—	—	—	—	1	—	—
COMMON	1	1	—	—	—	—	1	—	—
COMMON	1	1	—	—	—	—	—	—	1
COMMON	1	1	—	—	—	—	1	—	—
TOTAL	262,948,243	262,948,243	—	—	188,392,552	—	25,672,809	—	48,882,882

EXHIBIT V
MAKATI FINANCE CORPORATION
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE
COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT,
SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019



Legend:

- - - - Associate
- Subsidiary



MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

June 26, 2020

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307

Attention : **HON. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance and Finance Department

The Disclosure Department

THE PHILIPPINE STOCK EXCHANGE, INC.

3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **MS. JANET A. ENCARNACION**
Head of Disclosure Department

Gentlemen:

We are sending herewith the Quarterly Report for the period ended March 31, 2020 (SEC Form 17-Q) of Makati Finance Corporation.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

MAKATI FINANCE CORPORATION
Registrant

By:



MARCOS E. LAROSA
Chief Finance Officer/CIO

COVER SHEET

			2	8	7	8	8				
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S.E.C. Registration Number

M	A	K	A	T	I	F	I	N	A	N	C	E	C	O	R	P	O	R	A	T	I	O	N
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(Company's Full Name)

3		R	D		F	L	O	O	R		M	A	Z	D	A		M	A	K	A	T	I
---	--	---	---	--	---	---	---	---	---	--	---	---	---	---	---	--	---	---	---	---	---	---

B	U	I	L	D	I	N	G		2	3	0	1		C	H	I	N	O		R	O	C	E	S
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B	A	R	A	N	G	A	Y		M	A	G	A	L	L	A	N	E	S					
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A	V	E	N	U	E		M	A	K	A	T	I		C	I	T	Y		1	2	3	1	
---	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	--	---	---	---	---	--

(Business Address : No. Street/City/Province)

MARCOS E. LAROSA

Contact Person

(02) 7751-8132

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Fiscal Year

2020

SEC Form 17-Q

1st Qtr. 2020

FORM TYPE

Financing

Secondary License Type, If Applicable

0	7
---	---

Month

--	--

Day

Annual Meeting

**Every last
Thursday of July**

C	R	M	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

109

Total No. of Stockholders

Total Amount of Borrowings

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

--	--	--	--	--	--	--	--	--	--

Document I.D.

LCU

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2020**

2. Commission identification number **28788**

3. BIR Tax Identification No. **000-473-966**

MAKATI FINANCE CORPORATION

4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office **3F Mazda Makati, 2301 Chino Roces Avenue, Brgy. Magallanes, Makati City** **1231**
Postal Code

(0632) 7751-8132
8. Issuer's telephone number, including area code

7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
Title of each Class Number of shares of common stock
outstanding and amount of debt outstanding

COMMON STOCK **262,948,243***

**as reported by the stock transfer agent as of March 31, 2020*

11. Are any or all of the securities listed on a Stock Exchange?

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

	2020	2019
NET INTEREST INCOME RATIO	77.09%	85.17%
EBIT MARGIN	43.28%	35.39%
RETURN ON ASSETS (ANNUALIZED)	0.82%	1.26%
DEBT TO EQUITY	162.74%	97.07%
RETURN ON EQUITY (ANNUALIZED)	2.16%	2.48%

Net interest income as of end of 1st Quarter of 2020 ended at P33.86 million, slightly lower versus same period last year of P34.49 million, mainly due to lower collections in March 2020 in compliance with the government imposed Bayanihan Act extending a mandatory extension of due dates to customers, as a result net interest income ratio, ended at 77.09%, which is computed by deducting the cost of borrowings from the gross interest revenues. However EBIT margin, which measures profitability performance as annualized net income before interest expenses and taxes over the total interest income, ended at 43.28% in 2020 higher versus 35.39% in 2019 mainly due to higher Gross Interest Income in 1st Quarter of 2020 amounting to P43.93 million from just P40.5 million in the same period last year. Return on assets was 0.82% in 2020 as against 1.26% in 2019. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 2.16% in Mar 2020 as against 2.48% in March 2019. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

As for the Company's working capital requirements, the Company monitors its liquidity position on a daily basis and does not anticipate any cash flow or liquidity problem within the next twelve months. Makati Finance has available credit lines with its parent company, Amalgamated Investment Bancorporation at interest within accepted regulatory requirements to be considered as arms-length transaction and other bank lines. The Company also get other bank lines for possible cash inflow. The Company's acquired assets are being offered at good prices, which is also a good source of funds. In the meantime, fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets.

Events that will Trigger Material Direct or Contingent Financial Obligation

There are no expected events that will trigger any material direct or contingent liabilities that the company may incur.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

There are no material Off-Balance Sheet transactions, arrangements or obligations.

Material Commitments for Capital Expenditure

The Company has no expected capital expenditures in 2020.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱2.83 million for the first quarter of 2020. Net interest income for the quarter ending March amounted to ₱33.86 million, slightly lower by ₱0.63 million versus ₱34.49 million in 2019. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

Total operating expenses incurred amounted to ₱32.58 million as of March 2020. The Company continues to provide allowance for doubtful accounts within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱1,377.37 million as of March 2020, 3.98% higher from ₱1,324.63 million as of December 31, 2019. The increase is primarily due Loans Receivable which grew by 5.86% or ₱59.81 million from ₱1,020.20 million in December 31, 2019 to ₱1,080.01 million as of March 2020 due to loans released this quarter. Total liabilities amounted to ₱853.13 million as of March 31, 2020, 6.21% higher from ₱803.22 million in December 2019 due to loan availed in the first quarter of 2020.

Material Events or Uncertainties

The Company had no material foreign exchange transactions; hence the peso depreciation had no direct effect on the company's financials. Management is not aware at this time of any forthcoming trends, uncertainties, demands, or events that would materially affect the Company's liquidity nor would have a material impact on its net income from continuing operations. There are also no material off-balance sheet transactions, arrangements nor obligations with unconsolidated entities.

PART II--OTHER INFORMATION

NOT APPLICABLE.

There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



Issuer.....**RENE B. BENITEZ**.....

Signature and Title.....**CHAIRMAN**.....

DateJune 26, 2020



Principal Financial/Accounting Officer/Controller..... **MARCOS E. LAROSA**.....

Signature and Title..... Chief Finance Officer/Compliance Officer.....

Date June 26, 2020

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending March 31, 2020
With Comparative Figures for 2019

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING MARCH 31, 2020, 2019 AND DEC. 31, 2019

	MARCH 31, 2020 (Unaudited)	DEC. 31, 2019 (Audited)	MARCH 31, 2019 (Unaudited)
Assets			
Cash and Cash Equivalents <i>(Note 6)</i>	₱55,396,006	₱62,726,271	₱35,280,28
Receivables <i>(Note 7)</i>	1,080,011,671	1,020,201,707	753,787,338
	₱1,135,407,677	₱1,082,927,978	₱789,067,622
Property & Equipment - net <i>(Note 8)</i>	8,493,023	9,226,046	6,953,010
Investment Properties <i>(Note 9)</i>	62,795,977	62,964,857	61,471,497
Right-of-use assets <i>(Note 20)</i>	23,882,655	23,882,655	
Deferred Tax Asset <i>(Note 17)</i>	59,664,287	61,209,971	68,660,546
Other Assets - net <i>(Note 10)</i>	87,126,068	84,417,823	83,776,321
Total Assets	₱1,377,369,687	₱1,324,629,330	₱1,009,928,996

	MARCH 31, 2020 (Unaudited)	DEC. 31, 2019 (Audited)	MARCH 31, 2019 (Unaudited)
Liabilities			
Notes Payable <i>(Note 11)</i>	748,117,465	709,309,048	432,708,568
Accounts Payable <i>(Note 18)</i>	34,667,355	29,715,348	31,820,733
Accrued Expenses <i>(Note 12)</i>	36,744,714	31,397,530	25,526,693
Income tax payable <i>(Note 17)</i>	1,229,492	726,531	-
Lease liabilities <i>(Note 20)</i>	28,094,989	28,094,989	-
Other Payables	-	-	7,398,858
Retirement benefits liability – net	4,274,808	3,974,808	
Total	853,128,823	803,218,254	497,454,852
Stockholder's Equity			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	262,948,243	262,948,243	231,572,111
Additional Paid in Capital	5,803,922	5,803,922	5,803,922
Retained Earnings	248,566,443	226,860,794	265,783,544
Remeasurement gains on retirement assets	4,092,469	4,092,468	6,137,696
YTD Net Income	2,829,787	21,705,649	3,176,871
Total	524,240,864	521,411,076	512,474,144
Total Liabilities and Capital	1,377,369,687	1,324,629,330	1,009,928,996

MAKATI FINANCE CORPORATION
INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING MARCH 31, 2020, 2019 and DEC.
31, 2019

	MAR. 31, 2020 (Unaudited)	DEC. 31, 2019 (Audited)	MAR.31, 2019 (Unaudited)
Interest Income – Loans	43,927,940	173,297,706	40,499,276
Cost of Borrowings	10,063,143	25,933,893	6,005,881
Net Interest Income	33,864,797	147,363,813	34,493,395
Less: Provisions	1,036,149	15,493,762	3,654,195
Net Interest Income After Provision	32,828,648	131,870,051	30,839,200
Other Income	4,631,944	28,339,534	6,805,631
Net Revenue	37,460,592	160,209,585	37,644,831
Operating Expenses:			
Loss from sale and write-down of MC inventories	162,284	60,937.00	3,692,140
Salaries and Wages	15,075,342	58,700,908	13,116,811
Taxes & Licenses	4,071,323	17,506,834	2,720,526
Occupancy costs	5,422,078	3,890,312	4,045,426
Management & Professional Fees	1,637,737	6,438,464	2,135,249
Transportation	1,256,698	5,929,455	1,469,514
Commissions	99,977	1,127,396	1,185,586
Depreciation & Amortization	1,448,608	19,050,881	1,135,916
Entertainment, amusement and recreation	243,534	1,046,408	215,389
Amortization of software cost	115,635	318,282.00	50,561
Operating Expenses	29,533,216	114,069,877.12	29,767,118
Other Operating Expenses	3,048,945	11,727,273	2,270,472
Total	32,582,161	125,797,150	32,037,590
Net Income Before Income Tax	4,878,431	34,412,435	5,607,241
Provision for Tax/Deferred Tax Adjustment	2,048,644	12,706,786	2,430,370
Net Income After Tax	2,829,787	21,705,649	3,176,871
Remeasurement gains on retirement	-	2,045,228	
Total Comprehensive Income	2,829,787	19,660,421	3,176,871
RETAINED EARNINGS, BEGINNING	248,566,443	265,783,544	265,783,544
RETAINED EARNINGS, QUARTER/YEAR-END	251,396,230	248,566,443	268,960,415
BASIC EARNINGS PER SHARE*	0.01	0.09	0.01

