COVER SHEET

2 8 7 8 8

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

(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

B A R A N G A Y   M A G A L L A N E S

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

AMENDED DEFINITIVE INFORMATION STATEMENT

1 2 | 3 1

Month *Day*

Fiscal Year

2021

SEC Form 20 - IS

FORM TYPE

0 7

Month *Day*

Annual Meeting

Every last Thursday of July

Financing

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

109

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

July 09, 2021

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 (Amended) in relation to Annual Stockholder's Meeting to be held on July 29, 2021 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 2021 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 **29 July 2021, Thursday, 11:00 a.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 30 July 2020.
4. Presentation and Approval of the 2020 Annual Report and 2020 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 1 July 2021. 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 5 July 2021 to 23 July 2021. 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 2021 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 2021 at 10:30 a.m. at the principal office of the Corporation. No proxy is being solicited.

25 June 2021

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 **29 July 2021, Thursday, 11:00 a.m.** and at any postponement or adjournment thereof; provided that, in the absence of the Proxy, the Chairman of the Corporation is hereby appointed as the Proxy. 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 other stockholders' meetings, whether annual or special, 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

REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

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 2021 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. BORROMEO
MAXCY FRANCISCO JOSE R. BORROMEO
JOEL S. FERRER
JOSE DANIEL R. BORROMEO
ALAN MICHAEL R. CRUZ
ROBERT CHARLES M. LEHMANN
ERIC B. BENITEZ
ASTERIO L. FAVIS JR.
CRISTINO L. PANLILIO
VINCENT EE

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 16 JUN 2021 at Makati City affiant personally appeared before me and exhibited his Competent Evidence of Identity (Passport) No. [redacted] issued at DFA NCR East on 28 September 2016 expiring 27 September 2021.

Doc No. 151;
Page No. 32;
Book No. II;
Series of 2021.

MFC-CERT GOV 2021 with names [dia]

PAULINE KAYE Y. DE VERA
Notary Public – Makati City
App. No. 531 (2019-30 June 2021)
Atty.'s Roll No. 71736
PTR No. 8540550; 1-7-2021; Makati City
IBP No. 144972; 1-7-2021; Quezon City
MCLE VI-0027327; 6-27-19
TIN 719-508-433

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 29, 2021**
   Time **: 11:00 a.m.**
   Place **: via remote communication**

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 08, 2021**.

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
COMMON STOCK	**266,204,047**

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 29, 2021, 11:00 a.m**. **via remote communication (Zoom)**. 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.** The Information Statement may be accessed by the Company's stockholder beginning on **July 08, 2021** at the Company's website, **https://www.makatifinance.ph**

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, 2021** is 266,204,047 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 1, 2021** ("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, 2021)

Security ownership of record/beneficial owners of more than 5% Equity

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	* 114,194,307	42.8900%
Common	Motor Ace Philippines, Inc. MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	67,341,540	25.3000%
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	* 17,122,636	6.4321%
	TOTAL			**198,658,483**	**74.6221%**

** Note: Including shares lodged to PCD Nominee*

SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS WITH DIRECT OWNERSHIP
As of May 31, 2021

Common	Eric B. Benitez [redacted]	Beneficial owner	Filipino	7,424,069	2.7900%
Common	Rene B. Benitez [redacted]	Beneficial owner	Filipino	6.090,520	2.2900%
Common	Rene B. Benitez ITF Carmela Benitez 35 [redacted]	Beneficial owner	Filipino	317,164	0.1200%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 [redacted]	Beneficial owner	Filipino	317,164	0.1200%
Common	Rene B. Benitez ITF Matias Benitez [redacted]	Beneficial owner	Filipino	304,495	0.1100%
Common	Joel S. Ferrer [redacted]	Beneficial owner	Filipino	2,681,647	1.0100%
Common	Maxcy Francisco Jose R. Borromeo [redacted]	Beneficial owner	Filipino	2,496	0.0000%
Common	Max O. Borromeo [redacted]	Beneficial owner	Filipino	45,438	0.0171%
Common	Alan Michael R. Cruz [redacted]	Beneficial owner	Filipino	1	0.0000%
Common	Jose Daniel R. Borromeo [redacted]	Beneficial owner	Filipino	2,497	0.0000%
Common	Robert Charles M. Lehmann [redacted] City	Beneficial owner	Filipino	1	0.0000%
Common	Asterio L. Favis, Jr [redacted]	Beneficial owner	Filipino	1	0.0000%
	All directors & officers as a group			**17,185,493**	**6.35710%**

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. Borromeo. 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. Alan Michael R. Cruz, Chairman, Mr. Rene B. Benitez and Mr. Lawrence Ee Hock Leong 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 2021 to 2022, are as follows:

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

Mr. Alan Michael R. Cruz, and Mr. Asterio L. Favis, Jr. have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Mr. Cruz, and Mr. Ee 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, 59, 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. Borromeo, 72, Filipino, is the Company's *Vice Chairman*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo 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 Borromeo 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, 67, 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 Master's 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. Eric B. Benitez, 54, 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. Maxcy Francisco Jose R. Borromeo, 48, 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, 49 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, 58, Filipino, he was elected as Independent Director last July 27, 2017. He is currently working as consultant of Merg Realty and Development Corporation since March 2021. 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, 65, 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 Master's in Business Administration from the University of San Francisco.

Mr. Asterio L. Favis, Jr., 68, Filipino, he was elected as Director of Makati Finance Corporation last July 25, 2019. 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).

Mr. Cristino L. Panlilio, 70, Filipino, was nominated for election as Director of Makati Finance Corporation. Mr. Panlilio started his career as a banker for 20 years handling various senior positions in Far East Bank and PCI Bank. He later ventured into mining, chocolate manufacturing, sugar, water and food industries. Currently, he is the President and CEO of Balibago Waterworks System, Inc. (BWSI), and Chairman and President of Conglow Properties, Inc. His first big step towards entrepreneurship was when he invested in Universal Food Corporation, a ketchup manufacturing company and served as its President in 1992 to 1997. In mid-1997, he received an offer to buy out BWSI, after studying the proposal, Mr. Panlilio, together with a group of investors, officially took over BWSI and became its President and CEO in 1997 to 2010 and from 2013 to present. He also served as Managing Director of Pampanga Sugar Development Company, Inc. in 1994 to 2010. He also handled several positions in Government from August 2010 to May 2013, as Undersecretary of the Department of Trade and Industry and Managing Director of Board of Investments. He earned his AB Economics (Honor Student) & Master in Business Administration (A-grade average) degrees from the Ateneo de Manila University in 1973 and 1981, respectively. He completed his Advance Management Program from Wharton School of Finance, Philadelphia USA in 1984.

Mr. Vincent Khoon Ann Ee, CFA, 48, Singaporean, was nominated for election as Director of Makati Finance Corporation. Mr. Ee started his career in HSBC Asset Management in London, Hong Kong and New York handling various positions from 1996 to 2000. Currently, he is the Head of Investments, Asia in Schroders Wealth Management, Singapore. He is also a member of Investment Committee of Community Foundation of Singapore since 2014 and in Raffles Institution since 2018 as part of his Pro Bono activities. Mr. Ee was also the Chief Investment Officer and Portfolio Manager of Foord Asset Management, Singapore in 2012 to 2014. He was also the Fund Manager, Asia Ex-Japan Equities of Morgan Stanley Investment Management, Singapore in 2009 to 2012. He also served as Managing Director, Co-Founder and CEO of Libra Capital Management from 2007 to 2009. He also worked in Goldman Sachs Asset Management, Singapore as Fund Manager, Asia ex-Japan Equities from 2000 to 2007. He earned his Bachelor of Science (Econs) Accounting and Finance Degree in 1996, Second Class (Upper) Honours from London School of Economics and Political Science in London.

INDEPENDENT DIRECTORS

In Accordance with SEC Memorandum Circular 5, Series of 2017, the Certification of Independent Directors executed by the aforementioned candidates for independent directors of the Corporation are attached hereto as Annex “A” and Annex “B”.

Among the Directors, Alan Michael R. Cruz and Asterio L. Favis, Jr. were elected as the two (2) Independent Directors of the Company at the 2021 Annual Stockholders’ Meeting.

SENIOR MANAGEMENT

Mr. Marcos E. Larosa, CPA – *Chief Finance Officer, 42, 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*, *52*, 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 the 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 various Philippine corporations, such as Amalgamated Investment Bancorporation, Bataan Water Services Corporation, Cuervo Appraisers Inc., Dearborn Motors Co. Inc., Empowerment Through Education Inc., Health Blocks Inc., Joy~Nostalg Foundation Inc., Kalayaan College Inc., Maroon Studios Inc., Sakura Autoworld Inc., Santos Knight Frank Inc., SeedIn Technology 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, not 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.

Name of Related Party	Relationship	Nature of Operations	Country of Incorporation
Amalgamated Investment Bancorporation	Parent Company	Investment house	Philippines
Motor Ace Philippines, Inc.	Under common control	Motorcycle Trading Partner	Philippines
MAPI Lending Investors, Inc.	Under common control	Financing Company	Philippines
HMW Lending Investors, Inc.	Under common control	Financing Company	Philippines
Honda Motor World, Inc.	Under common control	Motorcycle Trading Partner	Philippines
Pikeville Bancshares	Under common control	Management Consultancy	Philippines
MERG Realty Development Corporation	Under common control	Real Estate Lessor	Philippines
Directors and other stockholders	Key management personnel	N/A	Philippines

The following transactions have been entered into with related parties:

		2020			2019			
			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**
Parent Company								
Miscellaneous receivables	A	**₱–**	**₱80,514**	**₱–**	₱–	₱80,514	₱–	Non-interest bearing, unsecured; No impairment
Notes payable	B	**–**	**–**	**338,600,000**	–	–	385,000,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		**24,500,000**	**–**	**–**	222,900,000	–	–	
Settlements		**70,900,000**	**–**	**–**	83,000,000	–	–	
Interest expense		**20,189,293**	**–**	**2,598,976**	10,916,628	–	2,599,108	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	A	**–**	**240,184**	**–**		156,894	–	Non-interest bearing, unsecured; No impairment
Availments		**174,490**	**–**	**–**	220,522	–	–	
Settlements		**88,200**	**–**	**–**	63,628	–	–	

Forward

		2020			2019			
			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	**₱–**	**₱–**	**₱15,194,978**	₱–	₱–	₱12,177,800	30 day unsecured, non-interest bearing
Availments		**54,444,011**	**–**	**–**	145,524,243	–	–	
Settlements		**51,426,833**	**–**	**–**	145,797,584	–	–	
Short term placements	C	**–**	**–**	**–**	–	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Availments		**–**	**–**	**–**	8,000,000	–	–	
Settlements		**–**	**–**	**–**	8,000,000	–	–	
Interest income		**–**	**–**	**–**	101,150	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	A	**–**	**2,725,083**	**–**	–	2,936,329	–	30 day unsecured, non-interest bearing
Availments		**343,204**	**–**	**–**	1,441,521	–	–	
Settlements		**554,450**	**–**	**–**	–	–	–	
Accounts payable	D	**–**	**–**	**75,372**		–	52,181	Non-interest bearing, unsecured
Availments		**23,191**	**–**	**–**	112,371	–	–	
Settlements		**–**	**–**	**–**	60,190	–	–	
Short term placements	C	**–**	**25,711,228**	**–**	–	23,570,385	–	
Availments		**2,294,972**	**–**	**–**	2,069,988	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Settlements		**154,129**	**–**	**–**	2,182,426	–	–	
Interest income		**–**	**–**	**–**	1,769,900	824,840	–	
HMW Lending Investors, Inc.								
Short term placements	C	**–**	**–**	**–**		–	–	Short-term interest bearing placements at 8.5% annual interest rate
Interest income		**–**	**–**	**–**	83,111	–	–	
Honda Motor World, Inc.								
Miscellaneous receivables	A	**–**	**106,017**	**–**	–	44,542	–	Non-interest bearing, unsecured; No Impairment
Availments		**125,228**	**–**	**–**	117,042	–	–	
Settlements		**63,753**	**–**	**–**	72,500	–	–	
Accounts payable	D	**–**	**–**	**1,839,777**		–	2,227,484	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		**16,571,009**	**–**	**–**	65,330,486	–	–	
Settlements		**16,958,716**	**–**	**–**	64,369,648	–	–	
Pikeville Bancshares								
Professional fees		**1,193,920**	**–**	**156,128**	1,193,920	–	468,384	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	A	**–**	**18,057**	**–**		18,057	–	Non-interest bearing; No impairment
Availments		**–**	**–**	**–**	–	–	–	
Settlements		**–**	**–**	**–**	218,574	–	–	

Forward

Category/Transaction	Ref	2020 Amount of Transaction	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties	2019 Amount of transactions	2019 Outstanding Balances Due from related parties	2019 Outstanding Balances Due to related parties	Nature, Terms and Condition
Notes payable	B	**₱—**	**₱—**	**₱29,916,009**	₱	₱—	₱28,558,641	Unsecured interest bearing placements
Availments		**1,357,368**	**—**	**—**	21,200,154	—	—	at 5.5% annual interest rate;
Settlements		**—**	**—**	**—**	40,000,000	—	—	no impairment
Interest expense		**1,596,904**	**—**	**—**	2,125,192	—	—	
Directors and other stockholders								
Notes payable	B	**—**	**—**	**34,919,791**		—	29,668,733	Unsecured interest bearing placements
Availments		**13,417,368**	**—**	**—**	8,882,825	—	—	at 5.5% annual interest rate;
Settlements		**8,166,310**	**—**	**—**	7,622,000	—	—	no impairment
Interest expense		**1,880,705**	**—**	**8,403**	1,450,912	—	16,780	
Professional and other management fees		**3,333,611**	**—**	**—**	3,142,397	—	—	Payment of professional fees
TOTAL			**₱28,881,083**	**₱423,309,434**		₱27,631,561	₱460,769,111	

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, 2020 and 2019, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱403.44 million and ₱443.23 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to
₱23.67 million and ₱14.49 million in 2020 and 2019, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱39.27 million and ₱252.98 million in 2020 and 2019, respectively. Settlement from borrowings amounted to ₱79.07 million and ₱130.62 million in 2020 and 2019, respectively. Interest rates from borrowings range from 5.0% to 6.00% in 2020 and 2019 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements amounting to ₱25.71 million and
₱23.57 milling in 2020 and 2019, respectively. Interest income from these placements amounted to nil and ₱1.77 million in 2020 and 2019, respectively (see 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 ₱15.3 million, ₱14.40 million and ₱18.69 million in 2020, 2019 and 2018 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

Information as to the aggregate compensation paid to Chairman and four mostly highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years are as follows:

SUMMARY COMPENSATION TABLE				
YEAR	**NAME AND PRINCIPAL POSITION**	**SALARY/MANAGEMENT FEE**	**BONUS**	**OTHER COMPENSATION**
2021 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer	8,554,321	2,065,984	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,248,241	2,909,595	2,190,000
2020 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	8,554,321	2,065,984	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,248,241	2,909,595	2,190,000
2019 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,477,901	5,905,574	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,477,901	5,905,574	2,310,000

Each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors/Members
Board Meeting	₱ 50,000.00 *
Board Committee Meeting	₱ 10,000.00 *

*Note : * gross of taxes*

Name of Director	Total Compensation Received as a Director *
Rene B. Benitez *Chairman – Board of Directors*	₱278,686
Max O. Borromeo *Vice Chairman – Board of Directors*	₱328,686
Maxcy Francisco Jose R. Borromeo *President – Board of Directors*	₱618,059
Joel S. Ferrer *Treasurer – Board of Directors*	₱299,365
Eric B. Benitez *Director*	₱299,365
Lawrence Ee *Independent Director*	₱289,365
Francisco C. Eizmendi, Jr. *Independent Director*	₱299,365
Jose Daniel R. Borromeo *Director*	₱289,365
Alan Michael R. Cruz *Director*	₱299,365
Robert Charles M. Lehmann *Director*	₱289,365
Asterio L. Favis, Jr. *Director*	₱237,235

*Note : * gross of taxes*

The Company has an existing management contract with Cebu Maxi Management Corporation for advice and assistance to be provided by Mr. Max O. Borromeo, Vice Chairman and with Pikeville Resources, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Chairman. 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 2020. 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 2021.

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 appointed auditors of the Company for the Calendar Year ending December 31, 2020, 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 2020 and FY 2019 audit periods for a service fee of ₱320,923 and ₱283,250, 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 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 P1,376,174.

For the year 2020, the Board of Directors approved the following: 30% of FY 2017 audited net income after tax of ₱21,705,649 649 is ₱6,511,694 of which is 50% was declared as stock dividend amounting to ₱3,255,847 in favor of the stockholders as of record date 27 August 2020 with distribution date not later than 22 September 2020.

In 2021, it is expected that the Board shall propose dividend declaration of 30% of FY2020 Net Income After Tax in the next BOD Meeting in July 29, 2021.

SEC 49, REVISED CORPORATION CODE, REQUIRED DISCLOSURE

1. The material information on the current stockholders are found in the discussions on SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (p. 3), SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS WITH DIRECT A description of the voting and vote tabulation procedures used in previous meeting;
2. A description of the voting and vote tabulation procedures used in previous meeting; or members to ask questions and a record of the questions asked and answers given.

The voting procedures used in the previous meeting are found on p. 17 of the 2020 Definitive Information Statement. For each item for approval, the Chairman opened the floor for questions and comments from the Shareholders. The Corporate Secretary tabulated the votes and the results were recorded in the Minutes of the 2020 Annual Stockholders' Meeting of the Corporation.

3. The matters discussed and resolutions reached;
4. A record of the voting results for each agenda item;

The following matters and/or resolutions were discussed and approved during the 2020 Annual Stockholders' Meeting:

a. Minutes of the 2019 Annual Stockholders' Meeting of the Corporation held on 25 July 2019;
b. 2019 Annual Report, together with the 2019 Audited Financial Statements;
c. Ratification of the Acts, Contracts, Investments and Resolutions of the Board of Directors and Management;
d. Declaration of Cash and Stock Dividends;
e. Election of Directors;
f. Appoint of Roxas Cruz Tagle and Co. as the independent external financial auditors of the Corporation;

For the Election of the Board of Directors, there were eleven (11) nominees for the eleven (11) Board seats; each of the nominees received the unanimous vote of all of the shareholders present or represented by proxy during the meeting and were all elected to the Board of Directors. All other matters were approved by the unanimous vote of all of the shareholders present or represented by proxy during the meeting.

5. A list of the directors or trustees, officers and stockholders or members who attended the meeting;

The Stockholders who attended the 2020 Annual Stockholders' Meeting remotely and by proxy were recorded and certified by the Corporate Secretary, as follows:

Total Number of Shares Outstanding	**262,948,243**
Total No. of Shares of Stockholders Participating Remotely	6,016,030
Percentage	2.29%
Total No. of Shares of Stockholder Represented by Proxy	160,256,561
Percentage	60.95%
Total Shares held by Stockholders Participating Remotely and by Proxy	**166,272,591**
Percentage	**63.23%**
Total Shares Not Represented	96,675,652
Percentage	36.77%

The Directors and Corporate Officers who attended the 2020 Annual Stockholders' Meeting are as follows:

RENE B. BENITEZ	Chairman and Director
MAX O. BORROMEO	Vice-Chairman and Director
ERIC B. BENITEZ	Director
JOSE DANIEL R. BORROMEO	Director
MAXCY FRANCISCO JOSE R. BORROMEO	President and Director
ALAN MICHAEL R. CRUZ	Independent Director
FRANCISCO C. EIZMENDI JR.	Independent Director
ASTERIO L. FAVIS JR.	Independent Director
JOEL S. FERRER	Treasurer and Director
ROBERT CHARLES M. LEHMANN	Director
DANILO ENRIQUE O. CO	Corporate Secretary and Legal Counsel
MARCOS E. LAROSA	Chief Finance Officer/ Chief Information Officer and Compliance Officer

6. Material information on the current stockholders, and their voting rights OWNERSHIP (p. 4), and TOP 20 STOCKHOLDERS (p. 29).

7. Appraisals and performance report for the board and the criterial and procedure for assessment

The appraisal and performance report for the board and the criterial and procedure for assessment are found in the discussions on COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE (p. 31).

8. Director's disclosures on self-dealing and related party transactions.

Directors disclosure on self-dealing and related party transactions are found in the discussions on CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS (pp. 9 to 13)

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 30, 2020.
2. Presentation and Approval of the 2020 Annual Report and the 2020 Audited Financial Statements

   A copy of the 2020 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2020 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 2020 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 29, 2021.

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 AND VOTE TABULATION 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. Questions and comments from the Shareholders for each item for approval, may be entertained during the meeting.

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 01, 2021**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 23, 2021** 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 or by the appropriate motion for approval duly made and seconded by the shareholders, as verified by the Corporate Secretary. The Corporate Secretary shall tabulate the votes.

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

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

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

Date: July 09, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2021

Year 2020 was supposed to be a banner year for MFC with a forecasted income before tax of about Php 40 million. We were on track in the first 2 months registering around Php 10 million in income before tax, but then the pandemic set in. One of the harshest and longest lockdown was imposed on March 17, 2020 causing the economy to shrink by 9.5% last year. Despite the very challenging environment, MFC still managed to recognize a gain of Php 17.5 million before tax or about 50.8% versus Php 34.4 million in 2019, or close to half of the original forecast.

The first quarter of 2021 appeared to be a déjà vu. The economic recovery was dampened by the sudden spike in Covid cases in mid-March as the government imposed a 2 week lockdown in NCR and surrounding provinces from March 29, 2021. MFC was not immune to the effects of the lockdown resulting to a reduction in income in March vs February but still managing to surpass the 1st quarter target.

Moving forward, the company's strategies are:

- support long time and good business loans and factoring clients by offering them hassle free renewals
- continue to process motorcycle loans, both brand new and repossessed
- offer loan restructuring to good clients
- continue to generate new accounts with prudence

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 2021 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 55 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 ₱385 million facility with Amalgamated Investment Bancorporation (AIB) and ₱324 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 2021.

