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

PRELIMINARY INFORMATION STATEMENT

1 2	3 1	**SEC Form 20 - IS**	0 7	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2022

Financing

Secondary License Type, If Applicable

Annual Meeting

Every last Thursday of July

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

111

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

MAKATI FINANCE CORPORATION
MORE THAN JUST FINANCING

June 17, 2022

SECURITIES AND EXCHANGE COMMISSION
G/F Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City 1307

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

THE PHILIPPINES STOCK EXCHANGE, INC.

Attention: **MS. ALEXANDRA D. TOM WONG**
OIC – Disclosure Department
6TH Floor, PSE Tower, 28TH Street cor 5th Avenue
Bonifacio Global City, Taguig City

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC FORM 20-IS Preliminary Information Statement in relation to Annual Stockholder's Meeting to be held on July 28, 2022 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

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

MAKATI FINANCE CORPORATION
MORE THAN JUST FINANCING

NOTICE OF THE 2022 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 **28 July 2022, 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 29 July 2021
4. Presentation and Approval of the 2021 Annual Report and 2021 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 30 June 2022. 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 4 July 2022 to 22 July 2022. 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 22 July 2022, Friday, at 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 25 July 2022, Monday, at 10:30 a.m. No proxy is being solicited.

20 June 2022.

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 **28 July 2022, 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)
San Juan City, M.M.) S.S.

CERTIFICATION

I, **DANILO ENRIQUE O. CO**, Filipino, of legal age and with [redacted] 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 following persons, who are among the 2022 nominees for the Board of Directors of Makati Finance Corporation, 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

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 20 JUN 2022 at San Juan City, M.M. affiant personally appeared before me and exhibited his Competent Evidence of Identity consisting of [redacted] issued at DFA Manila valid until 29 June 2031.

Doc No. 156;
Page No. 33;
Book No. I;
Series of 2022.

REINERR JOHN A. NUESTRO
Notary Public - San Juan City, Pasig City, and Municipality of Pateros
Appointment No. 15 (14 Feb. 2022 to 31 Dec. 2023)
Roll of Attorneys No. [redacted]
PTR No. 1571193; 3-Jan.- 2022; San Juan City
IBP Member No. 178588; 3-Jan.-2022; Quezon City
MCLE Compliance No. VII-0015574; valid until 14 April 2025
TIN [redacted]
Unit 1105 Atlanta Centre, 31 Annapolis St.
Greenhills, San Juan City, Metro Manila

MFC-CERT GOV 2022 v3 [dja]

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 28, 2022**
   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 07, 2022.**

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	**267,828,098**

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 28, 2022, 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 Bldg, 2301 Chino Roces Ave. Brgy. Magallanes, Makati City, Philippines.** The Information Statement may be accessed by the Company's stockholder beginning on **July 07, 2022** 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, 2022** is 267,828,098 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 **June 30, 2022** ("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, 2022)

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	* 114,688,371	42.8216%
Common	Motor Ace Philippines, Inc. MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	67,752,386	25.2969%
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	* 17,180,067	6.4146%
	TOTAL			**199,620,824**	**74.5331%**

** Note: Including shares lodged to PCD Nominee*

SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS WITH DIRECT OWNERSHIP
As of May 31, 2022

Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	7,469,362	2.7888%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	6,127,677	2.2879%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	319,098	0.1191%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	319,098	0.1191%
Common	Rene B. Benitez ITF Matias Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	306,352	0.1144%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,698,007	1.0073%
Common	Maxcy Francisco Jose R. Borromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,511	0.0000%
Common	Max O. Borromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	45,716	0.0171%
Common	Alan Michael R. Cruz 410 madrigal Avenue, Ayala Alabang, Muntinlupa	Beneficial owner	Filipino	1	0.0000%
Common	Jose Daniel R. Borromeo Mandaue, Cebu City	Beneficial owner	Filipino	2,512	0.0000%
Common	Robert Charles M. Lehmann 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.0000%
Common	Asterio L. Favis, Jr No 33 Yuchengco Drive Pacific Malayan Village, Muntinlupa City	Beneficial owner	Filipino	1	0.0000%
Common	Cristino L. Panlilio No. 140 Swallow Drive, Greenmeadows, Quezon City	Beneficial owner	Filipino	1	0.0000%
	All directors & officers as a group			**17,290,337**	**6.4537%**

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. Asterio L. Favis, Jr. 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 2022 to 2023, 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. Henry B. Howard

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. Favis 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, 60, 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, 73, 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, 68, 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 oversees his investments in a real estate company. 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, 55, 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, 49, 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, 50 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, 59, 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, 66, 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. He has been the President of the Investment House Association of the Philippines over 2 years. 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., 69, Filipino, he was elected as Independent Director of Makati Finance Corporation last July 25, 2019. He is currently working as consultant of Amalgamated Investment Bancorporation (AIB), Ateneo-BAP Institute of Banking and Independent Director of Philippine

Business Bank. 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, he was elected as Director of Makati Finance Corporation last July 29, 2021. 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.

Dr. Henry B. Howard, was nominated for election as Director of Makati Finance Corporation on July 28, 2022. Mr. Howard is currently holding positions in the following institutions; Board Member-National Security Education Program U.S. Department of Defense, Board Member - United States -Philippines Society, Washington and Manila, Board Member - American Nicaraguan Foundation, Miami and Managua, Advisory Board Member - Center for Strategic and International Studies (“CSIS”), Washington Advisory Council Member - The Stimson Center Southeast Asia Program, Washington International, Advisory Board Member -Philippine Disaster Resilience Foundation, Manila and Consul a.h. of the Republic of the Philippines for the State of Florida.

He graduated from the University of Maryland Baltimore County (UMBC) with a B.A. in Economic and Political Science (cum laude).

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, 43, 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*, 53, Filipino. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is a Fellow at the Philippine Institute of Corporate Directors and is 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 18

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:

		2021			2020			
			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	–	–	**267,600,000**	–	–	338,600,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		–	–	–	24,500,000	–	–	
Settlements		**71,000,000**	–	–	70,900,000	–	–	
Interest expense		**16,145,583**	–	**822,018**	20,189,293	–	2,598,976	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	A	–	**307,804**	–	–	240,184	–	Non-interest bearing, unsecured; No impairment
Availments		**189,543**	–	–	174,490	–	–	
Settlements		**121,922**	–	–	88,200	–	–	

Forward

Category/Transaction	Ref	2021 Amount of Transaction	2021 Outstanding Balances Due from related parties	2021 Outstanding Balances Due to related parties	2020 Amount of transactions	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties	Nature, Terms and Condition
Accounts payable	D	**₱–**	**₱–**	**₱13,849,458**	**₱–**	**₱–**	**₱15,194,978**	30 day unsecured, non-interest bearing
Availments		**73,871,039**	–	–	**54,444,011**	–	–	
Settlements		**75,216,559**	–	–	**51,426,833**	–	–	
Short term placements	C	–	–	–	–	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Availments		–	–	–	–	–	–	
Settlements		–	–	–	–	–	–	
Interest income		–	–	–	–	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	A	**1,877,428**	–	–	–	**2,725,083**	–	30 day unsecured, non-interest bearing
Availments		**745,819**	–	–	**343,204**	–	–	
Settlements		**1,593,475**	–	–	**554,450**	–	–	
Accounts payable	D	–	–	**75,372**	–	–	**75,372**	Non-interest bearing, unsecured
Availments		**29,722**	–	–	**23,191**	–	–	
Settlements		**29,722**	–	–	–	–	–	
Short term placements	C	**15,687,174**	–	–	–	**25,711,228**	–	
Availments		**1,576,792**	–	–	**2,294,972**	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Settlements		**11,600,846**	–	–	**154,129**	–	–	
Interest income		–	–	–	–	–	–	
HMW Lending Investors, Inc.								
Short term placements	C	–	–	–	–	–	–	Short-term interest bearing placements at 8.5% annual interest rate
Interest income		–	–	–	–	–	–	
Honda Motor World, Inc.								
Miscellaneous receivables	A	**132,598**	–	–	–	**106,017**	–	Non-interest bearing, unsecured; No Impairment
Availments		**109,036**	–	–	**125,228**	–	–	
Settlements		**82,455**	–	–	**63,753**	–	–	
Accounts payable	D	–	–	**1,864,681**	–	–	**1,839,777**	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		**23,949,667**	–	–	**16,571,009**	–	–	
Settlements		**23,924,764**	–	–	**16,958,716**	–	–	
Pikeville Bancshares								
Professional fees		**1,193,920**	–	–	**1,193,920**	–	**156,128**	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	A	**18,057**	–	–	–	**18,057**	–	Non-interest bearing; No impairment
Availments		–	–	–	–	–	–	
Settlements		–	–	–	–	–	–	

Category/Transaction	Ref	2021 Amount of Transaction	2021 Outstanding Balances Due from related parties	2021 Outstanding Balances Due to related parties	2020 Amount of transactions	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties	Nature, Terms and Condition
Notes payable	B	**₱—**	**₱—**	**₱31,334,008**	₱—	₱—	₱29,916,009	Unsecured interest bearing placements
Availments		**1,417,998**	—	—	1,357,368	—	—	at 5.5% annual interest rate;
Settlements		—	—	—	—	—	—	no impairment
Interest expense		**1,668,233**	—	—	1,596,904	—	—	
Directors and other stockholders								
Notes payable	B	—	—	**22,713,343**	—	—	34,919,791	Unsecured interest bearing placements
Availments		**4,687,646**	—	—	13,417,368	—	—	at 5.5% annual interest rate;
Settlements		**132,000**	—	—	8,166,310	—	—	no impairment
Interest expense		**1,099,070**	—	—	1,880,705	—	8,403	
Professional and other management fees		—	—	—	3,333,611	—	—	Payment of professional fees
TOTAL			**₱388,318**	**₱338,258,880**		₱28,881,083	₱423,309,434	

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, 2021 and 2020, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱342.50 million and ₱403.44 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱34.12 million and ₱23.67 million in 2021 and 2020, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱71.11 million and ₱39.27 million in 2021 and 2020, respectively. Settlement from borrowings amounted to ₱16.28 million and ₱79.07 million in 2021 and 2020, respectively. Interest rates from borrowings range from 5.0% to 5.5% in 2021 and 2020 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements amounting to ₱15.69 million and ₱25.71 milling in 2021 and 2020, respectively. Interest income from these placements amounted to nil in 2021 and 2020 (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 ₱15.20 million and ₱15.3 million in 2021 and 2020 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**
2022 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer	9,365,012	1,436,790	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	11,058,932	1,901,379	2,230,000
2021 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer	9,365,012	1,436,790	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	11,058,932	1,901,379	2,230,000
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	2,605,984	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,248,241	2,909,595	2,190,000

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*	₱270,870
Max O. Borromeo *Vice Chairman – Board of Directors*	₱249,215
Maxcy Francisco Jose R. Borromeo *President – Board of Directors*	₱270,870
Joel S. Ferrer *Treasurer – Board of Directors*	₱249,215
Eric B. Benitez *Director*	₱199,215
Jose Daniel R. Borromeo *Director*	₱249,215
Alan Michael R. Cruz *Independent Director*	₱249,215
Robert Charles M. Lehmann *Director*	₱259,215
Asterio L. Favis, Jr. *Independent Director*	₱259,215
Cristino L. Panlilio *Director*	₱50,000
Vincent Khoon Ann Ee *Director*	50,000

*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), Alan Michael R. Cruz, Jose Daniel R. Borromeo, Asterio L. Favis, Jr. and Cristino L. Panlilio.

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 2021. 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 the Company will appoint its external auditor for year 2022 in the upcoming Stockholders' Meeting.

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. Asterio L. Favis, Jr. as Chairman and Mr. Max O. Borromeo and Mr. Alan Michael R. Cruz 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, 2021, 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 2021 and FY 2020 audit periods for a service fee of ₱375,771 and ₱320,923, 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 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 2019 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.

For the year 2021, the Board of Directors approved the following: 30% of FY 2020 audited net income after tax of ₱10,827,303 is ₱3,248,191 of which is 50% was declared as stock dividend amounting to ₱1,624,095 in favor of the stockholders as of record date 26 August 2021 with distribution date not later than 21 September 2021.

In 2022, it is expected that the Board shall propose dividend declaration of 30% of FY2021 Net Income after tax in the next BOD Meeting in July 28, 2022.

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 2021 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 2021 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 2021 Annual Stockholders' Meeting:

a. Minutes of the 2020 Annual Stockholders' Meeting of the Corporation held on 30 July 2021;
b. 2020 Annual Report, together with the 2020 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 2021 Annual Stockholders' Meeting remotely and by proxy were recorded and certified by the Corporate Secretary, as follows:

Total Number of Shares Outstanding	**266,204,047**
Total No. of Shares of Stockholders Participating Remotely	16,337,545
Percentage	6.14%
Total No. of Shares of Stockholder Represented by Proxy	178,481,471
Percentage	67.05%
Total Shares held by Stockholders Participating Remotely and by Proxy	**194,819,016**
Percentage	**73.18%**
Total Shares Not Represented	71,385,031
Percentage	26.82%

The Directors and Corporate Officers who attended the 2021 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
ASTERIO L. FAVIS JR.	Independent Director
JOEL S. FERRER	Treasurer and Director
ROBERT CHARLES M. LEHMANN	Director
CRISTINO L. PANLILIO	Director
VINCENT EE	Director
DANILO ENRIQUE O. CO	Corporate Secretary and Legal Counsel
MARCOS E. LAROSA	Chief Finance Officer/ Chief Information Officer and Compliance Officer

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

2. 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).

3. 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 29, 2021.
2. Presentation and Approval of the 2021 Annual Report and the 2021 Audited Financial Statements

   A copy of the 2021 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2021 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 2022 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 28, 2022.

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 **June 30, 2022**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 22, 2022** 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, Atty. Danilo Enrique O. Co 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: June 17, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2022

For the Year 2021, the Company released a total loans of Php 732 million, 23% lower or about P224 million versus P956 million in 2020, this is mainly due to the impact of COVID 19 pandemic as the Company became more stricter in credit evaluation especially on new accounts, while we continue to support in servicing our existing good customers. On the other hand, total collections amounted to P981 million, a decrease of 11% or about P118 million versus Php 1.1 billion in 2020. The Company's income before tax amounted to Php 25 million, or about 42% higher versus Php 17.5 million in 2020 driven by increase in miscellaneous income. However, the net income of the Company amounted to Php 9.7 million only, or about 8% lower versus Php 10.8 million in 2020, mainly due to the impact of CREATE law, correcting prior years deferred tax assets in the amount of Php 9.54 million. Without the income tax correction, the Company's Net income for FY2021 should have been Php 19.24 million, or about 78% higher versus FY2020.

Moving forward, the company will continue to implement the following strategies:

- 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 continue to focus on collection in the coming months, our aim is to assist our existing clients as they start recovering from 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 in the past two years being held temporarily by uncertainties during the global pandemic, this year 2022, 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 56 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 ₱50 million facility with Amalgamated Investment Bancorporation (AIB) and ₱350 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 2022.

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, 2021, 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 2021 and FY 2020 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, 2021</u>

Results of Operation

The Company released a total loans of Php 732 million in 2021, 23% lower or about P224 million versus P956 million in 2020, this is mainly due to the impact of COVID 19 pandemic as the Company became more stricter in credit evaluation especially on new accounts, while we continue to support in servicing our existing good customers. On the other hand, total collections in 2021 amounted to P981 million, a decrease of 11% or about P118 million versus Php 1.1 billion in 2020. The Company's income before tax amounted to Php 25 million, or about 42% higher versus Php 17.5 million in 2020, driven by increase in miscellaneous income. However, the net income of the Company amounted to Php 9.7 million only, or about 8% lower versus Php 10.8 million in 2020, mainly due to the impact of CREATE law, correcting prior years deferred tax assets in the amount of Php 9.54 million. Without the income tax correction, the Company's Net income for FY2021 should have been Php 19.24 million, or about 78% higher versus FY2020.

The total comprehensive income in 2021 ended at ₱12.85 million, higher by 33% versus ₱9.63 million in 2020.

Net Operating Expenses in 2021 ended at ₱136.69 million, higher versus ₱124.16 million in 2020. Interest income in 2021 amounted to ₱174.7 million; major breakdown of which is ₱22 million from Rx Cashline, ₱67.89 million from MFC Factors and Business Loans and ₱77.1 million from Motor Vehicle (MC/Car/Leisure Bikes) Financing.