*As of March 31, 2020, and December 31, 2019, there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
INTERIM CASH FLOW STATEMENTS
 FOR THE PERIOD ENDING MARCH 31, 2020 AND 2019

	MAR. 31, 2020 (Unaudited)	MAR. 31, 2019 (Unaudited)
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	4,878,431	3,176,871
Adjustments for:		
Provisions for probable losses	1,198,432	7,346,335
Depreciation and amortization	1,332,973	1,135,916
Software Amortization	115,635	50,561
Retirement Benefit Expense (Income)		300,000
Loss (gain) from sale of motorcycle units	(1,198,698)	(1,564,068)
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	(60,586,389)	(18,679,704)
Other Assets	(1,806,763)	(3,191,611)
Increase (decrease) in the amounts of:		
Accounts Payable	4,952,008	13,901,737
Other Payable	5,641,981	5,112,149
Net cash provided by (used in) operating activities	(45,472,390)	7,588,186
Income Tax Paid	-	-
Net Cash provided by (used in) operating activities	(45,472,390)	7,588,186
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(666,291)	(1,001,022)
Pre-termination of short-term money market placement	-	-
Proceeds from Sale of Property and Equipment	-	-
Net cash provided by (used in) investing activities	(666,291)	(1,001,022)
Cash Flow From FINANCING Activities	-	-
Cash dividend paid		
Loan Availments	64,947,958	10,557,959
Payment of Preterm Loan	(26,139,542)	(42,592,274)
Net cash provided by (used in) financing activities	38,808,416	(32,034,315)
Net cash provided by (used in) Cash and Cash Equivalents	(7,330,265)	(25,447,152)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	62,726,271	60,727,435
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	55,396,006	35,280,284

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING MARCH 31, 2020 AND 2019 AND DECEMBER 31, 2019

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	31-Mar-19 (Unaudited)
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	262,948,243	231,572,111	231,572,111
Stock dividends	-	31,376,132	
Issuance during the year	-		
	262,948,243	262,948,243	231,572,111
Additional paid-in capital			
Balance, beginning of year	5,803,922	5,803,922	5,803,922
Issuance during the year			
	5,803,922	5,803,922	5,803,922
Retained earnings (deficit)			
Balance, beginning of year	248,566,443	265,783,544	265,783,544
Transition of PFRS 16 (Note 3)		(6,170,402)	
Stock dividends	-	(31,376,132)	-
Cash dividends	-	(1,376,216)	-
Total Comprehensive Income	2,829,787	21,705,649	3,176,871
Balance, end of quarter/year	251,396,230	248,566,443	268,960,415
Remeasurement gains on retirement assets	4,092,469	4,092,468	6,137,696
Net unrealized loss on investments	-	-	-
Total Equity	524,240,864	521,411,076	512,474,144

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019
(WITH COMPARATIVE FIGURES AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019)

1. Reporting entity

Makati Finance Corporation (the Company) was incorporated in the Philippines on February 17, 1966. The company operates as a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

On October 21, 2015, the Philippine Securities and Exchange Commission (SEC) approved the request of the Company to amend its Articles of Incorporation for the extension of the corporate term for another 50 years.

Amalgamated Investment Bancorporation(AIB) owns 42.81% of the Company as at March 31, 2020 and December 31, 2019.

The Company has equity interest of 20% in AIB as at December 31, 2016. Such investment was sold in 2017.

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the companies unissued common stock through initial common public offering (IPO). The application for the IPO of the company was approved by the SEC and the Philippine Stock Exchange(PSE), on December 9, 2002 and November 28, 2002, respectively. The company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of ₱1.38 per share.

As at March 10, 2020, the Company's closing price at the PSE amounts to ₱2.00 per share.

The Company's principal place of business is at 3rdFloor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati, Makati City.

2. Basis of preparation and statement of compliance

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Preparation

The financial statements of the Company have been prepared on the historical cost basis.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest peso (₱), except when otherwise indicated.

3. Significant accounting policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – PFRS 16 supersedes PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee (SIC) -15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases to be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to *classify* leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Company is the lessor.

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4 and under which the cumulative effect on initial application is recognized in retained earnings at January 1, 2019.

The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed under "Leases" of this note.

Leases previously accounted for as operating leases

As a lessee, leases previously classified as operating lease, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if PFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of PAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied exemption not to recognize right-of-use assets and liabilities with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

The effect of transition to PFRS 16 as at January 1, 2019 follows:

	January 1, 2019 <i>(as previously reported)</i>	<i>Adjustments</i>	January 1, 2019 <i>(as restated)</i>
Assets			
Other assets – net	P80,748,175	(P3,680,462)	P77,067,713
Right-of-use assets	—	38,129,874	38,129,874
Deferred tax assets – net	70,430,319	1,067,117	71,497,436
	<u>151,178,494</u>	<u>35,516,529</u>	<u>186,695,023</u>
Liabilities and Equity			
Lease liabilities	—	41,686,931	41,686,931
Retained earnings	265,783,544	(6,170,402)	259,613,142
	<u>265,783,544</u>	<u>35,516,529</u>	<u>301,300,073</u>

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rates at January 1, 2019 specific for each lease agreements as follows:

Operating lease commitment as at December 31, 2018	P51,810,257
Discounted using the incremental borrowing rate at January 1, 2019	(10,123,326)
Lease liabilities as at January 1, 2019	P41,686,931

Right-of-use assets and lease liabilities were recognized and presented separately in the statements of financial position.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PFRS 9, *Financial Instruments- Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (FVOCI) (instead of at fair value through profit or loss (FVPL)) if a specified condition is met. It also clarifies the requirements in PFRS 9 for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).
- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income (OCI) or equity according to where the entity originally recognized those past transactions or events.
- Annual Improvements 2015-2017 Cycle
 - PFRS 3, *Business Combinations*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint

operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

- PFRS 11, *Joint Arrangements*

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

- PAS 12, *Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where it originally recognized those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

- PAS 23, *Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

The adoption these new and amended PFRS did not have any material effect on the financial statements, except for PFRS 16. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1 and PAS 8, *Definition of Material* – The amendments address the definition of material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.
- Deferred effectivity - Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under the prevailing circumstances, the adoption of these new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

Financial assets and financial liabilities

Date of recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition and measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated atFVPL, includes transaction cost.

“Day 1” Difference. Where the transaction 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. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference 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.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either

financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial assets and liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognize OCI (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in OCI are not subsequently transferred to profit or loss.

As at March 31, 2020 and December 31, 2019, the Company does not have financial assets and liabilities at FVPL.

Financial assets at amortized cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2020 and December 31, 2019, the Company's cash and cash equivalents, loans and receivables, security deposits and other investments under other assets are included under this category (Notes 6, 7 and 10).

Financial liabilities at amortized cost. Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest 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 effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at March 31, 2020 and December 31, 2019, the Company's liabilities arising from its notes payable, accounts payable, accrued expenses and lease liabilities are included under this category (Notes 11,12, 18 and 20).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- 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.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at March 31, 2020 and December 31, 2019, the Company's other investment under other assets is included under this category (Note 10).

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial

assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of financial assets at amortized cost

The Company records an allowance for “expected credit loss” (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of financial assets and liabilities

Financial assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial

asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of financial instrument between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- 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.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Cash and cash equivalents

Cash includes cash on hand and in banks which are stated at amortize cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Loans and other receivables

Loans and other receivables are amounts due from customers for services performed in the ordinary course of business.

Loans and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for credit losses.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Furniture, fixtures and equipment	3 – 5
Leasehold rights and improvements	10 or the period of the lease, whichever is shorter
Transportation equipment	3 - 5

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of income in the period of retirement and disposal.

Investment properties

Investment properties primarily consist of foreclosed real estate properties. These are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. A gain or loss on exchange is recognized in profit or loss under “Gain on foreclosed assets” account.

Foreclosed real estate properties are classified under “investment properties” account upon:

- (a) entry of judgment in case of judicial foreclosure;
- (b) execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
- (c) notarization of the Deed of Dacion in case of payment in kind (dacionenpago).

Subsequent to initial recognition, depreciable investment properties are carried at cost less depreciation and any impairment in value. The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for these assets is calculated on a straight line basis using a useful life that ranges from 15 to 20 years.

Expenditures incurred after the investment properties have been put into operations such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from the use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Investment in an associate

An associate pertains to an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. Investment in an associate is accounted under the equity method of accounting.

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share in the net assets of the associate since acquisition date.

Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share in profit or loss of an associate is shown as a separate line item in the statements of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Company, using consistent accounting policies.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. Gain on sale of investment in an associate is recognized upon sale of the investment as the difference between the selling price and the carrying value of the investment sold.

Repossessed assets

Repossessed assets are carried at cost, which is the fair value at recognition date. The Company recognizes repossessed assets at cost less impairment. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. Repossessed assets is presented under "Other assets" account in the statements to financial position.

Software costs

Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under "Other asset" account in the statements of financial position, which includes costs incurred relative to the development of the Company's software.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred.