Currently fund requirements are being met by loans, collections, acceptance of private placements under the 19 lenders 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, 2020, 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 2020 and FY 2019 audit periods for a service fee of ₱320,923 and ₱283,250, 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.

Discussion of Past Financial Performance

<u>As of December 31, 2020</u>

Results of Operation

The Company released a total loans of ₱956 million in 2020, 9% lower or about ₱100 million versus ₱1.05 billion in 2019. On the other hand, total collections amounted to ₱ 1.1 billion, an increase of 15% or about ₱142 million versus ₱962 million in 2019, which resulted to a net income of ₱10.8 million, or about 50% lower versus ₱21.7 million in 2019, mainly due to the impact of COVID 19 pandemic

Total operating income (including gain on sale of repossessed assets and net of interest expense) ended at ₱141.74 million in 2020, 19% lower versus ₱175.7 million in 2019. The decline was mainly due to the impact of COVID 19 pandemic in which lockdowns were implemented by Government to minimize the spread of the virus in 2020, as well as the implementation of Bayanihan 1 and 2 which affect collections from consumer loans which yields higher effective interest rates. As a result, generated interest income amounted only to ₱164.1 million in 2020 from ₱173.3 million in 2019.

Net Operating Expenses in 2020 ended at ₱120.9 million, lower versus ₱133.3 million in 2019 as a result of the cost saving measures implemented by the Company.

Interest income in 2020 amounted to ₱164.1 million; major breakdown of which is ₱25.5 million from Rx Cashline, ₱55.4 million from MFC Factors and Business Loans and ₱75.5 million from Motor Vehicle (MC/Car/Leisure Bikes) Financing.

As of December 31, 2020, Earnings per Share ended at ₱0.04 from ₱0.09 in 2019.

Financial Condition and Capital Resources

Total assets as of December 31, 2020 ended at ₱1,314.4 million, almost same level versus ₱1,333.56 million in 2019. On the other hand, total liabilities also declined by ₱25.6 million, from ₱808.67 million in 2019 to ₱783.07 million in 2020 mainly due to net loan payments amounting to ₱22.92 million during the year.

Interest Income

The interest income this year ended at ₱164.1 million in 2020 from ₱173.3 million in 2019. This is mainly due to the impact of COVID 19 pandemic during the year, in which several lockdowns were implemented by Government to minimize the spread of the virus in 2020, as well as the implementation of Bayanihan 1 and 2 which affect collections from consumer loans which yields higher effective interest rates.

Net Interest Income

Net interest income amounted to ₱121.53 million in 2020, lower versus ₱147.36 million in 2019. This is mainly due to the impact of COVID 19 pandemic during the year.

Other Income

Other income (including gain on sale of repossessed assets) dropped by ₱5.13 million, from ₱28.34 million in 2019 to ₱23.21 million in 2020, mainly due to the impact of COVID 19 pandemic during the year.

Income Before Income Tax

As of December 31, 2020, the company's Income before tax amounted to ₱17.57 million, lower versus ₱34.41 million in 2019, mainly due to the impact of COVID 19 pandemic during the year.

Funds Generation

We currently have a ₱339 million facility with Amalgamated Investment Bancorporation (AIB) and ₱347 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 2021.

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

<u>As of December 31, 2019</u>

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.

<u>As of December 31, 2018</u>

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.

<u>As of December 31, 2016</u>

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%.

KEY PERFORMANCE INDICATORS:

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

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2020

	2020	2019
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	**98.11%**	101.35%
Debt to equity ratio	**147.40%**	154.06%
Quick ratio	**174.50%**	180.86%
PROFITABILITY RATIOS		
Return on assets	**0.82%**	1.64%
Return on equity	**2.04%**	4.16%
Net profit margin	**6.60%**	12.35%
ASSET TO EQUITY RATIO	**247.40%**	254.05%
INTEREST RATE COVERAGE RATIO	**1.41**	2.33
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	**4.66%**	4.72%
Total receivables to total assets	**75.65%**	76.5%
Total DOSRI receivables to net worth	**4.88%**	4.56%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	**0.02%**	0.02%
Honda Motor World, Inc.	**0.01%**	0.00%
Amalgamated Investment Bancorporation	**0.01%**	0.01%
MAPI Lending Investors, Inc.	**0.27%**	0.29%

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, 2021
TOP 20 Stockholders

There are a total of 109 stockholders as of May 31, 2021

Name	Nat	Class	No. of Shares	Percentage
* AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	75,654,549	28.42%
MOTOR ACE PHILIPPINES, INC.	FIL	A	67,341,540	25.30%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	58,808,910	22.09%
BORROMEO BROS. ESTATE INC.	FIL	A	9,901,832	03.72%
* MF PIKEVILLE HOLDINGS, INC.	FIL	A	9,413,482	3.54%
GRACEFIELD CAPITAL HOLDINGS INC.	FIL	A	8,808,214	3.31%
ERIC B. BENITEZ	FIL	A	7,424,069	2.79%
MELLISSA B. LIMCAOCO	FIL	A	6,663,120	2.50%
GLENN B. BENITEZ	FIL	A	6,343,994	2.38%
RENE B. BENITEZ	FIL	A	6,090,520	2.29%
JOEL FERRER	FIL	A	2,681,647	1.01%
MICHAEL WEE	FOR	A	1,013,650	0.38%
REYES, MARY GRACE V.	FIL	A	790,451	0.30%
SALUD BORROMEO FOUNDATION	FIL	A	538,197	0.20%
TERESITA B. BENITEZ	FIL	A	517,747	0.19%
MERG REALTY DEVELOPMENT	FIL	A	459,979	0.17%
GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	317,164	0.12%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	317,164	0.12%
GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	317,164	0.12%
RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	317,164	0.12%
SUB-TOTAL			263,720,557	99.07%
OTHER STOCKHOLDERS (89)			2,483,490	0.93%
GRAND TOTAL (109 stockholders)			266,204,047	100.00%

** NOTE: Including shares lodged to PCD Nominee*

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 15.48% 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 **₱2.57** per share as of **July 06, 2021**.

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

	Market Prices	
Quarter Ending	**High**	**Low**
June 2021	2.72	2.72
March 2021	2.53	2.53
December 2020	2.70	2.70
September 2020	2.09	2.09
June 2020	1.90	1.90
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	2.48	2.48

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 2018, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱8,159,871. Fractional shares were paid 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 paid in cash. For the year 2020, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱3,255,847. Fractional shares were paid 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**
2018 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	May 30, 2019
	The Philippine Stock Exchange, Inc. (PSE)	
2019 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	July 23, 2020
	The Philippine Stock Exchange, Inc. (PSE)	
2020 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	June 15, 2021
	The Philippine Stock Exchange, Inc. (PSE)	

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, this Definitive Information Statement (SEC 20-IS) is to be signed on its behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 18 JUN 2021, 2021.

By:

RENE B. BENITEZ Chairman of the Board	**MAXCY FRANCISCO JOSE R. BORROMEO** President
MAX O. BORROMEO Vice Chairman	**JOEL S. FERRER** Treasurer
MARCOS E. LAROSA Chief Finance Officer/Compliance Officer	**DANILO ENRIQUE O. CO** Corporate Secretary

SUBSCRIBED AND SWORN to before me this 18 JUN 2021 day of ________ 2021 , affiant(s) exhibiting to me their ________, as follows:

NAME/NO.	GOVT.I.D.	PLACE OF ISSUE
RENE B. BENITEZ	[redacted]	
MAXCY FRANCISCO JOSE R. BORROMEO	[redacted]	
MAX O. BORROMEO	[redacted]	
JOEL S. FERRER	[redacted]	
MARCOS E. LAROSA	[redacted]	
DANILO ENRIQUE O. CO	[redacted]	

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Series of 2021

NOTARY PUBLIC

ATTY RAYMOND A. RAMOS
COMMISSION NO M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. ALAN MICHAEL R. CRUZ,** Filipino, of legal age and a resident of address at No. [redacted]ty, 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"**) 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
MERG REALTY AND DEV CORP.	Consultant	March 2021 to present
NORTHPINE 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 17th day of June 2021 at Makati City, Philippines.

ALAN MICHAEL R. CUZ
Affiant

SUBSCRIBED AND SWORN to before me this 17 JUN 2021 day of ______ at MAKATI CITY affiant personally appeared before me and exhibited his Tax Identification Number [redacted].

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Book No. 171
Series of 2021

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 137312/01-04-2021/Pasig City
PTR NO. MKT 8531022/01-04-2021/Makati City

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

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **MR. ASTERIO L. FAVIS, JR.,** Filipino, of legal age and a resident of address at [redacted], 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"**).
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Favis Devt. and Management Corp	Treasurer / Director	1983 to present
Aspirations International, Inc.	Treasurer / Director	1995 to 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 17th day of June 2021 at Makati City, Philippines.

ASTERIO L. FAVIS, JR.
Affiant

SUBSCRIBED AND SWORN to before me this 18 day of JUN 2021 at MAKATI CITY affiant personally appeared before me and exhibited his Tax Identification Number [redacted]

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ATTY. RAYMOND A. RAMOS
COMMISSION NO M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 137312/01-04-2021/Pasig City
PTR NO. MKT 8531022/01-04-2021/Makati City
MCLE Compliance No. VI-0007878/04-06-2018

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 8 7 8 8

C O M P A N Y   N A M E

M A K A T I   F I N A N C E   C O R P O R A T I O N
(A S u b s i d i a r y of A m a l g a m a t e d
I n v e s t m e n t B a n c o r p o r a t i o n)

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

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   A V E V U E ,
B A R A N G A Y   M A G A L L A N E S ,   M A K A T I   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	CRMD	FINANCING

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
mfin@makatifinance.com.ph	02-775-18132	N/A
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
109	Last Thursday of July	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marcos E. Larosa	mlarosa@makatifinance.com.ph	02-775-18132	0917-530-9923

CONTACT PERSON'S ADDRESS

3rd floor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati City

NOTE 1*: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

NOTE2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Financial Statements

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MAKATI FINANCE
CORPORATION

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 endedDecember 31, 2020 and 2019, 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 a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management 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 and 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.

Rene B. Benitez
Chairman of the Board

Maxcy Francisco Jose R.Borromeo
President

Marcos E. Larosa
Chief Finance Officer

Signed this 29th day of April, 2021

SUBSCRIBED AND SWORN TO BEFORE ME
THIS DAY OF 14 MAY 2021
AFFIANT EXHIBITED HIS/HER
NO. ______ ISSUED ON ______
AT ______

DOC. NO. 162
PAGE NO. 34
BOOK NO. 166
SERIES OF 2021

ATTY RAYMOND A. RAMOS
COMMISSION NO M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 137312/01-04-2021/Pasig City
PTR NO. MKT 8531022/01-04-2021/Makati City
MCLE Compliance No. VI-0007878/04-06-2019

BOA/PRC Reg. No. 0005,
December 13, 2018, valid until July 20, 2021
SEC Accreditation No. 0005-SEC,
April 13, 2021, valid until April 12, 2024

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.bdo-roxascruztagle.ph
Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

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 *(A Subsidiary of Amalgamated Investment Bancorporation)* (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We 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.

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 as loans and other receivables amounting to ₱0.99 billion as at December 31, 2020, represents 76% of the Company's 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, 2020 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

BDO Roxas Cruz Tagle and Co.
Audit | Tax | Consulting | BSO

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 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.

Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 25 of the financial statements is presented for the purpose of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of the management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS CRUZ TAGLE AND CO.

Aljuver R. Gamao
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
SEC Accreditation [redacted]-SEC, Group A, issued on September 10, 2019,
effective until September 09, 2022
BIR Accreditation No.[redacted], issued on February 8, 2019,
effective until February 7, 2022
PTR N[redacted], issued on January 8, 2021, Cebu City

April 29, 2021
Makati City

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	Note	**2020**	2019 - As restated (see Note 20)
ASSETS			
Cash and cash equivalents	*6*	**₱74,788,904**	₱62,726,271
Loans and other receivables -net	*7*	**994,335,152**	1,020,201,707
Property and equipment - net	*8*	**6,990,218**	9,226,046
Investment properties - net	*9*	**61,240,053**	62,964,857
Right-of-use assets - net	*20*	**23,636,443**	28,821,320
Deferred tax assets - net	*17*	**57,221,822**	61,517,731
Other assets - net	*10*	**96,124,946**	88,098,285
		₱1,314,337,538	₱1,333,556,217
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	*11*	**₱686,393,001**	₱709,309,048
Accounts payable	*18*	**19,212,094**	29,715,348
Accrued expenses	*12*	**41,227,498**	31,397,530
Income tax payable	*17*	**761,701**	726,531
Lease liabilities	*20*	**26,899,594**	33,542,018
Retirement benefits liability - net	*15*	**8,577,069**	3,974,808
		783,070,957	808,665,283
Equity			
Capital stock	*14*	**266,204,047**	262,948,243
Additional paid-in capital		**5,803,922**	5,803,922
Retained earnings		**256,361,909**	252,046,301
Remeasurement gains on retirement benefit liability - net of tax	*15*	**2,896,703**	4,092,468
		531,266,581	524,890,934
		₱1,314,337,538	₱1,333,556,217

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, 2020 AND 2019
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2018)

	Note	**2020**	2019	2018
Interest income	*6,7*	**₱164,100,975**	₱173,297,706	₱133,929,324
Interest expense	*11, 20*	**(42,568,272)**	(25,933,893)	(21,488,855)
		121,532,703	147,363,813	112,440,469
Other income				
Service charges		**4,580,050**	9,532,386	6,024,171
Gain on foreclosed assets	*9*	**–**	–	4,320,613
Miscellaneous	*16*	**12,329,198**	10,772,120	12,511,588
		16,909,248	20,304,506	22,856,372
Total operating income		**138,441,951**	167,668,319	135,296,841
Operating expenses - net				
Salaries and employee benefits		**54,318,528**	58,700,908	55,040,738
Depreciation and amortization	*8,9,10,20*	**18,502,108**	19,369,163	5,340,924
Taxes and licenses		**14,703,685**	17,506,834	12,228,553
Provision (recovery) for credit losses	*7*	**14,649,739**	15,493,762	(11,712,656)
Management and professional fees		**7,533,057**	6,438,464	7,833,473
Provision (reversal) for impairment loss of repossessed assets	*10*	**(3,492,533)**	60,937	6,359,127
Loss (gain) from sale of repossessed assets	*10*	**(3,296,379)**	(8,035,028)	2,794,153
Travel and transportation		**3,256,469**	5,929,455	6,477,228
Occupancy costs		**2,169,628**	3,890,312	16,349,727
Commission		**1,925,474**	1,127,396	6,830,370
Impairment loss on investment properties	*9*	**915,951**	–	–
Entertainment, amusement and recreation		**302,238**	1,046,408	748,392
Miscellaneous	*16*	**9,382,390**	11,727,273	9,116,363
Total operating expenses - net		**120,870,355**	133,255,884	117,406,392
Non-operating income				
Gain on sale of investment properties	*9*	**–**	–	758,000
Income before tax		**17,571,596**	34,412,435	18,648,449
Income tax expense	*17*	**(6,744,293)**	(12,706,786)	(9,473,953)
Net income		**10,827,303**	21,705,649	9,174,496
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement gain (loss) on retirement benefit liability, net of tax	*15*	**(1,195,765)**	(2,045,228)	2,399,700
Total comprehensive income		**₱9,631,538**	₱19,660,421	₱11,574,196
Basic and Diluted Earnings Per Share	*19*	**₱0.04**	₱0.09	₱0.04

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, 2020 AND 2019
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2018)

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2020	**₱262,948,243**	**₱5,803,922**	**₱252,046,301**	**₱4,092,468**	**₱524,890,934**
Stock dividends	**3,255,804**	**–**	**(3,255,804)**	**–**	**–**
Cash dividends	**–**	**–**	**(3,255,891)**	**–**	**(3,255,891)**
Total comprehensive income					
Net income	**–**	**–**	**10,827,303**	**–**	**10,827,303**
Other comprehensive loss	**–**	**–**	**–**	**(1,195,765)**	**(1,195,765)**
	–	**–**	**10,827,303**	**(1,195,765)**	**9,631,538**
Balance at December 31, 2020	**₱266,204,047**	**₱5,803,922**	**₱256,361,909**	**₱2,896,703**	**₱531,266,581**

Forward

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2019, as previously reported	₱231,572,111	₱5,803,922	₱265,783,544	₱6,137,696	₱509,297,273
Adjustments (Note 20)	–	–	(2,690,544)	–	(2,690,544)
Balance at January 1, 2019, as restated	231,572,111	5,803,922	263,093,000	6,137,696	506,606,729
Stock dividends	31,376,132	–	(31,376,132)	–	–
Cash dividends	–	–	(1,376,216)	–	(1,376,216)
Total comprehensive income					
Net income	–	–	21,705,649	–	21,705,649
Other comprehensive loss	–	–	–	(2,045,228)	(2,045,228)
	–	–	21,705,649	(2,045,228)	19,660,421
Balance at December 31, 2019	₱262,948,243	₱5,803,922	₱252,046,301	₱4,092,468	₱524,890,934

Forward

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings (Note 14)	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2018 as previously reported	₱223,412,301	₱5,803,922	₱273,833,971	₱3,737,996	₱506,788,190
Adjustment	–	–	(905,181)	–	(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					
Net income	–	–	9,174,496	–	9,174,496
Other comprehensive income	–	–	–	2,399,700	2,399,700
	–	–	9,174,496	2,399,700	11,574,196
Balance at December 31, 2018	₱231,572,111	₱5,803,922	₱265,783,544	₱6,137,696	₱509,297,273

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, 2020 AND 2019
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2018)

	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱17,571,596**	₱34,412,435	₱18,648,449
Adjustments for:				
Depreciation and amortization	*8,9,10,20*	**18,502,108**	19,369,163	5,340,924
Provision (recovery) for credit losses on loans and other receivables	*7*	**14,649,739**	15,493,762	(11,712,656)
Provision for (reversal of) impairment loss of repossessed assets	*10*	**(3,492,533)**	60,937	6,359,127
Loss (gain) from sale of repossessed assets	*10*	**(3,296,379)**	(8,035,028)	2,794,153
Retirement benefits expense	*15*	**2,894,024**	1,297,181	1,842,045
Interest expense from lease liabilities	*20*	**2,025,648**	2,455,808	–
Provision for impairment loss of investment properties	*9*	**915,951**	–	–
Gain on foreclosed assets	*9*	**–**	–	(4,320,613)
Gain on disposal of investment property	*9*	**–**	–	(758,000)
Recovery of impairment loss from investment property	*9*	**–**	–	(432,334)
Operating income before changes in working capital		**49,770,154**	65,054,258	17,761,095
Decrease (increase) in:				
Loans and other receivables		**11,216,730**	(297,102,520)	(109,934,241)
Other assets		**(50,249,505)**	(50,101,770)	(66,226,270)
Increase (decrease) in:				
Accounts payable		**(11,964,493)**	11,796,352	1,455,738
Accrued expenses		**9,829,968**	5,524,182	6,201,295
Net cash flows used in operating activities		**8,602,854**	(264,829,498)	(150,742,383)
Income taxes paid	*17*	**(1,906,171)**	(2,456,316)	(1,555,782)
Proceeds from sale of repossessed assets	*10*	**48,830,590**	51,322,969	64,913,239
Net cash provided by (used in) operating activities		**55,527,273**	(215,962,845)	(87,384,926)

Forward

	Note	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	*8*	**(₱899,846)**	(₱6,505,018)	(₱611,970)
Software	*10*	**(17,465)**	(915,500)	(20,102)
Investment properties	*9*	**–**	(2,000,000)	(8,899,692)
Proceeds from *sale* of:				
Property and equipment	*8*	**–**	240,000	–
Investment properties		**–**	–	1,600,000
Net cash used in investing activities		**(917,311)**	(9,180,518)	(7,931,764)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable	*21*	**206,074,736**	502,958,988	267,152,586
Settlements of notes payable	*21*	**(228,990,783)**	(258,392,823)	(229,748,593)
Payments of lease liabilities	*20*	**(16,375,478)**	(16,047,750)	–
Cash dividends paid- including fractional shares	*14*	**(3,255,804)**	(1,376,216)	(8,159,932)
Net cash provided by (used in) financing activities		**(42,547,329)**	227,142,199	29,244,061
NET INCREASE (DECREASE) IN CASH IN CASH AND CASH EQUIVALENTS		**12,062,633**	1,998,836	(66,072,629)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**62,726,271**	60,727,435	126,800,064
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱74,788,904**	₱62,726,271	₱60,727,435
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		**₱164,100,975**	₱173,657,409	₱134,679,111
Interest paid		**₱40,126,133**	₱29,603,629	₱22,307,837

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2018)

1. **Reporting Entity**

Makati Finance Corporation *(A Subsidiary of Amalgamated Investment Bancorporation)* (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 42.89% of the Company as at December 31, 2020 and 2019.

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, 2020, the Company's closing price at the PSE amounts to ₱2.70 per share.

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

The financial statements were approved and authorized for issuance by the BOD on April 29, 2021.

2. **Basis of Preparation**

<u>Statement of Compliance</u>
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). 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).

<u>Basis of Preparation</u>
The financial statements of the Company have been prepared on the historical cost basis. except for financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value on each reporting date.

<u>Functional and Presentation Currency</u>
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, 2020:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *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.

  These amendments had no impact on the financial statements of the Company.

- Conceptual Framework for Financial Reporting (Revised). The IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework), a comprehensive set of concepts for financial reporting, in March 2018.

  It sets out:
  - the objective of financial reporting
  - the qualitative characteristics of useful financial information
  - a description of the reporting entity and its boundary
  - definitions of an asset, a liability, equity, income, and expenses
  - criteria for including assets and liabilities in financial statements (recognition) and guidance on when to remove them (derecognition)
  - measurement bases and guidance on when to use them
  - concepts and guidance on presentation and disclosure

  The purpose of the Conceptual Framework is to assist the IASB to develop financial reporting standards (Standards) based on consistent concepts, resulting in financial information that is useful to investors, lenders, and other creditors. It also assists preparers to develop consistent accounting policies for transactions or other events when no Standard applies, or a Standard allows a choice of accounting policies. The Conceptual Framework is not a Standard and does not override any Standard or any requirement in a Standard.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*. The amendments to PFRS 9 and PAS 39 *Financial Instruments: Recognition and Measurement and PAS 7 Financial Instruments: Disclosures* include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The mandatory reliefs provided in the Standard are as follows:

- The assessment of whether a forecast transaction (or component thereof) is highly probable.
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss.
- The assessment of the economic relationship between the hedged item and the hedging instrument.
- For a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship.