As of December 31, 2021, Earnings per Share ended at ₱0.04 from ₱0.04 in 2020.

Financial Condition and Capital Resources

Total assets as of December 31, 2021 ended at ₱1,212.3 million, almost 8% lower versus ₱1,314.3 million in 2020. On the other hand, total liabilities also declined by ₱113.26 million, from ₱783.07 million in 2020 to ₱669.81 million in 2021 mainly due to net loan payments amounting to ₱121.69 million during the year.

Interest Income

The interest income this year ended at ₱174.72 million in 2021 from ₱164.1 million in 2020, 6% higher vs last year, mainly due to better collections on financial products that yields higher effective interest rates.

Net Interest Income

Net interest income amounted to ₽138.83 million in 2021, higher versus ₽121.53 million in 2020. This is mainly due to better collections on financial products that yields higher effective interest rates.

Other Income

Other income (including gain on sale of repossessed assets) increased by ₽2.64 million, from ₽20.91 million in 2020 to ₽22.85 million in 2021, mainly due to better collections on financial products that yields higher effective interest rates and collected late payment charges.

.

Income Before Income Tax

As of December 31, 2021, the company's Income before tax amounted to ₽25.00 million, higher versus ₽17.57 million in 2020, mainly due to better collections on financial products that yields higher effective interest rates.

<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.

<u>As of December 31, 2017</u>

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.

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, 2021

	2021	2020
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	**84.84%**	98.11%
Debt to equity ratio	**123.47%**	147.40%
Quick ratio	**109.61%**	174.50%
PROFITABILITY RATIOS		
Return on assets	**0.80%**	0.82%
Return on equity	**1.79%**	2.04%
Net profit margin	**6.00%**	6.60%
ASSET TO EQUITY RATIO	**223.47%**	247.40%
INTEREST RATE COVERAGE RATIO	**1.70**	1.41
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	**5.21%**	4.66%
Total receivables to total assets	**71.91%**	75.65%
Total DOSRI receivables to net worth	**2.93%**	4.88%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	**0.04%**	0.02%
Honda Motor World, Inc.	**0.02%**	0.01%
Amalgamated Investment Bancorporation	**0.01%**	0.01%
MAPI Lending Investors, Inc.	**0.22%**	0.27%

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, 2022
TOP 20 Stockholders

There are a total of 111 stockholders as of May 31, 2022

Name	Nat	Class	No. of Shares	Percentage
* AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	76,116,111	28.42%
MOTOR ACE PHILIPPINES, INC.	FIL	A	67,752,386	25.30%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	59,393,053	22.18%
BORROMEO BROS. ESTATE INC.	FIL	A	9,962,242	3.72%
* MF PIKEVILLE HOLDINGS, INC.	FIL	A	9,470,913	3.54%
GRACEFIELD CAPITAL HOLDINGS INC.	FIL	A	8,861,952	3.31%
ERIC B. BENITEZ	FIL	A	7,469,362	2.79%
MELLISSA B. LIMCAOCO	FIL	A	6,703,771	2.50%
GLENN B. BENITEZ	FIL	A	6,382,698	2.38%
RENE B. BENITEZ	FIL	A	6,127,677	2.29%
JOEL FERRER	FIL	A	2,698,007	1.01%
MICHAEL WEE	FOR	A	1,019,834	0.38%
MARY GRACE V. REYES	FIL	A	795,273	0.30%
SALUD BORROMEO FOUNDATION	FIL	A	541,480	0.20%
TERESITA B. BENITEZ	FIL	A	520,905	0.19%
MERG REALTY DEVELOPMENT	FIL	A	462,785	0.17%
LIMCAOCO, MELISSA B. ITF DANIELLE B. LIMCAOCO	FIL	A	319,098	0.12%
LIMCAOCO, MELISSA B. ITF MICHAELA. LIMCAOCO	FIL	A	319,098	0.12%
GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	319,098	0.12%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	319,098	0.12%
SUB-TOTAL			265,554,841	99.16%
OTHER STOCKHOLDERS (91)			3,273,257	0.84%
GRAND TOTAL (111 stockholders)			267,828,098	100.00%

** NOTE: excluding 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 15.57% 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 **₱2.15** per share as of **June 20, 2022**.

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

	Market Prices	
Quarter Ending	**High**	**Low**
June 2022	2.16	2.15
March 2022	2.20	2.20
December 2021	2.50	2.50
September 2021	2.40	2.40
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

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 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. For the year 2021, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱1,624,095. 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
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)	
2021 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	May 15, 2022
	The Philippine Stock Exchange, Inc. (PSE)	

SIGNATURES

Pursuant to the requirement of 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 17 JUN 2022 ,2022.

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 ________ day of 17 JUN 2022 20__ , affiant(s) exhibiting to me their __________________, as follows:

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

NOTARY PUBLIC

Doc No. 109
Page No. 22
Book No. 221
Series of 2022

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT [illegible]/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

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 [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"**) 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 2022 at Makati City, Philippines.

ALAN MICHAEL R. CUZ
Affiant

SUBSCRIBED AND SWORN to before me this 17 day of JUN 2022 at MAKATI CITY affiant personally appeared before me and exhibited his Tax Identification Number [redacted].

Doc No. 102
Page No. 22
Book No. 221
Series of 2022

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT [illegible]/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

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
Philippine Business Bank	Independent Director	2021 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 2022 at Makati City, Philippines.

ASTERIO L. FAVIS, JR.
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of 17 JUN 2022 at MAKATI CITY affiant personally appeared before me and exhibited his Tax Identification Number [redacted]

Doc No. 101
Page No. 22
Book No. 221
Series of 2022

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR [illegible] /Makati City
MCLE Compliance No. VI-0007878/4-06-2018

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: Buen Jose Mose
Receipt Date and Time: May 17, 2022 03:31:02 PM

Company Information

SEC Registration No.: 0000028788
Company Name: MAKATI FINANCE CORP.
Industry Classification: J66110
Company Type: Stock Corporation

Document Information

Document ID: OST10517202228397291
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Annual
Remarks: None

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	8	7	8	8

COMPANY NAME

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

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

3RD FLOOR MAZDA MAKATI
BUILDING, 2301 CHINO ROCES AVEVUE,
BARANGAY MAGALLANES, MAKATI CITY

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

COMPANY INFORMATION

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
MORE THAN JUST FINANCING

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Makati Finance Corporation (the "Company")** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 ______ day of April, 2022

ROXAS CRUZ TAGLE AND CO.

BOA/PRC Reg. No. 0005,
August 1, 2021, valid until March 17, 2024
SEC Accreditation No. 0005-SEC,
valid for the audit of 2020 to 2024
financial statements

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.roxascruztagle.com
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, 2021 and 2020, 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, 2021 and 2020, 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 amounted to ₱0.87 billion as at December 31, 2021, which represents 72% of the Company's total assets. This is net of the allowance for ECL of ₱129.65 million. Moreover, the assessment using the ECL model involves significant judgment and estimates. We have reviewed the reasonableness of the assumptions used by management in the assessment of ECL by obtaining an understanding of the Company's methodologies in classifying different credit exposures. We assessed and tested the classification of credit exposures, initially based on the stages of the financial assets, history of collection and existence of collateral assets. We also checked other forward-looking information considered in the management's assessment of ECL. We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the financial statements.

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, 2021 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.

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 24 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.

Jarred D. Pereña
Partner
CPA Certificate No. 0109297
Tax Identification No. [redacted]
BIR Accreditation No. [redacted], issued on October 22, 2019,
effective until October 21, 2022
SEC Accreditation No. [redacted], Group A, issued on February 27, 2020,
effective for the audit of 2019 to 2023 financial statements of SEC covered institutions
BSP Accreditation No. [redacted], Group A, issued on February 28, 2020,
effective until February 27, 2023
PTR No. [redacted], issued on January 24, 2022, Makati City

April 8, 2022
Makati City

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*6*	**₱73,115,778**	₱74,788,904
Loans and other receivables -net	*7*	**871,796,318**	994,335,152
Other assets - net	*10*	**118,870,441**	96,124,946
Total Current Assets		**1,063,782,537**	1,165,249,002
Noncurrent Assets			
Property and equipment - net	*8*	**8,598,163**	6,990,218
Investment properties - net	*9*	**63,128,241**	61,240,053
Right-of-use assets - net	*20*	**32,311,216**	23,636,443
Deferred tax assets - net	*17*	**44,481,308**	57,221,822
Total Current Assets		**148,518,928**	149,088,536
TOTAL ASSETS		**₱1,212,301,465**	₱1,314,337,538

LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Notes payable	*11*	**₱522,654,225**	₱601,889,396
Accounts payable	*18*	**35,722,757**	19,212,094
Accrued expenses	*12*	**22,831,211**	41,227,498
Lease liabilities	*20*	**6,611,667**	4,672,228
Income tax payable	*17*	**2,380,651**	761,701
Total Current Liabilities		**590,200,511**	667,762,917
Noncurrent Liabilities			
Notes payable, net of current portion	*11*	**42,052,331**	84,503,605
Lease liabilities, net of current portion	*20*	**29,644,749**	22,227,366
Retirement benefits liability - net	*15*	**7,912,942**	8,577,069
Total Noncurrent Liabilities		**79,610,022**	115,308,040
Total Liabilities		**669,810,533**	783,070,957
Equity			
Capital stock	*14*	**267,828,098**	266,204,047
Additional paid-in capital		**5,803,922**	5,803,922
Retained earnings		**262,818,124**	256,361,909
Remeasurement gains on retirement benefit liability - net of tax	*15*	**6,040,788**	2,896,703
Total Equity		**542,490,932**	531,266,581
TOTAL LIABILTIES AND EQUITY		**₱1,212,301,465**	₱1,314,337,538

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, 2021 AND 2020

	Notes	**2021**	2020
Interest income	*6,7*	**₱174,717,502**	₱164,100,975
Interest expense	*11,20*	**(35,883,274)**	(42,568,272)
		138,834,228	121,532,703
Other income			
Service charges		**6,102,222**	4,580,050
Miscellaneous	*16*	**16,747,709**	15,625,577
		22,849,931	20,205,627
Total operating income		**161,684,159**	141,738,330
Operating expenses			
Salaries and employee benefits		**59,458,056**	54,318,528
Provision for credit losses	*7*	**16,318,563**	14,649,739
Taxes and licenses		**14,667,754**	14,703,685
Occupancy costs	*20*	**13,515,015**	2,169,628
Depreciation and amortization	*8,9,10,20*	**12,023,567**	18,502,108
Travel and transportation		**5,374,796**	3,256,469
Management and professional fees		**6,321,676**	7,533,057
Commission		**931,759**	1,925,474
Provision (reversal) for impairment loss of repossessed assets	*10*	**927,711**	(3,492,533)
Entertainment, amusement and recreation		**260,209**	302,238
Impairment loss on investment properties	*9*	**-**	915,951
Miscellaneous	*16*	**6,888,457**	9,382,390
Total operating expenses - net		**136,687,563**	124,166,734
Income before tax		**24,996,596**	17,571,596
Income tax expense	*17*	**(15,292,190)**	(6,744,293)
Net income		**9,704,406**	10,827,303
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement benefit liability, net of tax	*15*	**3,144,085**	(1,195,765)
Total comprehensive income		**₱12,848,491**	₱9,631,538
Basic and Diluted Earnings Per Share	*19*	**₱0.04**	₱0.04

See Notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 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	**1,624,051**	–	**(1,624,051)**	–	–
Cash dividends	–	–	**(1,624,140)**	–	**(1,624,140)**
Total comprehensive income					
Net income	–	–	**9,704,406**	–	**9,704,406**
Other comprehensive income	–	–	–	**3,144,085**	**3,144,085**
	–	–	**9,704,406**	**3,144,085**	**12,848,491**
Balance at December 31, 2021	**₱267,828,098**	**₱5,803,922**	**₱262,818,124**	**₱6,040,788**	**₱542,490,932**

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

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, 2021 AND 2020

	Notes	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱24,996,596**	₱17,571,596
Adjustments for:			
Provision for credit losses on loans and other receivables	*7*	**16,318,563**	14,649,739
Depreciation and amortization	*8,9,10,20*	**12,023,566**	18,502,108
Adjustment in investment property	*9*	**(5,090,851)**	–
Retirement benefits expense	*15*	**3,527,986**	2,894,024
Interest expense from lease liabilities	*20*	**1,766,789**	2,025,648
Provision for (reversal of) impairment loss of repossessed assets	*10*	**927,711**	(3,492,533)
Loss on sale of investment property		**272,612**	–
Gain from sale of repossessed assets	*10*	**(2,377,048)**	(3,296,379)
Provision for impairment loss of investment properties	*9*	**–**	915,951
Operating income before changes in working capital		**52,365,924**	49,770,154
Decrease (increase) in:			
Loans and other receivables		**110,970,271**	11,216,730
Other assets		**(98,752,517)**	(50,249,505)
Increase (decrease) in:			
Accounts payable		**16,510,663**	(11,964,493)
Accrued expenses		**(18,396,287)**	9,829,968
Net cash flows provided by operating activities		**62,698,054**	8,602,854
Income taxes paid	*17*	**(1,980,754)**	(1,906,171)
Proceeds from sale of repossessed assets	*10*	**77,353,188**	48,830,590
Net cash provided by operating activities		**138,070,488**	55,527,273
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	*8*	**(₱5,925,121)**	(₱899,846)
Software	*10*	**(335,631)**	(17,465)
Investment properties	*9*	**(2,230,309)**	–
Net cash used in investing activities		**(8,491,061)**	(917,311)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of notes payable	*21*	**144,434,268**	206,074,736
Settlements of notes payable	*21*	**(266,120,713)**	(228,990,783)
Payments of lease liabilities	*20*	**(7,941,968)**	(16,375,478)
Cash dividends paid- including fractional shares	*14*	**(1,624,140)**	(3,255,804)
Net cash used in financing activities		**(131,252,553)**	(42,547,329)
NET INCREASE (DECREASE) IN CASH IN CASH AND CASH EQUIVALENTS		**(1,673,126)**	12,062,633
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**74,788,904**	62,726,271
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**₱73,115,778**	₱74,788,904
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received		**₱174,740,291**	₱164,100,975
Interest paid		**₱35,996,213**	₱40,126,133

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 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, 2021 and 2020.

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, 2021, the Company’s closing price at the PSE amounts to ₱2.50 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 8, 2022.

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, 2021:

- Amendments to PFRS 16, *Leases – COVID-19-Related Concessions beyond June 30, 2021*. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification.

  Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

  This amendment is effective for annual periods beginning on or after April 1, 2021.

  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, 2021 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments add an exception to the recognition principle of PFRS 3 to avoid the issue of potential "day 2" gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21, Levies, if incurred separately. It also clarifies that contingent assets do not qualify recognition at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

- 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 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.

- Annual Improvements to PFRS Standards 2018 – 2020 Cycle

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

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 Per Cent' 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 PFRS 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.

  - Amendments to PFRS 16, *Leases - Lease Incentives*. The amendment to Illustrative Example 13 accompanying PFRS 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 41, *Agriculture - Taxation in Fair Value Measurements*. The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

- PFRS 17, *Insurance Contracts*. This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020, the IASB issued amendments to the standard, including a deferral of its effective date to 1 January 2023.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. 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.

- Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - *Definition of Accounting Estimates*. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  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.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial assets and financial liabilities

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

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

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

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

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

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

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

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

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

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

As at December 31, 2021 and 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 December 31, 2021 and 2020, the Company's cash and cash equivalents, loans and other receivables, security deposits under other assets are included under this scategory (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, 2021 and 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 December 31, 2021 and 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.

<u>Cash and cash equivalents</u>
For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, cash in banks and highly liquid financial instruments, if any, with original maturities of three months or less from the dates of placement and which are subject to an insignificant risk of changes in value.

<u>Property and equipment</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

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, security deposits, software cost and other investments.

Repossessed assets

Repossessed assets are stated at cost less impairment in value. Repossessed assets are acquired initially recognized at fair value. 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 are 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).

<u>Related parties</u>
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.

<u>Contingencies</u>
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.

<u>Earnings per share</u>
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.

<u>Segment reporting</u>
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.

<u>Events after the statement of financial position date</u>
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, 2021 and 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 December 31, 2021 and 2020, allowance for ECL amounted to ₱129.65 million and ₱138.32 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱0.87 billion and ₱0.99 billion as at December 31, 2021 and 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 December 31, 2021 and 2020, deferred tax assets amounted to ₱47.49 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 December 31, 2021 and 2020, the Company did not recognize impairment on property and equipment and software costs. The carrying value of property and equipment amounted to ₱8.60 million and ₱6.99 million as at December 31, 2021 and 2020 respectively (see Note 8).