Software asset is amortized on a straight line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software assets for the current and comparative periods range from three to five years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair value measurements

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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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 separate 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 market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization 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.

Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Provisions and contingencies

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is charged against profit or loss, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements 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 in the notes to financial statements when an inflow of economic benefits is probable.

Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. Share capital is measured at par value. When the shares are

sold at premium, the difference between the proceeds and par value is credited as additional paid-in capital.

Retained earnings

Unappropriated retained earnings include all current and prior period results and other capital adjustments as disclosed in the statement of changes in equity, free from any restriction.

Revenue recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Interest income on loans and other receivables. Interest income on loans and other receivables is recognized in profit or loss for all financial instruments measured at amortized cost using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Interest income from banks deposits - interest from bank deposit accounts is recognized as the interest is earned. Interest income is presented net of tax unless final tax is deemed significant.

Service charges - service charges are recognized as revenue as the services are rendered.

Miscellaneous - miscellaneous are recognized as revenue as the penalties and other charges accrues.

Gain or loss on sale of repossessed assets - Gain or loss on sale of repossessed assets is recognized when the Company disposes of its repossessed assets. Gain or loss is computed as the difference between the proceeds of the disposed repossessed assets and its carrying amount.

Expense recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Foreign currency denominated transactions and balances

Transactions in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated into Philippine Peso using the rates of exchange provided by its Parent Company, which approximate the prevailing exchange rate at statement of financial position date. Exchange gains or losses arising from translation of foreign currency-denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Retirement benefit costs

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income tax

The tax expense for the period comprises current and deferred tax. Tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity, or when the tax arises from a business combination. Current and deferred tax that relates to items that are recognized in OCI or directly in equity are also recognized in OCI or directly in equity, respectively.

Current tax

Current tax assets and current tax liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable tax rate for the years presented.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. However, deferred income tax liabilities are not recognized if it arises from:

- a) the initial recognition of goodwill; or
- b) the initial recognition of an asset or liability in a transaction which:

- (i) is not a business combination;
- (ii) the initial recognition of an asset or liability in a transaction which is not a business combination at the time of the transaction affects neither accounting nor taxable profit; and
- (iii) investments in subsidiaries and jointly controlled entities where the Parent Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits from MCIT and NOLCO can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply 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 financial reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same transaction authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

For contracts entered into before January 1, 2019, the Company determines whether an arrangement is or contains a lease based on whether of:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of output.

Company as a lessee. The Company recognizes a right-of-use asset and lease liability at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use asset is initially measured as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The right-of-use asset is subsequently depreciated using the straight line method over the shorter of the estimated useful life of 3 to 15 years or the lease term.

In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments option renewal period if the Company is reasonably to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. It is remeasured when there is a change in future lease payments or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Short-term leases. The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Notes payable

Notes payable are recognized initially at transaction price (that is, the present value of cash payable to the creditors, including transaction costs). Notes payable are subsequently stated at amortized cost using EIR method, which ensures that any finance costs even the period of repayment is a consistent rate in the balance of the liability carried in the statements of the financial position.

Notes payable are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after financial reporting date.

Related parties

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. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties.

Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit to the weighted average number of common shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding and assume of all dilutive potential ordinary shares.

Segment reporting

The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5 to the financial statements.

Events after the statement of financial position date

Post year-end events up to the date the financial statements are authorized for issue by the BOD that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are recognized in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements:

Determination whether an arrangement contains a lease - The Company assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 20.

Company as lessee. The Company has entered into lease agreements as a lessee. Depreciation of right-of-use of asset and interest expense on lease liability recognized in profit or loss are disclosed in Notes 20.

Capitalization of software costs - The Company has entered into a contract for the development of its loans management system. The Company used judgment to decide whether development costs are capitalizable as intangible assets and to assess that the asset will generate probable future economic benefits. The Company recorded the cost under "Other assets" account in the statements of financial position.

Provisions and contingencies - The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As at December 31, 2019 and 2018, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed in the financial statements.

Determining the lease term of contracts with renewal and termination options – Company as lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates and assumptions

The key estimates and assumptions used in the financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

Determining significant increases in credit risk and estimating allowance for credit losses - The Company establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

For the purpose of determining significant increases in credit risk and recognizing a loss allowance, the Company groups its loans and other financial receivables on the basis of share credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

At initial recognition of a financial asset, the Company recognizes a loss allowance equal to 12-month expected credit losses. These are the credit losses that are expected to result from default events that are possible within 12 months from the reporting date. This means that the actual loss does not need to take place within the 12-month period; it is the occurrence of the default event that ultimately results in that loss.

After initial recognition, the three stages would be applied as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition – recognize 12-month expected credit losses
- Stage 2: Credit risk has increased significantly since initial recognition – recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset
- Stage 3: There is objective evidence of impairment as at the reporting date (using the criteria currently included in PAS 39) – recognize lifetime expected losses, with interest revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

Determining from recognizing 12-month expected credit losses to lifetime expected credit losses requires judgment and careful estimates from management as the focus is on the change in the risk of the default, and not on the changes in the amount of expected credit losses. When determining which loans and other receivables may be subject to lifetime expected credit losses, the Company considers indicators such as request for loan modification or restructuring, changes in the health condition of borrowers, when accounts become past due or when accounts are in default, changes in industry or economic conditions that affect the ability of the borrowers to pay and other changes in the expected behavior of the borrower, and past-due information.

The measurement of expected credit losses is based on the present value of cash shortfalls, and takes into account both the amount and timing of contractual payments, including any proceeds from the repossession and sale of collaterals. These are reassessed and adjusted on any expected changes in the credit risks. Therefore, a credit loss may arise in instances where there is a delay in the payment of contractually required amount, even if all contractual cash payments are ultimately expected to be received in full.

As at December 31, 2019 and 2018, allowance for credit losses amounted to ₱123.67 million and ₱108.18 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱1.02 billion and ₱738.59 million as at December 31, 2019 and 2018, respectively (Note 7).

Impairment of non-financial assets - The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

As at March 31, 2020 and December 31, 2019, the Company did not recognize impairment on property and equipment, investment properties and software costs.

The carrying values of property and equipment, investment properties and software costs are disclosed in Notes 8,9 and 10.

As at March 31, 2020 and December 31, 2019, the carrying value of repossessed assets amounted to ₱78.52 million and ₱76.62 million, respectively. Provision for impairment loss of repossessed assets amounted to ₱0.16 million, ₱0.06 million and ₱6.36 million in 2020, 2019 and 2018, respectively (Note 10).

Realizability of deferred tax assets - The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 17.

Estimating useful lives of property and equipment, investment properties and software costs - The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3.

Valuation of retirement benefits - The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, 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. Further details on the retirement liability are provided in Note 16.

The Company's net retirement liabilities amounted to ₱3.97 million as at December 31, 2019 and net retirement plan assets amounted to ₱0.24 million as at December 31, 2018, respectively (Note 15).

Leases - Estimating the incremental borrowing rate - The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of its financial instrument are as follows:

Cash Equivalents

Carrying amounts approximate fair values due to the relatively short-term maturities of these financial assets.

Loans and Other Receivables

The carrying amounts of loans and receivables approximate the fair values due either to the relatively short-term maturities of these assets or the fact that the interest rates reflect the prevailing market rates.

Other investments

Debt securities. Fair values are generally based on quoted market prices. If the prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow method methodology.

Equity securities. Fair value are generally based on quoted market prices. For equity securities with quoted bid and offer prices, fair values are based on the price within the bid-offer spread that is most representative of the exit price in the circumstances. If the market prices are not readily available, fair values are estimated using values obtained from independent parties offering pricing services.

Notes Payable

The carrying amount of notes payable approximate fair values as the interest rates are repriced quarterly.

Accounts Payable and Accrued Expenses (excluding payable to government)

The carrying amounts of accounts payable and accrued expenses (excluding payable to government) approximate fair values due to their short-term maturities.

5. Segment Information

Operating Segments

The Company's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Company derives revenues from the following main operating business segments:

Rx Cashline Group

The Rx Cashline Group grants Rx cash line product- loans tailored to medical professionals.

MFC Factors Group

The MFC Factors Group is responsible for the research of businesses that seek to factor their receivables for extra liquidity.

MC Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other Segments

This segment includes business loans, car loans, and corporate salary loans.

The Company considers its Management Committee as chief operating decision maker. Management conducts weekly Management Committee meetings to monitor the performance and conversion of each of the product lines handled. Strategies and recommendations are formulated

while operating parameters and guidelines are developed and implemented in these weekly meetings. Product line performance is evaluated based on how it performs versus target and versus last year's actual figures. Another major consideration is on the analysis of risk and collectability exposure contributed by each product line.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise all of the assets and liabilities, measured in a manner consistent with that shown in the statements of financial position.

The Company's assets producing revenues are located in the Philippines (i.e., one geographical location), therefore geographical segment information is no longer presented.

The Company does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues.