These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

- Amendment to PFRS 16, *COVID-19 Related Rent Concession*. The amendment to PFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

  Lessees will apply the practical expedient retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings at the beginning of the annual reporting period in which the amendment first applied.

  These amendments had no impact on the financial statements of the Company.

<u>New and Amended PFRS Issued But Not Yet Effective</u>
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the financial statements are summarized below.

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

- Annual Improvements to IFRS: 2018-2020 Cycle

  - IFRS 1, *First-time Adoption of IFRS - Subsidiary as a first-time adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

  - IFRS 9, *Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities*. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  - IFRS 16, *Leases – Lease incentives*. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract* – The amendments specify the costs a Company includes when assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. The amendments apply a “directly related approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use* – The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Instead, the entity recognizes such sales proceeds and any related costs in the profit or loss.

- Amendments to PAS 1, *Presentation of Financial Statements* - The amendments to PAS 1 specify the requirements for classifying current and noncurrent liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023 as a result of COVID-19 pandemic.

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

<u>Financial assets and financial liabilities</u>

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, 2020 and 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 December 31, 2020 and 2019, the Company's cash and cash equivalents, loans and other receivables, security deposits 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, 2020 and 2019, the Company's liabilities arising from its notes payable, accounts payable, accrued expenses (excluding payable to government) 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, 2020 and 2019, the Company's investments in golf shares presented as "others" 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

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk of the financial asset since origination. Otherwise if a significant increase in credit risk is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Company's credit exposure are loans and accounts receivables and refundable deposits. Loan and other receivables may be availed by specific individuals. Financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower delays on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Significant increase in credit risk

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than a specified day past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risks since initial recognition, the Company shall revert to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a significant increase in credit risk since initial recognition. The Company recognizes a 12-month ECL for Stage 1 financial assets.

- Stage 2 is comprised of all non-impaired financial assets which have experienced a significant increase in credit risk since initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. The ECL model requires a lifetime ECL for impaired financial assets.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Assessment of ECL on a collective basis

The Company calculates ECL either on an individual or a collective basis. The Company performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held. The Company applies a simplified ECL approach for its loans and accounts receivables wherein the Organization uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

Forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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.

<u>Cash and cash equivalents</u>
Cash includes cash on hand and in banks which are stated at amortized 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.

<u>Loans and other receivables - net</u>
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 ECL.

<u>Property and equipment - net</u>
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	2 – 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 comprehensive income in the period of retirement and disposal.

Investment properties - net

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 25 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.

Other assets - net
The Company's other assets consist of repossessed assets, prepaid securities, security deposits, software cost and other investments.

Repossessed assets
Repossessed assets are carried at cost which represents the unpaid balance of customer loans at initial recognition. Subsequently, 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.

Prepaid securities
Prepaid securities are recognized when payments for goods or services are made in advance for the delivery of the goods or the rendering of the services. Prepaid securities are carried at cost less utilized portion and any impairment loss. Prepaid securities are derecognized upon consumption or usage. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Prepaid items are apportioned over the period covered by the payment.

Security deposits
Security deposits represent payments made in relation to the lease and other agreements entered into by the Company. These are carried at amortized cost and will generally be applied as lease payment at the end of the agreements. Defaults on rent and utilities payment and other damages the Company may incur are applied against these deposits.

Software costs
Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under "Other assets – net" 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. 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.

<u>Fair value measurements</u>
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.

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.

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
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital stock and additional paid-in capital
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
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Company pertains to remeasurement gain on accrued retirement benefit costs.

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.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

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 prevailing exchange rate as of statements 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 statements 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.

<u>Income tax</u>
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognized in the statements of comprehensive income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

<u>Leases</u>
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).

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.

Contingencies

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

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.

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).

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 - net” 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, 2020 and 2019, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed in the financial statements.

Evaluating Deferred Tax. In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classifying Financial Instruments. The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

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 ECL - 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 ECL, 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 an ECL 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 PFRS 9) – 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, 2020 and 2019, allowance for ECL amounted to ₱138.32 million and ₱123.67 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱0.99 billion and ₱1.02 billion as at December 31, 2020 and 2019, respectively (see Note 7).

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.

As at December 31, 2020 and 2019, deferred tax assets amounted to ₱58.04 million and ₱62.85 million, respectively (see 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.

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, 2020 and 2019, the Company did not recognize impairment on property and equipment and software costs. The carrying value of property and equipment amounted to ₱6.99 million and ₱9.23 million as at December 31, 2020 and 2019 respectively (see Note 8).

The carrying value of software cost amounted to ₱0.51 million and ₱0.70 million as at December 31, 2020 and 2019, respectively (see Note 10).

As at December 31, 2020 and 2019, the carrying value of investment properties amounted to ₱61.24 million and ₱62.96 million, respectively. Provision for impairment loss on investment properties amounted to ₱0.92 million in 2020 and nil for both 2019 and 2018 (see Note 9).

As at December 31, 2020 and 2019, the carrying value of repossessed assets amounted to ₱86.04 million and ₱76.71 million, respectively. Reversal for impairment loss on repossessed assets amounted to ₱3.49 million in 2020 and provision for impairment loss on repossessed assets amounted to ₱0.06 million and ₱6.36 million in 2019 and 2018, respectively (see Note 10).

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 15.

The Company's net retirement liability amounted to ₱8.58 million and ₱3.97 million as at December 31, 2020 and 2019, respectively (see 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 and Cash Equivalents and Security Deposits

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 withing 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, Accrued Expenses (excluding payable to government) and Lease liabilities

The carrying amounts of accounts payable, accrued expenses (excluding payable to government) and lease liabilities 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.

Business loans

This group grants loans to finance business owners who wishes to expand its business or for the purpose of starting capital

MFC Factors Group

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

Motor Vehicles Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other Segments

This segment includes pension loans , housing loans, personal 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 sales revenue generated from the Company's operating segments amounted to 10% or more of the total revenues.

Financial information about operating segments follows:

	2020				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	**₱194,734,024**	**₱536,362,629**	**₱717,900,425**	**₱78,657,862**	**₱1,527,654,940**
Results of operation					
Revenue					
Interest income	**25,450,977**	**55,374,079**	**75,523,487**	**7,752,432**	**164,100,975**
Other income	**3,237,867**	**7,380,129**	**3,688,113**	**2,603,139**	**16,909,248**
Total	**28,688,844**	**62,754,208**	**79,211,600**	**10,355,571**	**181,010,223**
Expenses					
Interest expense	**6,697,000**	**14,570,765**	**19,872,746**	**1,427,761**	**42,568,272**
Provision for losses	**333,209**	**5,785,490**	**3,664,118**	**1,374,389**	**11,157,206**
Operating expenses	**11,586,741**	**25,352,543**	**67,207,891**	**5,565,974**	**109,713,149**
	18,616,950	**45,708,798**	**90,744,755**	**8,368,124**	**163,438,627**
Net operating income (loss)	**10,071,894**	**17,045,410**	**(11,533,155)**	**1,987,447**	**17,571,596**
Less: Income tax expense (benefit)	**2,899,905**	**6,367,074**	**(3,018,367)**	**495,681**	**6,744,293**
Net Income (loss)	**7,171,989**	**10,678,336**	**(8,514,788)**	**1,491,767**	**10,827,303**
Statement of Financial Position					
Total Assets	**124,110,873**	**525,908,978**	**613,206,623**	**51,111,064**	**1,314,337,538**
Total Liabilities	**84,234,226**	**318,044,514**	**346,550,577**	**34,241,640**	**783,070,957**
Other segment information					
Capital expenditures	**₱114,705**	**₱315,938**	**₱422,870**	**₱46,333**	**₱899,846**
Depreciation and amortization	**₱1,990,160**	**₱7,514,280**	**₱8,187,778**	**₱809,890**	**₱18,502,108**

	2019				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles 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	60,631,233	1,333,556,217
Total Liabilities	87,334,140	296,623,707	384,149,599	40,557,837	808,665,283
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	₱166,535,133	₱378,586,886	₱495,635,667	₱118,492,785	₱1,159,250,471
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)	12,670,999	8,437,977	(11,018,696)	(915,784)	9,174,496
Statement of Financial Position					
Total Assets	109,735,402	381,895,803	424,107,178	102,705,727	1,018,444,110
Total Liabilities	64,834,871	193,283,542	189,000,790	62,027,634	509,146,837
Other segment information					
Capital expenditures	₱1,369,310	₱3,112,874	₱4,075,290	₱974,290	₱9,531,764
Depreciation and amortization	₱673,269	₱2,007,126	₱1,962,653	₱697,876	₱5,340,924

6. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱3,611,015**	₱2,567,191
Cash in banks	**45,466,661**	36,588,695
Cash equivalents	**25,711,228**	23,570,385
	₱74,788,904	₱62,726,271

Cash in banks earn interest at the prevailing bank deposit rates which ranges from .125% and 0.64% to 0.74% per annum in 2020 and 2019, respectively. Interest income on cash in banks amounted to ₱0.06 million, ₱0.05 million and ₱0.05 million in 2020, 2019 and 2018, 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 nil, ₱1.77 million and ₱3.15 million in 2020, 2019 and 2018, respectively (Note 18).

7. Loans and Other Receivables - Net

This account consists of:

	2020	2019
Receivables from customers		
Consumer	**₱1,148,012,351**	₱1,190,077,491
Services	**329,518,176**	336,445,251
Other receivables	**13,958,311**	13,198,869
	1,491,488,838	1,539,721,611
Unearned interest discounts	**(358,830,805)**	(395,846,762)
Allowance for ECL	**(138,322,881)**	(123,673,142)
	₱994,335,152	₱1,020,201,707

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:

	2020	2019
Motorcycle financing	**₱526,384,754**	₱589,853,279
Business loans	**415,910,560**	383,913,894
Rx cash line	**193,837,852**	197,609,078
Car loans	**160,667,581**	124,121,735
Receivables purchased	**84,285,967**	140,129,498
Corporate salary loans	**8,320,274**	6,982,861
	1,389,406,988	1,442,610,345
Personal loans	**28,257,396**	25,518,103
Leisure bike loans	**20,739,074**	20,162,444
Pension loans	**16,660,173**	15,035,371
Accrued interest receivable	**11,270,801**	11,270,801
Housing loans	**11,196,097**	11,925,678
Sales contract receivable	**1,368,200**	1,368,200
Advances to officers and employees	**442,224**	265,978
Due from affiliates	**101,007**	101,007
Miscellaneous receivables	**12,046,878**	11,463,684
	₱1,491,488,838	₱1,539,721,611

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 ₱164.04 million, ₱171.48 million and ₱130.80 million in 2020, 2019 and 2018, respectively.

Motorcycle financing receivables amounting to ₱353.71 million and ₱345.12 million in 2020 and 2019, respectively, were used as collateral on notes payable to banks (see Note 11).

The following table shows the breakdown of loans (gross of allowance for ECL) 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, 2020 and 2019:

	2020	%	2019	%
Secured loans				
Chattel mortgage	**₱525,463,312**	**46.39%**	₱568,158,106	49.67%
Real estate mortgage	**306,929,079**	**27.10%**	275,528,746	24.09%
Other collaterals*	**115,866,784**	**10.23%**	120,166,855	10.50%
Total secured	**948,259,175**	**83.72%**	963,853,707	84.26%
Unsecured	**184,398,858**	**16.28%**	180,021,142	15.74%
	₱1,132,658,033	**100%**	₱1,143,874,849	100.00%

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

Movements in allowance for ECL follow:

	December 31, 2020			
	Receivable from Customers			
	Consumer	**Services**	**Others**	**Total**
At January 1	**₱106,922,558**	**₱12,163,820**	**₱4,586,764**	**₱123,673,142**
Provision (recovery) during the year	**13,894,479**	**876,309**	**(121,049)**	**14,649,739**
At December 31	**₱120,817,037**	**₱13,040,129**	**₱4,465,715**	**₱138,322,881**

	December 31, 2019			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	₱93,251,527	₱10,462,137	₱4,465,716	₱108,179,380
Provision during the year	13,671,031	1,701,683	121,048	15,493,762
At December 31	₱106,922,558	₱12,163,820	₱4,586,764	₱123,673,142

	December 31, 2018			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	₱97,474,427	₱16,942,833	₱5,474,776	₱119,892,036
Recovery during the year	(4,222,900)	(6,480,696)	(1,009,060)	(11,712,656)
At December 31	₱93,251,527	₱10,462,137	₱4,465,716	₱108,179,380

As at December 31, 2020 and 2019, the aging of receivables is as follows:

	2020					
		Past due				
	Current	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**More than 3 Years**	**Total**
Receivable from customers:						
Consumer	**₱336,748,833**	**₱127,914,219**	**₱190,215,172**	**₱410,372,541**	**₱82,761,586**	**₱1,148,012,351**
Services	**117,932,586**	**28,083,531**	**48,140,924**	**125,345,058**	**10,016,077**	**329,518,176**
Other receivables	**12,905,093**	**–**	**–**	**–**	**1,053,218**	**13,958,311**
	₱467,586,512	**₱155,997,750**	**₱238,356,096**	**₱535,717,599**	**₱93,830,881**	**₱1,491,488,838**

	2019					
		Past due				
	Current	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Receivable from customers:						
Consumer	₱332,556,303	₱127,263,631	₱192,633,051	₱468,093,333	₱69,531,173	₱1,190,077,491
Services	132,531,566	28,848,290	47,559,705	92,556,530	34,949,160	336,445,251
Other receivables	12,096,282	–	–	–	1,102,587	13,198,869
	₱477,184,151	₱156,111,921	₱240,192,756	₱560,649,863	₱105,582,920	₱1,539,721,611

In determining the allowance for ECL on loans and other receivables, the Company groups its loans and other financial receivables on the basis of shared 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 (see Note 24). 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:

	2020			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱17,400,726**	**₱7,476,840**	**₱12,288,195**	**₱37,165,761**
Additions	**899,846**	**–**	**–**	**899,846**
Retirement	**–**	**–**	**(2,285,120)**	**(2,285,120)**
At December 31	**18,300,572**	**7,476,840**	**10,003,075**	**35,780,487**
Accumulated Depreciation				
At January 1	**15,529,860**	**5,831,212**	**6,578,643**	**27,939,715**
Depreciation	**1,391,272**	**1,210,192**	**1,995,449**	**4,596,913**
Retirement	**–**	**–**	**(2,285,120)**	**(2,285,120)**
Adjustment	**(298,535)**	**(169,660)**	**(993,044)**	**(1,461,239)**
At December 31	**16,622,597**	**6,871,744**	**5,295,928**	**28,790,269**
Carrying amount	**₱1,677,975**	**₱605,096**	**₱4,707,147**	**₱6,990,218**

	2019			
	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

	2018			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,055,538	₱7,476,840	₱8,716,395	₱31,248,773
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	₱1,368,574	₱2,928,597	₱2,792,000	₱7,089,171

In 2020, adjustments were made on the balances of certain equipment by an amount of ₱1.46 million to properly reflect their appropriate net book values as at year-end.

Fully depreciated transportation equipment with cost and net book value amounting to ₱2.29 million was retired during the year.

In 2019, the Company sold transportation equipment at its carrying amount, hence no gains or losses on disposal was incurred. Proceeds from sale amounted to ₱0.24 million.

As at December 31, 2020 and 2019, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱17.15 million and ₱3.96 million, respectively.

There are neither restrictions on title on the Company's property and equipment, nor was any of it pledged as security for liability. The Company has no contractual commitment for the acquisition of property and equipment.

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:

	2020		
	Land	**Building**	**Total**
Cost			
At January 1 and 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	**–**	**808,853**	**808,853**
At December 31	–	**2,612,443**	**2,612,443**
Allowance for impairment loss	**507,199**	**915,951**	**1,423,150**
Carrying amounts	**₱47,482,755**	**₱13,757,298**	**₱61,240,053**

	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

The aggregate fair value of the investment properties of the Company amounted to ₱67.64 million and ₱68.39 million as at December 31, 2020 and 2019, respectively.

The Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to nil for both 2020 and 2019 and ₱4.32 million in 2018. 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 for both 2020 and 2019 and ₱0.76 million in 2018.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱71,975 and ₱75,792 in 2020 and 2019, respectively.

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

	2020	2019	2018
Balance, January 1	**₱507,199**	₱507,199	₱939,533
Provision (recovery)	**915,951**	–	(432,334)
Balance, December 31	**₱1,423,150**	₱507,199	₱507,199

10. Other Assets - Net

This account consists of:

	Note	**2020**	2019
Repossessed assets, net		**₱86,040,026**	₱76,706,196
Prepaid securities		**5,709,949**	5,824,509
Security deposits	*20*	**3,780,959**	3,815,246
Software costs		**514,012**	700,606
Others		**80,000**	1,051,728
		₱96,124,946	₱88,098,285

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business carried at the cost less impairment.

The movement in repossessed assets follow:

	2020	2019	2018
Cost			
At January 1	**₱121,361,611**	₱117,686,300	₱138,933,931
Additions	**50,712,547**	46,963,252	46,459,761
Sale	**(45,534,211)**	(43,287,941)	(67,707,392)
At December 31	**126,539,947**	121,361,611	117,686,300
Allowance for impairment losses			
At January 1	**44,655,415**	47,108,692	64,214,109
Allowance for (reversal of) impairment during the year	**(3,492,533)**	60,937	6,359,127
Write-off	**(662,961)**	(2,514,214)	(23,464,544)
At December 31	**40,499,921**	44,655,415	47,108,692
Carrying amount	**₱86,040,026**	₱76,706,196	₱70,577,608

Included in the statements of comprehensive income are the gain from sale of repossessed assets amounting to ₱3.30 million and ₱8.04 million in 2020 and 2019, respectively, and loss from sale of repossessed assets of ₱2.79 million in 2018. Proceeds from sale amounted to ₱48.83 million, ₱51.32 million and ₱64.91 million in 2020, 2019 and 2018, respectively. Reversal for impairment loss of repossessed assets amounted to ₱3.49 million in 2020 and provision for impairment loss of repossessed assets amounted to ₱0.06 million and ₱6.36 million in 2019 and 2018, respectively.

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

The movement in software costs follow:

	2020	2019	2018
Cost			
At January 1	**₱6,014,217**	₱5,098,717	₱5,078,615
Additions	**17,465**	915,500	20,102
At December 31	**6,031,682**	6,014,217	5,098,717
Accumulated amortization			
At January 1	**5,313,611**	4,995,330	4,703,622
Amortization for the year	**204,059**	318,281	291,708
Accumulated Amortization	**5,517,670**	5,313,611	4,995,330
Carrying amount	**₱514,012**	₱700,606	₱103,387

Other includes the Company's investment in golf shares.

11. Notes Payable

This account consists of:

	Note	2020	2019
Related parties	*18*	**₱403,435,796**	₱443,227,374
Banks		**275,657,205**	259,181,674
Individuals/corporate		**7,300,000**	6,900,000
		₱686,393,001	₱709,309,048

Interest rates from borrowings ranges from 5.00% to 7.75% and 5.00% to 7.15% per annum in 2020 and 2019, respectively.

Interest expense on these notes payable amounted to ₱40.54 million, ₱23.48 million and ₱21.49 million in 2020, 2019 and 2018, 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, 2020 and 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 (see Note 7):

	2020		2019	
	Carrying amount	**Secured notes**	Carrying amount	Secured notes
Motorcycle financing receivables	**₱353,705,896**	**₱275,657,204**	₱345,119,511	₱259,181,674

12. Accrued Expenses

This account consists of:

	2020	2019
Accrued occupancy costs	**₱8,265,816**	₱4,077,131
Accrued insurance payable	**5,808,279**	6,569,889
Accrued taxes	**4,773,155**	7,020,117
Accrued interest	**3,378,221**	2,961,731
Accrued administrative expenses	**1,196,014**	978,822
Accrued management and professional fees	**770,595**	721,328
Others	**17,035,418**	9,068,512
	₱41,227,498	₱31,397,530

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:

	2020			2019		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱74,788,904**	**₱–**	**₱74,788,904**	₱62,726,271	₱–	₱62,726,271
Loans and other receivables gross	**861,940,358**	**629,548,480**	**1,491,488,838**	873,488,828	666,232,783	1,539,721,611
Security deposits, and other investments	**–**	**3,860,959**	**3,860,959**	–	4,866,974	4,866,974
	936,729,262	**633,409,439**	**1,606,304,803**	936,215,099	671,099,757	1,607,314,856
Nonfinancial Assets						
Property and equipment - net	**–**	**6,990,218**	**6,990,218**	–	9,226,046	9,226,046
Investment properties - net	**–**	**61,240,053**	**61,240,053**	–	62,964,857	62,964,857
Deferred tax assets - net	**–**	**57,221,822**	**57,221,822**	–	61,517,731	61,517,731
Right-of-use assets	**4,965,566**	**18,670,877**	**23,636,443**	14,247,219	14,574,101	28,821,320
Other assets*	**5,709,949**	**86,554,038**	**92,263,987**	5,824,509	77,406,802	83,231,311
	10,675,515	**230,677,008**	**241,352,523**	20,071,728	225,689,537	245,761,265
Less: Allowance for credit losses	**(81,319,851)**	**(57,003,030)**	**(138,322,881)**	(71,426,324)	(52,246,818)	(123,673,142)
Unearned interest income	**(210,956,189)**	**(147,874,616)**	**(358,830,805)**	(228,617,781)	(167,228,981)	(395,846,762)
	(292,276,040)	**(204,877,646)**	**(497,153,686)**	(300,044,105	(219,475,799)	(519,519,904)
	₱655,128,737	**₱659,208,801**	**₱1,314,337,538**	₱656,242,722	₱677,313,495	₱1,333,556,217

Forward

	2020			2019		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Liabilities						
Notes payable	**₱601,889,396**	**₱84,503,605**	**₱686,393,001**	₱571,879,756	₱137,429,292	₱709,309,048
Accounts payable	**19,212,094**	**–**	**19,212,094**	29,715,348	–	29,715,348
Accrued expenses**	**36,454,343**	**–**	**36,454,343**	24,377,413	–	24,377,413
	657,555,833	**84,503,605**	**742,059,438**	625,972,517	137,429,292	763,401,809
Nonfinancial Liabilities						
Accrued expenses	**4,773,155**	**–**	**4,773,155**	7,020,117	–	7,020,117
Retirement benefits liability	**–**	**8,577,069**	**8,577,069**	–	3,974,808	3,974,808
Lease liabilities	**4,672,228**	**22,227,366**	**26,899,594**	13,773,527	19,768,491	33,542,018
Income tax payable	**761,701**	**–**	**761,701**	726,531	–	726,531
	10,207,084	**30,804,435**	**41,011,519**	21,520,175	23,743,299	45,263,474
	₱667,762,917	**₱115,308,040**	**₱783,070,957**	₱647,492,692	₱161,172,591	₱808,665,283

**excluding security deposit and other investments which are presented under financial assets*
***excluding payable to government which is presented under nonfinancial liabilities*

14. Equity

On July 29, 2020, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of ₱3.26 million to stockholders of record as of August 27, 2020 with distribution date not later than September 22, 2020. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱3.26 million.