The carrying value of software cost amounted to ₱.41 million and ₱0.51 million as at December 31, 2021 and 2020, respectively (see Note 10).

As at December 31, 2021 and 2020, the carrying value of investment properties amounted to ₱63.13 million and ₱61.24 million, respectively. Provision for impairment loss on investment properties amounted to nil and ₱0.92 million in 2021 and 2020, respectively (see Note 9).

As at December 31, 2021 and 2020, the carrying value of repossessed assets amounted to ₱109.46 million and ₱86.04 million, respectively. Additional allowance for impairment has been made in 2021 amounted to ₱.93 million. Reversal for impairment loss on repossessed assets amounted to ₱3.49 million in 2020 (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 ₱7.91 million and ₱8.58 million as at December 31, 2021 and 2020, 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

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:

	2021				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	**₱185,423,999**	**₱589,836,996**	**₱589,220,105**	**₱74,010,892**	**₱1,438,491,992**
Results of operation					
Revenue					
Interest income	**21,997,658**	**67,892,983**	**77,056,532**	**7,770,329**	**174,717,502**
Other income	**3,218,580**	**9,933,740**	**11,274,501**	**1,136,913**	**25,563,734**
Total	**25,216,238**	**77,826,723**	**88,331,033**	**8,907,242**	**200,281,236**
Expenses					
Interest expense	**4,517,853**	**13,943,781**	**15,825,779**	**1,595,861**	**35,883,274**
Provision for losses	**2,171,377**	**6,701,681**	**7,606,210**	**767,006**	**17,246,274**
Operating expenses	**11,365,248**	**35,933,418**	**69,374,072**	**5,482,354**	**122,155,092**
	18,054,478	**56,578,880**	**92,806,061**	**7,845,221**	**175,284,640**
Net operating income (loss)	**7,161,760**	**21,247,843**	**(4,475,028)**	**1,062,021**	**24,996,596**
Less: Income tax expense (benefit)	**2,928,996**	**8,825,971**	**2,869,541**	**667,682**	**15,292,190**
Net Income (loss)	**4,232,764**	**12,421,872**	**(7,344,569)**	**394,339**	**9,704,406**
Statement of Financial Position					
Total Assets	**117,365,439**	**509,938,385**	**542,360,807**	**42,671,026**	**1,212,335,657**
Total Liabilities	**76,719,670**	**291,696,693**	**275,183,329**	**26,245,033**	**669,844,725**
Other segment information					
Capital expenditures	**₱1,069,060**	**₱3,299,518**	**₱3,744,855**	**₱377,628**	**₱8,491,061**
Depreciation and amortization	**₱1,513,817**	**₱4,672,204**	**₱5,302,813**	**₱534,732**	**₱12,023,566**

			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

6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱811,958**	₱3,611,015
Cash in banks	**56,616,646**	45,466,661
Cash equivalents	**15,687,174**	25,711,228
	₱73,115,778	₱74,788,904

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.05% to 0.13% and 0.64% to 0.74% per annum in 2021 and 2020, respectively. Interest income on cash in banks amounted to ₱.05 million and ₱0.06 million in 2021 and 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.

7. Loans and Other Receivables - Net

This account consists of:

	2021	2020
Receivables from customers		
Consumer	**₱1,081,544,549**	₱1,148,012,351
Services	**319,050,230**	329,518,176
Other receivables	**12,092,865**	13,958,311
	1,412,687,644	1,491,488,838
Unearned interest discounts	**(411,237,406)**	(358,830,805)
Allowance for ECL	**(129,653,920)**	(138,322,881)
	₱871,796,318	₱994,335,152

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:

	2021	2020
Motorcycle financing	**₱455,131,617**	₱526,384,754
Business loans	**500,614,501**	415,910,560
Rx cash line	**184,527,827**	193,837,852
Car loans	**110,717,136**	160,667,581
Receivables purchased	**63,452,340**	84,285,967
Corporate salary loans	**7,693,502**	8,320,274
	1,322,136,923	1,389,406,988
Personal loans	**28,650,462**	28,257,396
Pension loans	**14,349,231**	16,660,173
Leisure bike loans	**13,778,336**	20,739,074
Accrued interest receivable	**11,248,012**	11,270,801
Housing loans	**10,431,815**	11,196,097
Sales contract receivable	**168,200**	1,368,200
Due from affiliates	**101,007**	101,007
Advances to officers and employees	**75,967**	442,224
Miscellaneous receivables	**11,747,691**	12,046,878
	₱1,412,687,644	₱1,491,488,838

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 ₱174.67 million and ₱164.04 million in 2021 and 2020, respectively.

Motorcycle financing receivables amounting to ₱201.62 million and ₱353.71 million in 2021 and 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 December 31, 2021 and 2020:

	2021	%	2020	%
Secured loans				
Chattel mortgage	**₱434,680,837**	**43.40%**	₱525,463,312	46.39%
Real estate mortgage	**176,122,611**	**17.59%**	306,929,079	27.10%
Other collaterals*	**91,789,899**	**9.17%**	115,866,784	10.23%
Total secured	**702,593,347**	**70.16%**	948,259,175	83.72%
Unsecured	**298,891,083**	**29.84%**	184,398,858	16.28%
	₱1,001,484,430	**100.00%**	₱1,132,658,033	100%

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

Movements in allowance for ECL follow:

	December 31, 2021			
	Receivable from Customers			
	Consumer	**Services**	**Others**	**Total**
At January 1	**₱120,817,037**	**₱13,040,129**	**₱4,465,715**	**₱138,322,881**
Provision (recovery) during the year	**13,791,731**	**2,526,832**	–	**16,318,563**
Write-off during the year	**(24,987,524)**	–	–	**(24,987,524)**
At December 31	**₱109,621,244**	**₱15,566,961**	**₱4,465,715**	**₱129,653,920**

	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
Write-off during the year	₱120,817,037	₱13,040,129	₱4,465,715	₱138,322,881
At December 31	₱106,922,558	₱12,163,820	₱4,586,764	₱123,673,142

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 2020, 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.

8. **Property and Equipment - Net**

The roll forward analysis of this account follows:

	2021			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱18,300,572**	**₱7,476,839**	**₱10,003,075**	**₱35,780,486**
Additions	**884,944**	**3,384,797**	**1,655,380**	**5,925,121**
Retirement	–	–	**(1,250,000)**	**(1,250,000)**
At December 31	**19,185,516**	**10,861,636**	**10,408,455**	**40,455,607**
Accumulated Depreciation				
At January 1	**16,622,596**	**6,871,744**	**5,295,928**	**28,790,268**
Depreciation	**1,302,979**	**821,989**	**1,942,208**	**4,067,176**
Retirement	–	–	**(1,000,000)**	**(1,000,000)**
At December 31	**17,925,575**	**7,693,733**	**6,238,136**	**31,857,444**
Carrying amount	**₱1,259,941**	**₱3,167,903**	**₱4,170,319**	**₱8,598,163**

	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

In 2021, the Company has retired a total cost of transportation equipment by an amount of ₱1.25 million, ₱0.25 million of which pertains to the car loan financing that is due within 12 months.

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.

As at December 31, 2021 and 2020, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱23.33 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:

		2021	
	Land	**Building**	**Total**
Cost			
At January 1	**₱46,387,646**	**₱18,888,000**	**₱65,275,646**
Additions	**2,230,309**	–	**2,230,309**
Disposals	**(2,097,800)**	**(3,172,000)**	**(5,269,800)**
Adjustment	–	**5,090,851**	**5,090,851**
	46,520,155	**20,806,851**	**67,327,006**
Accumulated depreciation and amortization			
At January 1	–	**2,612,443**	**2,612,443**
Depreciation	–	**660,360**	**660,360**
Disposals	–	**(497,188)**	**(497,188)**
At December 31	–	**2,775,615**	**2,775,615**
Allowance for impairment loss	**507,199**	**915,951**	**1,423,150**
Carrying amounts	**₱46,012,956**	**₱17,115,285**	**₱63,128,241**

		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

The aggregate fair value of the investment properties of the Company amounted to ₱86.79 million and ₱67.64 million as at December 31, 2021 and 2020, respectively.

In 2021, the Company has sold an investment property with a carrying amount of ₱4.77 million under financing agreement. A loss on sale of ₱.27 million has been incurred and is presented under the 'loss from sale of repossessed assets' line item on the Company's statements of comprehensive income.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱76,043 and ₱71,975 in 2021 and 2020, respectively.

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

	2021	2020
Balance, January 1	**₱1,423,150**	₱507,199
Provision	–	915,951
Balance, December 31	**₱1,423,150**	₱1,423,150

10. Other Assets - Net

This account consists of:

	Note	**2021**	2020
Repossessed assets, net		**₱109,462,837**	₱86,040,026
Prepaid securities		**5,185,471**	5,709,949
Security deposits	*20*	**3,731,292**	3,780,959
Software costs		**410,841**	514,012
Others		**80,000**	80,000
		₱118,870,441	₱96,124,946

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:

	2021	2020
Cost		
At January 1	**₱126,539,947**	₱121,361,611
Additions	**99,326,662**	50,712,547
Sale	**(74,976,140)**	(45,534,211)
At December 31	**150,890,469**	126,539,947
Allowance for impairment losses		
At January 1	**40,499,921**	44,655,415
Allowance for (reversal of) impairment during the year	**927,711**	(3,492,533)
Write-off	–	(662,961)
At December 31	**41,427,632**	40,499,921
Carrying amount	**₱109,462,837**	₱86,040,026

Included in the statements of comprehensive income are the gain from sale of repossessed assets amounting to ₱2.37 million and ₱3.30 million in 2021 and 2020, respectively. Proceeds from sale amounted to ₱77.35 million, ₱48.83 million and ₱51.32 million in 2021 and 2020, respectively.

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

The movement in software costs follow:

	2021	2020
Cost		
At January 1	**₱6,031,682**	₱6,014,217
Additions	**335,631**	17,465
Reclassification	**(5,212)**	–
At December 31	**6,362,101**	6,031,682
Accumulated amortization		
At January 1	**5,517,670**	5,313,611
Amortization for the year	**438,802**	204,059
Reclassification	**(5,212)**	–
Accumulated Amortization	**5,951,260**	5,517,670
Carrying amount	**₱410,841**	₱514,012

Other includes the Company's investment in golf shares.

11. Notes Payable

This account consists of:

	Note	2021	2020
Related parties	*18*	**₱342,504,386**	₱403,435,796
Banks		**201,618,486**	275,657,205
Individuals/corporate		**20,583,684**	7,300,000
		₱564,706,556	₱686,393,001

Interest rates from borrowings ranges from 5% to 6% and 5.00% to 7.75% per annum in 2021 and 2020, respectively.

Interest expense on these notes payable amounted to ₱34.12 million, ₱40.54 million and ₱23.48 million in 2021 and 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 December 31, 2021 and 2020, 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):

	2021		2020	
	Carrying amount	**Secured notes**	Carrying amount	Secured notes
Motorcycle financing receivables	**₱261,462,796**	**₱201,618,486**	₱353,705,896	₱275,657,204

12. Accrued Expenses

This account consists of:

	2021	2020
Accrued taxes	**₱4,032,302**	₱4,773,155
Accrued rent	**3,387,008**	8,265,816
Accrued insurance payable	**3,775,424**	5,808,279
Accrued commissions and outside services	**2,473,627**	3,749,146
Accrued interest	**1,498,494**	3,378,221
Accrued administrative expenses	**1,077,699**	1,196,014
Accrued management and professional fees	**883,514**	770,595
Advances from customers	**854,354**	2,436,540
Accrued utilities	**253,317**	607,161
Accrued travel and transportation	**88,306**	204,405
Others	**4,507,166**	10,038,166
	₱22,831,211	₱41,227,498

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:

	2021			2020		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱73,115,778**	**₱–**	**₱73,115,778**	₱74,788,904	₱–	₱74,788,904
Loans and other receivables gross	**898,106,460**	**514,581,184**	**1,412,687,644**	861,940,358	629,548,480	1,491,488,838
Security deposits, and other investments	**–**	**3,811,292**	**3,811,292**	–	3,860,959	3,860,959
	971,222,238	**518,392,476**	**1,489,614,714**	936,729,262	633,409,439	1,606,304,803
Nonfinancial Assets						
Property and equipment - net	**–**	**8,598,163**	**8,598,163**	–	6,990,218	6,990,218
Investment properties - net	**–**	**63,128,241**	**63,128,241**	–	61,240,053	61,240,053
Deferred tax assets - net	**–**	**44,481,308**	**44,481,308**	–	57,221,822	57,221,822
Right-of-use assets	**7,204,614**	**25,106,602**	**32,311,216**	4,965,566	18,670,877	23,636,443
Other assets*	**5,185,472**	**109,873,678**	**115,059,150**	5,709,949	86,554,038	92,263,987
	12,390,086	**251,187,991**	**263,578,077**	10,675,515	230,677,008	241,352,523
Less: Allowance for credit losses	**(77,733,687)**	**(51,920,233)**	**(129,653,920)**	(81,319,851)	(57,003,030)	(138,322,881)
Unearned interest income	**(246,556,369)**	**(164,681,037)**	**(411,237,406)**	(210,956,189)	(147,874,616)	(358,830,805)
	(324,290,056)	**(216,601,270)**	**(540,891,236)**	(292,276,040)	(204,877,646)	(497,153,686)
	₱659,322,268	**₱552,979,197**	**₱1,212,301,465**	₱655,128,737	₱659,208,801	₱1,314,337,538

Forward

	2021			2020		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Liabilities						
Notes payable	**₱522,654,225**	**₱42,052,331**	**₱564,706,556**	₱601,889,396	₱84,503,605	₱686,393,001
Accounts payable	**35,722,757**	–	**35,722,757**	19,212,094	–	19,212,094
Accrued expenses**	**18,798,909**	–	**18,798,909**	36,454,343	–	36,454,343
	577,175,891	**42,052,331**	**619,228,222**	657,555,833	84,503,605	742,059,438
Nonfinancial Liabilities						
Accrued expenses	**4,032,302**	–	**4,032,302**	4,773,155	–	4,773,155
Retirement benefits liability	–	**7,912,942**	**7,912,942**	–	8,577,069	8,577,069
Lease liabilities	**6,611,667**	**29,644,749**	**36,256,416**	4,672,228	22,227,366	26,899,594
Income tax payable	**2,380,651**	–	**2,380,651**	761,701	–	761,701
	13,024,620	**37,557,691**	**50,582,311**	10,207,084	30,804,435	41,011,519
	₱590,200,511	**₱79,610,022**	**₱669,810,533**	₱667,762,917	₱115,308,040	₱783,070,957

Financial Liabilities						
Notes payable	**₱522,654,225**	**₱42,052,331**	**₱564,706,556**	₱601,889,396	₱84,503,605	₱686,393,001
Accounts payable	**35,722,757**	–	**35,722,757**	19,212,094	–	19,212,094
Accrued expenses**	**18,798,909**	–	**18,798,909**	36,454,343	–	36,454,343
	577,175,891	**42,052,331**	**619,228,222**	657,555,833	84,503,605	742,059,438
Nonfinancial Liabilities						
Accrued expenses	**4,032,302**	–	**4,032,302**	4,773,155	–	4,773,155
Retirement benefits liability	–	**7,912,942**	**7,912,942**	–	8,577,069	8,577,069
Lease liabilities	**6,611,667**	**29,644,749**	**36,256,416**	4,672,228	22,227,366	26,899,594
Income tax payable	**2,380,651**	–	**2,380,651**	761,701	–	761,701
	13,024,620	**37,557,691**	**50,582,311**	10,207,084	30,804,435	41,011,519
	₱590,200,511	**₱79,610,022**	**₱669,810,533**	₱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, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of ₱1.62 million to stockholders of records as of August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to ₱1.62 million.

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

As at December 31, 2021, the Company has 267,828,098 common shares issued and outstanding which are owned by 111 shareholders.

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

	2021		2020		2019	
	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	231,572,111	₱231,572,111
Stock dividends	**1,624,051**	**1,624,051**	3,255,804	3,255,804	31,376,132	31,376,132
At December 31	**267,828,098**	**₱267,828,098**	266,204,047	₱266,204,047	262,948,243	₱262,948,243

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 2021.