Financial information about operating segments follows:

	March 31, 2020 (Unaudited)				Total
	Rx Cash Line	Business Loans and Factoring	Motor Vehicles Financing	Others	
Loans and Other Receivables	₱203,488,122	₱537,538,374	₱824,129,779	₱81,415,327	₱1,646,571,602
Results of operation					
Revenues					
Interest Income	6,008,682	12,820,304	20,503,343	4,595,612	43,927,941
Other Income	73,688	1,378,784	1,005,704	2,173,769	4,631,945
	₱6,082,370	₱14,199,088	₱21,509,047	₱6,769,381	₱48,559,886
Expenses					
Interest expense	1,376,487	2,936,913	4,696,967	1,052,776	10,063,143
Provision for credit losses	163,928	349,761	559,368	125,377	1,198,434
Operating Expenses	3,153,893	6,518,704	20,117,958	2,629,320	32,419,875
	₱4,694,308	₱9,805,378	₱25,374,293	₱3,807,473	₱43,681,452
Net operating income(loss)	1,388,062	4,393,710	(3,865,246)	2,961,908	4,878,434
Less: Income tax expense	496,454	1,488,878	(886,471)	949,785	2,048,646
Net Income(loss)	₱891,608	₱2,904,832	₱ (2,978,775)	₱2,012,123	₱2,829,787
Statement of Financial Position					
Total Assets	128,730,257	521,797,290	669,237,930	57,604,210	1,377,369,687
Total Liabilities	89,313,292	322,182,119	401,786,714	39,846,698	853,128,823
Other segment information					
Capital expenditures	₱69,753	₱251,623	₱313,794	₱31,120	₱666,290
Depreciation and amortization	₱151,653	₱547,063	₱682,232	₱67,659	₱1,448,607

March 31, 2019 (Unaudited)					
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P159,060,990	P383,300,485	P516,312,351	P128,902,683	P1,187,576,509
Results of operation					
Revenues					
Interest income	6,182,862	15,369,080	13,910,643	5,036,691	40,499,276
Other income	485,685	2,837,781	1,258,555	2,223,610	6,805,631
	P6,668,547	P18,206,861	P15,169,198	P7,260,301	P47,304,907
Expenses					
Interest expense	662,175	1,843,915	2,375,504	1,124,287	6,005,881
Provision for credit losses	2,100,338	4,834,050	-999,442	1,411,389	7,346,335
Operating expenses	2,397,642	6,540,688	16,571,913	2,835,207	28,345,450
	P5,160,155	P13,218,653	P17,947,975	P5,370,883	P41,697,666
Net operating income (loss)	P1,508,392	P4,988,208	-P2,778,777	P1,889,418	P5,607,241
Less: Income tax expense (benefit)	452,518	1,496,462	-80,035	561,425	2,430,370
Net income (loss)	P1,055,874	P3,491,746	-P2,698,742	P1,309,993	P3,176,871
Statement of financial position					
Total assets	P107,735,402	P379,895,802	P420,950,685	P101,347,107	P1,009,928,996
Total liabilities	P62,834,871	P191,283,542	P183,552,934	P59,783,505	P497,454,852
Other segment information					
Capital expenditures	P-	P-	P-	P-	P-
Depreciation and amortization	P151,158	P450,627	P440,642	P144,045	P118,6472

December 31, 2019 (Audited)					
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P198,505,250	P508,035,629	P797,568,423	P72,926,495	P1,577,035,797
Results of operation					
Revenues					
Interest Income	29,548,067	57,293,673	78,055,306	8,400,660	173,297,706
Other Income	3,879,713	8,274,360	12,724,762	3,460,699	28,339,534
	33,427,780	65,568,033	90,780,068	11,861,359	201,637,240
Expenses					
Interest expense	4,421,850	8,573,962	11,680,928	1,257,153	25,933,893
Provision for losses	1,320,276	14,763,990	(826,940)	297,373	15,554,699
Operating expenses	15,160,656	27,414,200	77,473,253	5,688,104	125,736,213
	20,902,782	50,752,152	88,327,241	7,242,630	167,224,805
Net operating income	12,524,998	14,815,881	2,452,827	4,618,729	34,412,435
Less: Income tax expense	3,764,260	8,119,065	(540,683)	1,364,144	12,706,786
Net Income	P8,760,738	P6,696,816	P2,993,510	P3,254,585	P21,705,649
Statement of Financial Position					
Total Assets	P127,847,598	P492,291,230	P652,786,156	P51,704,346	P1,324,629,330
Total Liabilities	P87,334,140	P296,623,707	P384,149,599	P35,110,808	P803,218,254
Other segment information					
Capital expenditures	P1,185,783	P3,034,781	P4,764,323	P435,631	P9,420,518
Depreciation and amortization	P2,106,014	P7,152,916	P9,263,555	P846,678	P19,369,163

6. Cash and Cash Equivalents

This account consists of:

	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Cash on hand	₱2,803,898	₱2,567,191	₱3,561,002
Cash in banks	28,562,937	36,588,695	7,255,402
Cash equivalents (Note21)	24,029,171	23,570,385	24,463,880
	₱55,396,006	₱62,726,271	₱35,280,284

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2019 and in 2018. Interest income on cash in banks amounted to ₱12 thousand, ₱0.05 million, and ₱13 thousand in March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

As of March 31, 2020, cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from three (3) to 90 days at 10.5% and 6.25% interest per annum. Interest income on cash equivalents amounted to ₱0.52 million, ₱1.77 million, ₱0.52 Thousand March 31, 2020, and December 31, 2019 and March 31, 2019, respectively (see Note 18).

7. Loans and Other Receivables

This account consists of:

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	19-Mar-19 (Unaudited)
Receivables from customers			
Consumer	₱1,249,897,289	₱1,190,077,491	₱902,707,062
Services	382,184,790	373,759,437	271,305,423
Other receivables	14,489,523	13,198,869	13,644,023
	1,646,571,601	1,577,035,797	1,187,656,508
Unearned interest income	(405,921,259)	(395,846,762)	(293,246,310)
Allowance for credit losses	(124,709,290)	(123,673,142)	(111,833,573)
Clients equity	(35,929,381)	(37,314,186)	(28,789,287)
	₱1,080,011,671	₱1,020,201,707	₱753,787,338

The classes of receivable from customers are subdivided according to loans granted to different industries.

Loans and receivables according to product type:

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	19-Mar-19 (Unaudited)
Motorcycle financing	601,429,894	589,853,279	504,681,847
Business loans	415,583,120	383,913,894	287,336,196
Rx cash line	202,591,950	197,609,078	159,060,990
Receivables purchased	121,955,254	177,443,684	95,964,289
Car Loans	190,046,146	124,121,735	92,613,254
Corporate salary loans	6,780,861	6,982,861	5,038,940
	1,538,387,225	1,479,924,531	1,144,695,516
Personal Loans	28,077,380	25,518,103	-
Leisure Bike Loans	22,544,723	20,162,444	-
Pension loans	20,049,343	15,035,371	1,393,708
Housing loans	11,752,607	11,925,678	11,040,771
Accrued interest receivable	11,270,801	11,270,801	11,630,504
Sales contract receivable	1,368,200	1,368,200	1,368,200
Advances to officers and employees	1,379,148	265,978	468,636
Due from affiliates	101,007	101,007	101,007
Miscellaneous receivables	11,641,167	11,463,684	16,958,166
	₱1,646,571,601	₱1,577,035,797	₱1,187,656,508

Miscellaneous receivables consist of receivables from employees resulting from Company loans, other related parties (Note 18) and other non-related parties.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30.00% of the receivables factored.

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivable from customers amounted to ₱43.7 million and ₱171.48 million in March 31, 2020 and December 31, 2019, respectively.

Motorcycle financing receivables amounting to ₱494.31 million and ₱345.12 million in March 31, 2020 and December 31, 2019, respectively, were used as collateral on notes payable to banks (Note 11).

The following table shows the breakdown of loans (gross of allowance for credit losses) as to secured and unsecured and the breakdown of the unsecured loans and the breakdown of secured loans as to type of security as at December 31, 2019 and 2018:

	2019	%	2018	%
Secured loans				
Chattel mortgage	₱568,158,106	49.67%	₱417,458,924	49.30%
Real estate mortgage	275,528,746	24.09%	221,106,372	26.11%
Other collaterals*	120,166,855	10.50%	102,017,477	12.05%
Total secured	963,853,707	84.26%	740,582,773	87.46%
Unsecured	180,021,142	15.74%	106,189,556	12.54%
	₱1,143,874,849	100.00%	₱846,772,329	100.00%

*Other collaterals pertain to deposits, assignment of receivables and salary

Movements in allowance for credit losses follow:

	March 31, 2020 (Unaudited)			
	Receivable from Customers			Total
	Services	Consumer	Others	
At January 1	₱12,163,820	₱106,922,558	₱4,586,764	₱123,673,142
Provisions during the year	163,928	746,843	125,377	1,036,148
At March 31	₱12,327,748	₱107,669,401	₱4,712,141	₱124,709,290

	March 31, 2019 (Unaudited)			
	Receivable from Customers			Total
	Services	Consumer	Others	
At January 1	₱16,501,357	₱72,945,970	₱3,164,814	₱92,612,141
Provisions during the year	441,476	24,528,457	2,309,962	27,279,895
At March 31	₱16,942,833	₱97,474,427	₱5,474,776	₱119,892,036

	December 31, 2019 (Audited)			
	Receivable from Customers			Total
	Services	Consumer	Others	
At January 1	₱10,462,137	₱93,251,527	₱4,465,716	₱108,179,380
Provisions during the year	1,701,683	13,671,031	121,048	15,493,762
At December 31	₱12,163,820	₱106,922,558	₱4,586,764	₱123,673,142

In determining the allowance for credit losses on loans and other receivables, the Company groups its loans and other financial receivables on the basis of share credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

In 2019, the Company recognized additional provision for ECL on loans and other receivables amounting to ₱4.50 million as a result of the Company's preliminary assessment on the impact of novel strain of coronavirus (COVID-19) pandemic (Note 23). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the collectability of loans and other receivables onwards.