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 datse, the BOD also approved the declaration of cash dividends amounting to ₱8.16 million.

As at December 31, 2020, the Company has 266,204,047 common shares issued and outstanding which are owned by 109 shareholders.

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

	2020		2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; ₱1 par value						
At January 1	**262,948,243**	**₱262,948,243**	231,572,111	₱231,572,111	223,412,301	₱223,412,301
Stock dividends	**3,255,804**	**3,255,804**	31,376,132	31,376,132	8,159,810	8,159,810
At December 31	**266,204,047**	**₱266,204,047**	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 ₱0.91 million 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 2020.

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, 2020, 2019 and 2018, 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 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:

	2020	2019
Components of retirement benefit liability recorded in profit or loss as retirement benefit expense		
Current service cost	**₱2,686,540**	₱1,315,564
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	**555,371**	429,842
Interest expense on effect of asset ceiling	–	1,384
Interest income on plan assets	**(347,886)**	(449,609)
	2,894,025	1,297,181
Components of retirement benefit liability recorded in OCI		
Remeasurement loss on defined benefits obligation	**1,887,515**	3,185,498
Remeasurement gain on plan assets	**(179,279)**	(243,977)
Effect of asset ceiling	–	(19,767)
	1,708,236	2,921,754
Total components of retirement liability	**₱4,602,261**	₱4,218,935

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

	2020	2019
Present value of retirement benefits obligation	**₱15,768,726**	₱10,639,300
Fair value of plan assets	**(7,191,657)**	(6,664,492)
Net retirement benefit liability	**₱8,577,069**	₱3,974,808

The balance of accumulated re-measurement gain on retirement benefit obligation - net of tax, reported in the statements of changes in equity follows:

	2020	2019	2018
Cumulative gain in OCI, beginning	**₱4,092,468**	₱6,137,696	₱3,737,996
Adjustment	–	–	633,627
Remeasurement gain (loss)	**(1,195,765)**	(2,045,228)	1,766,073
	₱2,896,703	₱4,092,468	₱6,137,696

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

	2020	2019
Balance at beginning of year	**₱10,639,300**	₱5,708,396
Current service cost	**2,686,540**	1,315,564
Interest expense	**555,371**	429,842
Remeasurement losses (gains) on obligation arising from:		
Changes in financial assumptions	**3,128,501**	3,383,456
Experience adjustment	**(1,240,986)**	(197,958)
Balance at end of year	**₱15,768,726**	₱10,639,300

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

	2020	2019
Balance at beginning of year	**₱6,664,492**	₱5,970,906
Interest income	**347,886**	449,609
Remeasurement gain (loss) on plan assets	**179,279**	243,977
Balance at end of year	**₱7,191,657**	₱6,664,492

Changes in the retirement benefit liability follow:

	2020	2019
Balance at beginning of year	**₱3,974,808**	(₱244,127)
Current service cost	**2,686,540**	1,315,564
Net interest cost (income) on the retirement liability	**207,485**	(18,383)
Remeasurement loss on plan assets	**(179,279)**	(243,977)
Effect of asset ceiling	**–**	(19,767)
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	**3,128,501**	3,383,456
Changes in financial assumptions	**(1,240,986)**	(197,958)
Balance at end of year	**₱8,577,069**	₱3,974,808

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

	2020	2019
Cash and cash equivalents	**₱2,290,403**	₱1,443,928
Financial assets at FVPL	**4,878,668**	5,194,760
Accrued and other receivables	**22,586**	25,804
	₱7,191,657	₱6,664,492

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	
	2020	2019
Discount rate	**3.95%**	5.22%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**26.3**	27.7

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	
		2020	2019
Discount rate	**+100 basis point**	**(₱2,534,433)**	(₱1,669,541)
	-100 basis point	**3,175,038**	2,080,748
Future salary increases	**+100 basis point**	**3,106,454**	2,063,656
	-100 basis point	**(2,533,344)**	(1,687,075)

The Company has no contributions to the defined benefit plan in 2020 and 2019.

The average duration of the defined benefit plan as at the reporting date is 18.1 years and 17.6 years for year 2020 and 2019, respectively.

The BOD has no specific matching strategy between plan assets and plan liabilities.

16. **Miscellaneous**

Miscellaneous income consists of the following items:

	2020	2019	2018
Penalties	**₱7,047,586**	₱8,564,212	₱8,988,019
Recoveries	**5,116,261**	1,923,112	3,413,331
Others	**165,351**	284,796	110,238
	₱12,329,198	₱10,772,120	₱12,511,588

Miscellaneous expense consists of the following items:

	2020	2019	2018
Communication	**₱2,327,281**	₱2,557,004	₱2,049,463
Stationeries and supplies	**1,511,318**	2,535,973	1,443,904
Insurance	**1,434,989**	1,580,127	1,655,406
Repairs and maintenance	**1,583,587**	1,467,754	1,921,282
Training and development	**85,567**	322,898	166,133
Meetings and conferences	**18,337**	158,630	220,200
Others	**2,421,311**	3,104,887	1,659,975
	₱9,382,390	₱11,727,273	₱9,116,363

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 of incurrence.

The components of the Company's income tax expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Current:			
MCIT	**₱1,941,341**	₱2,571,237	₱2,078,273
Deferred	**4,802,952**	10,135,549	7,395,680
	₱6,744,293	₱12,706,786	₱9,473,953

The components of deferred tax assets - net follow:

	2020	2019
Deferred tax assets on:		
Allowance for credit losses	**₱41,426,605**	₱37,031,683
Allowance of repossessed assets write-down	**12,149,976**	13,396,625
Accrued expenses	**2,022,466**	2,022,466
Effect of PFRS 16	**1,254,593**	1,263,700
Retirement expense	**868,208**	–
Remeasurement gain on defined benefit obligation	**(823,163)**	(1,335,634)
Impairment loss on investment properties	**274,785**	–
Past service costs	**48,352**	48,352
Adjustment (Note 20)	**–**	307,760
NOLCO	**–**	8,782,779
	₱57,221,822	₱61,517,731

The Company did not recognize deferred tax asset on the MCIT amounting to ₱6.33 million and ₱6.29 million as at December 31, 2020 and 2019, 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
2018	₱14,527,909	(₱14,527,909)	₱–	2021
2017	14,748,020	(14,748,020)	–	2020
	₱29,275,929	**(₱29,275,929)**	**₱–**	

MCIT

Inception Year	Amount	Additions	Used/Expired	Balance	Expiry Year
2020	₱–	₱1,941,341	₱–	₱1,941,341	2023
2019	2,315,132	–	–	2,315,132	2022
2018	2,078,273	–	–	2,078,273	2021
2017	1,897,303	–	(1,897,303)	–	2020
	₱6,290,708	**₱1,941,341**	**(₱1,897,303)**	**₱6,334,746**	

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

	2020	2019
Income before income tax	**₱17,571,596**	₱34,412,435
Income tax computed at statutory rate (30%)	**₱5,271,479**	₱10,323,731
Additions to (reduction in) income tax resulting from the tax effects of:		
Change in unrecognized DTA	**1,483,836**	2,315,132
Interest income subjected to final tax	**(18,760)**	(546,776)
Non-deductible interest expense	**7,738**	225,545
Other non-deductible expense	**–**	389,154
Effective income tax expense	**₱6,744,293**	₱12,706,786

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 ₱0.53 million, ₱1.05 million and ₱0.75 million in 2020, 2019 and 2018, respectively.

Below are the movements in income tax payable:

	2020	2019
Balance, January 1	**₱726,531**	₱611,610
Provision for income tax – current	**1,941,341**	2,571,237
Income tax paid during the year	**(1,906,171)**	(2,456,316)
Balance, December 31	**₱761,701**	₱726,531

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.

Name of Related Party	Relationship	Nature of Operations	Country of Incorporation
Amalgamated Investment Bancorporation	Parent Company	Investment house	Philippines
Motor Ace Philippines, Inc.	Under common control	Motorcycle Trading Partner	Philippines
MAPI Lending Investors, Inc.	Under common control	Financing Company	Philippines
HMW Lending Investors, Inc.	Under common control	Financing Company	Philippines
Honda Motor World, Inc.	Under common control	Motorcycle Trading Partner	Philippines
Pikeville Bancshares	Under common control	Management Consultancy	Philippines
MERG Realty Development Corporation	Under common control	Real Estate Lessor	Philippines
Directors and other stockholders	Key management personnel	N/A	Philippines

The following transactions have been entered into with related parties:

		2020			2019			
			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**
Parent Company								
Miscellaneous receivables	A	**₱–**	**₱80,514**	**₱–**	₱–	₱80,514	₱–	Non-interest bearing, unsecured; No impairment
Notes payable	B	**–**	**–**	**338,600,000**	–	–	385,000,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		**24,500,000**	**–**	**–**	222,900,000	–	–	
Settlements		**70,900,000**	**–**	**–**	83,000,000	–	–	
Interest expense		**20,189,293**	**–**	**2,598,976**	10,916,628	–	2,599,108	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	A	**–**	**240,184**	**–**		156,894	–	Non-interest bearing, unsecured; No impairment
Availments		**174,490**	**–**	**–**	220,522	–	–	
Settlements		**88,200**	**–**	**–**	63,628	–	–	

Forward

		2020			2019			
			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	₱–	**₱–**	**₱15,194,978**	₱–	₱–	₱12,177,800	30 day unsecured, non-interest bearing
Availments		**54,444,011**	**–**	**–**	145,524,243	–	–	
Settlements		**51,426,833**	**–**	**–**	145,797,584	–	–	
Short term placements	C	**–**	**–**	**–**	–	–	–	Short-term interest bearing
Availments		**–**	**–**	**–**	8,000,000	–	–	placements at 10.5%
Settlements		**–**	**–**	**–**	8,000,000	–	–	annual interest rate
Interest income		**–**	**–**	**–**	101,150	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	A	**–**	**2,725,083**	**–**	–	2,936,329	–	30 day unsecured, non-interest bearing
Availments		**343,204**	**–**	**–**	1,441,521	–	–	
Settlements		**554,450**	**–**	**–**	–	–	–	
Accounts payable	D	**–**	**–**	**75,372**		–	52,181	Non-interest bearing, unsecured
Availments		**23,191**	**–**	**–**	112,371	–	–	
Settlements		**–**	**–**	**–**	60,190	–	–	
Short term placements	C	**–**	**25,711,228**	**–**	–	23,570,385	–	
Availments		**2,294,972**	**–**	**–**	2,069,988	–	–	Short-term interest bearing
Settlements		**154,129**	**–**	**–**	2,182,426	–	–	placements at 10.5%
Interest income		**–**	**–**	**–**	1,769,900	824,840	–	annual interest rate
HMW Lending Investors, Inc.								
Short term placements	C	**–**	**–**	**–**		–	–	Short-term interest bearing placements at 8.5% annual interest
Interest income		**–**	**–**	**–**	83,111	–	–	rate
Honda Motor World, Inc.								
Miscellaneous receivables	A	**–**	**106,017**	**–**	–	44,542	–	Non-interest bearing, unsecured;
Availments		**125,228**	**–**	**–**	117,042	–	–	No Impairment
Settlements		**63,753**	**–**	**–**	72,500	–	–	
Accounts payable	D	**–**	**–**	**1,839,777**		–	2,227,484	Unsecured, interest bearing placement
Availments		**16,571,009**	**–**	**–**	65,330,486	–	–	at 10.0% annual interest rate
Settlements		**16,958,716**	**–**	**–**	64,369,648	–	–	
Pikeville Bancshares								
Professional fees		**1,193,920**	**–**	**156,128**	1,193,920	–	468,384	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	A	**–**	**18,057**	**–**		18,057	–	Non-interest bearing; No impairment
Availments		**–**	**–**	**–**	–	–	–	
Settlements		**–**	**–**	**–**	218,574	–	–	

Forward

Category/Transaction	Ref	2020 Amount of Transaction	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties	2019 Amount of transactions	2019 Outstanding Balances Due from related parties	2019 Outstanding Balances Due to related parties	Nature, Terms and Condition
Notes payable	B	**₱–**	**₱–**	**₱29,916,009**	₱	₱–	₱28,558,641	Unsecured interest bearing placements at 5.5% annual interest rate; no impairment
Availments		**1,357,368**	**–**	**–**	21,200,154	–	–	
Settlements		**–**	**–**	**–**	40,000,000	–	–	
Interest expense		**1,596,904**	**–**	**–**	2,125,192	–	–	
Directors and other stockholders								
Notes payable	B	**–**	**–**	**34,919,791**		–	29,668,733	Unsecured interest bearing placements at 5.5% annual interest rate; no impairment
Availments		**13,417,368**	**–**	**–**	8,882,825	–	–	
Settlements		**8,166,310**	**–**	**–**	7,622,000	–	–	
Interest expense		**1,880,705**	**–**	**8,403**	1,450,912	–	16,780	
Professional and other management fees		**3,333,611**	**–**	**–**	3,142,397	–	–	Payment of professional fees
TOTAL			**₱28,881,083**	**₱423,309,434**		₱27,631,561	₱460,769,111	

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, 2020 and 2019, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱403.44 million and ₱443.23 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱23.67 million and ₱14.49 million in 2020 and 2019, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱39.27 million and ₱252.98 million in 2020 and 2019, respectively. Settlement from borrowings amounted to ₱79.07 million and ₱130.62 million in 2020 and 2019, respectively. Interest rates from borrowings range from 5.0% to 6.00% in 2020 and 2019 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements amounting to ₱25.71 million and ₱23.57 milling in 2020 and 2019, respectively. Interest income from these placements amounted to nil and ₱1.77 million in 2020 and 2019, respectively (see 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 ₱15.3 million, ₱14.40 million and ₱18.69 million in 2020, 2019 and 2018 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)

	2020	2019	2018
a. Net Income	**₱10,827,303**	₱21,705,649	₱9,174,496
b. Weighted average number of outstanding common shares	**263,762,194**	239,416,144	226,132,258
c. Basic/diluted earnings per share (a/b)	**₱0.04**	₱0.09	₱0.04

The weighted average number of outstanding common shares in 2020 and 2019 was recomputed after giving retroactive effect to stock dividends declared on July 29, 2020, 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 2020, 2019 and 2018 amounted to ₱0.40 million, ₱1.21 million and ₱16.35 million, respectively.

Security deposits arising from these lease agreements amounted to ₱3.78 million and ₱3.82 million, as at December 31, 2020 and 2019, respectively (see Note 10).

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

	2020	2019	2018
Less than one year	**₱8,127,491**	₱15,477,556	₱13,102,722
Between one and five years	**26,912,777**	20,533,217	18,647,091
	₱35,040,268	₱36,010,773	₱31,749,813

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

	2020	2019
As at January 1	**₱33,542,018**	₱41,686,931
Adjustment	**–**	5,447,029
Additions	**7,707,406**	–
Accretion of interest	**2,025,648**	2,455,808
Payments	**(16,375,478)**	(16,047,750)
As at December 31	**₱26,899,594**	₱33,542,018

Right-of-use assets

	2020	2019
Balance at January 1	**₱28,821,320**	₱38,129,874
Adjustment	**–**	4,938,665
Additions	**7,707,406**	–
Depreciation of right-of-use assets	**(12,892,283)**	(14,247,219)
Balance at December 31	**₱23,636,443**	₱28,821,320

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

	January 1, 2019 *(as previously reported)*	*Adjustments*	January 1, 2019 *(as restated)*
Assets			
Other assets – net	₱80,748,175	(₱3,680,462)	₱77,067,713
Right-of-use assets	–	38,129,874	38,129,874
Deferred tax assets – net	69,401,876	1,067,117	70,468,993
	₱150,150,051	₱35,516,529	₱185,666,580
Liabilities and Equity			
Lease liabilities	₱–	₱41,686,931	₱41,686,931
Retained earnings	265,783,544	(6,170,402)	259,613,142
	₱265,783,544	₱35,516,529	₱301,300,073

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	₱51,810,257
Discounted using the incremental borrowing rate at January 1, 2019	(10,123,326)
Lease liabilities as at January 1, 2019	₱41,686,931

Adjustment on lease liability and right-of use assets

As a result of the review of the management of its books of accounts, certain adjustment was made by the management to correct the account balances related to leases. The details of such adjustment are as follows:

	January 1,2019		
	Before adjustment	Adjustment	After adjustment
Lease liability	(₱28,094,989)	(₱5,447,029)	(₱33,542,018)
Right-of-use assets	23,882,655	4,938,665	28,821,320
Retained earnings	(248,566,443)	(3,479,858	(252,046,301)
Security deposits	134,784	3,680,462	3,815,246
Deferred tax asset	61,209,971	307,760	61,517,731

21. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities:

Notes Payable, December 31, 2017	₱427,338,890
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	709,309,048
Cash flows during the year	
Proceeds from loans payable	206,074,736
Payment of loans payable	(228,990,783)
	(22,916,047)
Notes Payable, December 31, 2020	**₱686,393,001**

22. **Financial Assets and Financial Liabilities**

The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments as at December 31, 2020 and 2019:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Financial assets at amortized cost				
Cash and cash equivalents	**₱74,788,904**	**₱74,788,904**	₱62,726,271	₱62,726,271
Loans and other receivables – net	**994,335,152**	**994,335,152**	1,020,201,707	1,020,201,707
Security deposits	**3,780,959**	**3,780,959**	3,815,246	3,815,246
*Financial assets at FVOCI**	**80,000**	**80,000**	1,051,728	1,051,728
	₱1,072,985,015	**₱1,072,985,015**	**₱1,087,794,952**	**₱1,087,794,952**
Financial Liabilities				
Financial liabilities at amortized cost				
Notes payable	**₱686,393,001**	**₱686,393,001**	₱709,309,048	₱709,309,048
Accounts payable	**19,212,094**	**19,212,094**	29,715,348	29,715,348
Accrued expenses**	**36,454,343**	**36,454,343**	24,377,413	24,377,413
	₱742,059,438	**₱742,059,438**	**₱763,401,809**	**₱763,401,809**

**Included as part of 'Other assets - net' in the separate statement of financial position*
***Excluding government payables*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

The carrying amounts of the Company's cash and cash equivalents, security deposits, accounts payable and accrued expenses (excluding government payables) approximate their fair values at each reporting date due to the relatively short-term maturities of these financial instruments.

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

The carrying value of loans and receivables -net and notes payable approximates the fair value due either to the relatively short-term maturities of these assets and the fact that the interest rates reflect the prevailing market rates.

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the separate statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial assets at FVOCI	**₱80,000**	**₱–**	**₱–**	**₱80,000**

2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVOCI	₱1,051,728	₱–	₱–	₱1,051,728

The Company has no financial instruments valued based on Level 3 as at December 31, 2020 and 2019. In 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

23. 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.

	2020			2019		
	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*	**₱71,177,889**	**₱–**	**₱71,177,889**	₱60,159,080	₱–	₱60,159,080
Receivable from Customers: - net						
Consumer	**881,039,777**	**619,949,422**	**261,090,355**	883,321,451	618,834,377	264,487,074
Services	**237,569,351**	**27,125,322**	**210,444,029**	247,088,916	29,376,454	217,712,462
Other Receivables	**14,098,275**	**–**	**14,098,275**	13,464,482	–	13,464,482
Security deposits**	**3,780,959**	–	**3,780,959**	3,815,246	–	3,815,246
	₱1,207,666,251	**₱647,074,744**	**₱560,591,507**	₱1,207,849,175	₱648,210,831	₱559,638,344

**Excluding cash on hand*

	2020					
	Stage 1			**State 2**	**Stage 3**	
	Neither Past Due nor Impaired			**Past Due but**		
	High Grade	**Medium Grade**	**Low Grade**	**not Impaired**	**Impaired**	**Total**
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱71,177,889**	**₱–**	**₱–**	**₱–**	**₱–**	**₱71,177,889**
Receivable from Customers - net:						
Consumer	**477,148,129**	–	**134,924,425**	**119,944,060**	**149,023,163**	**881,039,777**
Services	**27,125,322**	–	**178,058,750**	**21,105,286**	**11,279,993**	**237,569,351**
Other Receivables	–	–	**14,098,275**	–	–	**14,098,275**
Security deposits	–	–	**3,780,959**	–	–	**3,780,959**
	₱575,451,340	**₱–**	**₱330,862,409**	**₱141,049,346**	**₱160,303,156**	**₱1,207,666,251**

**Excluding cash on hand*

	2019					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired			Past Due but		
	High Grade	Medium Grade	Low Grade	not Impaired	Impaired	Total
Financial Assets at Amortized Cost						
Cash and cash equivalents*	₱60,159,080	₱–	₱–	₱–	₱–	₱60,159,080
Receivable from Customers - net:						
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	–	–	3,815,246	–	–	3,815,246
	₱612,350,147	₱–	₱375,892,681	₱115,154,110	₱104,452,237	₱1,207,849,175

**Excluding cash on hand*

Interest income was computed based on the carrying value (after allowance for ECL) 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:

	2020					
	1-30 days	**30-60 days**	**61-90 Days**	**91-120 Days**	**More than 120 Days**	**Total**
Consumer	**₱19,398,393**	**₱15,753,199**	**₱18,959,933**	**₱15,689,639**	**₱50,142,896**	**₱119,944,060**
Services	**1,527,105**	**1,810,918**	**2,006,325**	**5,161,550**	**10,599,388**	**21,105,286**
	₱20,925,498	**₱17,564,117**	**₱20,966,258**	**₱20,851,189**	**₱60,742,284**	**₱141,049,346**

	2019					
	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	₱8,262,792	₱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.