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, 2021 and 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:

	2021	2020
Components of retirement benefit liability recorded in profit or loss as retirement benefit expense		
Current service cost	**₱3,189,191**	₱2,686,540
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	**622,865**	555,371
Interest income on plan assets	**(284,070)**	(347,886)
	3,527,986	2,894,025
Components of retirement benefit liability recorded in OCI		
Remeasurement (gain) loss on defined benefits obligation	**(4,495,724)**	1,887,515
Remeasurement gain on plan assets	**(303,611)**	(179,279)
	(4,799,335)	1,708,236
Total components of retirement liability	**(₱1,271,349)**	₱4,602,261

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

	2021	2020
Present value of retirement benefits obligation	**₱15,085,059**	₱15,768,726
Fair value of plan assets	**(7,172,117)**	(7,191,657)
Net retirement benefit liability	**₱7,912,942**	₱8,577,069

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

	2021	2020
Cumulative gain in OCI, beginning	**₱2,896,703**	₱4,092,468
Remeasurement gain (loss)	**3,144,085**	(1,195,765)
	₱6,040,788	₱2,896,703

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

	2021	2020
Balance at beginning of year	**₱15,768,727**	₱10,639,300
Current service cost	**3,189,191**	2,686,540
Interest expense	**622,865**	555,371
Remeasurement losses (gains) on obligation arising from:		
Changes in financial assumptions	**(3,253,172)**	3,128,501
Changes in demographic assumptions	**(5,469)**	–
Experience adjustment	**(1,237,083)**	(1,240,986)
Balance at end of year	**₱15,085,059**	₱15,768,726

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

	2021	2020
Balance at beginning of year	**₱7,191,657**	₱6,664,492
Interest income	**284,070**	347,886
Remeasurement gain (loss) on plan assets	**(303,611)**	179,279
Balance at end of year	**₱7,172,116**	₱7,191,657

Changes in the retirement benefit liability follow:

	2021	2020
Balance at beginning of year	₱8,577,069	₱3,974,808
Current service cost	3,189,191	2,686,540
Net interest cost (income) on the retirement liability	338,795	207,485
Remeasurement loss on plan assets	303,611	(179,279)
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	(3,253,172)	3,128,501
Changes in demographic assumptions	(5,469)	–
Changes in financial assumptions	(1,237,083)	(1,240,986)
Balance at end of year	₱7,912,942	₱8,577,069

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

	2021	2020
Cash and cash equivalents	₱3,358,918	₱2,290,403
Financial assets at FVPL	3,793,308	4,878,668
Accrued and other receivables	19,891	22,586
	₱7,172,117	₱7,191,657

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	
	2021	2020
Discount rate	5.08%	3.95%
Future salary increases	5%	5.00%
Average remaining working life (in years)	25.6	26.3

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	
		2021	2020
Discount rate	+100 basis point	(₱2,290,874)	(₱2,534,433)
	-100 basis point	2,836,751	3,175,038
Future salary increases	+100 basis point	2,809,381	3,106,454
	-100 basis point	(2,312,239)	(2,533,344)

The Company has no contributions to the defined benefit plan in 2021 and 2020.

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

16. **Miscellaneous**

Miscellaneous income consists of the following items:

	2021	2020
Penalties	**₱7,776,978**	₱7,047,586
Recoveries	**6,381,233**	5,116,261
Gain on sale of motorcycle units	**2,377,048**	3,296,379
Others	**212,450**	165,351
	₱16,747,709	₱15,625,577

In 2021, the gain on sale of motorcycle units has been presented under the 'miscellaneous income' line item on the Company's statements of comprehensive income.

Miscellaneous expense consists of the following items:

	2021	2020
Communication	**₱ 2,931,713**	₱2,327,281
Stationeries and supplies	**2,918,595**	1,511,318
Others	**1,038,149**	5,543,791
	₱6,888,457	₱9,382,390

Other expenses include insurance, repairs and maintenance, training and development fees, meetings and conference fees, claims fees advertising costs, donations, membership dues and other miscellaneous expenses.

17. **Income Taxes**

Current tax regulations provide that the RCIT rate is 25%. The regulations also provide for MCIT of 1% 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, 2021 and 2020 are as follows:

	2021	2020
Current	**₱3,599,704**	₱1,941,341
Deferred	**11,692,486**	4,802,952
	₱15,292,190	₱6,744,293

The components of deferred tax assets - net follow:

	2020	Net charges to profit or loss	Net charges to OCI	Effect of CREATE law	**2021**
Deferred tax assets (liabilities) on:					
Allowance for credit losses	₱41,426,605	(₱2,167,240)	–	(₱6,904,434)	32,354,931
Allowance of repossessed assets write-down	12,149,976	231,928	–	(2,024,996)	10,356,908
Accrued expenses	2,022,466	–	–	(337,078)	1,685,388
Effect of PFRS 16	1,254,593	170,512	–	(209,099)	1,216,006
Retirement expense	868,208	881,997	–	(144,701)	1,605,504
Remeasurement gain on defined benefit obligation	(823,163)	–	(1,048,028)	137,194	(1,733,997)
Impairment loss on investment properties	274,785	–	–	(45,798)	228,987
Past service costs	48,352	–	–	(8,058)	40,294
FV increase in investment property	–	(1,272,713)	–	–	(1,272,713)
	₱57,221,822	(₱2,155,516)	(₱1,048,028)	(₱9,536,970)	44,481,308

The Company did not recognize deferred tax asset on the MCIT amounting to ₱4.26 million and ₱6.33 million as at December 31, 2021 and 2020, respectively.

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

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**	**(₱3,975,576)**	**₱4,256,473**	

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

	2021	2020
Income before income tax	**₱24,996,596**	₱17,571,596
Income tax computed at statutory rate (25%/30%)	**₱6,249,149**	₱5,271,479
Additions to (reduction in) income tax resulting from the tax effects of:		
Effect of CREATE law - Current tax	**9,536,970**	–
Effect of CREATE law - Deferred tax	**(485,335)**	–
Non-deductible interest expense	**3,907**	7,738
Interest income subjected to final tax	**(12,501)**	(18,760)
Change in unrecognized DTA	–	1,483,836
Effective income tax expense	**₱15,292,190**	₱6,744,293

Interest allowed as deductible expense is reduced by an amount equivalent to 25% and 33.00% of interest income subjected to final tax for 2021 and 2020, respectively.

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 ₱0.26 million and ₱0.53 million 2021 and 2020, respectively.

Below are the movements in income tax payable:

	2021	2020
Balance, January 1	**₱761,701**	₱726,531
Provision for income tax – current	**4,085,039**	1,941,341
Income tax paid during the year	**(1,980,754)**	(1,906,171)
Effect of CREATE law	**(485,335)**	–
Balance, December 31	**₱2,380,651**	₱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:

Category/Transaction	Ref	2021 Amount of Transaction	2021 Outstanding Balances Due from related parties	2021 Outstanding Balances Due to related parties	2020 Amount of transactions	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances 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	–	–	**267,600,000**	–	–	338,600,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		–	–	–	24,500,000	–	–	
Settlements		**71,000,000**	–	–	70,900,000	–	–	
Interest expense		**16,145,583**	–	**822,018**	20,189,293	–	2,598,976	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	A	–	**307,804**	–	–	240,184	–	Non-interest bearing, unsecured; No impairment
Availments		**189,543**	–	–	174,490	–	–	
Settlements		**121,922**	–	–	88,200	–	–	

Forward

Category/Transaction	Ref	2021 Amount of Transaction	2021 Outstanding Balances Due from related parties	2021 Outstanding Balances Due to related parties	2020 Amount of transactions	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties	Nature, Terms and Condition
Accounts payable	D	**₱–**	₱–	**₱13,849,458**	**₱–**	**₱–**	**₱15,194,978**	30 day unsecured, non-interest bearing
Availments		**73,871,039**	–	–	**54,444,011**	**–**	**–**	
Settlements		**75,216,559**	–	–	**51,426,833**	**–**	**–**	
Short term placements	C	–	–	–	**–**	**–**	**–**	Short-term interest bearing placements at 10.5% annual interest rate
Availments		–	–	–	**–**	**–**	**–**	
Settlements		–	–	–	**–**	**–**	**–**	
Interest income		–	–	–	**–**	**–**	**–**	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	A	**1,877,428**	–	–	**–**	**2,725,083**	**–**	30 day unsecured, non-interest bearing
Availments		**745,819**	–	–	**343,204**	**–**	**–**	
Settlements		**1,593,475**	–	–	**554,450**	**–**	**–**	
Accounts payable	D	–	–	**75,372**	**–**	**–**	**75,372**	Non-interest bearing, unsecured
Availments		**29,722**	–	–	**23,191**	**–**	**–**	
Settlements		**29,722**	–	–	**–**	**–**	**–**	
Short term placements	C	**15,687,174**	–	–	**–**	**25,711,228**	**–**	
Availments		**1,576,792**	–	–	**2,294,972**	**–**	**–**	Short-term interest bearing placements at 10.5% annual interest rate
Settlements		**11,600,846**	–	–	**154,129**	**–**	**–**	
Interest income		–	–	–	**–**	**–**	**–**	
HMW Lending Investors, Inc.								
Short term placements	C	–	–	–	**–**	**–**	**–**	Short-term interest bearing placements at 8.5% annual interest rate
Interest income		–	–	–	**–**	**–**	**–**	
Honda Motor World, Inc.								
Miscellaneous receivables	A	**132,598**	–	–	**–**	**106,017**	**–**	Non-interest bearing, unsecured; No Impairment
Availments		**109,036**	–	–	**125,228**	**–**	**–**	
Settlements		**82,455**	–	–	**63,753**	**–**	**–**	
Accounts payable	D	–	–	**1,864,681**	**–**	**–**	**1,839,777**	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		**23,949,667**	–	–	**16,571,009**	**–**	**–**	
Settlements		**23,924,764**	–	–	**16,958,716**	**–**	**–**	
Pikeville Bancshares								
Professional fees		**1,193,920**	–	–	**1,193,920**	**–**	**156,128**	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	A	**18,057**	–	–	**–**	**18,057**	**–**	Non-interest bearing; No impairment
Availments		–	–	–	**–**	**–**	**–**	
Settlements		–	–	–	**–**	**–**	**–**	

Forward

Category/Transaction	Ref	2021 Amount of Transaction	2021 Outstanding Balances Due from related parties	2021 Outstanding Balances Due to related parties	2020 Amount of transactions	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties	Nature, Terms and Condition
Notes payable	B	**₱–**	**₱–**	**₱31,334,008**	₱–	₱–	₱29,916,009	Unsecured interest bearing placements at 5.5% annual interest rate; no impairment
Availments		**1,417,998**	–	–	1,357,368	–	–	
Settlements		–	–	–	–	–	–	
Interest expense		**1,668,233**	–	–	1,596,904	–	–	
Directors and other stockholders								
Notes payable	B	–	–	**22,713,343**	–	–	34,919,791	Unsecured interest bearing placements at 5.5% annual interest rate; no impairment
Availments		**4,687,646**	–	–	13,417,368	–	–	
Settlements		**132,000**	–	–	8,166,310	–	–	
Interest expense		**1,099,070**	–	–	1,880,705	–	8,403	
Professional and other management fees		–	–	–	3,333,611	–	–	Payment of professional fees
TOTAL			**₱388,318**	**₱338,258,880**		₱28,881,083	₱423,309,434	

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, 2021 and 2020, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱342.50 million and ₱403.44 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱34.12 million and ₱23.67 million in 2021 and 2020, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱71.11 million and ₱39.27 million in 2021 and 2020, respectively. Settlement from borrowings amounted to ₱16.28 million and ₱79.07 million in 2021 and 2020, respectively. Interest rates from borrowings range from 5.0% to 5.5% in 2021 and 2020 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements amounting to ₱15.69 million and ₱25.71 milling in 2021 and 2020, respectively. Interest income from these placements amounted to nil in 2021 and 2020 (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 ₱15.20 million and ₱15.3 million in 2021 and 2020 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)

	2021	2020
a. Net Income	**₱9,704,406**	₱10,827,303
b. Weighted average number of outstanding common shares	**266,610,060**	263,762,194
c. Basic/diluted earnings per share (a/b)	**₱0.04**	₱0.04

The weighted average number of outstanding common shares in 2021 and 2020 was recomputed after giving retroactive effect to stock dividends declared on July 21, 2021 and July 29, 2020.

20. **Leases**

<u>Lease Agreements</u>
The Company as a Lessee
The Company leases various properties where its offices, branches and warehouses are located. The lease terms range from less than a year to 10 years which are renewable subject to certain terms and conditions. The terms of the leases also contain escalation clauses ranging from 5% to 10%.

At the end of the lease term or upon expiration of the renewal period, the ownership of the Company's buildings and improvements thereon shall be retained by the lessor. Under the terms of the lease, the Company cannot sell, assign or sublease, or otherwise dispose of the building and the improvements thereon, without the written consent of the lessor.

Total rent expense for short term leases included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2021 and 2020 amounted to ₱13.52 million and ₱2.17 million, respectively.

Security deposits arising from these lease agreements amounted to ₱3.73 million and ₱3.78 million, as at December 31, 2021 and 2020, respectively (see Note 10).

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

	2021	2020
Less than one year	**₱10,290,321**	₱8,127,491
Between one and five years	**32,791,150**	26,912,777
	₱43,081,471	₱35,040,268

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

	2021	2020
As at January 1	**₱26,899,594**	₱33,542,018
Additions	**15,532,001**	7,707,406
Accretion of interest	**1,766,789**	2,025,648
Payments	**(7,941,968)**	(16,375,478)
As at December 31	**₱36,256,416**	₱26,899,594

Right-of-use assets

	2021	2020
Balance at January 1	**₱23,636,443**	₱28,821,320
Additions	**15,532,001**	7,707,406
Depreciation of right-of-use assets	**(6,857,228)**	(12,892,283)
Balance at December 31	**₱32,311,216**	₱23,636,443

21. Notes to Statements of Cash Flows

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

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	144,434,268
Payment of loans payable	(266,120,713)
	(121,686,445)
Notes Payable, December 31, 2021	**₱564,706,556**

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, 2021 and 2020:

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Financial assets at amortized cost				
Cash and cash equivalents	**₱73,115,778**	**₱73,115,778**	₱74,788,904	₱74,788,904
Loans and other receivables - net	**871,796,318**	**871,796,318**	994,335,152	994,335,152
Security deposits	**3,731,292**	**3,731,292**	3,780,959	3,780,959
*Financial assets at FVOCI**	**80,000**	**80,000**	80,000	80,000
	₱948,723,388	**₱948,723,388**	₱1,072,985,015	₱1,072,985,015
Financial Liabilities				
Financial liabilities at amortized cost				
Notes payable	**₱564,706,556**	**₱564,706,556**	₱686,393,001	₱686,393,001
Accounts payable	**35,722,757**	**35,722,757**	19,212,094	19,212,094
Accrued expenses**	**18,798,909**	**18,798,909**	36,454,343	36,454,343
	₱619,228,222	**₱619,228,222**	₱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:

2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial assets at FVOCI	**₱80,000**	**₱–**	**₱–**	**₱80,000**

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

The Company has no financial instruments valued based on Level 3 as at December 31, 2021 and 2020. In 2021 and 2020, 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.

	2021			2020		
	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*	**₱72,303,820**	**₱–**	**₱72,303,820**	₱71,177,889	₱–	₱71,177,889
Receivable from Customers: - net						
Consumer	**787,469,618**	**505,615,171**	**281,854,447**	881,039,777	619,949,422	261,090,355
Services	**201,797,159**	**25,988,486**	**175,808,673**	237,569,351	27,125,322	210,444,029
Other Receivables	**12,217,653**	–	**12,217,653**	14,098,275	–	14,098,275
Security deposits**	**3,731,292**	–	**3,731,292**	3,780,959	–	3,780,959
	₱1,077,519,542	**₱531,603,657**	**₱545,915,885**	₱1,207,666,251	₱647,074,744	₱560,591,507

**Excluding cash on hand*

	2021					
	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*	**₱72,303,820**	**₱–**	**₱–**	**₱–**	**₱–**	**₱72,303,820**
Receivable from Customers - net:						
Consumer	**428,793,041**	–	**158,147,774**	**54,675,531**	**145,853,271**	**787,469,617**
Services	**25,988,486**	–	**139,590,223**	**27,479,509**	**8,738,941**	**201,797,159**
Other Receivables	–	–	**12,217,653**			**12,217,653**
Security deposits	–	–	**3,731,292**	–	–	**3,731,292**
	₱527,085,347	**₱–**	**₱313,686,942**	**₱82,155,040**	**₱154,592,212**	**₱1,077,519,541**

**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*

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:

	2021					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	**₱4,411,015**	**₱7,018,028**	**₱4,817,766**	**₱14,225,958**	**₱24,202,765**	**₱54,675,532**
Services	**–**	**721,938**	**321,565**	**7,064,869**	**19,371,137**	**27,479,509**
	₱4,411,015	**₱7,739,966**	**₱5,139,331**	**₱21,290,827**	**₱43,573,902**	**₱82,155,041**

	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

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.