8. Property and Equipment -Net

The roll forward analysis of this account follows:

	March 31, 2020 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱17,400,728	₱7,476,840	₱12,288,195	₱37,165,762
Additions	431,070	—	(240,000)	191,070
At March 31	₱17,831,798	₱7,476,840	₱12,048,195	₱37,356,832
Accumulated Depreciation				
At January 1	15,547,029	5,831,212	6,561,475	27,939,715
Depreciation	382,002	318,490	463,601	1,164,093
Adjustment	-	-	(240,000)	(240,000)
At March 31	₱15,929,031	₱6,149,702	₱6,785,076	₱25,863,809
Carrying Amount	₱1,902,767	₱1,327,138	₱5,263,119	₱8,493,023

	March 31, 2019 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,667,508	₱7,476,840	₱8,716,395	₱31,860,743
Additions	830,876	—	—	830,876
At March 31	₱16,498,384	₱7,476,840	₱8,716,395	₱32,691,619
Accumulated Depreciation				
At January 1	14,298,934	4,548,243	5,924,395	24,771,572
Depreciation	283,542	323,985	359,510	967,035
Adjustment	17,169	-	(17,169)	-
At March 31	₱14,599,645	₱4,872,228	₱6,266,736	₱25,738,609
Carrying Amount	₱1,898,740	₱2,604,612	₱2,449,658	₱6,953,010

	December 31, 2019 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,667,508	₱7,476,840	₱8,716,395	₱31,860,743
Additions	1,733,218	—	4,771,800	6,505,018
Disposal	—	—	(1,200,000)	(1,200,000)
At December 31	17,400,726	7,476,840	12,288,195	37,165,761
Accumulated Depreciation				
At January 1	14,298,934	4,548,243	5,924,395	24,771,572
Depreciation	1,230,926	1,282,969	1,614,248	4,128,143
Disposal	—	—	(960,000)	(960,000)
At December 31	15,529,860	5,831,212	6,578,643	27,939,715
Carrying amount	₱1,870,866	₱1,645,628	₱5,709,552	₱9,226,046

In December 31, 2019, the Company sold transportation equipment at its carrying amount, hence no gains or losses on disposal was incurred.

As at December 31, 2019 and 2018, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱3.96million and ₱3.26 million, respectively.

Management believes that there are no indicators that the Company's property and equipment is impaired and that its carrying amount approximates its fair value or realizable value.

9. Investment Properties - Net

The roll forward of this account follows:

	March 31, 2020 (Unaudited)		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱17,285,692	₱65,275,646
Additions	—	—	—
At December 31	47,989,954	17,285,692	65,275,646
Accumulated depreciation and amortization			
At January 1	—	1,803,590	1,803,590
Depreciation	—	168,880	168,880
At March 31	—	1,972,470	1,972,470
Allowance for impairment loss	(507,199)	—	(507,199)
Carrying amounts	₱47,482,755	₱15,313,222	₱60,795,977

	Mar. 31, 2019 (Unaudited)		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱ 15,285,692	₱63,275,646
Additions	—	—	—
Disposals	—	—	—
At March 31	₱47,989,954	₱15,285,692	₱63,275,646
Accumulated Depreciation			
At January 1	₱ —	₱1,128,070	₱1,128,070
Depreciation	—	168,880	168,880
At March 31	₱ —	₱1,296,950	₱1,296,950
Allowance for impairment loss	(507,199)	—	(507,199)
Carrying amounts	₱42,641,421	₱13,988,742	₱61,471,497

	December 31, 2019 (Audited)		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱15,285,692	₱63,275,646
Additions	—	2,000,000	2,000,000
At December 31	47,989,954	17,285,692	65,275,646
Accumulated depreciation and amortization			
At January 1	—	1,128,070	1,128,070
Depreciation	—	675,520	675,520
At December 31	—	1,803,590	1,803,590
Allowance for impairment loss	(507,199)	—	(507,199)
Carrying amounts	₱47,482,755	₱15,482,102	₱62,964,857

The aggregate fair value of the investment properties of the Company amounted to ₱68.39 million and ₱66.39 million as at December 31, 2019 and 2018, respectively.

The Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to nil and ₱4.32 million in 2019 and 2018, respectively. These are presented under "Gain on foreclosed assets" account in the statements of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets.

Gain on sale on investment properties amounted to nil and ₱0.76 million in 2019 and 2018, respectively.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱76,043 and ₱75,792 in 2019, respectively.

10. Other Assets -Net

This account consists of:

	Note	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Repossessed assets, net	11	₱78,612,865	₱76,706,196	₱73,356,137
Prepaid expenses		6,821,852	5,824,509	6,922,195
Security deposits		145,496	700,606	3,149,779
Software costs		584,971	134,784	268,210
Other investments		960,884	1,051,728	80,000
		₱87,126,068	₱84,417,823	₱83,776,321

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business carried at the cost less impairment. These units are intended for immediate resale. Included in the statements of comprehensive income are the gain from sale of repossessed assets amounted to ₱8.04 million in 2019 and loss from sale of repossessed assets of ₱2.79 million and ₱23.96 million in 2018 and 2017, respectively. Proceeds from sale amounted to ₱19.06 million, ₱18.27 million and ₱4.81 million in 2019, 2018 and 2017, respectively. Provision for impairment loss of repossessed assets amounted to ₱0.06 million, ₱6.36 million and ₱32.60 million in 2019, 2018 and 2017, respectively.

Prepaid securities pertain to expenses paid in advance but not yet incurred.

Other investments represent investment with debt and equity securities.

The movement in software costs follow:

	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Cost			
At January 1	₱6,014,217	₱5,098,717	₱5,078,615
Additions	-	915,500	-
At March 31 and December 31	6,014,217	6,014,217	5,078,615
Accumulated amortization			
At January 1	5,313,611	4,995,330	7,703,622
Amortization for the qtr/year	115,635	318,281	106,783
Accumulated Amortization	5,429,246	5,313,611	4,810,405
At March 31 and December 31	₱584,971	₱700,606	₱268,210

11. Notes Payable

This account consists of:

	Note	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Related parties	18	₱469,359,023	₱443,227,374	₱316,524,355
Banks		271,458,442	259,181,674	107,684,213
Individuals		7,300,000	6,900,000	8,500,000
		₱748,117,465	₱709,309,048	₱432,708,568

Interest rates from borrowings range from 5.00% to 7.15% per annum in March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Interest expense on these notes payable amounted to ₱10.06 million, ₱23.48 million, and ₱6 million in March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Notes payable to related parties and individuals/corporate are unsecured, with maturity of up to one (1) year.

Notes payable to banks have a maturity of up to three (3) years. As at March 31, 2020 and December 31, 2019, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company:

	March 31, 2020 (Unaudited)		Dec.31, 2019 (Audited)	
	Carrying Amount	Secured Notes	Carrying Amount	Secured Notes
Motorcycle financing	₱494,311,936	₱326,732,855	₱345,119,511	₱228,118,876

12. Accrued expenses

This account consists of:

	Note	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Accrued taxes		54,082,900	₱7,020,117	₱5,520,300
Accrued insurance payable		850,934	6,569,889	333,600
Accrued occupancy costs		5,664,643	4,077,131	3,335,469
Accrued interest	18	1,132,669	2,961,731	4,793,511
Accrued administrative expenses		2,737,542	978,822	2,211,176
Accrued management and professional fees		1,113,610	721,328	1,293,709
Others		19,837,026	9,068,512	8,038,828
		₱36,744,714	₱31,397,530	₱25,526,593

Others include accrual on accrual on utilities, commission and premium.

13. Maturity analysis of assets and liabilities

The following table shows an analysis of assets and liabilities of the Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	March 31, 2020 (Unaudited)			March 31, 2019 (Unaudited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	₱55,396,006	₱ -	₱55,396,006	₱35,280,284	₱ -	₱ 35,280,284
Loans and other receivables - gross	950,927,186	695,644,416	1,646,571,602	679,407,692	508,248,817	1,187,656,509
Other investments	-	1,186,512	1,186,512	-	3,989,001	3,989,000
	₱1,006,323,192	₱696,830,928	₱1,703,154,120	₱714,687,976	₱512,237,818	₱1,226,925,794
Nonfinancial Assets						
Investment in an associate	-	-	-	-	6,953,010	6,953,010
Property and equipment	-	8,493,023	8,493,023	-	61,471,497	61,471,497
Investment properties -net	-	62,795,977	62,795,977	-	68,660,546	68,660,546
Deferred tax assets	-	59,664,287	59,664,287	-	244,127	244,127
Right-of-use assets	14,247,219	9,635,438	23,882,655	-	-	-
Other assets	5,824,509	80,115,047	79,543,192	5,519,191	74,024,001	79,543,192
	₱20,071,728	₱220,703,770	₱240,775,498	₱5,519,191	₱211,353,181	₱216,872,372
Less: Allowance for credit and impairment losses	(71,926,324)	(52,782,967)	(124,709,291)	(63,975,223)	(47,858,350)	(111,833,573)
Unearned interest income	(233,617,781)	(172,303,478)	(405,921,259)	(167,753,720)	(125,492,590)	(293,246,310)
Client's equity	(35,929,381)	-	(35,929,381)	(28,789,287)	-	(28,789,287)
	(₱341,473,486)	(₱225,086,445)	(₱433,869,170)	(₱260,518,230)	(₱173,350,940)	(₱433,869,170)
	₱684,921,434	₱692,448,253	₱1,377,369,667	₱459,688,937	₱550,240,059	₱1,009,928,996

Financial Liabilities						
Notes payable	P543,546,819	P204,570,646	P748,117,465	P432,708,568	P -	P432,708,568
Accounts payable	34,667,355	-	34,667,355	31,820,733	-	31,820,733
	P578,214,174	P -	P782,784,820	P464,529,301	P -	P464,529,301
Nonfinancial Liabilities						
Accrued expenses	P36,744,714	P -	P36,744,714	P31,653,345	P -	P31,653,345
Retirement liability	-	4,274,808	4,274,808	-	-	-
Lease liabilities	13,773,527	14,321,462	28,094,989	-	-	-
Income tax payable	1,229,492	-	1,229,492	1,272,206	-	1,272,206
	P51,747,733	P18,596,270	P70,344,003	P32,925,551	P -	P32,925,551
	P629,961,907	P223,166,916	P853,128,823	P497,454,852	P -	P497,454,852