	2020						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱71,177,889	₱71,177,889	₱–	₱–	₱–	₱–	₱71,177,889
Loans and other receivables							
Receivable from customers:							
Consumer	881,039,777	336,748,833	127,914,219	190,215,172	410,372,541	82,761,586	1,148,012,351
Services	237,569,351	117,932,586	28,083,531	48,140,924	125,345,058	10,016,077	329,518,176
Other receivables	14,098,275	12,905,093	–	–	–	1,053,218	13,958,311
Security deposits	3,780,959	–	–	–	3,780,959	–	3,780,959
Financial assets at FVOCI*	80,000	–	–	–	–	80,000	80,000
	1,207,746,251	538,764,401	155,997,750	238,356,096	539,498,558	93,910,881	1,566,527,686
Financial Liabilities							
Notes payable	686,393,001	137,141,100	137,141,100	274,282,200	137,828,601	–	686,393,001
Accounts payable	19,212,094	19,212,094	–	–	–	–	19,212,094
Accrued expenses**	36,454,343	36,454,343	–	–	–	–	36,454,343
	742,059,438	192,807,537	137,141,100	274,282,200	137,828,601	–	742,059,438
Net liquidity gap	₱465,686,813	₱345,956,864	₱18,856,650	₱35,926,104	₱401,669,957	₱93,910,881	₱824,468,248

**Includes investments in golf shares which is presented under "Other asset"*
***Excluding government payables*

	2019						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
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	69,531,173	1,190,077,491
Services	247,088,916	132,531,566	28,848,290	47,559,705	92,556,530	34,949,160	336,445,251
Other receivables	13,464,482	12,096,282	–	–	–	1,102,587	13,198,869
Security deposits	3,185,246	–	–	–	3,815,246	–	3,815,246
Financial assets at FVOCI*	80,000	–	–	–	–	80,000	80,000
	1,207,929,175	537,343,231	156,111,921	240,192,756	564,465,109	105,662,920	1,603,775,937
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	₱444,527,366	₱458,750,470	₱22,611,921	(₱125,354,063)	₱378,702,880	₱105,662,920	₱840,374,128

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:

	Note	**2020**	2019
Cash in banks and cash equivalents	6	**₱71,177,889**	₱60,159,080
Loans and receivable, net*	7	**982,288,274**	1,008,738,023
Notes payable	11	**(686,393,001)**	(709,309,048)
Net exposure		**₱367,073,162**	₱359,588,055

**excluding miscellaneous receivables*

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
2020	**+100bps**	**₱3,658,041**
	-100bps	**(3,658,041)**
2019	+100bps	₱6,267,164
	-100bps	(6,267,164)

24. Events After the Reporting Period

Continuing Effects of COVID-19 Pandemic

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 (see Note 7) in 2019.

In March 2021, following spike in the number of new COVID-19 cases, the Philippine Government has placed Metro Manila and other risk areas back to ECQ from March 29 to April 4, 2021 which was later extended to April 29, 2021.

These measures affected economic activities and business operations of the Company.

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.

Corporate Recovery and Tax Incentives for Enterprises or “CREATE” Act

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, ratified the Corporate Recovery and Tax Incentives for Enterprises (the CREATE bill). The CREATE bill seeks to reform corporate income taxes and rationalize fiscal incentives in the country by implementing certain changes to the current tax regulations. Under the bill, some changes will be implemented for periods beginning July 1, 2020.

On February 24, 2021, the final version of the CREATE bill was transmitted to the Office of the President for signing or approval into law. On March 26, 2021, the Office of the President approved the bill, now called Republic Act No. 11534 or CREATE Act. The CREATE Act will become effective 15 days after complete publication in the Official Gazette or any newspaper of general circulation in the Philippines.

The CREATE Act resulted to the reduction of the Company’s tax rate from 2% to 1% of gross income for 3 years, effective July 1, 2020. The impact to the financial statements are as follows:

	Previous Rate	**CREATE Rate**	**Difference**
Deferred tax assets	₱57,221,822	₱47,684,852	₱9,536,970
Income tax payable	761,701	276,366	485,335
Provision for current income tax	1,941,341	1,456,006	485,335

BDO Roxas Cruz Tagle and Co.
Audit | Tax | Consulting | BSO

BOA/PRC Reg. No. 0005,
December 13, 2018, valid until July 20, 2021
SEC Accreditation No. 0005-SEC,
April 13, 2021, valid until April 12, 2024

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.bdo-roxascruztagle.ph
Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

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 *(A Subsidiary of Amalgamated Investment Bancorporation)* (the "Company") as at and for the year ended December 31, 2020 on which we have rendered the attached report dated April 29, 2021.

In compliance with the Revised Securities Regulation Code (SRC) Rule 68, we are stating that the said Company has a total number of 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-SEC, Group A, issued on September 10, 2019,
effective until September 09, 2022
BIR Accreditation No. 08-001682-015-2019, issued on February 8, 2019,
effective until February 7, 2022
PTR No. 2436947, issued on January 8, 2021, Cebu City

April 29, 2021
Makati City

BOA/PRC Reg. No. 0005,
December 13, 2018, valid until July 20, 2021
SEC Accreditation No. 0005-SEC,
April 13, 2021, valid until April 12, 2024

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Fax: + (632) 8844 2045

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 *(A Subsidiary of Amalgamated Investment Bancorporation)* (the "Company") as at December 31, 2020 and 2019 and have issued our report thereon dated April 29, 2021. Our audits were 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 these audited financial statements are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and the Securities and Exchange Commission 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. [redacted]
Tax Identification No. [redacted]
SEC Accreditation No. [redacted], Group A, issued on September 10, 2019,
effective until September 09, 2022
BIR Accreditation No. [redacted] issued on February 8, 2019,
effective until February 7, 2022
PTR No. [redacted], issued on January 8, 2021, Cebu City

April 29, 2021
Makati City

EXHIBIT I

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2020

Unappropriated Retained Earnings, available for dividends distribution - beginning as previously presented			₱83,934,322
Add:	**Net income actually earned/realized during the year**		
	Net income during the period	10,827,303	
	Deferred tax expense during the year	4,802,952	15,630,255
Less:	Dividends declared during the year		(3,255,804)
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DISTRIBUTION			**₱96,308,773**

EXHIBIT II

SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2020

	2020	2019
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	**98,11%**	101.35%
Debt to equity ratio	**147.40%**	154.06%
Quick ratio	**174.50%**	180.86%
PROFITABILITY RATIOS		
Return on assets	**0.82%**	1.64%
Return on equity	**2.04%**	4.16%
Net profit margin	**6.60%**	12.35%
ASSET TO EQUITY RATIO	**247.40%**	254.05%
INTEREST RATE COVERAGE RATIO	**1.41**	2.33

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, 2020

	2020	2019
Ratio or percentage of total real estate investments to total assets	**4.66%**	4.75%
Total receivables to total assets	**75.65%**	77.02%
Total DOSRI receivables to net worth	**4.88%**	4.56%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	**0.02%**	0.02%
Honda Motor World, Inc.	**0.01%**	0.00%
Amalgamated Investment Bancorporation	**0.01%**	0.01%
MAPI Lending Investors, Inc.	**0.27%**	0.29%

EXHIBIT IV

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2020

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: Orchard golf club shares	1	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	₱44,542	₱125,228	₱63,753	₱–	₱106,017	₱–	₱106,017
Motor Ace Phils, Inc.	153,894	174,490	88,200	–	240,184	–	240,184
MAPI Lending Investors, Inc.	26,506,714	2,638,176	708,579	–	28,436,311	–	28,436,311

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	₱–	₱–	₱–	₱–	₱–	₱–	₱–

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
Windows 7 Prof OEM License	₱1	₱–	₱–	₱–	₱–	₱1
Other Software Cost	1	–	–	–	–	1
Web hosting domain Dot.Ph	1	–	1	–	–	–
DOTPH Services/2-years	–	–	–	–	–	-
HRIS Support	1	–	–	–	–	1
Sophos router/3-years Firewall License	1	–	–	–	–	1
Access point 55C 34900	1	–	–	–	–	1
Email domain payment (makatifinance.com.ph)	1	–	–	–	–	1
Renewal of web hosting (07/28/2018 - 07/27/2020)	–	–	–	–	–	–
Sophos Central Endpoint Protection - 60Users	88,000	–	26,400	–	–	61,600
Central Endpoint Intercept - 60Users @ 1650.00	66,000	–	19,800	–	–	46,200
Central Intercept and Advanced for Server - 3Servers	38,800	–	11,640	–	–	27,160
Central Device Encryption - 10Users	18,533	–	5,560	–	–	12,973
84pcs. GV 25 Tracking Device	140,000	–	42,000	–	–	98,000
SSophos XG210 Appliance - Upgrade License Renewal	331,888	–	77,700	–	–	254,188
QNE ADJUSTMENT	17,378	–	17,384	–	5,213	5,207
Web hosting domain Dot.Ph-RENEWAL		12,252	3,574			8,678
TOTAL	**₱700,606**	**₱12,252**	**₱204,059**	**₱–**	**₱5,212**	**₱514,012**

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	₱184,774,268	₱127,014,177	₱57,760,091
SECURITY BANK/PN	70,882,936	47,800,005	23,082,931

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	₱—	₱—

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	₱—	₱—	₱—	₱—

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(Direct & Indirect)	Others
COMMON	75,654,549	75,654,549	—	75,654,549	—	—
COMMON	67,341,540	67,341,540	—	67,341,540	—	—
COMMON	58,995,320	58,995,320	—	38,539,758	—	20,455,562
COMMON	9,901,832	9,901,832	—	—	—	9,901,832
COMMON	9,413,482	9,413,482	—	9,413,482	—	—
COMMON	8,808,214	8,808,214	—	—	8,808,214	—
COMMON	7,424,069	7,424,069	—	—	7,424,069	—
COMMON	6,663,120	6,663,120	—	—	—	6,663,120
COMMON	6,343,994	6,343,994	—	—	—	6,343,994
COMMON	6,090,520	6,090,520	—	—	6,090,520	
COMMON	2,681,647	2,681,647	—	—	2,681,647	—
COMMON	1,013,650	1,013,650	—	—	—	1,013,650
COMMON	790,451	790,451	—	—	—	790,451
COMMON	538,197	538,197	—	—	—	538,197
COMMON	517,747	517,747	—	—	—	517,747
COMMON	459,979	459,979	—	—	135,371	324,608
COMMON	317,164	317,164	—	—	—	317,164
COMMON	317,164	317,164	—	—	—	317,164
COMMON	317,164	317,164	—	—	317,164	—
COMMON	317,164	317,164	—	—	317,164	—
COMMON	317,164	317,164	—	—	—	317,164
COMMON	317,164	317,164	—	—	—	317,164
COMMON	317,164	317,164	—	—	—	317,164
COMMON	304,495	304,495	—	—	304,495	—
COMMON	191,508	191,508	—	—	—	191,508
COMMON	111,291	111,291	—	—	37,097	74,194
COMMON	88,535	88,535	—	—	—	88,535
COMMON	47,579	47,579	—	—	—	47,579
COMMON	35,984	35,984	—	—	—	35,984

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(Direct & Indirect)	Others
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,422	26,422	—	—	—	26,422
COMMON	26,421	26,421	—	—	—	26,421
COMMON	25,022	25,022	—	—	8,341	16,681
COMMON	24,604	24,604	—	—	—	24,604
COMMON	21,397	21,397	—	—	—	21,397
COMMON	20,220	20,220	—	—	—	20,220
COMMON	18,889	18,889	—	—	—	18,889
COMMON	18,336	18,336	—	—	—	18,336
COMMON	17,187	17,187	—	—	17,187	—
COMMON	10,497	10,497	—	—	—	10,497
COMMON	8,973	8,973	—	—	—	8,973
COMMON	7,653	7,653	—	—	—	7,653
COMMON	7,641	7,641	—	—	—	7,641
COMMON	7,615	7,615	—	—	—	7,615
COMMON	7,531	7,531	—	—	—	7,531
COMMON	5,876	5,876	—	—	—	5,876
COMMON	2,908	2,908	—	—	—	2,908
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	—	2,497

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(Direct & Indirect)	Others
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	2,497	—
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,497	2,497	—	—	—	2,497
COMMON	2,496	2,496	—	—	2,496	—
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	2,496	2,496	—	—	—	2,496
COMMON	1,596	1,596	—	—	—	1,596
COMMON	1,385	1,385	—	—	—	1,385
COMMON	1,190	1,190	—	—	—	1,190
COMMON	1,036	1,036	—	—	118	918
COMMON	790	790	—	—	—	790
COMMON	778	778	—	—	—	778
COMMON	537	537	—	—	—	537

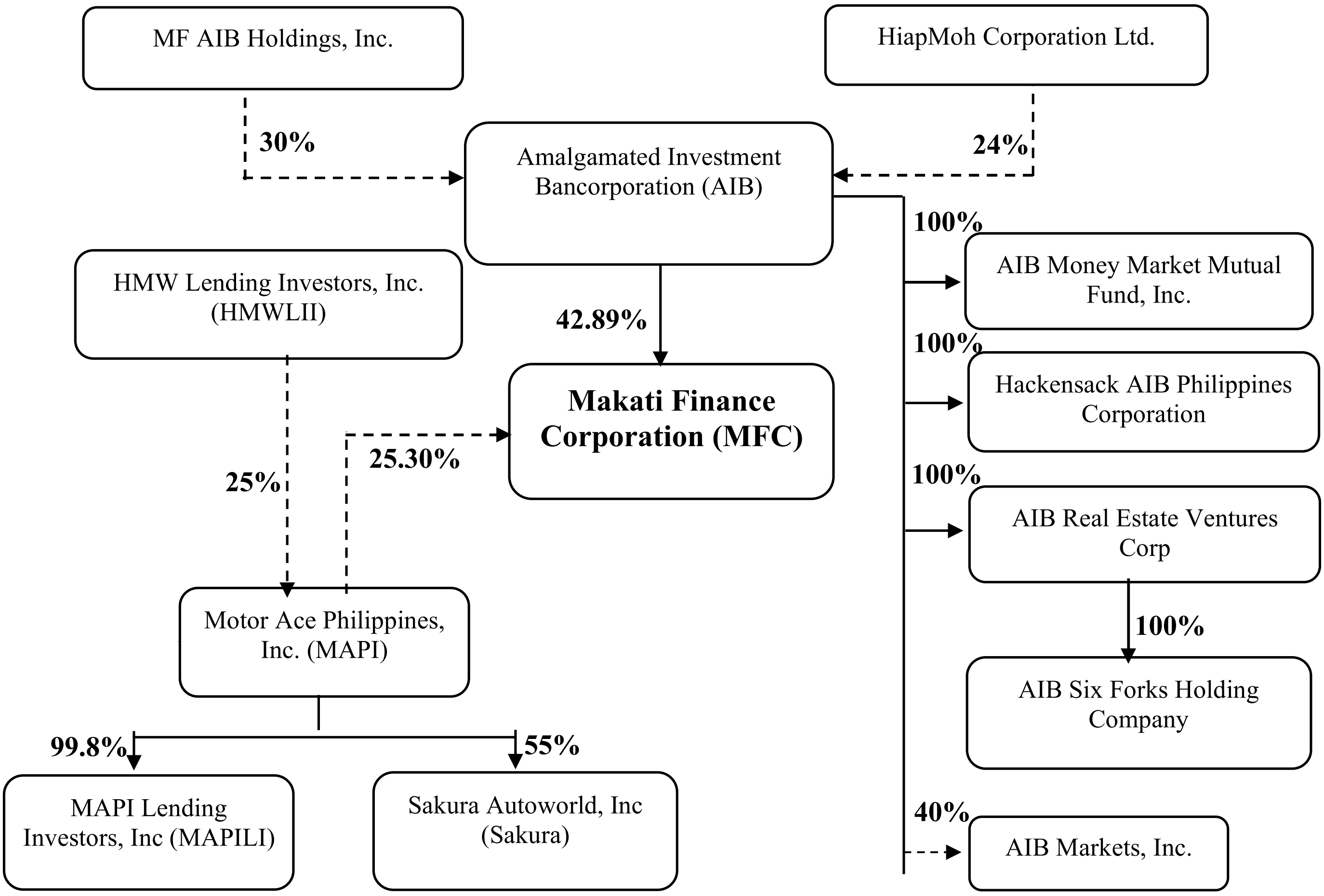
Schedule H. Capital Stock

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(Direct & Indirect)	Others
COMMON	412	412	—	—	—	412
COMMON	284	284	—	—	—	284
COMMON	114	114	—	—	—	114
COMMON	114	114	—	—	—	114
COMMON	114	114	—	—	—	114
COMMON	114	114	—	—	—	114
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	**266,204,047**	**266,204,047**	—	**190,949,329**	**26,148,897**	**49,105,821**

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, 2020



Legend:

- - - - Associate

——— Subsidiary

MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

May 14, 2021

via electronic mail and JRS Express delivery
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
cgfd@sec.gov.ph
Cc : Information and Communications Technology Dept. (ICTD)
ictdsubmission@sec.gov.ph

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, 2021 (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

28788
S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

3 RD FLOOR MAZDA MAKATI
BUILDING 2301 CHINO ROCES
BARANGAY MAGALLANES
AVENUE MAKATI CITY 1231
(Business Address : No. Street/City/Province)

MARCOS E. LAROSA
Contact Person

(02) 7751-8132
Company Telephone Number

12 31
Month *Day*
Fiscal Year

2021

SEC Form 17-Q
1st Qtr.2021
FORM TYPE

Financing
Secondary License Type, If Applicable

07
Month *Day*
Annual Meeting

Every last Thursday of July

CRMD
Dept. Requiring this Doc.

Amended Articles Number/Section

109
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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, 2021**

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)

3F Mazda Makati, 2301 Chino Roces Avenue, Brgy. Magallanes, Makati City **1231**

7. Address of issuer's principal office 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	**266,204,047***

**as reported by the stock transfer agent as of March 31, 2021*

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

Yes [X] 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)

	2021	*2020*
NET INTEREST INCOME RATIO	80.37%	77.09%
EBIT MARGIN	41.20%	43.28%
RETURN ON ASSETS (ANNUALIZED)	1.54%	0.82%
DEBT TO EQUITY	142.83%	162.74%
RETURN ON EQUITY (ANNUALIZED)	3.74%	2.16%

Net interest income as of end of 1st Quarter of 2021 ended at P37.13 million, 10% higher versus same period last year of ₱33.86 million, mainly due to better collections this year, which increased by about 39% to ₱330 million versus ₱237 million in 2020 resulting to a Net Income of ₱5.02 million, which is about 77% higher versus ₱2.48 million in 1st Quarter of 2020. Net interest income ratio, ended at 80.37%, higher versus 77.09% in the same period last year. On the other hand, EBIT margin, which measures profitability performance as annualized net income before interest expenses and taxes over the total interest income, ended at 41.20% this year, lower versus 43.28% in 2020. Return on assets was 1.54% in 2021, higher versus 0.82% in 2020 due to increase in Net Income this year. 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 3.74% in 2021, higher versus 2.16% in the same period last year. 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 2021.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱5.01 million for the first quarter of 2021. Net interest income for the quarter ending March amounted to ₱37.13 million, higher by ₱3.26 million versus ₱ 33.86 million in 2020. 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 ₱33.55 million as of March 2021. 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 ₱1,302.27 million as of March 2021, 1% lower from ₱1,314.34 million as of December 31, 2020. The decrease is primarily due Loans Receivable which dropped by 4% or ₱ 35.26 million from ₱994.34 million in December 31, 2020 to ₱959.08 million as of March 31, 2021, due to the impact of the pandemic resulting to lower loan releases in 1st Quarter of 2021. Total liabilities amounted to ₱766 million as of March 31, 2021, 2% lower from ₱783.07 million in December 2020 due to loan payments made in the first quarter of 2021.

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**...……….............