	2021						
		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	**₱72,303,820**	**₱72,303,820**	**₱–**	**₱–**	**₱–**	**₱–**	**₱72,303,820**
Loans and other receivables							
Receivable from customers:							
Consumer	**787,469,618**	**370,592,766**	**120,345,764**	**167,947,583**	**361,817,691**	**86,345,287**	**1,107,049,091**
Services	**201,797,159**	**120,453,700**	**26,060,309**	**44,819,720**	**118,411,763**	**9,304,738**	**319,050,230**
Other receivables	**12,217,653**	**12,224,471**	–	–	–	**168,200**	**12,392,671**
Security deposits	**3,731,292**	–	–	–	**3,731,292**	–	**3,731,292**
Financial assets at FVOCI*	**80,000**	–	–	–	–	**80,000**	**80,000**
	1,077,599,542	**575,574,757**	**146,406,073**	**212,767,303**	**483,960,746**	**95,898,225**	**1,514,607,104**
Financial Liabilities							
Notes payable	**564,706,556**	**308,275,999**	**60,675,999**	**153,702,227**	**42,052,331**	–	**564,706,556**
Accounts payable	**35,722,757**	**35,722,757**	–	–	–	–	**35,722,757**
Accrued expenses**	**22,831,211**	**22,831,211**	–	–	–	–	**22,831,211**
	623,260,524	**366,829,967**	**60,675,999**	**153,702,227**	**42,052,331**	–	**623,260,524**
Net liquidity gap	**₱454,339,018**	**₱208,744,790**	**₱85,730,074**	**₱59,065,076**	**₱441,908,415**	**₱95,898,225**	**₱891,346,580**

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

	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 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	**2021**	2020
Cash in banks and cash equivalents	*6*	**₱72,303,820**	₱71,177,889
Loans and receivable, net*	*7*	**860,048,627**	982,288,274
Notes payable	*11*	**(564,706,556)**	(686,393,001)
Net exposure		**₱367,645,891**	₱367,073,162

**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
2021	**+100bps**	**₱3,676,459**
	-100bps	**(3,676,459)**
2020	+100bps	3,658,041
	-100bps	(3,658,041)

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

The following are the tax information required for the taxable year ended December 31, 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)	₱9,878,337
Documentary Stamp Tax (DST)	2,352,184
Capital gains taxes on sale of capital assets	–
License and Permit Fees	1,468,072
	₱13,698,593

As at December 31, 2021, accrued GRT and DST amounted to ₱3,175,865 and ₱843,728, respectively.

B. Withholding taxes

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

Expanded withholding taxes	₱5,631,062
Withholding taxes on compensation and benefits	3,186,282
	8,817,344

C. Tax Cases

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

D. Tax Assessment

As at December 31, 2021, the Company has a pending tax assessment for the year 2020.

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.

ROXAS CRUZ TAGLE AND CO.

BOA/PRC Reg. No. 0005,
August 1, 2021, valid until March 17, 2024
SEC Accreditation No. 0005-SEC,
valid for the audit of 2020 to 2024
financial statements

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.roxascruztagle.com
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, 2021 on which we have rendered the attached report dated April 8, 2022.

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.

Jarred D. Pereña
Partner
CPA Certificate No.[redacted]
Tax Identification No. [redacted]
BIR Accreditation No. [redacted], issued on October 22, 2019,
effective until October 21, 2022
SEC Accreditation No.[redacted], Group A, issued on February 27, 2020,
effective for the audit of 2019 to 2023 financial statements of SEC covered institutions
BSP Accreditation No. [redacted] Group A, issued on February 28, 2020,
effective until February 27, 2023
PTR [redacted], issued on January 24, 2022, Makati City

April 8, 2022
Makati City

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation *(A Subsidiary of Amalgamated Investment Bancorporation)* (the "Company") as at December 31, 2021 and 2020 and have issued our report thereon dated April 8, 2022. 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.

Jarred D. Pereña
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BIR Accreditation No. [redacted] issued on October 22, 2019,
effective until October 21, 2022
SEC Accreditation No. [redacted] Group A, issued on February 27, 2020,
effective for the audit of 2019 to 2023 financial statements of SEC covered institutions
BSP Accreditation No. [redacted] Group A, issued on February 28, 2020,
effective until February 27, 2023
PTR No. [redacted] issued on January 24, 2022, Makati City

April 8, 2022
Makati City

MAKATI FINANCE CORPORATION
MORE THAN JUST FINANCING

Wilma Fundan <wpfundan@makatifinance.com.ph>

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>
To: WPFUNDAN@makatifinance.com.ph
Cc: MLAROSA@makatifinance.com.ph

Tue, May 17, 2022 at 12:01 PM

Hi MAKATI FINANCE CORPORATION,

Valid files

- EAFS000473966OTHTY122021.pdf
- EAFS000473966TCRTY122021-09.pdf
- EAFS000473966TCRTY122021-06.pdf
- EAFS000473966TCRTY122021-12.pdf
- EAFS000473966ITRTY122021.pdf
- EAFS000473966AFSTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-8GFG95DG03VRNV22VMPQTZ3T10C6FF7AC**
Submission Date/Time: **May 17, 2022 12:01 PM**
Company TIN: **000-473-966**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

==========
DISCLAIMER
==========

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

MAKATI FINANCE CORPORATION
MORE THAN JUST FINANCING

May 16, 2022

via electronic mail
ictdsubmission@sec.gov.ph

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307

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. Alexandra D. Tom Wong**
OIC, Disclosure Department

Gentlemen:

We are sending herewith the Quarterly Report for the period ended March 31, 2022 (SEC Form 17-Q) of Makati Finance Corporation.

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

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer/CIO

COVER SHEET

2	8	7	8	8

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 RD FLOOR MAZDA MAKATI
BUILDING 2301 CHINO ROCES
BARANGAY MAGALLANES
AVENUE MAKATI CITY 1231

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

MARCOS E. LAROSA	(02) 7751-8132
Contact Person	Company Telephone Number

12	31	SEC Form 17-Q 1st Qtr.2022	07	
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

2022

Financing

Secondary License Type, If Applicable

Every last Thursday of July

M	S	R	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

111		
Total No. of Stockholders	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, 2022**

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	**267,828,098***

as reported by the stock transfer agent as of March 31, 2022

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 [ ]

TABLE OF CONTENTS

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)

	2022	*2021*
NET INTEREST INCOME RATIO	82.13%	80.37%
EBIT MARGIN	44.03%	41.20%
RETURN ON ASSETS (ANNUALIZED)	1.71%	1.54%
DEBT TO EQUITY	122.42%	142.83%
RETURN ON EQUITY (ANNUALIZED)	3.81%	3.74%

Net interest income ratio, ended at 82.13% in 2022, higher versus 80.37% in the same period last year. This is mainly due to decrease in interest expense by 19%, from ₱9.1million in 2021 to ₱7.3 million in 2022. The Company's Notes Payable ended at ₱552 million, 17% lower versus same period last year due to net settlements using internally generated excess cash of the Company which contributed to savings in interest payments during the 1st quarter this 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 44.03% this year, higher versus 41.20% in 2021. Return on assets was at 1.71% in 2022, higher versus 1.54% in 2021 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 3.81% in 2022, slightly higher versus 3.74% 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 is planning to purchase its own office space in 2022.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱5.2 million for the first quarter of 2022, 4% higher versus same period last year. 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 ₱31.5 million as of March 2022, 9% lower versus same period last year as a result of the cost saving measures implemented by the Company. 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 ₱1,218.23 million as of March 2022, 0.5% higher from ₱1,212.30 million as of December 31, 2021. The Loans Receivable portfolio dropped by 2% or about ₱18.62 million from ₱871.8 million in December 31, 2021 to ₱853.18 million as of March 31, 2022, due to the impact of the pandemic resulting to lower loan releases in 1st Quarter of 2022. Total liabilities amounted to ₱670.5 million as of March 31, 2022, almost same level as of December 31, 2021, but 12% lower versus same period last year. The Company continues to settle its Notes Payable from its internally generated cash resulting to decrease in Notes Payable from ₱564.71 million in December 31, 2021 to ₱551.95 million as of end of March 2022.

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 13, 2022

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

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

Date ……. May 13, 2022

ANNEX A

INTERIM FINANCIAL STATEMENTS

For the Period Ending March 31, 2022
With Comparative Figures for 2021

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD ENDING MARCH 31, 2022, 2021 AND DECEMBER 31, 2021

	Note	**March 31, 2022 (Unaudited)**	Dec.31, 2021 (Audited))	**March 31, 2021 (Unaudited**
ASSETS				
Cash and cash equivalents	*6*	**₱97,507,662**	**₱73,115,778**	**₱89,362,398**
Loans and other receivables -net	*7*	**853,179,141**	**871,796,318**	**959,079,622**
Property and equipment - net	*8*	**7,722,357**	**8,598,163**	**7,952,949**
Investment properties - net	*9*	**64,111,081**	**63,128,241**	**60,154,703**
Right-of-use assets - net	*20*	**32,311,216**	**32,311,216**	**23,636,443**
Deferred tax assets – net	*17*	**43,839,813**	**44,481,308**	**55,670,837**
Other assets – net	*10*	**119,557,391**	**118,870,441**	**106,422,990**
TOTAL ASSETS		**₱1,218,228,661**	**₱1,212,301,465**	**₱1,302,279,942**
LIABILITIES AND EQUITY				
Liabilities				
Notes payable	*11*	**551,947,859**	**₱564,706,556**	**₱661,829,909**
Accounts payable	*18*	**50,754,334**	**35,722,757**	**23,657,153**
Accrued expenses	*12*	**20,073,551**	**22,831,211**	**43,146,844**
Income tax payable	*17*	**3,277,142**	**2,380,651**	**1,582,759**
Lease liabilities	*20*	**36,256,416**	**36,256,416**	**26,899,594**
Retirement benefits liability – net	*15*	**8,212,942**	**7,912,942**	**8,877,069**
Total Liabilities		**670,522,244**	**669,810,533**	**765,993,328**
Equity				
Capital stock	*14*	**267,828,098**	**267,828,098**	**266,204,047**
Additional paid-in capital		**5,803,922**	**5,803,922**	**5,803,922**
Retained earnings		**268,033,608**	**262,818,124**	**261,381,942**
Remeasurement gains on retirement benefit liability – net of tax		**6,040,789**	**6,040,788**	**2,896,703**
Total Equity		**547,706,417**	542,490,932	**536,286,614**
TOTAL LIABILTIES AND EQUITY		**₱1,218,228,661**	**₱1,212,301,465**	**₱1,302,279,942**

See Notes to the Financial Statements.

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDING MARCH 31, 2022, 2021 and DEC. 31, 2021

	Note	March 31, 2022 (Unaudited)	Dec.31, 2021 (Audited)	March 31, 2021 (Unaudited)
Interest income	*6,7*	₱ 40,963,679	₱174,717,502	₱ 46,193,711
Interest expense	*11, 20*	(7,319,723)	(35,883,274)	(9,066,415)
Net Interest Income		33,643,956	138,834,228	37,127,296
Other income				
Service charges		909,350	6,102,222	1,537,921
Miscellaneous Income	*16*	3,645,551	16,747,709	3,323,210
Other Income		4,554,901	22,849,931	4,861,131
Net Revenue		38,198,857	161,684,159	41,988,427
Operating expenses - net				
Salaries and employee benefits		14,724,372	59,458,056	14,133,251
Depreciation and amortization	*8,9,10,20*	1,094,636	12,023,567	1,340,290
Taxes and licenses		3,995,292	14,667,754	2,572,493
Provision (recovery) for credit losses	*7*	1,488,000	16,318,563	3,942,724
Management and professional fees		1,596,790	6,321,676	1,577,874
Travel and transportation		1,912,749	5,374,796	1,761,988
Occupancy costs		5,104,585	13,515,015	5,320,547
Loss (Gain) from sale and write-down of MC inventories		(53,976)	927,711	653,337
Commission		(64,322)	931,759	120,835
Entertainment, amusement and recreation		53,587	260,209	169,110
Miscellaneous	*16*	1,627,867	6,888,457	3,003,903
Total operating expenses - net		31,479,580	136,687,563	34,596,352
Income before tax		6,719,277	24,996,596	7,392,075
Provision for Tax/Deferred Tax Adjustment	*17*	(1,503,793)	(15,292,190)	(2,372,042)
Net income		₱ 5,215,484	₱ 9,704,406	₱ 5,020,033
Total comprehensive income		₱ 5,215,484	₱ 9,704,406	₱ 5,020,033
Basic and Diluted Earnings Per Share	*19*	₱0.02	₱0.04	₱0.02

See Notes to the Financial Statements.

***As of March 31, 2022, and December 31, 2021,** 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, 2022 AND 2021, AND DECEMBER 31, 2021

	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, 2022	**₱267,828,098**	**₱5,803,922**	**₱262,818,124**	**₱6,040,788**	**₱542,490,932**
Stock dividends	–	–	–	–	–
Cash dividends	–	–	–	–	–
Total comprehensive income					
Net income	–	–	**5,215,484**	–	**5,215,484**
Other comprehensive loss	–	–	–	–	–
	–	–	**5,215,484**	–-	**5,215,484**
Balance at March 31, 2022	**₱267,828,098**	**₱5,803,922**	**₱268,033,608**	**₱6,040,788**	**₱547,706,417**

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, 2021	**₱266,204,047**	**₱5,803,922**	**₱256,361,909**	**₱2,896,703**	**₱531,266,581**
Stock dividends	**1,624,051**	**–**	**(1,624,051)**	**–**	**–**
Cash dividends	**–**	**–**	**(1,624,051)**	**–**	**(1,624,140)**
Total comprehensive income					
Net income	**–**	**–**	**9,704,406**	**–**	**9,704,406**
Other comprehensive loss	**–**	**–**	**–**	**3,144,085**	**3,144,085**
	–	**–**	**9,704,406**	**3,144,085**	**12,848,491**
Balance at December 31, 2021	**₱267,828,098**	**₱5,803,922**	**₱262,818,124**	**₱6,040,788**	**₱542,490,932**

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, 2021, as previously reported	₱266,204,047	₱5,803,922	₱256,361,909	₱2,896,703	₱531,266,581
Adjustments (Note 20)	–	–		–	-
Balance at January 1, 2021, as restated		–	–		
Stock dividends		–		–	–
Cash dividends	–	–		–	
Total comprehensive income					
Net income	–	–	5,020,033	–	5,020,033
Other comprehensive loss	–	–	–	P2,896,703	
	–	–	5,020,033	P2,896,703	9,631,538
Balance at March 31, 2021	₱266,204,047	₱5,803,922	₱261,381,942	₱2,896,703	₱536,286,614

Forward

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING MARCH 31, 2022 AND 2021, AND DECEMBER 31, 2021

	Note	March 31, 2022 (Unaudited)	Dec. 31, 2021 (Audited))	March 31, 2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱ 6,719,274**	₱24,996,596	₱ 7,392,075
Adjustments for:				
Depreciation and amortization	*8,9,10,20*	**1,005,778**	12,023,566	1,302,789
Increase in fair value of investment property			(5,090,851)	
Provision (recovery) for credit losses on loans and other receivables	*7*	**1,488,000**	16,318,563	3,942,724
Provision for (reversal of) impairment loss of repossessed assets	*10*	**247,014**	927,711	
Provisions for probable losses				653,337
Loss on sale of investment property			272,612	
Software Amortization		**150,000**		(1,050,111)
Loss (gain) from sale of repossessed assets	*10*		(2,377,048)	–
Retirement benefits expense	*15*	–	3,527,986	–
Interest expense from lease liabilities	*20*	–	1,766,789	–
Operating income before changes in working capital		**9,309,076**	52,365,924	12,240,814
Decrease (increase) in:				
Loans and other receivables		**24,748,285**	110,970,271	32,398,155
Other assets		**137,025**	(98,752,517)	(10,001,052)
Increase (decrease) in:				
Accounts payable		**26,127,183**	16,510,663	4,445,059
Other Payables		**(23,041,015)**		
Accrued expenses		**2,219,347**	(18,396,287)	2,219,347
Net cash flows used in operating activities		**37,280,554**	62,698,054	41,302,323
Income taxes paid	*17*	–	(1,980,754)	–
Proceeds from sale of repossessed assets	*10*	–	77,353,188	–
Net cash provided by (used in) operating activities		**37,280,554**	138,070,488	41,302,323

Forward

	Note	March 31, 2022 (Unaudited)	Dec. 31, 2021 (Audited))	March 31, 2021 (Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	*8*	**(129,974)**	(5,925,121)	2,165,737
Software	*10*		(335,631)	–
Investment properties	*9*	–	(2,230,309)	–
Net cash used in investing activities		**(129,974)**	(8,491,061)	2,165,737
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable	*21*	**29,580,459**	144,434,268	16,059,460
Settlements of notes payable	*21*	**(42,339,155)**	(266,120,713)	(40,622,552)
Payments of lease liabilities	*20*	–	(7,941,968)	–
Cash dividends paid- including fractional shares	*14*	–	(1,624,140)	
Net cash provided by (used in) financing activities		**(12,758,696)**	(131,252,553)	(24,563,092)
NET INCREASE (DECREASE) IN CASH IN CASH AND CASH EQUIVALENTS		**24,391,884**	(1,673,126)	14,573,494
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**73,115,778**	74,788,904	74,788,904
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱ 97,507,662**	73,115,778	₱89,362,398
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		**40,963,679**	174,740,291	46,196,806
Interest paid		**(7,319,723),**	35,996,213	9,061,661

See Notes to the Financial Statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED MARCH 31, 2022 AND 2021
(WITH COMPARATIVE FIGURES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021)

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 March 31, 2022 and December 31, 2021.