	December 31, 2019 (Audited)			December 31, 2018 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	P62,726,271	P—	P62,726,271	P60,727,435	P—	P60,727,435
Loans and other receivables gross	910,803,014	666,232,783	1,577,035,797	663,157,807	496,092,664	1,159,250,471
Security deposits, and other investments	—	1,186,512	1,186,512	—	4,777,361	4,777,361
	973,529,285	667,419,295	1,640,948,580	723,885,242	500,870,025	1,224,755,267
Nonfinancial Assets						
Property and equipment – net	—	9,226,046	9,226,046	—	7,089,171	7,089,171
Investment properties – net	—	62,964,857	62,964,857	—	61,640,377	61,640,377
Deferred tax assets – net	—	61,209,971	61,209,971	—	69,401,876	69,401,876
Retirement plan assets – net	—	—	—	—	244,127	244,127
Right-of-use assets	14,247,219	9,635,436	23,882,655	—	—	—
Other assets*	5,824,509	77,406,802	83,231,311	5,271,318	70,699,496	75,970,814
	20,071,728	220,443,112	240,514,840	5,271,318	209,075,047	214,346,365
Less: Allowance for credit losses	(71,426,324)	(52,246,818)	(123,673,142)	(61,884,815)	(46,294,565)	(108,179,380)
Unearned interest income	(228,617,781)	(167,228,981)	(395,846,762)	(161,911,840)	(121,122,417)	(283,034,257)
Client's equity	(37,314,186)	—	(37,314,186)	(29,443,885)	—	(29,443,885)
	(337,358,291)	(219,475,799)	(556,834,090)	(253,240,540)	(167,416,982)	(420,657,522)
	P656,242,722	P668,386,608	P1,324,629,330	P475,916,020	P542,528,090	P1,018,444,110
Financial Liabilities						
Notes payable	P571,879,756	P137,429,292	P709,309,048	P464,742,883	P—	P464,742,883
Accounts payable	29,715,348	—	29,715,348	17,918,996	—	17,918,996
Accrued expenses**	24,377,413	—	24,377,413	20,846,276	—	20,846,276
	625,972,517	137,429,292	763,401,809	503,508,155	—	503,508,155
Nonfinancial Liabilities						
Accrued expenses	7,020,117	—	7,020,117	5,027,072	—	5,027,072
Retirement benefits liability	—	3,974,808	3,974,808	—	—	—
Lease liabilities	13,773,527	14,321,462	28,094,989	—	—	—
Income tax payable	726,531	—	726,531	611,610	—	611,610
	21,520,175	18,296,270	39,816,445	5,638,682	—	5,638,682
	P647,492,692	P155,725,562	P803,218,254	P509,146,837	P—	P509,146,837

*excluding security deposit, other investments which are presented under financial assets

**excluding payable to government which is presented under nonfinancial liabilities

14. Equity

On July 25, 2019, the BOD and stockholders approved the declaration of 13.55% stock dividends in the amount of ₱31.38million to stockholders of record as of August 22, 2019 with distribution date not later than September 18, 2019. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1.38 million.

On July 26, 2018, the BOD and stockholders approved the declaration of 3.65% stock dividends in the amount of ₱8.16 million to stockholders of record as of August 23, 2018 with distribution date not later than September 18, 2018. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱8.16 million.

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of ₱6.95 million to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6.95 million.

As at March 31, 2020, the Company has 262,948,243 common shares issued and outstanding which are owned by 109 shareholders.

The movements in the number of issued shares and capital stock follow:

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)		March 31, 2019 (Unaudited)	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000shares;₱1 par value						
At January 1	262,948,243	₱262,948,243	231,572,111	₱231,572,111	231,572,111	₱231,572,111
Stock dividends	0	0	31,376,132	31,376,132	0	0
At December 31	262,948,243	₱262,948,243	262,948,243	₱262,948,243	231,572,111	₱231,572,111

Adjustment on retained earnings

In 2018, the Company adjusted its January 1, 2018 retained earnings amounting to ₱905,181 to reflect the appropriate remeasurement gain on retirement.

Capital Management

The primary objective of the Company's capital management policies and procedures are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and to maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or processes in 2019.

Under R.A No. 8556,the Company is required to maintain the following capital requirements:

- (a) minimum paid-up capital of ₱10.00 million; and
- (b) additional capital requirements for each branch of ₱1.00 million for branches established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.25 million for branches established in municipalities.

For the years ended December 31, 2019 and 2018, the Company is compliant with the minimum paid-up capital.

15. The Company is compliant with the minimum public float of 10% that is required by the PSE where the Company shares are traded.

Retirement Plan

The Company has a funded, tax-qualified defined benefit plan covering all of its officers and regular employees. The benefits are based on years of service and compensation on the last year of service.

The plan is non-contributory and of the defined benefit type which provides a retirement benefit equal to one hundred percent (100%) of the latest monthly salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the plan. Normal retirement age is at age 60.

Net benefit cost (income) is included in the Company's profit or loss under 'Salaries and employee benefits'. The amounts of retirement benefit reserve recognized in the statements of comprehensive income follow:

	2019	2018
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	P1,315,564	P1,817,148
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	429,842	378,651
Interest expense on effect of asset ceiling	1,384	—
Interest income on plan assets	(449,609)	(353,754)
	1,297,181	1,842,045
Components of retirement benefit liability recorded in OCI		
Remeasurement loss (gain) on defined benefits obligation	3,185,498	(3,130,409)
Adjustment remeasurement gain on defined benefits obligation	—	(905,181)
Remeasurement loss (gain) on plan assets	(243,977)	589,064
Effect of asset ceiling	(19,767)	18,383
	2,921,754	(3,428,143)
Total components of retirement liability	P4,218,935	(P1,586,098)

The net retirement benefit liability (asset) recognized in the statements of financial position follows:

	2019	2018
Present value of retirement benefits obligation	P10,639,300	P5,708,396
Fair value of plan assets	(6,664,492)	(5,970,906)
Funded status – deficit (surplus)	3,974,808	(262,510)
Effect of asset ceiling	—	18,383
Net retirement benefit liability (asset)	P3,974,808	(P244,127)

The movements of the present value of retirement benefits obligation of the Company follow:

	2019	2018
Balance at beginning of year	P5,708,396	P6,643,006
Current service cost	1,315,564	1,817,148
Interest expense	429,842	378,651
Remeasurement losses (gains) on obligation arising from:		
Changes in financial assumptions	3,383,456	(2,094,951)
Experience adjustment	(197,958)	(1,035,458)
Balance at end of year	P10,639,300	P5,708,396

The movements of the fair value of plan assets of the Company follow:

	2019	2018
Balance at beginning of year	P5,970,906	P6,206,216
Interest income	449,609	353,754
Remeasurement gain (loss) on plan assets	243,977	(589,064)
Balance at end of year	P6,664,492	P5,970,906

Changes in the retirement benefit liability (asset) follow:

	2019	2018
Balance at beginning of year	(P244,127)	P436,790
Current service cost	1,315,564	1,817,148
Net interest cost (income) on the retirement liability	(18,383)	24,897
Remeasurement loss (gain) on plan assets	(243,977)	589,064
Effect of asset ceiling	(19,767)	18,383
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	3,383,456	(1,035,458)
Changes in financial assumptions	(197,958)	(2,094,951)
Balance at end of year	P3,974,808	(P244,127)

The fair values of plan assets by each class as at the end of the reporting period follow:

	2019	2018
Cash and cash equivalents	P1,443,928	P1,240,949
Financial assets at FVPL	5,194,760	4,685,499
Accrued and other receivables	25,804	44,458
	P6,664,492	P5,970,906

All debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The cost of defined benefit plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	January 1	
	2019	2018
Discount rate	5.22%	7.53%
Future salary increases	5.00%	5.00%
Average remaining working life (in years)	27.7	26.9

Assumptions for mortality and disability rate are based on the 2001 CSO Table- Generational and The Disability Study both published by the Society of Actuaries adjusted to suit local experience.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in Basis Points	Increase (decrease) in defined benefit obligation
Discount rate	+100 basis point	(P1,669,541)
	-100 basis point	2,080,748
Future salary increases	+100 basis point	2,063,656
	-100 basis point	(1,687,075)

Deferred tax asset recognized for the actuarial loss amounted to P876,526. The Company has no contributions to the defined benefit plan in 2019 and 2018. The average duration of the defined benefit plan as at the reporting date is 17.6 years and 16.5 years for year 2019 and 2018, respectively. The plan's Board of Trustees has no specific matching strategy between plan assets and plan liabilities.

16. Miscellaneous

Miscellaneous income consists of the following items:

	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Penalties	P1,638,387	P8,564,212	P3,212,030
Recoveries	211,592	1,923,112	334,846
Others	42,129	284,796	1,970,222
	P1,892,108	P10,772,120	P5,517,098

Miscellaneous expense consists of the following items:

	Mar-20 (Unaudited)	Dec-19 (Audited)	Mar-19 (Unaudited)
Communication	P783,636	P2,557,004	P555,008
Stationeries and supplies	520,594	2,535,973	492,408
Insurance	452,926	1,580,127	471,258
Repairs and maintenance	415,403	1,467,754	369,063
Training and development	90,000	322,898	65,610
Meetings and conferences	42,273	158,630	43,977
Others	859,748	3,104,887	291,148
	P3,164,580	P11,727,273	P2,288,472

Other expenses include advertising costs, donations, membership dues and other miscellaneous expenses.

17. Income taxes

Current tax regulations provide that the RCIT rate is 30%. The regulations also provide for MCIT of 2% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year incurrence.

The components of the Company's income tax expense (benefit) for the quarter ended March 31, 2020 and for the years ended December 31, 2019, and 2018.

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	31-Dec-18 (Audited)
Current:			
MCIT	P508,161	P2,571,237	P2,078,273
RCIT	—	—	—
Deferred	1,540,485	10,135,549	7,395,680
	P2,048,646	P12,706,786	P9,473,953

The components of deferred tax assets- net follow:

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)
Deferred tax assets on:		
Allowance for credit losses	P38,181,886	P37,031,683
Allowance of repossessed assets write-down	13,246,422	13,396,625
NOLCO	6,237,095	8,782,779
Accrued expenses	2,022,466	2,022,466
Effect of PFRS 16	1,263,700	1,263,700
Past service costs	48,352	48,352
Remeasurement loss on defined benefit obligation	(1,335,634)	(1,335,634)
	P59,664,287	P61,209,971

The Company did not recognize deferred tax asset on the MCIT amounting to P6.29million and P 6.81 million as at December 31, 2019 and 2018, respectively.