Date ……May 14, 2021

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

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

Date ……. May 14, 2021

ANNEX A

INTERIM FINANCIAL STATEMENTS

For the Period Ending March 31, 2021
With Comparative Figures for 2020

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD ENDING MARCH 31, 2021, 2020 AND DEC. 31, 2020

	Note	**March 31, 2021 (Unaudited)**	Dec.31, 2020 (Audited))	March 31, 2020 (Unaudited
ASSETS				
Cash and cash equivalents	*6*	**₱89,362,398**	₱74,788,904	₱55,396,006
Loans and other receivables -net	*7*	**959,079,622**	994,335,152	1,080,011,671
Property and equipment - net	*8*	**7,952,949**	6,990,218	8,493,023
Investment properties - net	*9*	**60,154,703**	61,240,053	62,795,977
Right-of-use assets - net	*20*	**23,636,443**	23,636,443	23,882,655
Deferred tax assets - net	*17*	**55,670,837**	57,221,822	59,664,287
Other assets - net	*10*	**106,422,990**	96,124,946	87,126,068
		₱1,302,279,942	₱1,314,337,538	₱1,377,369,687
LIABILITIES AND EQUITY				
Liabilities				
Notes payable	*11*	**661,829,909**	₱686,393,001	₱748,117,465
Accounts payable	*18*	**23,657,153**	19,212,094	34,667,355
Accrued expenses	*12*	**43,146,844**	41,227,498	36,744,714
Income tax payable	*17*	**1,582,759**	761,701	1,229,492
Lease liabilities	*20*	**26,899,594**	26,899,594	28,094,989
Retirement benefits liability - net	*15*	**8,877,069**	8,577,069	4,274,808
		765,993,328	783,070,957	853,128,823
Equity				
Capital stock	*14*	**266,204,047**	266,204,047	262,948,243
Additional paid-in capital		**5,803,922**	5,803,922	5,803,922
Retained earnings		**261,381,942**	256,361,909	251,396,230
Remeasurement gains on retirement benefit liability - net of tax	*15*	**2,896,703**	2,896,703	4,092,469
		536,286,614	531,266,581	524,240,864
		₱1,302,279,942	₱1,314,337,538	₱1,377,369,687

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDING MARCH 31, 2021, 2020 and DEC. 31, 2020

	Note	March 31, 2021 (Unaudited)	Dec.31, 2020 (Audited))	March 31, 2020 (Unaudited
Interest income	*6,7*	**₱46,196,806**	**₱164,100,975**	₱43,927,940
Interest expense	*11, 20*	**(9,066,415)**	**(42,568,272)**	(10,063,143)
		37,130,391	**121,532,703**	33,864,797
Other income				
Service charges		**1,537,921**	**4,580,050**	1,663,102
Gain on foreclosed assets	*9*	–	–	
Miscellaneous	*16*	**2,273,099**	**12,329,198**	1,892,108
		3,811,020	**16,909,248**	3,555,210
Total operating income		**40,941,411**	**138,441,951**	37,420,007
Operating expenses - net				
Salaries and employee benefits		**14,133,251**	**54,318,528**	15,075,342
Depreciation and amortization	*8,9,10,20*	**1,340,290**	**18,502,108**	1,448,608
Taxes and licenses		**2,572,493**	**14,703,685**	4,071,323
Provision (recovery) for credit losses	*7*	**3,942,724**	**14,649,739**	1,036,149
Management and professional fees		**1,577,874**	**7,533,057**	1,637,737
Provision (reversal) for impairment loss of repossessed assets	*10*	**653,337**	**(3,492,533)**	162,284
Loss (gain) from sale of repossessed assets	*10*	**(1,050,111)**	**(3,296,379)**	(1,076,733)
Travel and transportation		**1,761,988**	**3,256,469**	1,256,698
Occupancy costs		**5,320,547**	**2,169,628**	5,422,078
Commission		**120,835**	**1,925,474**	99,977
Impairment loss on investment properties	*9*	**-**	**915,951**	–
Entertainment, amusement and recreation		**169,110**	**302,238**	243,534
Miscellaneous	*16*	**3,006,998**	**9,382,390**	3,164,577
Total operating expenses - net		**33,549,336**	**120,870,355**	32,541,574
Non-operating income				
Gain on sale of investment properties	*9*	–	–	–
Income before tax		**7,392,075**	**17,571,596**	4,878,433
Income tax expense	*17*	**(2,372,042)**	**(6,744,293)**	(2,048,644)
Net income		**₱5,020,033**	**₱10,827,303**	₱2,829,789
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement gain (loss) on retirement benefit liability, net of tax	*15*	**-**	**(1,195,765)**	-
Total comprehensive income		**₱5,020,033**	**₱9,631,538**	**₱2,829,789**
Basic and Diluted Earnings Per Share	*19*	**₱0.02**	**₱0.04**	**₱0.01**

See Notes to the Financial Statements.

***As of March 31, 2021, and December 31, 2020,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING MARCH 31, 2021 AND 2020 AND DECEMBER 31, 2020

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2021	**₱266,204,047**	**₱5,803,922**	**₱256,361,909**	**₱2,896,703**	**₱531,266,581**
Stock dividends	–	–	–	–	–
Cash dividends	–	–	–	–	–
Total comprehensive income					
Net income	–	–	**5,020,033**	–	**5,020,033**
Other comprehensive loss	–	–	–	–	–
	–	–	**5,020,033**	**₱2,896,703**	
Balance at March 31, 2021	**₱266,204,047**	**₱5,803,922**	**₱261,381,942**	**₱2,896,703**	**₱536,286,614**

Forward

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2020	**₱262,948,243**	**₱5,803,922**	**₱252,046,301**	**₱4,092,468**	**₱524,890,934**
Stock dividends	3,255,804	–	(3,255,804)	–	–
Cash dividends	–	–	(3,255,891)	–	(3,255,891)
Total comprehensive income					
Net income	–	–	10,827,303	–	10,827,303
Other comprehensive loss	–	–	–	(1,195,765)	(1,195,765)
	–	–	10,827,303	(1,195,765)	9,631,538
Balance at December 31, 2020	**₱266,204,047**	**₱5,803,922**	**₱256,361,909**	**₱2,896,703**	**₱531,266,581**

Forward

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2019, as previously reported	₱231,572,111	₱5,803,922	₱265,783,544	₱6,137,696	₱509,297,273
Adjustments (Note 20)	–	–	(2,690,544)	–	(2,690,544)
Balance at January 1, 2019, as restated	231,572,111	5,803,922	263,093,000	6,137,696	506,606,729
Stock dividends	31,376,132	–	(31,376,132)	–	–
Cash dividends	–	–	(1,376,216)	–	(1,376,216)
Total comprehensive income					
Net income	–	–	21,705,649	–	21,705,649
Other comprehensive loss	–	–	–	(2,045,228)	(2,045,228)
	–	–	21,705,649	(2,045,228)	19,660,421
Balance at December 31, 2019	₱262,948,243	₱5,803,922	₱252,046,301	₱4,092,468	₱524,890,934

Forward

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings (Note 14)	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2018 as previously reported	₱223,412,301	₱5,803,922	₱273,833,971	₱3,737,996	₱506,788,190
Adjustment	–	–	(905,181)	–	(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					
Net income	–	–	9,174,496	–	9,174,496
Other comprehensive income	–	–	–	2,399,700	2,399,700
	–	–	9,174,496	2,399,700	11,574,196
Balance at December 31, 2018	₱231,572,111	₱5,803,922	₱265,783,544	₱6,137,696	₱509,297,273

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING MARCH 31, 2021 AND 2020 AND DECEMBER 31, 2020

	Note	**March 31, 2021 (Unaudited)**	Dec. 31, 2020 (Audited))	**March 31, 2020 (Unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱7,392,075**	₱17,571,596	₱4,878,431
Adjustments for:				
Depreciation and amortization	*8,9,10,20*	**1,302,789**	18,502,108	1,448,608
Provision (recovery) for credit losses on loans and other receivables	*7*	**3,942,724**	14,649,739	1,198,432
Provision for (reversal of) impairment loss of repossessed assets	*10*	**653,337**	(3,492,533)	–
Loss (gain) from sale of repossessed assets	*10*	**(1,050,111)**	(3,296,379)	(1,198,698)
Retirement benefits expense	*15*	–	2,894,024	
Interest expense from lease liabilities	*20*	–	2,025,648	–
Provision for impairment loss of investment properties	*9*	**–**	915,951	–
Gain on foreclosed assets	*9*	**–**	–	–
Gain on disposal of investment property	*9*	**–**	–	–
Recovery of impairment loss from investment property	*9*	**–**	–	–
Operating income before changes in working capital		**12,240,814**	49,770,154	6,326,773
Decrease (increase) in:				
Loans and other receivables		**32,398,155**	11,216,730	(60,586,389)
Other assets		**(10,001,052)**	(50,249,505)	(1,806,763)
Increase (decrease) in:				
Accounts payable		**4,445,059**	(11,964,493)	4,952,008
Accrued expenses		**2,219,347**	9,829,968	5,641,981
Net cash flows used in operating activities		**41,302,323**	8,602,854	(45,472,390)
Income taxes paid	*17*		(1,906,171)	
Proceeds from sale of repossessed assets	*10*	–	48,830,590	–
Net cash provided by (used in) operating activities		**41,302,323**	55,527,273	(45,472,390)

Forward

	Note	March 31, 2021 (Unaudited)	Dec. 31, 2020 (Audited))	March 31, 2020 (Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	*8*	**2,165,737**	(899,846)	(666,291)
Software	*10*		(17,465)	–
Investment properties	*9*	–	–	–
Proceeds from *sale* of:				
Property and equipment	*8*	–	–	–
Investment properties		–	–	–
Net cash used in investing activities		**2,165,737**	(917,311)	(666,291)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable	*21*	**16,059,460**	206,074,736	64,947,958
Settlements of notes payable	*21*	**(40,622,552)**	(228,990,783)	(26,139,542)
Payments of lease liabilities	*20*	–	(16,375,478)	–
Cash dividends paid- including fractional shares	*14*	–	(3,255,804)	–
Net cash provided by (used in) financing activities		**(24,563,092)**	(42,547,329)	38,808,416
NET INCREASE (DECREASE) IN CASH IN CASH AND CASH EQUIVALENTS		**14,573,494**	12,062,633	(7,330,265)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**74,788,904**	62,726,271	62,726,271
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱89,362,398**	₱74,788,904	₱55,396,006
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		**₱46,196,806**	₱164,100,975	₱43,927,940
Interest paid		**₱9,061,661**	₱40,126,133	₱11,869,140

See Notes to the Financial Statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED MARCH 31, 2021 AND 2020
(WITH COMPARATIVE FIGURES AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020)

1. Reporting Entity

Makati Finance Corporation *(A Subsidiary of Amalgamated Investment Bancorporation)* (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 42.89% of the Company as at December 31, 2020 and 2019.

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 March 30, 2021, the Company's closing price at the PSE amounts to ₱2.53 per share.

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

2. Basis of Preparation

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). 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. except for financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value on each reporting date.

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, 2020:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *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.

  These amendments had no impact on the financial statements of the Company.

- Conceptual Framework for Financial Reporting (Revised). The IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework), a comprehensive set of concepts for financial reporting, in March 2018.

  It sets out:
  - the objective of financial reporting
  - the qualitative characteristics of useful financial information
  - a description of the reporting entity and its boundary
  - definitions of an asset, a liability, equity, income, and expenses
  - criteria for including assets and liabilities in financial statements (recognition) and guidance on when to remove them (derecognition)
  - measurement bases and guidance on when to use them
  - concepts and guidance on presentation and disclosure

  The purpose of the Conceptual Framework is to assist the IASB to develop financial reporting standards (Standards) based on consistent concepts, resulting in financial information that is useful to investors, lenders, and other creditors. It also assists preparers to develop consistent accounting policies for transactions or other events when no Standard applies, or a Standard allows a choice of accounting policies. The Conceptual Framework is not a Standard and does not override any Standard or any requirement in a Standard.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*. The amendments to PFRS 9 and PAS 39 *Financial Instruments: Recognition and Measurement and PAS 7 Financial Instruments: Disclosures* include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  The mandatory reliefs provided in the Standard are as follows:

  - The assessment of whether a forecast transaction (or component thereof) is highly probable.
  - Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss.
  - The assessment of the economic relationship between the hedged item and the hedging instrument.
  - For a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship.

  These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

- Amendment to PFRS 16, *COVID-19 Related Rent Concession*. The amendment to PFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

  Lessees will apply the practical expedient retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings at the beginning of the annual reporting period in which the amendment first applied.

  These amendments had no impact on the financial statements of the Company.

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, 2020 and have not been applied in preparing the financial statements are summarized below.

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

- Annual Improvements to IFRS: 2018-2020 Cycle

  - IFRS 1, *First-time Adoption of IFRS - Subsidiary as a first-time adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

  - IFRS 9, *Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities*. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  - IFRS 16, *Leases – Lease incentives*. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

  - Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract* – The amendments specify the costs a Company includes when assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. The amendments apply a "directly related approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

  - Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use* – The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Instead, the entity recognizes such sales proceeds and any related costs in the profit or loss.

  - Amendments to PAS 1, *Presentation of Financial Statements* - The amendments to PAS 1 specify the requirements for classifying current and noncurrent liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023 as a result of COVID-19 pandemic.

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 prevailing circumstances, the adoption of the foregoing 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 March 31, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, the Company’s cash and cash equivalents, loans and other receivables, security deposits 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, 2021 and December 31, 2020, the Company's liabilities arising from its notes payable, accounts payable, accrued expenses (excluding payable to government) 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, 2021 and December 31, 2020, the Company's investments in golf shares presented as "others" 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

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk of the financial asset since origination. Otherwise if a significant increase in credit risk is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Company's credit exposure are loans and accounts receivables and refundable deposits. Loan and other receivables may be availed by specific individuals. Financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower delays on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Significant increase in credit risk

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than a specified day past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risks since initial recognition, the Company shall revert to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a significant increase in credit risk since initial recognition. The Company recognizes a 12-month ECL for Stage 1 financial assets.

- Stage 2 is comprised of all non-impaired financial assets which have experienced a significant increase in credit risk since initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. The ECL model requires a lifetime ECL for impaired financial assets.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Assessment of ECL on a collective basis

The Company calculates ECL either on an individual or a collective basis. The Company performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held. The Company applies a simplified ECL approach for its loans and accounts receivables wherein the Organization uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

Forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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 amortized 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 - net
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 ECL.

Property and equipment - net
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	2 – 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 comprehensive income in the period of retirement and disposal.

Investment properties - net
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 25 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.

Other assets - net

The Company's other assets consist of repossessed assets, prepaid securities, security deposits, software cost and other investments.

Repossessed assets

Repossessed assets are carried at cost which represents the unpaid balance of customer loans at initial recognition. Subsequently, 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.

Prepaid securities

Prepaid securities are recognized when payments for goods or services are made in advance for the delivery of the goods or the rendering of the services. Prepaid securities are carried at cost less utilized portion and any impairment loss. Prepaid securities are derecognized upon consumption or usage. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Prepaid items are apportioned over the period covered by the payment.

Security deposits

Security deposits represent payments made in relation to the lease and other agreements entered into by the Company. These are carried at amortized cost and will generally be applied as lease payment at the end of the agreements. Defaults on rent and utilities payment and other damages the Company may incur are applied against these deposits.

Software costs

Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under "Other assets – net" 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. 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.

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.

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
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital stock and additional paid-in capital
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
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Company pertains to remeasurement gain on accrued retirement benefit costs.

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.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

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 prevailing exchange rate as of statements 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 statements 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

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognized in the statements of comprehensive income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

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).

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.

Contingencies

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

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.

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).

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 - net" 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 March 31, 2021 and December 31, 2020, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed in the financial statements.

Evaluating Deferred Tax. In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classifying Financial Instruments. The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

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 ECL - 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 ECL, 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 an ECL 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 PFRS 9) – 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 March 31, 2021 and December 31, 2020, allowance for ECL amounted to 142.27 million and ₱138.32 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱0.96 billion and ₱0.99 billion as at March 31, 2021 and December 31, 2020, respectively (see Note 7).

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.

As at March 31, 2021 and December 31, 2020, deferred tax assets amounted to ₱55.67 million and ₱58.04 million, respectively (see 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.

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, 2021 and December 31, 2020, the Company did not recognize impairment on property and equipment and software costs. The carrying value of property and equipment amounted to ₱7.95 million and ₱6.99 million as at March 31, 2021 and December 31, 2020, respectively (see Note 8).

The carrying value of software cost amounted to ₱0.41 million and ₱0.51 million as at March 31, 2021 and December 31, 2020, respectively (see Note 10).

As at March 31, 2021 and December 31, 2020, the carrying value of investment properties amounted to ₱60.15 million and ₱61.24 million, respectively. Provision for impairment loss on investment properties amounted to nil in March 31, 2021 and ₱0.92 million in December 31, 2020(see Note 9).

As at March 31, 2021 and December 31, 2020, the carrying value of repossessed assets amounted to ₱94.95 million and ₱86.04 million, respectively. Provision for impairment loss on repossessed assets amounted to ₱0.065 million as at March 31, 2021 and reversal for impairment loss on repossessed assets amounted to ₱3.49 million in December 31, 2020, respectively (see Note 10).

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 15.

The Company's net retirement liability amounted to ₱8.58 million and ₱3.97 million as at December 31, 2020 and 2019, respectively (see 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 and Cash Equivalents and Security Deposits

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, Accrued Expenses (excluding payable to government) and Lease liabilities

The carrying amounts of accounts payable, accrued expenses (excluding payable to government) and lease liabilities 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.

Business loans

This group grants loans to finance business owners who wishes to expand its business or for the purpose of starting capital

MFC Factors Group

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

Motor Vehicles Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other Segments

This segment includes pension loans , housing loans, personal 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 sales revenue generated from the Company's operating segments amounted to 10% or more of the total revenues.

Financial information about operating segments follows:

	March 31, 2021 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	**₱193,151,113**	**541,952,461**	**₱709,461,106**	**₱77,677,175**	**₱1,522,241,855**
Results of operation					
Revenue					
Interest income	5,461,297	19,448,533	19,259,465	2,027,511	46,196,806
Other income	729,753	1,663,339	831,230	586,698	3,811,020
Total	6,191,050	21,111,872	20,090,695	2,614,209	50,007,826
Expenses					
Interest expense	1,071,814	3,816,897	3,779,792	397,912	9,066,415
Provision for losses	419,195	1,492,820	1,478,308	155,627	3,545,950
Operating expenses	3,186,419	6,972,092	18,482,549	1,362,326	30,003,386
	4,677,428	12,281,809	23,740,649	1,915,865	42,615,751
Net operating income (loss)	1,513,622	8,830,063	(3,649,954)	698,344	7,392,075
Less: Income tax expense (benefit)	472,342	2,714,028	(1,030,609)	216,281	2,372,042
Net Income (loss)	1,041,280	6,116,035	(2,619,345)	482,063	5,020,033
Statement of Financial Position					
Total Assets	₱123,010,490	₱521,246,203	₱607,769,856	₱50,253,393	**₱1,302,279,942**
Total Liabilities	₱82,393,283	₱311,093,639	₱338,976,701	₱33,529,705	₱765,993,328
Other segment information					
Capital expenditures	256,029	911,761	902,897	95,051	2,165,738
Depreciation and amortization	₱133,434	₱503,809	₱548,965	₱54,300	**₱1,240,508**

	December 31, 2020 (Audited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	₱194,734,024	₱536,362,629	₱717,900,425	₱78,657,862	₱1,527,654,940
Results of operation					
Revenue					
Interest income	25,450,977	55,374,079	75,523,487	7,752,432	164,100,975
Other income	3,237,867	7,380,129	3,688,113	2,603,139	16,909,248
Total	28,688,844	62,754,208	79,211,600	10,355,571	181,010,223
Expenses					
Interest expense	6,697,000	14,570,765	19,872,746	1,427,761	42,568,272
Provision for losses	333,209	5,785,490	3,664,118	1,374,389	11,157,206
Operating expenses	11,586,741	25,352,543	67,207,891	5,565,974	109,713,149
	18,616,950	45,708,798	90,744,755	8,368,124	163,438,627
Net operating income (loss)	10,071,894	17,045,410	(11,533,155)	1,987,447	17,571,596
Less: Income tax expense (benefit)	2,899,905	6,367,074	(3,018,367)	495,681	6,744,293
Net Income (loss)	7,171,989	10,678,336	(8,514,788)	1,491,767	10,827,303
Statement of Financial Position					
Total Assets	124,110,873	525,908,978	613,206,623	51,111,064	1,314,337,538
Total Liabilities	84,234,226	318,044,514	346,550,577	34,241,640	783,070,957
Other segment information					
Capital expenditures	₱114,705	₱315,938	₱422,870	₱46,333	₱899,846
Depreciation and amortization	₱1,990,160	₱7,514,280	₱8,187,778	₱809,890	₱18,502,108

	March 31, 2020 (Unaudited)				
	Rx Cash Line	Business Loans and Factoring	Motor Vehicles Financing	Others	Total
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**

6. Cash and Cash Equivalents

This account consists of:

	31-Mar-21 Unaudited	31-Dec-20 Audited	19-Mar-20 Unaudited
Cash on hand	**₱4,460,323**	₱3,611,015	₱2,803,898
Cash in banks	**58,563,085**	45,466,661	28,562,937
Cash equivalents	**26,338,990**	25,711,228	24,029,171
	₱89,362,398	₱74,788,904	₱55,396,006

Cash in banks earn interest at the prevailing bank deposit rates which ranges from .125% and .125% per annum in March 31, 2020 and December 31, 2020, respectively. Interest income on cash in banks amounted to ₱0.007 million and ₱0.06 million in December 31, 2020, 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 nil, and ₱1.77 million in March 31, 2021 and December 31, 2020 respectively (Note 18).

7. Loans and Other Receivables - Net

This account consists of:

	31-Mar-21 Unaudited	31-Dec-20 Audited	31-Mar-20 Unaudited
Receivables from customers			
Consumer	**₱1,161,687,363**	**₱1,148,012,351**	**₱1,249,897,289**
Services	**315,345,987**	**329,518,176**	**346,255,209**
Other receivables	**14,421,351**	**13,958,311**	**14,489,523**
	1,491,493,701	**1,491,488,838**	**1,610,642,221**
Unearned interest discounts	**(390,148,475)**	**(358,830,805)**	**(405,921,259)**
Allowance for Credit Losses ECL	**(142,265,604)**	**(138,322,881)**	(124,709,291)
	₱959,079,622	**₱994,335,152**	**₱1,080,011,671**

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:

	31-Mar-21 Unaudited	31-Dec-20 Audited	31-Mar-20 Unaudited
Motorcycle financing	**₱535,773,871**	₱526,384,754	601,429,894
Business loans	**439,560,217**	415,910,560	415,583,120
Rx cash line	**192,254,941**	193,837,852	202,591,950
Car loans	**145,107,530**	160,667,581	190,046,146
Receivables purchased	**71,644,090**	84,285,967	86,025,874
Corporate salary loans	**7,646,816**	8,320,274	6,780,861
	1,391,987,465	1,389,406,988	1,502,457,845
Personal loans	**28,725,331**	28,257,396	28,077,380
Leisure bike loans	**18,470,689**	20,739,074	22,544,723
Pension loans	**15,902,386**	16,660,173	20,049,343
Accrued interest receivable	**10,981,291**	11,270,801	11,270,801
Housing loans	**11,270,801**	11,196,097	11,752,607
Sales contract receivable	**1,368,200**	1,368,200	1,368,200
Advances to officers and employees	**539,620**	442,224	1,379,148
Due from affiliates	**101,007**	101,007	101,007
Miscellaneous receivables	**12,146,911**	12,046,878	11,641,167
	₱1,491,493,701	₱1,491,488,838	₱1,610,642,221

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

Interest rates on loans receivable ranges from 1.1% to 2.8% add-on rate per month plus gross receipts tax. Interest income earned from receivables from customers amounted to ₱46.2 million, ₱164.04 million and ₱43.9 million in March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

Motorcycle financing receivables amounting to ₱353.71 million and ₱353.71 million in March 31, 2021 and December 31, 2020, respectively, were used as collateral on notes payable to banks (see Note 11).