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 February 14, 2022, the Company's closing price at the PSE amounts to ₱2.20 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 PFRS 16, *Leases – COVID-19-Related Concessions beyond June 30, 2021*. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification.

  Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

  This amendment is effective for annual periods beginning on or after April 1, 2021.

  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, 2021 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments add an exception to the recognition principle of PFRS 3 to avoid the issue of potential "day 2" gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21, Levies, if incurred separately. It also clarifies that contingent assets do not qualify recognition at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

- 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 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.

- Annual Improvements to PFRS Standards 2018 – 2020 Cycle

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

    - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 Per Cent' 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 PFRS 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.

    - Amendments to PFRS 16, *Leases - Lease Incentives*. The amendment to Illustrative Example 13 accompanying PFRS 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 41, *Agriculture - Taxation in Fair Value Measurements*. The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

- PFRS 17, *Insurance Contracts*. This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020, the IASB issued amendments to the standard, including a deferral of its effective date to 1 January 2023.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. 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.

- Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - *Definition of Accounting Estimates*. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  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.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

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, 2022 and December 31, 2021 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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>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 dispoal 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).

<u>Related parties</u>
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.

<u>Contingencies</u>
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.

<u>Earnings per share</u>
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.

<u>Segment reporting</u>
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.

<u>Events after the statement of financial position date</u>
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, 2022 and December 31, 2021, 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, 2022, December 31, 2021 and March 31, 2021, allowance for ECL amounted to ₱ 131.14 million, 129.65 million and 142.27 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱0.85 billion, ₱0.87 billion and ₱0.95 billion as at March 31, 2022, December 31, 2021 and March 31, 2021 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, 2022, December 31, 2021 and March 31, 2021, deferred tax assets amounted to ₱43.8 million, ₱44.48million and ₱55.67 million, respectively and 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, 2022, December 31, 2021 and March 31, 2021, the Company did not recognize impairment on property and equipment and software costs. The carrying value of property and equipment amounted to ₱7.72 million, ₱8.60 million and ₱7.95 million as at March 31, 2022, December 31, 2021 and March 31, 2021, respectively (see Note 8)

The carrying value of software cost amounted to ₱0.38 million ₱0.41 million and ₱0.41 million as at March 31, 2022, December 31, 2021 and March 31,2021, respectively (see Note 10).

As at March 31, 2022, December 31, 2021 and March 31, 2021, the carrying value of investment properties amounted to ₱62.67 million, ₱63.13 million and ₱60.15 million and respectively. Provision for impairment loss on investment properties amounted to ₱1.42 million in March 31, 2022, ₱1.42 million in December 31, 2021 and ₱1.42 million in March 31, 2021 (see Note 9).

As at March 31, 2022, December 31, 2021 and March 31, 2021, the carrying value of repossessed assets amounted to ₱109.17 million, ₱109.46 million and ₱94.95 million, respectively. Additional allowance for impairment has been made in December 31, 2021 and March 31, 2021 amounted to ₱0.93 million and ₱0.65 million, respectively. Reversal for impairment loss on repossessed assets amounted to ₱0.054 million in March 31, 2022 (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 ₱7.91 million and ₱7.91 million ₱8.58 million as at March 31, 2022, December 31, 2021 and March 31, 2021, 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, 2022 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	**₱ 183,494,950**	**₱587,757,548**	**₱ 568,625,273**	**₱69,980,197**	**₱ 1,409,857,968**
Results of operation					
Revenue					
Interest income	5,715,225	14,728,479	18,696,376	1,834,508	40,974,588
Other income	553,449	1,772,766	1,715,061	211,071	4,252,347
Total	6,268,674	16,501,245	20,411,437	2,045,579	45,226,935
Expenses					
Interest expense	1,020,971	2,631,103	3,339,931	327,718	7,319,723
Provision for losses	207,549	534,867	678,962	66,622	1,488,000
Operating expenses	4,142,612	10,675,761	13,551,844	1,329,721	29,699,938
	5,371,132	13,841,731	17,570,737	1,724,061	38,507,661
Net operating income (loss)	897,542	2,659,514	2,840,700	321,518	6,719,274
Less: Income tax expense (benefit)	199,833	601,605	629,856	72,499	1,503,793
Net Income (loss)	697,709	2,057,909	2,210,844	249,019	5,215,481
Statement of Financial Position					
Total Assets	₱ 121,652,064	₱ 522,981,453	₱ 532,862,350	₱ 40,732,794	**₱ 1,218,228,661**
Total Liabilities	₱ 78,040,068	₱ 298,174,418	₱ 268,335,266	₱ 25,972,492	₱ 670,522,244
Other segment information					
Capital expenditures	18,129	46,719	59,306	5,819	129,973
Depreciation and amortization	₱ 152,682	₱ 393,471	₱ 499,474	₱ 49,009	**₱ 1,094,636**

	December 31, 2021 (Audited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	₱185,423,999	₱589,836,996	₱589,220,105	₱74,010,892	₱1,438,491,992
Results of operation					
Revenue					
Interest income	21,997,658	67,892,983	77,056,532	7,770,329	174,717,502
Other income	3,218,580	9,933,740	11,274,501	1,136,913	25,563,734
Total	25,216,238	77,826,723	88,331,033	8,907,242	200,281,236
Expenses					
Interest expense	4,517,853	13,943,781	15,825,779	1,595,861	35,883,274
Provision for losses	2,171,377	6,701,681	7,606,210	767,006	17,246,274
Operating expenses	11,365,248	35,933,418	69,374,072	5,482,354	122,155,092
	18,054,478	56,578,880	92,806,061	7,845,221	175,284,640
Net operating income (loss)	7,161,760	21,247,843	(4,475,028)	1,062,021	24,996,596
Less: Income tax expense (benefit)	2,928,996	8,825,971	2,869,541	667,682	15,292,190
Net Income (loss)	4,232,764	12,421,872	(7,344,569)	394,339	9,704,406
Statement of Financial Position					
Total Assets	117,365,439	509,938,385	542,360,807	42,671,026	1,212,335,657
Total Liabilities	76,719,670	291,696,693	275,183,329	26,245,033	669,844,725
Other segment information					
Capital expenditures	₱1,069,060	₱3,299,518	₱3,744,855	₱377,628	₱8,491,061
Depreciation and amortization	₱1,513,817	₱4,672,204	₱5,302,813	₱534,732	₱12,023,566

	March 31, 2021 (Unaudited)				
	Rx Cash Line	**Business Loans and Factoring**	**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					
Revenues					
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**
	₱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 credit 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	**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**

6. Cash and Cash Equivalents

This account consists of:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Cash on hand	**₱580,108**	₱811,958	₱4,460,323
Cash in banks	**80,934,775**	56,616,646	58,563,085
Cash equivalents	**15,992,779**	15,687,174	26,338,990
	₱97,507,662	₱73,115,778	₱89,362,398

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.05% to 0.13% and 0.64% to 0.74% per annum in March 31, 2022 and December 31, 2021, respectively. Interest income on cash in banks amounted to ₱0.05 million and ₱0.05 million in March 31, 2022 and December 31, 2021, 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.

7. Loans and Other Receivables - Net

This account consists of:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Receivables from customers			
Consumer	**₱1,075,454,721**	**₱1,081,544,549**	**₱1,161,687,363**
Services	**294,309,910**	**319,050,230**	**315,384,987.00**
Other receivables	**13,284,068**	**12,092,865**	**14,421,351**
	1,383,048,699	**1,412,687,644**	**1,491,493,701**
Unearned interest discounts	**(398,727,638)**	**(411,237,406)**	**(390,148,475)**
Allowance for Credit Losses ECL	**(131,141,920)**	**(129,653,920)**	(142,265,604)
	₱ 853,179,141	**₱ 871,796,318**	**₱ 959,079,622**

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-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Motorcycle financing	**P444,244,587**	₱455,131,617	535,773,871
Business loans	**493,453,688**	500,614,501	439,560,217
Rx cash line	**182,598,778**	184,527,827	192,254,941
Car loans	**100,872,784**	110,717,136	145,107,530
Receivables purchased	**94,303,860**	63,452,340	71,644,090
Corporate salary loans	**7,580,942**	7,693,502	7,646,816
	1,323,054,639	1,322,136,923	1,391,987,465
Personal loans	**27,846,075**	28,650,462	28,725,331
Leisure bike loans	**13,398,886**	20,739,074	18,470,689
Pension loans	**13,914,919**	14,349,231	15,902,386
Accrued interest receivable	**11,270,801**	11,248,012	10,981,291
Housing loans	**7,354,193**	10,431,815	11,270,801
Sales contract receivable	**168,200**	168,200	1,368,200
Advances to officers and employees	**734,263**	75,967	539,620
Due from affiliates	**101,007**	101,007	101,007
Miscellaneous receivables	**12,014,985**	11,747,691	12,146,911
	P1,409,857,968	₱1,412,687,644	₱ 1,491,493,701

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 ₱40.95 million, ₱174.67 million and ₱46.2 million in March 31, 2022, December 31, 2021 and March 31, 2021 respectively.

Motorcycle financing receivables amounting to,₱322.7 million, ₱331.3 million and ₱353.71 million in March 31, 2022, December 31,2021 and March 31, 2021 respectively.

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, 2022 and December 31, 2021:

	31-Mar-22 Unaudited	%	31-Dec-21 Audited	%
Secured loans				
Chattel mortgage	**₱ 418,528,138**	**42.52%**	**₱434,680,837**	**43.40%**
Real estate mortgage	**174,155,114**	**17.69%**	**176,122,611**	**17.59%**
Other collaterals*	**96,431,478**	**9.80%**	**91,789,899**	**9.17%**
Total secured	**689,114,730**	**70.01%**	**702,593,347**	**70.16%**
Unsecured	**295,206,331**	**29.99%**	**298,891,083**	**29.84%**
	₱984,321,061	**100%**	**₱1,001,484,430**	**100%**

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

Movements in allowance for ECL follow:

	March 31, 2022 (Unaudited)			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	**109,621,244**	**15,566,961**	**4,465,715**	**129,653,920**
Provision during the year	**1,008,000**	**480,000**		**1,488,000**
At March 31	**110,629,244**	**16,046,961**	**4,465,715**	**131,141,920**

	December 31, 2021			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	**₱120,817,037**	**₱13,040,129**	**₱4,465,715**	**₱138,322,881**
Provision (recovery) during the year	**13,791,731**	**2,526,832**	**–**	**16,318,563**
Write-off during the year	**(24,987,524)**	**–**	**–**	**(24,987,524)**
At December 31	**₱109,621,244**	**₱15,566,961**	**₱4,465,715**	**₱129,653,920**

	March 31, 2021 (Unaudited)			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	**₱120,817,037**	**₱13,040,129**	**₱4,465,715**	**₱138,322,881**
Provisions 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**

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 2021, 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, 2022 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱19,185,516	₱ 10,861,636	₱ 10,408,455	₱ 40,455,608
Additions	28,683		–	28,683
Retirement	–	–	–	–
At March 31	19,214,199	₱10,861,636	₱10,408,455	₱ 40,484,291
Accumulated Depreciation				
At January 1	17,925,576	7,693,732	6,238,137	31,857,445
Depreciation	235,110	169,240	500,138	904,488
Retirement	–	–	–	–
At March 31	₱18,160,686	₱ 7,862,972	₱ 6,738,275	₱ 32,761,933
Carrying amount	₱ 1,053,513	₱ 2,998,664	₱ 3,670,180	₱ 7,722,358

	December 31, 2021 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱18,300,572	₱7,476,839	₱10,003,075	₱35,780,486
Additions	884,944	3,384,797	1,655,380	5,925,121
Retirement	–	–	(1,250,000)	(1,250,000)
At December 31	19,185,516	10,861,636	10,408,455	40,455,607
Accumulated Depreciation				
At January 1	16,622,596	6,871,744	5,295,928	28,790,268
Depreciation	1,302,979	821,989	1,942,208	4,067,176
Retirement	–	–	(1,000,000)	(1,000,000)
Adjustment			-	
At December 31	17,925,575	7,693,733	6,238,136	31,857,444
Carrying amount	₱1,259,941	₱3,167,903	₱4,170,319	₱8,598,163

	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
At March 31	₱183,916128	₱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
Adjustment	-	-		
At March 31	₱16,985,244	P7,082,786	₱5,793,868	₱29,861,898
Carrying Amount	₱1,930,884.00	₱2,366,858	₱4,209,207	₱7,952,949

In 2021, the Company has retired a total cost of transportation equipment by an amount of ₱1.25 million, ₱0.25 million of which pertains to the car loan financing that is due within 12 months.

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

As at March 31, 2022, December 31, 2021 and March 31, 2021, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱23.33 million and ₱ 23.33 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, 2022(Unaudited)		
	Land	**Building**	**Total**
Cost			
At January 1	**₱46,520,155**	**₱20,806,851**	**₱67,327,006**
Additions	**1,140,000**	–	**1,140,000**
Disposals	–	–	–
Adjustment	–	–	–
At March 31	**47,660,155**	**20,806,851**	**68,467,006**
Accumulated depreciation and amortization			
At January 1	–	**2,775,615**	**2,775,615**
Depreciation	–	**157,160**	**157,160**
Disposals	–	–	–
At March 31	–	**2,932,775**	**2,932,775**
Allowance for impairment loss	**507,199**	**915,951**	**1,423,150**
Carrying amounts	**₱47,152,956**	**₱16,958,125**	**₱64,111,081**

	December 31, 2021(Audited)		
	Land	**Building**	**Total**
Cost			
At January 1	**₱46,387,646**	**₱18,888,000**	**₱65,275,646**
Additions	**2,230,309**	–	**2,230,309**
Disposals	**(2,097,800)**	**(3,172,000)**	**(5,269,800)**
Adjustment	–	**5,090,851**	**5,090,851**
At December 31	**46,520,155**	**20,806,851**	**67,327,006**
Accumulated depreciation and amortization			
At January 1	–	**2,612,443**	**2,612,443**
Depreciation	–	**660,360**	**660,360**
Disposals	–	**(497,188)**	**(497,188)**
At December 31	–	**2,775,615**	**2,775,615**
Allowance for impairment loss	**507,199**	**915,951**	**1,423,150**
Carrying amounts	**₱46,012,956**	**₱17,115,285**	**₱63,128,241**

	March 31, 2021 (Unaudited)		
	Land	**Building**	**Total**
Cost			
At January 1	**₱47,989,954**	**₱16,369,222**	**₱64,359,176**
Additions	**—**	**—**	**—**
At 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**

The aggregate fair value of the investment properties of the Company amounted to ₱86.79 million, ₱86.79 million and ₱67.4 million as at March 31, 2022, December 31, 2021 and March 31, 2021 respectively.