Details of the Company's NOLCO and MCIT which could be carried over as a deduction from the Company's future taxable income for the two taxable years as follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2019	P—	P—	P—	2022
2018	14,527,909	—	14,527,909	2021
2017	25,110,093	15,514,353	9,595,740	2020
2016	37,118,846	37,118,846	—	2019
	P76,756,848	P52,633,199	P24,123,649	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2020	P508,161		P508,161	2023
2019	2,315,132	P—	P2,315,132	2022
2018	2,078,273	—	2,078,273	2021
2017	1,897,303	—	1,897,303	2020
2016	2,833,371	(2,833,371)	—	2019
	P9,632,240	(P2,833,371)	P6,798,869	

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

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)
Income before income tax	P4,878,433	P34,412,435
Income tax computed at statutory rate (30%)	P1,463,530	P10,323,731
Additions to (reduction in) income tax resulting from the tax effects of:		
Unrecognized DTA	497,283	2,315,132
Interest income subjected to final tax	(3,689)	(546,776)
Nondeductible expense	90,000	389,154
Non-deductible interest expense	1,522	225,545
Gain on repossessed assets	—	—
Adjustment on the beginning DTA	—	—
Effective income tax expense	P2,048,646	P12,706,786

Interest allowed as deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to P1.05 million, P0.75 million and P0.73 in 2019, 2018 and 2017, respectively.

18. Related party transactions

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

Category/Transaction	Ref	Amount of Transaction	2019		2018		Nature, Terms and Condition	
			Outstanding Balances		Outstanding Balances			
			Due from related parties	Due to related parties	Due from related parties	Due to related parties		
<i>Parent Company</i>								
Miscellaneous receivables	a		₱80,514	₱—	₱80,514	₱—	Non-interest bearing, unsecured; No impairment	
Notes payable	b		—	385,000,000	—	245,100,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate	
Avalments		222,900,000	—	—	177,000,000	—		
Settlements		83,000,000	—	—	93,800,000	—		
Interest expense		10,916,628	—	2,599,108	9,250,114	—	2,599,083	
<i>Entities under common control</i>								
<i>Motor Ace Philippines, Inc.</i>								
Miscellaneous receivables	a		156,894	—	—	—	Non-interest bearing, unsecured; No impairment	
Avalments		220,522	—	—	320,477	—		
Settlements		63,628	—	—	2,430,775	—		
<i>forward</i>								
			2019		2018			
			Outstanding Balances		Outstanding Balances			
Category/Transaction	Ref	Amount of Transaction	Due from related parties	Due to related parties	Amount of transactions	Due from related parties	Due to related parties	Nature, Terms and Condition
Accounts payable	d	145,524,243	₱—	₱12,177,800	₱—	₱—	₱12,451,141	30 day unsecured, non-interest bearing
Avalments		—	—	—	87,171,559	—	—	
Settlements		145,797,584	—	—	79,083,847	—	—	
Short term placements	c		—	—	—	—	—	Short-term interest bearing placements

Category/Transaction	Ref	2019		2018		Nature, Terms and Condition
		Amount of Transaction related parties	Due from related parties	Amount of transactions related parties	Due from related parties	
Notes payable	b	21,200,154	—	10,007,418	—	Unsecured interest bearing placements at 5.5% annual interest rate;
Availments		40,000,000	—	7,055,202	—	no impairment
Settlements		2,125,192	—	2,522,469	—	
Interest expense		—	—	—	—	
<i>Directors and other stockholders</i>						
Notes payable	b	8,882,825	—	9,097,897	—	28,407,908 Unsecured interest bearing placements at 5.5% annual interest rate;
Availments		7,622,000	—	9,996,000	—	no impairment
Settlements		1,450,912	—	1,564,572	—	16,780
Interest expense		—	—	—	—	
Professional and other management fees		3,142,397	—	4,158,291	—	Payment of professional fees
TOTAL		P27,631,561	P460,759,111	P26,682,855	P337,590,365	

- a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 7).
- b. As at December 31, 2019 and 2018, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱443.23 million and ₱320.87 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱14.49 million and ₱13.34 million in 2019 and 2018, respectively (Note 11).

Borrowings availed from related parties amounted to ₱252.98 and ₱196.11 million in 2019 and 2018, respectively. Settlement from borrowings amounted to ₱130.62 and ₱110.85 million in 2019 and 2018, respectively. Interest rates from borrowings range from 5.0% to 6.00% and 5.0% to 5.70% in 2019 and 2018 respectively. Borrowings from related parties are unsecured and to be settled in cash.

- c. The Company had short-term placements with related parties amounting to nil and ₱40.00 million in 2019 and 2018, respectively. As at December 31, 2019 and 2018, ₱23.57 million and ₱23.84 million of these placements remain outstanding. Interest income from these placements amounted to ₱1.77 million ₱1.83 million in 2019 and 2018, respectively (Note 6).
- d. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.
- e. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱14.40 million, ₱18.69 million and ₱17.80 million in 2019, 2018 and 2017 respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

19. Earnings Per Share(EPS)

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	19-Mar-19 (Unaudited)
a. Net Income	₱2,829,787	₱21,705,649	₱3,176,871
b. Weighted average number of outstanding common shares	262,948,243	247,260,177	231,572,111
c. Basic/diluted earnings per share (a/b)	₱0.01	₱0.09	₱0.01

The weighted average number of outstanding common shares in March 31, 2020, December 31, 2019 and March 31, 2019 was recomputed after giving retroactive effect to stock dividends declared on July 25, 2019 and July 26, 2018.

20. Leases

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense for short term leases included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2019, 2018, and 2017 amounted to ₱1.21 million, ₱16.35 million and ₱16.44 million, respectively.

The aggregate future minimum lease payments for the lease commitments are as follows:

	2019	2018	2017
Less than one year	₱15,477,556	₱13,102,722	₱9,863,666
Between one and five years	20,533,217	18,647,091	18,643,031
	₱36,010,773	₱31,749,813	₱28,506,697

Set out below are the carrying amounts of lease liabilities and the movements during the year:

As at January 1, 2019, restated	₱41,686,931
Accretion of interest	2,455,808
Payments	(16,047,750)
As at December 31, 2019	₱28,094,989
Current	₱13,773,527
Non-current	14,321,462
	₱28,094,989

Right-of-use assets

Balance at January 1, 2019, as restated	₱38,129,874
Depreciation of right-of-use assets	(14,247,219)
Balance at December 31, 2019	₱23,882,655

21. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for the year ended December 31, 2019:

Notes Payable, December 31, 2018	464,742,883
Cash flows during the year	
Proceeds from loans payable	502,958,988
Payment of loans payable	(258,392,823)
	244,566,165
Notes Payable, December 31, 2019	709,309,048
Cash flows during the year	
Proceeds from loans payable	64,947,959
Payment of loans payable	(26,139,542)
	38,808,417
Notes Payable, March 31, 2020	₱748,117,465

22. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. There is no change in the financial risk management objectives and policies of the Company.

Credit Risk

Credit Risk Management and Collateral and Other Credit Enhancements

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 a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers, and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

In addition, the Company obtains security where appropriate and enters into collateral arrangements with counterparties to limit the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example of this is the medical professional market where most doctors are able to pay because of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivable from customers are secured by real estate and other chattel properties.

It is the Company's policy to dispose repossessed properties in an orderly fashion and proceeds are used to repay or reduce the outstanding claim.

The Company evaluates the concentration of risk with respect to receivable from customers as low, as its customers are located in several areas around Southern Luzon.

The table below shows the maximum exposure of loans and receivables after financial effect of collateral and credit enhancements to the maximum exposure to credit risk.

	March 31, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Gross Maximum Exposures	Fair value of Collateral Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposures	Fair value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Financial Assets At Amortized Cost						
Cash and cash equivalents*	53,388,410		53,388,410	61,108,146		61,108,146
Receivable from Customers:						
Consumer	937,212,266	630,067,977	307,144,289	883,321,451	618,834,377	264,487,074
Services	252,753,560	29,376,454	223,377,106	247,088,916	29,376,454	217,712,462
Other		—			—	
Receivables	14,755,136		14,755,136	13,464,482		13,464,482
Security deposits**	134,784		134,784	134,784		134,784
	1,258,244,156	659,444,431	598,799,725	1,205,117,779	648,210,831	556,906,948

*Excluding cash on hand

**Presented under "Other assets – net"

March 31, 2019 (Unaudited)						
	Stage 1			State 2	Stage 3	Total
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	
	High Grade	Medium Grade	Low Grade			
Financial Assets at Amortized Cost						
Cash and cash equivalents*	P60,159,080	P—	P—	P—	P—	P60,159,080
Receivable from Customers:						
Consumer	522,814,613	—	154,264,928	107,633,273	98,608,637	883,321,451
Services	29,376,454	—	204,348,025	7,520,837	5,843,600	247,088,916
Other Receivables	—	—	13,464,482	—	—	13,464,482
Security deposits	—	—	134,784	—	—	134,784
Financial assets at FVOCI**	—	—	80,000	—	—	80,000
	P612,350,147	P—	P372,292,219	P115,154,110	P104,452,237	P1,204,248,713

*Excluding cash on hand

**Presented under "Other assets – net"

Interest income was computed based on the carrying value (after allowance) for loans and receivables categorized under stage 3.

The Company's basis in grading its financial assets is as follows:

Cash in Banks

High grade pertains to cash deposited in local banks belonging to top ten (10) rank.

Cash Equivalents

High grade pertains to short term placements with AIB and other related parties, which have high probability of collection, as evidenced by AIB's and other related parties' ability to satisfy its obligations.