The following table shows the breakdown of loans (gross of allowance for ECL) 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 March 31, 2021 and December 31, 2020:

	31-Mar-21 Unaudited	%	31-Dec-20 Audited	%
Secured loans				
Chattel mortgage	**₱525,463,312**	**46.39%**	**₱525,463,312**	**46.39%**
Real estate mortgage	**306,929,079**	**27.10%**	**306,929,079**	**27.10%**
Other collaterals*	**115,866,784**	**10.23%**	**115,866,784**	**10.23%**
Total secured	**948,259,175**	**83.72%**	**948,259,175**	**83.72%**
Unsecured	**184,398,858**	**16.28%**	**184,398,858**	**16.28%**
	₱1,132,658,033	**100%**	**₱1,132,658,033**	**100%**

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

Movements in allowance for ECL follow:

	March 31, 2021 (Unaudited)			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	**120,817,037**	**13,040,129**	**4,465,715**	**138,322,881**
Provision during the year	**3,443,741**	**371,693**	**127,289**	**3,942,723**
At March 31	**124,260,778**	**13,411,822**	**4,593,004**	**142,265,604**

	December 31, 2020			
	Receivable from Customers			
	Consumer	**Services**	**Others**	**Total**
At January 1	**₱106,922,558**	**₱12,163,820**	**₱4,586,764**	**₱123,673,142**
Provision (recovery) during the year	**13,894,479**	**876,309**	**(121,049)**	**14,649,739**
At December 31	**₱120,817,037**	**₱13,040,129**	**₱4,465,715**	**₱138,322,881**

	March 31, 2020 (Unaudited)			
	Receivable from Customers			
	Services	**Consumer**	**Others**	**Total**
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	**P12,327,748**	**P107,669,401**	**P4,712,141**	**P124,709,290**

In determining the allowance for ECL on loans and other receivables, the Company groups its loans and other financial receivables on the basis of shared 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 (see Note 24). 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, 2021 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱18,300,572	₱7,476,840	₱10,003,075	₱35,780,487
Additions	615,556	1,972,804	–	2,034,360
Retirement	–	–	–	–
At March 31	₱183,62,128	₱9,449,644	₱10,003,075	₱37,814,847
Accumulated Depreciation				
At January 1	16,622,597	6,871,744	5,295,928	28,790,269
Depreciation	362,647	211,042	497,940	1,071,629
Retirement	–	–	–	–
At March 31	₱16,985,244	₱7,082,786	₱5,793,868	₱29,861,898
Carrying amount	₱1,376,884	₱2,366,858	₱4,209,207	₱7,952,949

	December 31, 2020 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱17,400,726	₱7,476,840	₱12,288,195	₱37,165,761
Additions	899,846	–	–	899,846
Retirement	–	–	(2,285,120)	(2,285,120)
At December 31	18,300,572	7,476,840	10,003,075	35,780,487
Accumulated Depreciation				
At January 1	15,529,860	5,831,212	6,578,643	27,939,715
Depreciation	1,391,272	1,210,192	1,995,449	4,596,913
Retirement	–	–	(2,285,120)	(2,285,120)
Adjustment	(298,535)	(169,660)	(993,044)	(1,461,239)
At December 31	16,622,597	6,871,744	5,295,928	28,790,269
Carrying amount	₱1,677,975	₱605,096	₱4,707,147	₱6,990,218

	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

In December 31 2020, adjustments were made on the balances of certain equipment by an amount of ₱1.46 million to properly reflect their appropriate net book values as at year-end.

Fully depreciated transportation equipment with cost and net book value amounting to ₱2.29 million was retired in December 31, 2020.

As at March 31, 2021 and December 31, 2020, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱17.15 million and ₱17.15 million, respectively.

There are neither restrictions on title on the Company's property and equipment, nor was any of it pledged as security for liability. The Company has no contractual commitment for the acquisition of property and equipment.

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, 2021 (Unaudited)		
	Land	**Building**	**Total**
Cost			
At January 1 and March 31	**₱47,989,954**	**₱16,369,222**	**₱64,359,176**
Accumulated depreciation and amortization			
At January 1	**–**	**2,612,443**	**2,612,443**
Depreciation	**–**	**168,880**	**168,880**
At March 31	–	**2,781,323**	**2,781,323**
Allowance for impairment loss	**507,199**	**915,951**	**1,423,150**
Carrying amounts	**₱47,482,755**	**₱12,671,948**	**₱60,154,703**

	December 31, 2020 (Audited)		
	Land	**Building**	**Total**
Cost			
At January 1 and 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	**–**	**808,853**	**808,853**
At December 31	–	**2,612,443**	**2,612,443**
Allowance for impairment loss	**507,199**	**915,951**	**1,423,150**
Carrying amounts	**₱47,482,755**	**₱13,757,298**	**₱61,240,053**

	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

The aggregate fair value of the investment properties of the Company amounted to ₱67.64 in December 31, 2020.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱71,975 and ₱71,975 in March 31, 2021 and December 31, 2020, respectively.

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

	31-Mar-21 Unaudited	31-Dec-20 Audited	31-Mar-20 Unaudited
Balance, January 1	₱1,423,150	₱507,199	₱507,199
Provision (recovery)	-	915,951	-
Balance, as at March 31 and December 31	₱1,423,1500	₱1,423,150	₱507,199

10. Other Assets - Net

This account consists of:

	Note	**31-Mar-21 Unaudited**	31-Dec-20 Audited	31-Mar-20 Unaudited
Repossessed assets, net		**94,947,794**	₱86,040,026	₱78,612,865
Prepaid securities		**6,660,007**	5,709,949	6,821,852
Security deposits	*20*	**414,231**	3,780,959	145,496
Software costs		**4,320,958**	514,012	584,971
Others		**80,000**	80,000	960,884
		₱106,422,990	₱96,124,946	₱87,126,068

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business carried at the cost less impairment.

The movement in repossessed assets follow:

	31-Mar-21 Unaudited	31-Dec-20 Audited
Cost		
At January 1	**₱126,539,947**	₱121,361,611
Additions	**29,946,770**	50,712,547
Sale	**(20,385,665)**	(45,534,211)
At March 31 and December 31	**₱136,101,052**	126,539,947
Allowance for impairment losses		
At January 1	**40,499,921**	44,655,415
Allowance for (reversal of) impairment during the year	**396,774**	(3,492,533)
Write-off	**256,563**	(662,961)
At March 31 and December 31	**₱41,153,258**	40,499,921
Carrying amount	**₱94,947,794**	₱86,040,026

Included in the statements of comprehensive income are the gain from sale of repossessed assets amounting to ₱1.05 million and ₱3.30 million in March 31, 2021 and December 31, 2020, respectively. Proceeds from sale amounted to ₱20.4 million and ₱48.83 million in March 31, 2021 and December 31, 2020, respectively. Provision for impairment loss of repossessed assets amounted to ₱0.065 million in March 31, 2021 and reversal for impairment loss of repossessed assets amounted to ₱3.49 million in December 31, 2020.

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

The movement in software costs follow:

	31-Mar-21 Unaudited	31-Dec-20 Audited	31-Mar-20 Unaudited
Cost			
At January 1	₱6,031,682	₱6,014,217	₱6,014,217
Additions		17,465	-
At March 31 and December 31	₱6,031,682	6,031,682	6,014,217
Accumulated amortization			
At January 1	5,517,670	5,313,611	5,313,611
Amortization for the year	**99,782**	204,059	115,635
Accumulated Amortization	**5,617,452**	5,517,670	5,429,246
Carrying amount at March 31 and Dec.31	**₱414,230**	₱514,012	₱584,971

Other includes the Company's investment in golf shares.

11. Notes Payable

This account consists of:

	Note	31-Mar-21 Unaudited	31-Dec-20 Audited	31-Mar-20 Unaudited
Related parties	*18*	**404,529,259**	₱403,435,796	₱469,359,023
Banks		**250,000,650**	275,657,205	271,458,442
Individuals/corporate		7,300,000	7,300,000	7,300,000
		₱ 661,829,909	₱686,393,001	₱748,117,465

Interest rates from borrowings ranges from 5.00% to 7.75% and 5.00% to 7.15% per annum in March 31, 2021 and December 31, 2020, respectively.

Interest expense on these notes payable amounted to ₱9.1 million, ₱40.54 million and ₱10.1 million in March 31, 2021, December 31, 2020 and March 31, 2020, 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, 2021 and December 31, 202, 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 (see Note 7):

	31-Mar-21 Unaudited		Dec-20 Audited	
	Carrying amount	**Secured notes**	Carrying amount	Secured notes
Motorcycle financing receivables	**₱353,705,896**	**₱275,657,204**	**₱353,705,896**	**₱275,657,204**

12. Accrued Expenses

This account consists of:

	31-Mar-21 Unaudited	31-Dec-20 Audited	31-Mar-20 Unaudited
Accrued occupancy costs	**₱3,335,796**	**₱8,265,816**	54,082,900
Accrued insurance payable	**5,448,646**	**5,808,279**	850,934
Accrued taxes	**8,849,190**	**4,773,155**	5,664,643
Accrued interest	**3,382,975**	**3,378,221**	1,132,669
Accrued administrative expenses	**2,513,896**	**1,196,014**	2,737,542
Accrued management and professional fees	**1,973,425**	**770,595**	1,113,610
Others	**17,642,916**	**17,035,418**	19,837,026
	₱43,146.844	**₱41,227,498**	₱36,744,714

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:

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**89,362,398**	**-**	**89,362,398**	₱74,788,904	₱–	₱74,788,904
Loans and other receivables gross	**866,906,344**	**624,587,357**	**1,491,493,701**	861,940,358	629,548,480	1,491,488,838
Security deposits, and other investments	**-**	**3,860,959**	**3,860,959**	–	3,860,959	3,860,959
	956,268,742	**628,448,316**	**1,584,717,058**	936,729,262	633,409,439	1,606,304,803
Nonfinancial Assets						

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Property and equipment - net	**-**	**7,952,949**	**7,952,949**	–	6,990,218	6,990,218
Investment properties - net	**-**	**60,154,703**	**60,154,703**	–	61,240,053	61,240,053
Deferred tax assets - net	**-**	**55,670,837**	**55,670,837**	–	57,221,822	57,221,822
Right-of-use assets		**23,636,443**	**23,636,443**	4,965,566	18,670,877	23,636,443
Other assets*	**5,709,949**	**96,852,082**	**102,562,031**	5,709,949	86,554,038	92,263,987
	5,709,949	**244,267,014**	**249,976,963**	10,675,515	230,677,008	241,352,523
Less: Allowance for credit losses	**(58,627,831)**	**(58,627,831)**	**(142,265,604)**	(81,319,851)	(57,003,030)	(138,322,881)
Unearned interest income	**(229,367,809)**	**(160,780,.666)**	**(390,148,475)**	(210,956,189)	(147,874,616)	(358,830,805)
	(313,005,582)	**(219,408,497)**	**(532,414,079)**	(292,276,040)	(204,877,646)	(497,153,686)
	648,973,109	**653,306,833**	**1,302,279,942**	₱655,128,737	₱659,208,801	₱1,314,337,538

Forward

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
inancial Liabilities						
Notes payable	₱533,564,400	₱128,265,509	₱661,829,909	₱601,889,396	₱84,503,605	₱686,393,001
Accounts payable	23,657,153	–	23,657,153	19,212,094	–	19,212,094
Accrued expenses**	38,373,690	–	38,373,690	36,454,343	–	36,454,343
	₱595,595,243	₱128,265,509	₱723,860,752	657,555,833	84,503,605	742,059,438
Nonfinancial Liabilities						
Accrued expenses	4,773,155	–	4,773,155	4,773,155	–	4,773,155
Retirement benefits liability	–	8,577,069	8,577,069	–	8,577,069	8,577,069
Lease liabilities	4,672,228	22,227,366	26,899,594	4,672,228	22,227,366	26,899,594
Income tax payable	1,582,759	–	1,582,759	761,701	–	761,701
	11,028,142	31,104,434	42,132,576	10,207,084	30,804,435	41,011,519
	₱606,623,385	₱159,369,943	₱765,993,328	₱667,762,917	₱115,308,040	₱783,070,957

**excluding security deposit and other investments which are presented under financial assets*
***excluding payable to government which is presented under nonfinancial liabilities*

14. Equity

On July 29, 2020, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of ₱3.26 million to stockholders of record as of August 27, 2020 with distribution date not later than September 22, 2020. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱3.26 million.

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.

As at March 31, 2021, the Company has 266,204,047 common shares issued and outstanding which are owned by 109 shareholders.

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

	31 March 2021 Unaudited		31 December 2020 Audited		**31 March 2020 Unaudited**	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; ₱1 par value						
At January 1	**266,204,047**	**₱266,204,047**	262,948,243	**₱262,948,243**	262,948,243	₱262,948,243
Stock dividends	**0**	**0**	**3,255,804**	**3,255,804**	0	0
At March 31 and December 31	**266,204,047**	**₱266,204,047**	**266,204,047**	**₱266,204,047**	262,948,243	₱262,948,243

Adjustment on retained earnings

In 2018, the Company adjusted its January 1, 2018 retained earnings amounting to ₱0.91 million 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 2020.

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 March 31, 2021 and December 31, 2020, 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 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:

	2020	2019
Components of retirement benefit liability recorded in profit or loss as retirement benefit expense		
Current service cost	**₱2,686,540**	₱1,315,564
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	**555,371**	429,842
Interest expense on effect of asset ceiling	**–**	1,384
Interest income on plan assets	**(347,886)**	(449,609)
	2,894,025	1,297,181
Components of retirement benefit liability recorded in OCI		
Remeasurement loss on defined benefits obligation	**1,887,515**	3,185,498
Remeasurement gain on plan assets	**(179,279)**	(243,977)
Effect of asset ceiling	**–**	(19,767)
	1,708,236	2,921,754
Total components of retirement liability	**₱4,602,261**	₱4,218,935

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

	2020	2019
Present value of retirement benefits obligation	**₱15,768,726**	₱10,639,300
Fair value of plan assets	**(7,191,657)**	(6,664,492)
Net retirement benefit liability	**₱8,577,069**	₱3,974,808

The balance of accumulated re-measurement gain on retirement benefit obligation - net of tax, reported in the statements of changes in equity follows:

	2020	2019	2018
Cumulative gain in OCI, beginning	**₱4,092,468**	₱6,137,696	₱3,737,996
Adjustment	–	–	633,627
Remeasurement gain (loss)	**(1,195,765)**	(2,045,228)	1,766,073
	₱2,896,703	₱4,092,468	₱6,137,696

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

	2020	2019
Balance at beginning of year	**₱10,639,300**	₱5,708,396
Current service cost	**2,686,540**	1,315,564
Interest expense	**555,371**	429,842
Remeasurement losses (gains) on obligation arising from:		
Changes in financial assumptions	**3,128,501**	3,383,456
Experience adjustment	**(1,240,986)**	(197,958)
Balance at end of year	**₱15,768,726**	₱10,639,300

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

	2020	2019
Balance at beginning of year	**₱6,664,492**	₱5,970,906
Interest income	**347,886**	449,609
Remeasurement gain (loss) on plan assets	**179,279**	243,977
Balance at end of year	**₱7,191,657**	₱6,664,492

Changes in the retirement benefit liability follow:

	2020	2019
Balance at beginning of year	**₱3,974,808**	(₱244,127)
Current service cost	**2,686,540**	1,315,564
Net interest cost (income) on the retirement liability	**207,485**	(18,383)
Remeasurement loss on plan assets	**(179,279)**	(243,977)
Effect of asset ceiling	**–**	(19,767)
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	**3,128,501**	3,383,456
Changes in financial assumptions	**(1,240,986)**	(197,958)
Balance at end of year	**₱8,577,069**	₱3,974,808

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

	2020	2019
Cash and cash equivalents	**₱2,290,403**	₱1,443,928
Financial assets at FVPL	**4,878,668**	5,194,760
Accrued and other receivables	**22,586**	25,804
	₱7,191,657	₱6,664,492

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	
	2020	2019
Discount rate	**3.95%**	5.22%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**26.3**	27.7

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	
		2020	2019
Discount rate	**+100 basis point**	**(₱2,534,433)**	(₱1,669,541)
	-100 basis point	**3,175,038**	2,080,748
Future salary increases	**+100 basis point**	**3,106,454**	2,063,656
	-100 basis point	**(2,533,344)**	(1,687,075)

The Company has no contributions to the defined benefit plan in 2020 and 2019.

The average duration of the defined benefit plan as at the reporting date is 18.1 years and 17.6 years for year 2020 and 2019, respectively.

The BOD has no specific matching strategy between plan assets and plan liabilities.

16. Miscellaneous

Miscellaneous income consists of the following items:

	31-Mar-21 Unaudited	31-Dec-20 Audited	19-Mar-20 Unaudited
Penalties	**₱1,731,702**	₱7,047,586	₱1,638,387
Recoveries	**454,890**	5,116,261	211,592
Others	**86,507**	165,351	42,129
	₱2,273,099	₱12,329,198	₱1,892,108

Miscellaneous expense consists of the following items:

	31-Mar-21 Unaudited	31-Dec-20 Audited	19-Mar-20 Unaudited
Communication	**708,271**	₱2,327,281	₱783,636
Stationeries and supplies	**956,666**	1,511,318	520,594
Insurance	**114,082**	1,434,989	452,926
Repairs and maintenance	**360,734**	1,583,587	415,403
Training and development	**82,180**	85,567	90,000
Meetings and conferences	**708,271**	18,337	42,273
Others	**785,065**	2,421,311	859,745
	3,006,998	₱9,382,390	₱3,164,577

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 of incurrence.

The components of the Company's income tax expense as of March 31, 2021, for the years ended December 31, 2020, and as of March 31, 2020 are as follows:

	31-Mar-21 Unaudited	31-Dec-20 Audited	19-Mar-20 Unaudited
Current:			
MCIT	**₱–**	₱1,941,341	₱508,161
REGULAR	**821,058**	–	–
Deferred	**1,550,984**	4,802,952	–
	₱2,372,042	₱6,744,293	₱2,048,646

The components of deferred tax assets - net follow:

	31-Mar-21 Unaudited	31-Dec-20 Audited	31-Mar-20 Unaudited
Deferred tax assets on:			
Allowance for credit losses	**₱42,412,286**	**₱41,426,605**	₱38,181,886
Allowance of repossessed assets write-down	**9,613,310**	**12,149,976**	13,246,422
Accrued expenses	**2,022,466**	**2,022,466**	2,022,466
Effect of PFRS 16	**1,254,593**	**1,254,593**	1,263,700
Retirement expense	**868,208**	**868,208**	–
Remeasurement gain on defined benefit obligation	**(823,163)**	**(823,163)**	(1,335,634)
Impairment loss on investment properties	**274,785**	**274,785**	–
Past service costs	**48,352**	**48,352**	48,352
NOLCO	**–**	**–**	6,237,095
	₱55,670,837	**₱57,221,822**	₱59,664,287

The Company did not recognize deferred tax asset on the MCIT amounting to ₱6.33 million and ₱6.29 million as at December 31, 2020.

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
2018	₱14,527,909	(₱14,527,909)	₱–	2021
2017	14,748,020	(14,748,020)	–	2020
	₱29,275,929	**(₱29,275,929)**	**₱–**	

MCIT

Inception Year	Amount	Additions	Used/Expired	Balance	Expiry Year
2020	₱–	₱1,941,341	₱–	₱1,941,341	2023
2019	2,315,132	–	–	2,315,132	2022
2018	2,078,273	–	–	2,078,273	2021
2017	1,897,303	–	(1,897,303)	–	2020
	₱6,290,708	**₱1,941,341**	**(₱1,897,303)**	**₱6,334,746**	

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

	2021	**2020**
Income before income tax	**₱7,392,075**	**₱17,571,596**
Income tax computed at statutory rate (30%)	**₱1,848,019**	**₱5,271,479**
Additions to (reduction in) income tax resulting from the tax effects of:		
Change in unrecognized DTA	**525,001**	**1,483,836**
Interest income subjected to final tax	**(1,664)**	**(18,760)**
Non-deductible interest expense	**686**	**7,738**
Other non-deductible expense	**–**	**–**
Effective income tax expense	**₱2,372,042**	**₱6,744,293**

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 ₱0.53 million, ₱1.05 million and ₱0.75 million in 2020, 2019 and 2018, respectively.

Below are the movements in income tax payable:

	31-Mar-21 Unaudited	31-Dec-20 Audited
Balance, January 1	₱761,701	₱726,531
Provision for income tax - current	821,058	1,941,341
Income tax paid during the year	–	(1,906,171)
Balance, December 31	₱1,582,759	₱761,701

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.