In 2021, the Company has sold an investment property with a carrying amount of ₱4.77 million under financing agreement. A loss on sale of ₱.27 million has been incurred and is presented under the 'loss from sale of repossessed assets' line item on the Company's statements of comprehensive income.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱73,134, ₱76,043 and ₱71,975 in March 31, 2022, December 31, 2021, and March 31, 2021 respectively.

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

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Balance, January 1	₱1,423,150	₱1,423,1500	₱1,423,150
Provision (recovery)	-	-	-
Balance, as at March 31 and December 31	₱1,423,150	₱1,423,150	₱1,423,150

10. Other Assets - Net

This account consists of:

	Note	**31-Mar-22 Unaudited**	31-Dec-21 Audited	31-Mar-21 Unaudited
Repossessed assets, net		**109,170,744**	₱109,462,837	₱ 94,947,794
Prepaid securities		**6,197,503**	5,185,471	6,660,007
Security deposits	*20*	**3,731,292**	3,731,292	4,320,958
Software costs		**377,852**	410,841	414,231
Others		**80,000**	80,000	80,000
		₱ 119,557,391	₱118,870,441	₱ 106,422,990

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-22 Unaudited	31-Dec-21 Audited	31-March-21 Unaudited
Cost			
At January 1	**₱ 150,890,469**	**₱ 126,539,947**	**₱ 126,539,947**
Additions	**138,117**	**99,326,662**	**29,946,770**
Sale	**(376,234)**	(74,976,140)	**(20,385,665)**
At March 31 and December 31	**₱ 150,652,352**	**₱ 150,890,469**	**₱ 136,101,052**
Allowance for impairment losses			
At January 1	**41,427,632**	**40,499,921**	**40,499,921**
Allowance for (reversal of) impairment during the year	**53,976**	**927,711**	**396,774**
Write-off			256,563
At March 31 and December 31	**₱ 41,481,608**	**₱ 41,427,632**	**₱ 41,153,258**
Carrying amount	**₱ 109,170,744**	**₱ 109,462,837**	**₱ 94,947,794**

Included in the statements of comprehensive income are the gain from sale of repossessed assets amounting to ₱0.30 million, ₱2.37 million and to ₱1.05 million in March 31, 2022, December 31, 2021 and March 31, 2021, respectively. Proceeds from sale amounted to ₱20.4 million and ₱48.83 million in March 31, 2022 and December 31, 2021, respectively.

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

The movement in software costs follow:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Cost			
At January 1	**₱6,362,101**	**₱6,031,682**	₱6,031,682
Additions		**335,631**	
Reclassification		**(5,212)**	-
At March 31 and December 31	**₱6,362,101**	**₱6,362,101**	₱6,031,682
Accumulated amortization			
At January 1	₱5,951,260	**₱5,517,670**	₱5,517,670
Amortization for the year	32,989	**438,802**	
Reclassification		**(5,212)**	**99,782**
Accumulated Amortization	**₱5,984,249**	₱5,951,260	**₱5,617,452**
Carrying amount at March 31 and Dec.31	**₱377,852**	**₱410,841**	**₱414,230**

Other includes the Company's investment in golf shares.

11. Notes Payable

This account consists of:

	Note	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Related parties	*18*	**343,584,538**	₱342,504,386	₱404,529,259
Banks		**180,613,321**	201,618,486	250,000,650
Individuals/corporate		27,750,000	20,583,684	7,300,000
		₱ 551,947,859	₱564,706,556	₱661,829,909

Interest rates from borrowings ranges from 5.00% to 7.75% and 5.00% to 7.15% per annum in March 31, 2022 and December 31, 2021, respectively.

Interest expense on these notes payable amounted to ₱7.32 million, ₱34.12 million and ₱9.07 million in March 31, 2022, December 31, 2021 and March 31, 2021, 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, 2022 and December 31, 2021, 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-22 Unaudited		Dec-21 Audited	
	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	**₱234,222,887**	**₱180,613,321**	**₱261,462,796**	**₱201,618,486**

12. Accrued Expenses

This account consists of:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Accrued occupancy costs	**₱4,439,219**	**3,387,008**	3,335,796
Accrued administrative expenses	**2,902,122**	**1,077,699**	2,513,896
Accrued insurance payable	**2,278,381**	**3,775,424**	5,448,646
Accrued taxes	**2,728,244**	**4,032,302**	8,849,193
Accrued commissions and outside services	**2,027,893**	**2,473,627**	3,392,021
Accrued management and professional fees	**1,645,437**	**883,514**	1,973,425
Accrued interest	**1,187,388**	**1,498,494**	3,382,975
Advances from customers	**941,848**	**854,354**	2,324,228
Accrued utilities	**208,353**	**253,317**	693,398
Accrued travel and transportation	**132,427**	**88,306**	334,259
Others	**1,582,239**	**4,507,166**	10,899,007
	₱20,073,551	**₱22,831,211**	43,146.844

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 2022 (Unaudited)			31 December 2021 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	97,507,662	-	97,507,662	₱73,115,778	₱–	₱73,115,778
Loans and other receivables gross-consumer	839,836,677	543,212,022	1,383,048,699	898,106,460	514,581,184	1,412,687,644
Security deposits, and other investments	-	3,811,292	3,811,292	–	3,811,292	3,811,292
	937,344,339	547,023,314	1,484,367,653	971,222,238	518,392,476	1,489,614,714
Nonfinancial Assets						
Property and equipment - net	-	7,722,357	7,722,357	–	8,598,163	8,598,163
Investment properties - net	-	64,111,081	64,111,081	–	63,128,241	63,128,241
Deferred tax assets - net	-	43,839,813	43,839,813	–	44,481,308	44,481,308
Right-of-use assets	7,204,614	25,106,602	32,311,216	7,204,614	25,106,602	32,311,216
Other assets*	5,185,472	110,560,627	115,746,099	5,185,472	109,873,678	115,059,150
	12,390,086	251,340,480	263,730,566	12,390,086	251,187,992	263,578,078
Less: Allowance for credit losses	(79,634,068)	(51,507,852)	(131,141,920)	(77,733,687)	(51,920,233)	(129,653,920
Unearned interest income	(242,121,694)	(156,605,944)	(398,727,638)	(246,556,369)	(164,681,037)	(411,237,406)
	(321,755,762)	(208,113,796)	(529,869,558)	(324,290,056)	(216,601,270)	(540,891,236)
	627,978,663	590,249,998	1,218,228,661	₱659,322,268	₱552,979,197	₱1,212,301,465

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Liabilities						
Notes payable	₱511,654,225	₱40,293,634	₱551,947,859	₱522,654,225	₱42,052,331	₱564,706,556
Accounts payable	50,754,334	–	50,754,334	35,722,757	–	35,722,757
Accrued expenses**	17,345,307	–	17,345,307	18,798,909	–	18,798,909
	₱579,753,866	₱40,293,634	₱620,047,500	577,175,891	42,052,331	619,228,222
Nonfinancial Liabilities						
Accrued expenses	2,728,244	–	2,728,244	4,032,302	–	4,032,302
Retirement benefits liability	–	8,212,942	8,212,942	–	7,912,942	7,912,942
Lease liabilities	6,611,667	29,644,749	36,256,416	6,611,667	29,644,749	36,256,416
Income tax payable	3,277,142	–	3,277,142	2,380,651	–	2,380,65
	12,617,053	37,857,691	50,474,744	13,024,620	37,557,691	50,582,311
	₱592,370,919	₱78,151,325	₱670,522,244	₱590,200,511	₱79,610,022	₱669,810,533

**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, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of ₱1.62 million to stockholders of records as of August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to ₱1.62 million.

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

As at December 31, 2021, the Company has 267,828,098 common shares issued and outstanding which are owned by 111 shareholders.

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

	31 March 2022 Unaudited		31 December 2021 Audited		**31 March 21 Unaudited**	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; ₱1 par value						
At January 1	**267,828,098**	**₱267,828,098**	**266,204,047**	**₱266,204,047**	266,204,047	₱266,204,047
Stock dividends	**0**	**0**	**1,624,051**	**1,624,051**	0	0
At March 31 and December 31	**267,828,098**	**₱267,828,098**	**267,828,098**	**₱267,828,098**	266,204,047	₱266,204,047

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 2021.

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, 2021, 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:

	2022	2021
Components of retirement benefit liability recorded in profit or loss as retirement benefit expense		
Current service cost	**₱3,189,191**	**₱3,189,191**
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	**622,865**	**622,865**
Interest expense on effect of asset ceiling	–	–
Interest income on plan assets	**(284,070)**	**(284,070)**
	3,527,986	**3,527,986**
Components of retirement benefit liability recorded in OCI		
Remeasurement loss on defined benefits obligation	**(4,495,724)**	**(4,495,724)**
Remeasurement gain on plan assets	**(303,611)**	**(303,611)**
Effect of asset ceiling	–	–
	(4,799,335)	**(4,799,335)**
Total components of retirement liability	**(₱1,271,349)**	**(₱1,271,349)**

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

	2022	2021
Present value of retirement benefits obligation	**₱15,085,059**	**₱15,085,059**
Fair value of plan assets	**(7,172,117)**	**(7,172,117)**
Net retirement benefit liability	**₱7,912,942**	**₱7,912,942**

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

	2022	2021
Cumulative gain in OCI, beginning	**₱2,896,703**	**₱2,896,703**
Adjustment	–	–
Remeasurement gain (loss)	**3,144,085**	**3,144,085**
	₱6,040,788	**₱6,040,788**

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

	2022	2021
Balance at beginning of year	**₱15,768,727**	**₱15,768,727**
Current service cost	**3,189,191**	**3,189,191**
Interest expense	**622,865**	**622,865**
Remeasurement losses (gains) on obligation arising from:		
Changes in financial assumptions	**(3,253,172)**	**(3,253,172)**
Changes in demographic assumptions	**(5,469)**	**(5,469)**
Experience adjustment	**(1,237,083)**	**(1,237,083)**
Balance at end of year	**₱15,085,059**	**₱15,085,059**

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

	2022	2021
Balance at beginning of year	**₱7,191,657**	**₱7,191,657**
Interest income	**284,070**	**284,070**
Remeasurement gain (loss) on plan assets	**(303,611)**	**(303,611)**
Balance at end of year	**₱7,172,116**	**₱7,172,116**

Changes in the retirement benefit liability follow:

	2022	2021
Balance at beginning of year	**₱8,577,069**)	**₱8,577,069**)
Current service cost	**3,189,191**	**3,189,191**
Net interest cost (income) on the retirement liability	**338,795**	**338,795**
Remeasurement loss on plan assets	**303,611**	**303,611**
Effect of asset ceiling		
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	(3,253,172)	(3,253,172)
Changes in demographic assumptions	**(5,469)**	**(5,469)**
Changes in financial assumptions	**(1,237,083)**	**(1,237,083)**
Balance at end of year	**₱7,912,942**	**₱7,912,942**

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

	2022	2021
Cash and cash equivalents	**₱3,358,918**	**₱3,358,918**
Financial assets at FVPL	**3,793,308**	**3,793,308**
Accrued and other receivables	**19,891**	**19,891**
	₱7,172,117	**₱7,172,117**

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	
	2022	2021
Discount rate	**5.08%**	**5.08%**
Future salary increases	**5.00%**	**5.00%**
Average remaining working life (in years)	**25.6**	**25.6**

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 2022	2021
Discount rate	**+100 basis point**	**(₱2,290,874)**	**(₱2,290,874)**
	-100 basis point	**2,836,751**	**2,836,751**
Future salary increases	**+100 basis point**	**2,809,381**	**2,809,381**
	-100 basis point	**(2,312,239)**	**(2,312,239)**

The Company has no contributions to the defined benefit plan in 2022 and 2021.

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

16. Miscellaneous

Miscellaneous income consists of the following items:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Penalties	**₱1,731,702**	₱7,776,978	₱1,731,702
Recoveries	**454,890**	6,381,233	454,890
Others	**86,507**	2,377,048	86,507
	₱2,273,099	₱16,747,709	₱2,273,099

Miscellaneous expense consists of the following items:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Communication	**843,026**	₱ 2,931,713	₱708,271
Stationeries and supplies	**624,595**	2,918,595	956,666
Others-Miscellaneous Expense	**160,249**	1,038,149	1,338,966.00
	₱1,627,870	₱6,888,457	₱ 3,003,903.00

Other expenses include insurance, repairs and maintenance, training and development fees, meetings and conference fees, claims fees advertising costs, donations, membership dues and other miscellaneous expenses.

17. Income Taxes

Current tax regulations provide that the RCIT rate is 25%. The regulations also provide for MCIT of 1% 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 March 31, 2022, December 31, 2021 and March 31, 2021 are as follows:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Current:			
MCIT	**₱–**	**₱3,599,704**	
REGULAR	**862,299**	–	821,058
Deferred	**641,494**	**11,692,486**	1,550,984
	₱1,503,793	**₱15,292,190**	**₱**2,372,042

The components of deferred tax assets - net follow:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Deferred tax assets on:			
Allowance for credit losses	**₱31,713,436**	**₱32,354,931**	**₱42,412,286**
Allowance of repossessed assets write-down	**10,356,908**	**10,356,908**	**9,613,310**
Accrued expenses	**1,685,388**	**1,685,388**	**2,022,466**
Effect of PFRS 16	**1,216,006**	**1,216,006**	**1,254,593**
Retirement expense	**1,605,504**	**1,605,504**	**868,208**
Remeasurement gain on defined benefit obligation	**(1,733,997)**	**(1,733,997)**	**(823,163)**
Impairment loss on investment properties	**228,987**	**228,987**	**274,785**
Past service costs	**40,294**	**40,294**	48,352
FV increase in investment property	**(1,272,713)**	**(1,272,713)**	–
	₱43,839,813	**₱44,481,308**	**₱55,670,837**

The Company did not recognize deferred tax asset on the MCIT amounting to ₱4.26 million as at December 31, 2021.

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

<u>MCIT</u>

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**	**(₱3,975,576)**	**₱4,256,473**	

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

	2022	2021
Income before income tax	**₱6,719,274**	**₱24,996,596**
Income tax computed at statutory rate (25%)	**₱1,679,819**	**₱6,249,149**
Additions to (reduction in) income tax resulting from the tax effects of:		**9,536,970**
Effect of CREATE law – Current tax	**(174,999)**	
Effect of CREATE law – Deferred tax		**(485,335**
Change in unrecognized DTA	**525,001**	
Interest income subjected to final tax	**(1,748)**	**(12,501)**
Non-deductible interest expense	**721**	**3,907**
Other non-deductible expense	**–**	**–**
Effective income tax expense	**₱1,503,793**	**₱15,292,190**

Interest allowed as deductible expense is reduced by an amount equivalent to 25% and 33.00% of interest income subjected to final tax for 2022 and 2021, respectively.

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 ₱0.26 million and ₱0.53 million 2022 and 2021, respectively.