Loans and Other Receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.
- Past due but not impaired receivables represent transactions with third parties where no significant credit risk exposure is anticipated considering that there was no historical default rate.
- Impaired pertains to past due receivables the Company believes that impairment is appropriate based on the cash flows of the available collateral or status of collection of the amounts due to the Company.

The analysis of receivables from customers that were past due but not impaired is as follows:

March 31, 2020 (Unaudited)						
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱34,785,641	₱11,441,845	₱4,169,233	₱7,295,761	₱48,940,794	₱106,633,273
Services	-	-	693,026	867,031	6,160,780	7,720,837
	₱34,785,641	₱11,441,845	₱4,862,259	₱8,162,791	₱55,101,574	₱114,354,110

December 31, 2019 (Audited)						
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱34,785,641	₱11,441,845	₱5,169,233	₱7,395,761	₱48,840,794	₱107,633,274
Services	-	-	493,026	867,031	6,160,780	7,520,837
	₱ 34,785,641	₱11,441,845	₱5,662,259	₱8,262,791	₱55,001,574	₱115,154,111

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or Payment of asset purchases. The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and advances from related parties.

The table summarizes the contractual maturity profile of the Company's financial assets and liabilities based on undiscounted contractual payments and remaining contractual maturities.

	March 31, 2020 (Unaudited)						
	Carrying Amount	Up to 3 Months	Contractual Maturities				Total
			3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	
Financial assets							
Cash and Cash equivalents	₱53,388,410	₱53,388,410	₱-	₱-	₱-	₱-	₱53,388,410
Loans and other receivables							
Receivable from customers:							
Consumer	937,212,266	335,056,303	139,763,631	214,633,051	476,328,213	83,850,479	1,249,631,677
Services	252,753,560	168,679,271	30,348,290	49,059,705	94,056,530	40,040,994	382,184,790
Other receivables	14,755,136	13,386,936	-	-	-	1,368,200	14,755,136
Security deposits	134,784	-	-	-	134,784	-	134,784
Other Investments*	80,000	-	-	-	-	80,000	80,000
	₱1,258,324,156	₱570,510,920	₱170,111,921	₱263,692,756	₱570,519,527	₱125,339,673	₱1,700,174,797
Financial Liabilities							
Notes payable	₱748,117,465	₱24,500,000	₱143,500,000	₱375,546,819	₱204,570,646	-	₱748,117,465.00
Accounts payable	34,667,355	34,667,355	-	-	-	-	34,667,355.00
Accrued expenses***	36,744,714	36,744,714	-	-	-	-	36,744,714.00
	₱819,529,534	₱95,912,069	₱143,500,000	₱375,546,819	₱204,570,646	-	₱ 819,529,534
Net liquidity gap	₱438,794,622	₱474,598,851	₱26,611,921	(111,854,063)	₱365,948,881	₱125,339,673	₱880,645,263

*includes investments in golf shares which is presented under 'Other assets-net'

**excluding government payable

December 31, 2019 (Audited)							
	Carrying Amount	Contractual Maturities					Total
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	
Financial assets							
Cash and cash equivalents	₱60,159,080	₱60,159,080	₱—	₱—	₱—	₱—	₱60,159,080
Loans and other receivables							
Receivable from customers:							
Consumer	883,321,451	332,556,303	127,263,631	192,633,051	468,093,333	69,265,560	1,189,811,878
Services	247,088,916	169,845,752	28,848,290	47,559,705	92,556,530	34,949,160	373,759,437
Other receivables	13,464,482	12,096,282				1,368,200	13,464,482
Security deposits	134,784	—	—	—	134,784	—	134,784
Financial assets at FVOCI*	80,000	—	—	—	—	80,000	80,000
	1,204,248,713	574,657,417	156,111,921	240,192,756	560,784,647	105,662,920	1,637,409,661
Financial Liabilities							
Notes payable	709,309,048	24,500,000	133,500,000	365,546,819	185,762,229	—	709,309,048
Accounts payable	29,715,348	29,715,348	—	—	—	—	29,715,348
Accrued expenses**	24,377,413	24,377,413	—	—	—	—	24,377,413
	763,401,809	78,592,761	133,500,000	365,546,819	185,762,229	—	763,401,809
Net liquidity gap	₱440,846,904	₱496,064,656	₱22,611,921	(₱125,354,063)	₱375,022,418	₱105,662,920	₱874,007,852

*includes investments in golf shares which is presented under 'Other assets-net'

**excluding government payable

Market Risk

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

Market risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company has no exposure to currency and price risks.

Interest Rate Risk

The probability of the Company may be influenced by changes in the level of interest rates. In the event that interest rates go up significantly, less people will be inclined to avail of a loan. The Company funds its loans operations through a combination of the operational cash flow and borrowings from related parties. Any increase in interest rates will cause the Company to incur more expenses for every peso they earn in interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from one (1) to three (3) years.

Sensitivity of Net Interest Income

A principal part of the Company's management of market risk in non-trading portfolios is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Company aims, through its management of market risk in non-trading

portfolios, to mitigate the effect of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such activities on the current net revenue stream.

Presented below are the interest-bearing financial instruments:

	<i>Note</i>	March 31, 2020 (Unaudited)	Dec. 31, 2019 (Audited)
Cash in banks and cash equivalents	6	₱55,396,006	₱60,159,080
Loans and receivable, net	7	1,080,011,671	1,008,738,023
Notes payable	11	(748,117,465)	(709,309,048)
Net exposure		₱387,290,212	₱359,588,055

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's interest-bearing financial instruments, with all other variables held constant, on the Company's statements of total comprehensive income before income and final tax for the years ended December 31:

	Increase/Decrease in Interest Rate (in basis points)	Effect to Total Comprehensive Income before Income and Final Tax
2019	+100bps	₱6,267,164
	-100bps	(6,267,164)
2018	+100bps	₱3,368,064
	-100bps	(3,368,064)

23. Subsequent Events

On March 11, 2020, the World Health Organization assessed that the COVID-19 has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, the Government issued Presidential Proclamation No. 929 on March 16, 2020. The Proclamation declared a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine, among others. These measures affected economic activities and business operations in an unprecedented manner as the effects continue to evolve.

In response to the pandemic, the Company recognized additional provision for ECL on loans and other receivables amounting to ₱4.50 million (Note 7). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, results of operations, and cash flows onwards. Management believes that the Company will continue as a going concern despite the effects of the pandemic.

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

The following are the tax information required for the taxable year ended December 31, 2019 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and Licenses' account in the Company's statement of comprehensive income. Details for the period ended March 31, 2020 consist of the following:

Gross Receipts Tax (GRT)	₱2,373,485
Documentary Stamp Tax (DST) on loan instruments	1,014,698
Capital gains taxes on sale of capital assets	
License and Permit Fees	727,956
	<hr/>
	₱4,116,139

As at March 31, 2020, accrued GRT and DST amounted to ₱2,373,485 and ₱362,331, respectively.

B. Withholding taxes

Details of the withholding taxes at March 31, 2020 follow:

Expanded withholding taxes	₱1,812,036
Withholding taxes on compensation and benefits	810,453
	<hr/>
	₱2,622,489

C. Tax Cases

As at March 31, 2020, the Company has no pending tax court cases.

D. Tax Assessment

As at March 31, 2020, the Company has no pending tax assessment.

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED

	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	166.53%	162.65%	158.62%
Debt to equity ratio	162.74%	154.05%	97.07%
Quick ratio	93.97%	95.55%	91.30%
PROFITABILITY RATIOS			
Return on assets	0.21%	1.64%	1.26%
Return on equity	0.54%	4.16%	2.48%
Net profit margin	7.55%	12.35%	35.39%
ASSET TO EQUITY RATIO	262.74%	254.05%	197.07%
INTEREST RATE COVERAGE RATIO	1.48	2.33	2.39
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	4.56%	4.75%	6.09%
Total receivables to total assets	78.41%	77.02%	74.64%
Total DOSRI receivables to net worth	4.62%	4.54%	2.26%
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	0.02%	0.02%	0.01%
Honda Motor World, Inc. (HMWI)	0.01%	0.01%	0.01%
Amalgamated Investment Bancorporation	0.01%	0.01%	0.01%
MAPI Lending Investors, Inc.	0.29%	0.29%	0.25%

LIQUIDITY RATIOS measure the business ability to pay short-term debt.

- Current ratio – computed as current assets divided by current liabilities
- Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

- Debt to equity ratio – computed as interest bearing loans and borrowings divided by total stockholders' equity
- Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt plus stockholders' equity attributable to the company's shareholders.

PROFITABILITY RATIOS

- Net Profit Margin – computed as net profit divided by revenues
- Return on Assets – computed as net profit divided by average total assets
- Return on Equity – computed as net profit attributable to the company's shareholders divided by average stockholders' equity attributable to the company's shareholders.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as earnings before income tax and interest expense (EBIT) divided by interest payments.

AGING OF RECEIVABLES

AS MARCH 31, 2020

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	1,030,726,868	18,760,386	4,995,542	4,231,933	12,549,467	118,701,630	1,189,965,826
SUB-TOTAL	1,030,726,868	18,760,386	4,995,542	4,231,933	12,549,467	118,701,630	1,189,965,826
Less: Allowance for Doubtful Accounts**						124,709,291	124,709,291
Net Trade Receivables	1,030,726,868	18,760,386	4,995,542	4,231,933	12,549,467	(6,007,661)	1,065,256,535
*Principal Value=Gross PN less Unearned Interest and Clients' Equity							
**Allowance for doubtful accounts is for principal only.							
CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
Loans Receivable (Principal Value)*	14,755,136	-	-	-	-	-	14,755,136
SUB-TOTAL	14,755,136	-	-	-	-	-	14,755,136
Less: Allowance for Doubtful Accounts							
Net Non-Trade Receivables	14,755,136	-	-	-	-	-	14,755,136
NET RECEIVABLES	1,045,482,004	18,760,386	4,995,542	4,231,933	12,549,467	(6,007,661)	1,080,011,671