Name of Related Party	Relationship	Nature of Operations	Country of Incorporation
Amalgamated Investment Bancorporation	Parent Company	Investment house	Philippines
Motor Ace Philippines, Inc.	Under common control	Motorcycle Trading Partner	Philippines
MAPI Lending Investors, Inc.	Under common control	Financing Company	Philippines
HMW Lending Investors, Inc.	Under common control	Financing Company	Philippines
Honda Motor World, Inc.	Under common control	Motorcycle Trading Partner	Philippines
Pikeville Bancshares	Under common control	Management Consultancy	Philippines
MERG Realty Development Corporation	Under common control	Real Estate Lessor	Philippines
Directors and other stockholders	Key management personnel	N/A	Philippines

The following transactions have been entered into with related parties:

		2020			2019			
			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**
Parent Company								
Miscellaneous receivables	A	**₱–**	**₱80,514**	**₱–**	₱–	₱80,514	₱–	Non-interest bearing, unsecured; No impairment
Notes payable	B	**–**	**–**	**338,600,000**	–	–	385,000,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		**24,500,000**	**–**	**–**	222,900,000	–	–	
Settlements		**70,900,000**	**–**	**–**	83,000,000	–	–	
Interest expense		**20,189,293**	**–**	**2,598,976**	10,916,628	–	2,599,108	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	A	**–**	**240,184**	**–**		156,894	–	Non-interest bearing, unsecured; No impairment
Availments		**174,490**	**–**	**–**	220,522	–	–	
Settlements		**88,200**	**–**	**–**	63,628	–	–	

Forward

Category/Transaction	Ref	2020 Amount of Transaction	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties	2019 Amount of transactions	2019 Outstanding Balances Due from related parties	2019 Outstanding Balances Due to related parties	Nature, Terms and Condition
Accounts payable	D	₱–	**₱–**	**₱15,194,978**	₱–	₱–	₱12,177,800	30 day unsecured, non-interest bearing
Availments		**54,444,011**	**–**	**–**	145,524,243	–	–	
Settlements		**51,426,833**	**–**	**–**	145,797,584	–	–	
Short term placements	C	**–**	**–**	**–**	**–**	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Availments		**–**	**–**	**–**	8,000,000	–	–	
Settlements		**–**	**–**	**–**	8,000,000	–	–	
Interest income		**–**	**–**	**–**	101,150	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	A	**–**	**2,725,083**	**–**	**–**	2,936,329	–	30 day unsecured, non-interest bearing
Availments		**343,204**	**–**	**–**	1,441,521	–	–	
Settlements		**554,450**	**–**	**–**	–	–	–	
Accounts payable	D	**–**	**–**	**75,372**		–	52,181	Non-interest bearing, unsecured
Availments		**23,191**	**–**	**–**	112,371	–	–	
Settlements		**–**	**–**	**–**	60,190	–	–	
Short term placements	C	**–**	**25,711,228**	**–**	**–**	23,570,385	–	
Availments		**2,294,972**	**–**	**–**	2,069,988	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Settlements		**154,129**	**–**	**–**	2,182,426	–	–	
Interest income		**–**	**–**	**–**	1,769,900	824,840	–	
HMW Lending Investors, Inc.								
Short term placements	C	**–**	**–**	**–**		–	–	Short-term interest bearing placements at 8.5% annual interest rate
Interest income		**–**	**–**	**–**	83,111	–	–	
Honda Motor World, Inc.								
Miscellaneous receivables	A	**–**	**106,017**	**–**	–	44,542	–	Non-interest bearing, unsecured; No Impairment
Availments		**125,228**	**–**	**–**	117,042	–	–	
Settlements		**63,753**	**–**	**–**	72,500	–	–	
Accounts payable	D	**–**	**–**	**1,839,777**		–	2,227,484	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		**16,571,009**	**–**	**–**	65,330,486	–	–	
Settlements		**16,958,716**	**–**	**–**	64,369,648	–	–	
Pikeville Bancshares								
Professional fees		**1,193,920**	**–**	**156,128**	1,193,920	–	468,384	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	A	**–**	**18,057**	**–**		18,057	–	Non-interest bearing; No impairment
Availments		**–**	**–**	**–**	–	–	–	
Settlements		**–**	**–**	**–**	218,574	–	–	

Forward

		2020			2019			
			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**
Notes payable	B	**₱–**	**₱–**	**₱29,916,009**	₱	₱–	₱28,558,641	Unsecured interest bearing placements
Availments		**1,357,368**	**–**	**–**	21,200,154	–	–	at 5.5% annual interest rate;
Settlements		**–**	**–**	**–**	40,000,000	–	–	no impairment
Interest expense		**1,596,904**	**–**	**–**	2,125,192	–	–	
Directors and other stockholders								
Notes payable	B	**–**	**–**	**34,919,791**		–	29,668,733	Unsecured interest bearing placements
Availments		**13,417,368**	**–**	**–**	8,882,825	–	–	at 5.5% annual interest rate;
Settlements		**8,166,310**	**–**	**–**	7,622,000	–	–	no impairment
Interest expense		**1,880,705**	**–**	**8,403**	1,450,912	–	16,780	
Professional and other management fees		**3,333,611**	**–**	**–**	3,142,397	–	–	Payment of professional fees
TOTAL			**₱28,881,083**	**₱423,309,434**		₱27,631,561	₱460,769,111	

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, 2020 and 2019, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱403.44 million and ₱443.23 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱23.67 million and ₱14.49 million in 2020 and 2019, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱39.27 million and ₱252.98 million in 2020 and 2019, respectively. Settlement from borrowings amounted to ₱79.07 million and ₱130.62 million in 2020 and 2019, respectively. Interest rates from borrowings range from 5.0% to 6.00% in 2020 and 2019 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements amounting to ₱25.71 million and ₱23.57 milling in 2020 and 2019, respectively. Interest income from these placements amounted to nil and ₱1.77 million in 2020 and 2019, respectively (see 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 ₱15.3 million, ₱14.40 million and ₱18.69 million in 2020, 2019 and 2018 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-21 Unaudited	31-Dec-20 Audited	19-Mar-20 Unaudited
a.	Net Income	**₱5,020,033**	**₱10,827,303**	**₱2,829,787**
b.	Weighted average number of outstanding common shares	**266,204,047**	**263,762,194**	262,948,243
c.	Basic/diluted earnings per share (a/b)	₱0.02	₱0.04	₱0.01

The weighted average number of outstanding common shares in 2020 and 2019 was recomputed after giving retroactive effect to stock dividends declared on July 29, 2020, 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 2020, 2019 and 2018 amounted to ₱0.40 million, ₱1.21 million and ₱16.35 million, respectively.

Security deposits arising from these lease agreements amounted to ₱3.78 million and ₱3.82 million, as at December 31, 2020 and 2019, respectively (see Note 10).

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

	2020	2019	2018
Less than one year	**₱8,127,491**	₱15,477,556	₱13,102,722
Between one and five years	**26,912,777**	20,533,217	18,647,091
	₱35,040,268	₱36,010,773	₱31,749,813

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

	2020	2019
As at January 1	**₱33,542,018**	₱41,686,931
Adjustment	**–**	5,447,029
Additions	**7,707,406**	–
Accretion of interest	**2,025,648**	2,455,808
Payments	**(16,375,478)**	(16,047,750)
As at December 31	**₱26,899,594**	₱33,542,018

Right-of-use assets

	2020	2019
Balance at January 1	**₱28,821,320**	₱38,129,874
Adjustment	**–**	4,938,665
Additions	**7,707,406**	–
Depreciation of right-of-use assets	**(12,892,283)**	(14,247,219)
Balance at December 31	**₱23,636,443**	₱28,821,320

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

	January 1, 2019 *(as previously reported)*	*Adjustments*	January 1, 2019 *(as restated)*
Assets			
Other assets – net	₱80,748,175	(₱3,680,462)	₱77,067,713
Right-of-use assets	–	38,129,874	38,129,874
Deferred tax assets - net	69,401,876	1,067,117	70,468,993
	₱150,150,051	₱35,516,529	₱185,666,580
Liabilities and Equity			
Lease liabilities	₱–	₱41,686,931	₱41,686,931
Retained earnings	265,783,544	(6,170,402)	259,613,142
	₱265,783,544	₱35,516,529	₱301,300,073

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	₱51,810,257
Discounted using the incremental borrowing rate at January 1, 2019	(10,123,326)
Lease liabilities as at January 1, 2019	₱41,686,931

Adjustment on lease liability and right-of use assets

As a result of the review of the management of its books of accounts, certain adjustment was made by the management to correct the account balances related to leases. The details of such adjustment are as follows:

	January 1,2019		
	Before adjustment	Adjustment	After adjustment
Lease liability	(₱28,094,989)	(₱5,447,029)	(₱33,542,018)
Right-of-use assets	23,882,655	4,938,665	28,821,320
Retained earnings	(248,566,443)	(3,479,858	(252,046,301)
Security deposits	134,784	3,680,462	3,815,246
Deferred tax asset	61,209,971	307,760	61,517,731

21. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities:

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	206,074,736
Payment of loans payable	(228,990,783)
	(22,916,047)
Notes Payable, December 31, 2020	**686,393,001**
Cash flows during the year	
Proceeds from loans payable	16,059,460
Payment of loans payable	(40,622,552)
	(24,563,092)
Notes Payable, March 31, 2021	**₱661,829,909**

22. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments as at March 31, 2021 and December 31, 2020:

	31 March 2021 (Unaudited)		31 December 2020 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Financial assets at amortized cost				
Cash and cash equivalents	**₱89,362,398**	**₱89,362,398**	**₱74,788,904**	**₱74,788,904**
Loans and other receivables – net	**959,079,622**	**959,079,622**	**994,335,152**	**994,335,152**
Security deposits	**3,860,959**	**3,860,959**	**3,780,959**	**3,780,959**
*Financial assets at FVOCI**	**80,000**	**80,000**	**80,000**	**80,000**
	₱1,052,382,979	**₱1,052,382,979**	**₱1,072,985,015**	**₱1,072,985,015**
Financial Liabilities				
Financial liabilities at amortized cost				
Notes payable	**661,829,909**	**661,829,909**	**₱686,393,001**	**₱686,393,001**
Accounts payable	**23,657,153**	**23,657,153**	**19,212,094**	**19,212,094**
Accrued expenses**	**3,146,845**	**3,146,845**	**36,454,343**	**36,454,343**
	₱688,633,907	**₱688,633,907**	**₱742,059,438**	**₱742,059,438**

**Included as part of 'Other assets - net' in the separate statement of financial position*
***Excluding government payables*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

The carrying amounts of the Company's cash and cash equivalents, security deposits, accounts payable and accrued expenses (excluding government payables) approximate their fair values at each reporting date due to the relatively short-term maturities of these financial instruments.

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

The carrying value of loans and receivables -net and notes payable approximates the fair value due either to the relatively short-term maturities of these assets and the fact that the interest rates reflect the prevailing market rates.

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the separate statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial assets at FVOCI	**₱80,000**	**₱–**	**₱–**	**₱80,000**

2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVOCI	₱1,051,728	₱–	₱–	₱1,051,728

The Company has no financial instruments valued based on Level 3 as at December 31, 2020 and 2019. In 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

23. 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, 2021 (Unaudited)			December 31, 2020 (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*	**₱89,362,398**	**₱–**	**₱89,362,398**	₱71,177,889	₱–	₱71,177,889
Receivable from Customers: - net						
Consumer	**865,960,071**	**606,428,364**	**259,531,707**	881,039,777	619,949,422	261,090,355
Services	**221,138,822**	**27,125,322**	**194,013,500**	237,569,351	27,125,322	210,444,029
Other Receivables	**14,246,333**	**–**	**14,246,333**	14,098,275	–	14,098,275
Security deposits**	**3,780,959**	–	**3,780,959**	3,780,959	–	3,780,959
	₱ 1,191,027,645	**₱633,553,686**	**₱557,473,959**	₱1,207,666,251	₱647,074,744	₱560,591,507

	March 31, 2021 (Unaudited)					
	Stage 1			**State 2**	**Stage 3**	
	Neither Past Due nor Impaired			**Past Due but**		
	High Grade	**Medium Grade**	**Low Grade**	**not Impaired**	**Impaired**	**Total**
Financial Assets at Amortized Cost						
Cash and cash equivalents*	₱85,901,460	**₱–**	**₱–**	**₱–**	**₱–**	**₱85,901,460**
Receivable from Customers - net:						
Consumer	469,256,825	–	132,138,485	117,980,813	146,583,948	865,960,071
Services	26,692,739	–	162,577,270	20,768,708	11,100,105	221,138,822
Other Receivables	–	–	14,246,333	–	–	14,246,333
Security deposits	–	–	**3,780,959**	–	–	**3,780,959**
	₱581,851,024	**₱–**	**₱312,743,047**	**₱138,749,521**	**₱157,684,053**	**₱1,191,027,645**

**Excluding cash on hand*

	December 31, 2020 (Audited)					
	Stage 1			**State 2**	**Stage 3**	
	Neither Past Due nor Impaired			**Past Due but**		
	High Grade	**Medium Grade**	**Low Grade**	**not Impaired**	**Impaired**	**Total**
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱71,177,889**	**₱–**	**₱–**	**₱–**	**₱–**	**₱71,177,889**
Receivable from Customers - net:						
Consumer	**477,148,129**	–	**134,924,425**	**119,944,060**	**149,023,163**	**881,039,777**
Services	**27,125,322**	–	**178,058,750**	**21,105,286**	**11,279,993**	**237,569,351**
Other Receivables	–	–	**14,098,275**	–	–	**14,098,275**
Security deposits	–	–	**3,780,959**	–	–	**3,780,959**
	₱575,451,340	**₱–**	**₱330,862,409**	**₱141,049,346**	**₱160,303,156**	**₱1,207,666,251**

**Excluding cash on hand*

Interest income was computed based on the carrying value (after allowance for ECL) 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, 2021 (Unaudited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱ 18,898,393	₱15,253,199	₱ 18,759,933	₱ 15,489,639	₱ 49,579,649	₱ 117,980,813
Services	1,477,105	1,760,918	1,956,325	5,131,550	10,442,810	20,768,708
	₱ 20,375,498	₱ 17,014,117	₱ 20,716,258	₱20,621,189	₱ 60,022,459	₱ 138,749,521

	December 31, 2020 (Audited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱19,398,393	₱15,753,199	₱18,959,933	₱15,689,639	₱50,142,896	₱119,944,060
Services	1,527,105	1,810,918	2,006,325	5,161,550	10,599,388	21,105,286
	₱20,925,498	₱17,564,117	₱20,966,258	₱20,851,189	₱60,742,284	₱141,049,346

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, 2021 (Unaudited)						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱85,901,460	₱85,901,460	₱–	₱–	₱–	₱–	₱85,901,460
Loans and other receivables							
Receivable from customers:							
Consumer	865,960,071	345,774,827	132,156,432	195,215,172	409,819,815	78,721,117	1,161,687,363
Services	221,138,822	135,738,863	27,875,129	47,840,924	125,045,058	9,633,167	346,133,141
Other receivables	14,246,333	13,053,151	–	–	–	1,368,200	14,421,351
Security deposits	3,780,959	–	–	–	3,780,959	–	3,780,959
Financial assets at FVOCI*	80,000	–	–	–	–	80,000	80,000
	₱1,191,107,645	₱580,468,301	₱160,031,561	₱243,056,096	₱538,645,832	₱89,802,484	₱1,612,004,274
Financial Liabilities							
Notes payable	661,829,909	132,141,100	132,141,100	269,282,200	128,265,509	–	661,829,909
Accounts payable	23,657,153	23,657,153	–	–	–	–	23,657,153
Accrued expenses**	43,146,845	43,146,845	–	–	–	–	43,146,845
	₱728,633,907	₱198,945,098	132,141,100	269,282,200	128,265,509	–	728,633,907
Net liquidity gap	₱462,473,738	₱381,523,203	₱27,890,461	₱ (26,226,104)	₱410,380,323	₱89,802,484	₱883,370,367

Includes investments in golf shares which is presented under "Other asset"
***Excluding government payables*

	December 31, 2020 (Audited)						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱71,177,889	₱71,177,889	₱–	₱–	₱–	₱–	₱71,177,889
Loans and other receivables							
Receivable from customers:							
Consumer	881,039,777	336,748,833	127,914,219	190,215,172	410,372,541	82,761,586	1,148,012,351
Services	237,569,351	117,932,586	28,083,531	48,140,924	125,345,058	10,016,077	329,518,176
Other receivables	14,098,275	12,905,093	–	–	–	1,053,218	13,958,311
Security deposits	3,780,959	–	–	–	3,780,959	–	3,780,959
Financial assets at FVOCI*	80,000	–	–	–	–	80,000	80,000
	1,207,746,251	538,764,401	155,997,750	238,356,096	539,498,558	93,910,881	1,566,527,686
Financial Liabilities							
Notes payable	686,393,001	137,141,100	137,141,100	274,282,200	137,828,601	–	686,393,001
Accounts payable	19,212,094	19,212,094	–	–	–	–	19,212,094
Accrued expenses**	36,454,343	36,454,343	–	–	–	–	36,454,343
	742,059,438	192,807,537	137,141,100	274,282,200	137,828,601	–	742,059,438
Net liquidity gap	₱465,686,813	₱345,956,864	₱18,856,650	₱35,926,104	₱401,669,957	₱93,910,881	₱824,468,248

Includes investments in golf shares which is presented under "Other asset"
***Excluding government payables*

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	**31-Mar-21 Unaudited**	**31-Dec-20 Audited**	**31-Mar-20 Unaudited**
Cash in banks and cash equivalents	*6*	**₱89,362,398**	₱71,177,889	₱55,396,006
Loans and receivable, net*	*7*	**959,079,622**	982,288,274	1,080,011,671
Notes payable	*11*	**(661,829,909)**	(686,393,001)	(748,117,465)
Net exposure		**₱386,612,111**	₱367,073,162	₱387,290,212

**excluding miscellaneous receivables*

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
2020	**+100bps**	**₱3,658,041**
	-100bps	**(3,658,041)**
2019	+100bps	₱6,267,164
	-100bps	(6,267,164)

24. Events After the Reporting Period

Continuing Effects of COVID-19 Pandemic

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 (see Note 7) in 2019.

In March 2021, following spike in the number of new COVID-19 cases, the Philippine Government has placed Metro Manila and other risk areas back to ECQ from March 29 to April 4, 2021 which was later extended to April 29, 2021.

These measures affected economic activities and business operations of the Company.

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.

Corporate Recovery and Tax Incentives for Enterprises or "CREATE" Act

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, ratified the Corporate Recovery and Tax Incentives for Enterprises (the CREATE bill). The CREATE bill seeks to reform corporate income taxes and rationalize fiscal incentives in the country by implementing certain changes to the current tax regulations. Under the bill, some changes will be implemented for periods beginning July 1, 2020.

On February 24, 2021, the final version of the CREATE bill was transmitted to the Office of the President for signing or approval into law. On March 26, 2021, the Office of the President approved the bill, now called Republic Act No. 11534 or CREATE Act. The CREATE Act will become effective 15 days after complete publication in the Official Gazette or any newspaper of general circulation in the Philippines.

The CREATE Act resulted to the reduction of the Company's tax rate from 2% to 1% of gross income for 3 years, effective July 1, 2020. The impact to the financial statements are as follows:

	Previous Rate	CREATE Rate	Difference
Deferred tax assets	₱57,221,822	₱47,684,852	₱9,536,970
Income tax payable	761,701	276,366	485,335
Provision for current income tax	1,941,341	1,456,006	485,335

25. 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 March 31, 2021 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 year 2021 consist of the following:

Gross Receipts Tax (GRT)	₱2,499,781
Documentary Stamp Tax (DST)	320,599
Capital gains taxes on sale of capital assets	
License and Permit Fees	265,150
	₱3,085,530

As at March 31, 2021, accrued GRT and DST amounted to ₱2,764,930 and ₱265,149 respectively.

B. Withholding taxes

Details of the withholding taxes at March 31, 2021 follow:

Expanded withholding taxes	₱1,313,116.21
Withholding taxes on compensation and benefits	772,044.59
	₱2,085,160.8

C. Tax Cases

As at March 31, 2021, the Company has no pending tax court cases.

D. Tax Assessment

As at March 31, 2021, the Company has a pending tax assessment for the year 2019.

Revenue Regulation (RR) No. 34-2020

BIR issued Revenue Regulations (RR) No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents. Section 2 of the RR enumerated the taxpayers required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Company is not covered under Section 2 of the RR 34-2020, hence the requirements and procedures for related party transactions provided under the said RR is not applicable.

AGING OF RECEIVABLES

AS MARCH 31, 2021

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	870,997,300	15,403,042	17,762,481	6,638,609	19,140,442	157,157,019	**1,087,098,893**
SUB-TOTAL	**870,997,300**	**15,403,042**	**17,762,481**	**6,638,609**	**19,140,442**	**157,157,019**	**1,087,098,893**
Less: Allowance for Doubtful Accounts**						142,265,604	**142,265,604**
Net Trade Receivables	**870,997,300**	**15,403,042**	**17,762,481**	**6,638,609**	**19,140,442**	**14,891,415**	**944,833,289**
***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)*	14,246,333	-	-	-	-	-	14,246,333
SUB-TOTAL	14,246,333	**-**	**-**	**-**	**-**	**-**	14,246,333
Less: Allowance for Doubtful Accounts		-	-	-	-		
Net Non-Trade Receivables	14,246,333	**-**	**-**	**-**	**-**	**-**	14,246,333
NET RECEIVABLES	**885,243,633**	**15,403,042**	**17,762,481**	**6,638,609**	**19,140,442**	**14,891,415**	**959,079,622**

Certification

I, **Marcos E. Larosa** (Compliance Officer/CFO) of **Makati Finance Corporation** with SEC registration No. 28788 with principal office at 3F Mazda Makati Building 2301 Chino Roces Ave., Brgy. Magallanes, Makati City, in oath state:

1) That on behalf of **Makati Finance Corporation**, I have caused this **SEC Form 17Q Quarterly Report ended March 31, 2021** to be prepared;

2) That I read and understood its content which are true and correct of my own personal knowledge and/or based on true records;

3) That the Makati Finance Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents file online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

14 MAY 2021

IN WITNESS WHEREOF, I have hereunto ~~set my hand this~~ 15th day of May 2021.

MARCOS E. LAROSA
Affiant

SUBSCRIBED AND SWORN to before me this 14 MAY 2021 day of May 2021.

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BOOK NO. 166
SERIES OF 2021

ATTY RAYMOND A. RAMOS
NOTARY PUBLIC
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION.
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 137312/01-04-2021/Pasig City
PTR NO. MKT 8531022/01-04-2021/Makati City
MCLE COMPLIANCE NO. VI-[illegible]