Below are the movements in income tax payable:

	31-Mar-22 Unaudited	31-Dec-21 Audited
Balance, January 1	**₱2,380,651**	**₱761,701**
Provision for income tax - current	896,491	**4,085,039**
Income tax paid during the year	**–**	**(1,980,754)**
Effect of CREATE law		**(485,335)**
Balance, December 31	₱3,277,142	**₱2,380,651**

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:

Category/Transaction	Ref	2021 Amount of Transaction	2021 Outstanding Balances Due from related parties	2021 Outstanding Balances Due to related parties	2020 Amount of transactions	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances 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	–	–	**267,600,000**	–	–	338,600,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		–	–	–	24,500,000	–	–	
Settlements		**71,000,000**	–	–	70,900,000	–	–	
Interest expense		**16,145,583**	–	**822,018**	20,189,293	–	2,598,976	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	A	–	**307,804**	–	–	240,184	–	Non-interest bearing, unsecured; No impairment
Availments		**189,543**	–	–	174,490	–	–	
Settlements		**121,922**	–	–	88,200	–	–	

Forward

		2021			2020			
			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	₱–	₱–	₱13,849,458	₱–	₱–	₱15,194,978	30 day unsecured, non-interest bearing
Availments		73,871,039	–	–	54,444,011	–	–	
Settlements		75,216,559	–	–	51,426,833	–	–	
Short term placements	C	–	–	–	–	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Availments		–	–	–	–	–	–	
Settlements		–	–	–	–	–	–	
Interest income		–	–	–	–	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	A	1,877,428	–	–	–	2,725,083	–	30 day unsecured, non-interest bearing
Availments		745,819	–	–	343,204	–	–	
Settlements		1,593,475	–	–	554,450	–	–	
Accounts payable	D	–	–	75,372	–	–	75,372	Non-interest bearing, unsecured
Availments		29,722	–	–	23,191	–	–	
Settlements		29,722	–	–	–	–	–	
Short term placements	C	15,687,174	–	–	–	25,711,228	–	
Availments		1,576,792	–	–	2,294,972	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Settlements		11,600,846	–	–	154,129	–	–	
Interest income		–	–	–	–	–	–	
HMW Lending Investors, Inc.								
Short term placements	C	–	–	–	–	–	–	Short-term interest bearing placements at 8.5% annual interest rate
Interest income		–	–	–	–	–	–	
Honda Motor World, Inc.								
Miscellaneous receivables	A	132,598	–	–	–	106,017	–	Non-interest bearing, unsecured; No Impairment
Availments		109,036	–	–	125,228	–	–	
Settlements		82,455	–	–	63,753	–	–	
Accounts payable	D	–	–	1,864,681	–	–	1,839,777	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		23,949,667	–	–	16,571,009	–	–	
Settlements		23,924,764	–	–	16,958,716	–	–	
Pikeville Bancshares								
Professional fees		1,193,920	–	–	1,193,920	–	156,128	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	A	18,057	–	–	–	18,057	–	Non-interest bearing; No impairment
Availments		–	–	–	–	–	–	
Settlements		–	–	–	–	–	–	

Forward

		2021			2020			
			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	**₱–**	**₱–**	**₱31,334,008**	₱–	₱–	₱29,916,009	Unsecured interest bearing placements
Availments		**1,417,998**	–	–	1,357,368	–	–	at 5.5% annual interest rate;
Settlements		–	–	–	–	–	–	no impairment
Interest expense		**1,668,233**	–	–	1,596,904	–	–	
Directors and other stockholders								
Notes payable	B	–	–	**22,713,343**	–	–	34,919,791	Unsecured interest bearing placements
Availments		**4,687,646**	–	–	13,417,368	–	–	at 5.5% annual interest rate;
Settlements		**132,000**	–	–	8,166,310	–	–	no impairment
Interest expense		**1,099,070**	–	–	1,880,705	–	8,403	
Professional and other management fees		–	–	–	3,333,611	–	–	Payment of professional fees
TOTAL			**₱388,318**	**₱338,258,880**		₱28,881,083	₱423,309,434	

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, 2021 and 2020, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱342.50 million and ₱403.44 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱34.12 million and ₱23.67 million in 2021 and 2020, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱71.11 million and ₱39.27 million in 2021 and 2020, respectively. Settlement from borrowings amounted to ₱16.28 million and ₱79.07 million in 2021 and 2020, respectively. Interest rates from borrowings range from 5.0% to 5.5% in 2021 and 2020 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements amounting to ₱15.69 million and ₱25.71 milling in 2021 and 2020, respectively. Interest income from these placements amounted to nil in 2021 and 2020 (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 ₱15.20 million and ₱15.3 million in 2021 and 2020 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-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
a. Net Income	**₱5,215,484**	**₱9,704,406**	**₱5,020,033**
b. Weighted average number of outstanding common shares	**267,828,098**	**267,016,073**	266,204,047
c. Basic/diluted earnings per share (a/b)	₱0.02	₱0.04	₱0.02

The weighted average number of outstanding common shares in 2021 was recomputed after giving retroactive effect to stock dividends declared on July 29, 2021.

20. **Leases**

Lease Agreements
The Company as a Lessee

The Company leases various properties where its offices, branches and warehouses are located. The lease terms range from less than a year to 10 years which are renewable subject to certain terms and conditions. The terms of the leases also contain escalation clauses ranging from 5% to 10%.

At the end of the lease term or upon expiration of the renewal period, the ownership of the Company's buildings and improvements thereon shall be retained by the lessor. Under the terms of the lease, the Company cannot sell, assign or sublease, or otherwise dispose of the building and the improvements thereon, without the written consent of the lessor.

Total rent expense for short term leases included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2021 and 2020 amounted to ₱13.52 million and ₱2.17 million, respectively.

Security deposits arising from these lease agreements amounted to ₱3.73 million and ₱3.78 million, as at December 31, 2021 and 2020, respectively (see Note 10).

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

	2021	2020
Less than one year	**₱10,290,321**	₱8,127,491
Between one and five years	**32,791,150**	26,912,777
	₱43,081,471	₱35,040,268

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

	2021	2020
As at January 1	**₱26,899,594**	₱33,542,018
Additions	**15,532,001**	7,707,406
Accretion of interest	**1,766,789**	2,025,648
Payments	**(7,941,968)**	(16,375,478)
As at December 31	**₱36,256,416**	₱26,899,594

Right-of-use assets

	2021	2020
Balance at January 1	**₱23,636,443**	₱28,821,320
Additions	**15,532,001**	7,707,406
Depreciation of right-of-use assets	**(6,857,228)**	(12,892,283)
Balance at December 31	**₱32,311,216**	₱23,636,443

21. Notes to Statements of Cash Flows

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

Notes Payable, December 31, 2020	**686,393,001**
Cash flows during the year	
Proceeds from loans payable	144,434,268
Payment of loans payable	(266,120,713)
	(121,686,445)
Notes Payable, December 31, 2021	**₱564,706,556**
Cash flows during the year	
Proceeds from loans payable	29,580,459
Payment of loans payable	(42,339,156)
	(12,758,697)
Notes Payable, March 31, 2022	**₱551,947,859**

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, 2022 and December 31, 2021:

	31 March 2022 (Unaudited)		31 December 2021 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Financial assets at amortized cost				
Cash and cash equivalents	**₱97,507,662**	**₱97,507,662**	**₱73,115,778**	**₱73,115,778**
Loans and other receivables – net	**853,179,141**	**853,179,141**	**871,796,318**	**871,796,318**
Security deposits	**3,731,292**	**3,731,292**	**3,731,292**	**3,731,292**
*Financial assets at FVOCI**	**80,000**	**80,000**	**80,000**	**80,000**
	₱954,498,095	**₱954,498,095**	**₱948,723,388**	**₱948,723,388**
Financial Liabilities				
Financial liabilities at amortized cost				
Notes payable	**₱551,947,859**	**₱551,947,859**	**₱564,706,55**	**₱564,706,556**
Accounts payable	**50,754,334**	**50,754,334**	**35,722,757**	**35,722,757**
Accrued expenses**	**17,345,307**	**17,345,307**	**18,798,909**	**18,798,909**
	₱620,047,500	**₱620,047,500**	**₱619,228,222**	**₱619,228,222**

**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:

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial assets at FVOCI	**₱80,000**	**₱–**	**₱–**	**₱80,000**

2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVOCI	**₱₱80,000**	₱–	₱–	**₱₱80,000**

The Company has no financial instruments valued based on Level 3 as at March 31, 2022 and December 31, 2021. In 2022 and 2021, 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, 2022 (Unaudited)			December 31, 2021 (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*	**₱ 96,927,554**	**₱–**	**₱ 96,927,554**	₱72,303,820	₱–	₱72,303,820
Receivable from Customers: - net						
Consumer	**766,211,714**	**496,082,759**	**270,128,955**	787,469,618	505,615,171	281,854,447
Services	**205,000,297**	**25,988,486**	**179,011,811**	201,797,159	25,988,486	175,808,673
Other Receivables	**13,109,050**	**–**	**13,109,050**	12,217,653	–	12,217,653
Security deposits**	**3,731,292**	–	**3,731,292**	3,731,292	–	3,731,292
	₱ 1,084,979,907	**₱ 522,071,245**	**₱562,908,662**	₱1,077,519,542	**₱531,603,657**	₱545,915,885

	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
Other Investments						
Security deposits		–	**3,780,959**	–	–	**3,780,959**
	₱ 581,851,024	**₱–**	**₱317,354,966**	**₱ 138,749,521**	**₱157,684,053**	**₱1,191,027,645**

**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, 2022 (Unaudited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱ 4,323,231	₱ 6,768,028	₱ 4,367,766	₱ 13,675,958	₱ 22,352,765	₱ 51,487,747
Services	-	721,938	321,565	7,014,869	19,071,137	27,129,509
	₱ 4,323,231	**₱ 7,489,967**	**₱ 4,689,331**	**₱ 20,690,826**	**₱ 41,423,902**	**₱ 78,617,257**

	December 31, 2021 (Audited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱4,411,015	₱7,018,028	₱4,817,766	₱14,225,958	₱24,202,765	₱54,675,532
Services	-	721,938	321,565	7,064,869	19,371,137	27,479,509
	₱4,411,015	**₱7,739,966**	**₱5,139,331**	**₱21,290,827**	**₱43,573,902**	**₱82,155,041**

AGING OF RECEIVABLES
AS MARCH 31, 2022

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	802,533,022	10,209,383	6,839,772	5,986,112	13,452,025	132,016,680	**971,036,993**
SUB-TOTAL	**802,533,022**	**10,209,383**	**6,839,772**	**5,986,112**	**13,452,025**	**132,016,680**	**971,036,993**
Less: Allowance for Doubtful Accounts**						131,141,920	**131,141,920**
Net Trade Receivables	**802,533,022**	**10,209,383**	**6,839,772**	**5,986,112**	**13,452,025**	**874,760**	**839,895,073**
***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)*	13,284,068	-	-	-	-	-	13,284,068
SUB-TOTAL	13,284,068	-	-	-	-	-	13,284,068
Less: Allowance for Doubtful Accounts		-	-	-	-		
Net Non-Trade Receivables	13,284,068	-	-	-	-	-	13,284,068
NET RECEIVABLES	**815,817,090**	**10,209,383**	**6,839,772**	**5,986,112**	**13,452,025**	**874,760**	**853,179,141**

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, 2022 (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	**₱ 96,927,554**	**₱ 96,927,554**	**₱–**	**₱–**	**₱–**	**₱–**	**₱ 96,927,554**
Loans and other receivables							
Receivable from customers:							
Consumer	**766,211,714**	**370,631,357**	**119,927,254**	**166,556,374**	**341,149,517**	**77,190,219**	**1,075,454,721**
Services	**205,000,297**	**125,535,064**	**26,060,309**	**44,819,720**	**115,399,348**	**9,304,738**	**321,119,179**
Other receivables	**13,109,050**	**13,115,868**	**–**	**–**	**–**	**168,200**	**13,284,068**
Security deposits	**3,731,292**	**–**	**–**	**–**	**3,731,292**	**–**	**3,731,292**
Financial assets at FVOCI*	**80,000**	**–**	**–**	**–**	**–**	**80,000**	**80,000**
	₱ 1,085,059,907	**₱ 606,209,843**	₱ 145,987,563	**₱ 211,376,094**	**₱ 460,280,157**	**₱ 86,743,157**	**₱ 1,510,596,814**
Financial Liabilities							
Notes payable	**551,947,859**	**303,275,999**	**55,675,999**	**152,702,227**	**40,293,634**	**–**	**551,947,859**
Accounts payable	**50,754,334**	**50,754,334**	**–**	**–**	**–**	**–**	**50,754,334**
Accrued expenses**	**20,073,551**	**20,073,551**	**–**	**–**	**–**	**–**	**20,073,551**
	₱ 622,775,744	**₱ 374,103,884**	**55,675,999**	**152,702,227**	**40,293,634**	**–**	**622,775,744**
Net liquidity gap	**₱ 462,284,163**	**₱ 232,105,959**	**₱ 90,311,564**	**₱ 58,673,867**	**₱ 419,986,523**	**₱ 86,743,157**	**₱ 887,821,070**

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

	December 31, 2021 (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	**₱72,303,820**	**₱72,303,820**	**₱–**	**₱–**	**₱–**	**₱–**	**₱72,303,820**
Loans and other receivables							
Receivable from customers:							
Consumer	**787,469,618**	**370,592,766**	**120,345,764**	**167,947,583**	**361,817,691**	**86,345,287**	**1,107,049,091**
Services	**201,797,159**	**120,453,700**	**26,060,309**	**44,819,720**	**118,411,763**	**9,304,738**	**319,050,230**
Other receivables	**12,217,653**	**12,224,471**	**–**	**–**	**–**	**168,200**	**12,392,671**
Security deposits	**3,731,292**	**–**	**–**	**–**	**3,731,292**	**–**	**3,731,292**
Financial assets at FVOCI*	**80,000**	**–**	**–**	**–**	**–**	**80,000**	**80,000**
	1,077,599,542	**575,574,757**	**146,406,073**	**212,767,303**	**83,960,746**	**95,898,225**	**1,514,607,104**
Financial Liabilities							
Notes payable	**564,706,556**	**308,275,999**	**60,675,999**	**153,702,227**	**42,052,331**	–	**564,706,556**
Accounts payable	**35,722,757**	**35,722,757**	–	–	–	–	**35,722,757**
Accrued expenses**	**22,831,211**	**22,831,211**	–	–	–	–	**22,831,211**
	623,260,524	**366,829,967**	**60,675,999**	**153,702,227**	**42,052,33**	–	**623,260,524**
Net liquidity gap	**P454,339,018**	**₱208,744,790**	**₱85,730,074**	**₱59,065,076**	**₱441,908,415**	**₱95,898,225**	**₱891,346,580**

**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-22 Unaudited**	**31-Dec-21 Audited**	**31-Mar-21 Unaudited**
Cash in banks and cash equivalents	*6*	**₱97,507,662**	₱72,303,820	P89,362,398
Loans and receivable, net*	*7*	**853,179,141**	860,048,627	959,079,622
Notes payable	*11*	**(551,947,859)**	(564,706,556)	(661,829,909)
Net exposure		**₱398,738,944**	₱367,645,891	₱386,612,111

**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
2022	**+100bps**	**₱3,658,041**
	-100bps	**(3,658,041)**
2021	+100bps	**₱3,676,459**
	-100bps	**(3,676,459)**

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

The following are the tax information required for the taxable year ended March 31, 2022 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 quarter ended March 31, 2022 consist of the following:

Gross Receipts Tax (GRT)	₱ 2,226,177
Documentary Stamp Tax (DST)	338,745
License and Permit Fees	848,389
	₱3,413,311

As at March 31, 2022, accrued GRT and DST amounted to ₱2,226,177 and ₱338,745, respectively.

B. Withholding taxes

Details of the withholding taxes at March 31, 2022 follow:

Expanded withholding taxes	₱ 1,222,400
Withholding taxes on compensation and benefits	736,342
	₱1,958,742

C. Tax Cases

As at March 31, 2022, the Company has no pending tax court cases.

D. Tax Assessment

As at March 31, 2022, the Company has no pending tax assessment.

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

	31-Mar-22 (Unaudited)	31-Dec-21 (Audited)	19-Mar-20 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	**160.49%**	160.10%	**166.53%**
Debt to equity ratio	**122.42%**	123.47%	**162.74%**
Quick ratio	**103.92%**	109.61%	**93.97%**
PROFITABILITY RATIOS			
Return on assets	**0.43%**	0.80%	**0.21%**
Return on equity	**0.95%**	1.79%	**0.54%**
Net profit margin	**13.65%**	6.00%	**7.55%**
ASSET TO EQUITY RATIO	**222.42%**	223.47%	**262.74%**
INTEREST RATE COVERAGE RATIO	**1.92**	1.70	**1.48**
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	**5.26%**	5.21%	**4.56%**
Total receivables to total assets	**70.03%**	71.91%	**78.41%**
Total DOSRI receivables to net worth	**2.96%**	2.93%	**4.62%**
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	**0.04%**	0.04%	0.02%
Honda Motor World, Inc. (HMWI)	**0.02%**	0.02%	0.01%
Amalgamated Investment Bancorporation	**0.01%**	0.01%	0.01%
MAPI Lending Investors, Inc.	**0.25%**	0.22%	0.29%

LIQUIDITY RATIOS measure the business ability to pay short-term debt.

- Current ratio – computed as current assets divided by current liabilities
- Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

- Debt to equity ratio – computed as interest bearing loans and borrowings divided by total stockholders' equity
- Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt plus stockholders' equity attributable to the company's shareholders.

PROFITABILITY RATIOS

- Net Profit Margin – computed as net profit divided by revenues
- Return on Assets – computed as net profit divided by average total assets
- Return on Equity – computed as net profit attributable to the company's shareholders divided by average stockholders' equity attributable to the company's shareholders.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as earnings before income tax and interest expense (EBIT) divided by interest payments