April 13, 2018

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

Attention : **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

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

Attention: **Mr. Jose Valeriano B. Zuño**
OIC, Head of Disclosure Department

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC 17-A for the year ended December 31, 2017.

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/Compliance Officer

3/F Mazda Makati Building, 2301 Chino Roces Avenue, Makati City 1231 Philippines
Telephone Nos. (632) 751-8132
Website: www.makatifinance.ph

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) 751-8132**
Contact Person	Company Telephone Number

1 2	**3 1**	**SEC Form 17-A**	**0 7**	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2017

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

105		
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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **: December 31, 2017**

2. SEC Identification Number : **28788** 3. BIR Tax Identification No. : **000-473-966**

4. Exact name of issuer as specified in its charter : **MAKATI FINANCE CORPORATION**

5. **Makati, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **3F Mazda Makati Bldg., 2301 Chino Roces Ave., Brgy.Magallanes** **1231**
Address of principal office Postal Code

8. **(0632) 751-8132 local 111**
Issuer's telephone number, including area code

9. **2/F Makati Finance Building, 7823 Makati Avenue, Makati City**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**223,412.301**

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

Yes [/] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange Common Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that 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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [/]   No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

Makati Finance Corporation (“MFC” or the “Company”) is a company providing quality financial services and advisory to its clients. The Company has been in the financial services sector since 1966, navigated its way out of the Asian Financial Crisis in 1997-1999, and was listed in the PSE following a successful initial public offering (IPO) in 2003. Since listing, MFC has posted net profits and has consistently declared 30% of its net income as dividends every year which is the Company’s dividend policy established in 2003. Moving forward, the Company plans to significantly expand its loan portfolio in the next years.

The Company’s main product lines are Rx Cashline – loans especially tailored to medical professionals, MFC Factors – a receivables factoring service and Business Loans for Small and Medium Enterprise (SMEs), and Motorcycle (MC) Financing – loans for motorcycle buyers. These are offered domestically, hence there are no foreign sales. Also, no government approval is needed to offer these products. The management continues to implement cost-cutting measures and impose higher standards of credit evaluation.

Corporate Mission Statement

The Company believes in reaching its goals by focusing on its mission as follows:

> *“…to become one of the leading financial institutions in the country. Its objective is to become the best rather than the biggest. The Company pursues this objective through the following:*

- *Efficiency in all aspects of operations*
- *Client satisfaction at all levels of service*

- *In-depth market penetration*

- *Creativity in the provision of competent solutions*

In the long run, Makati Finance sees itself as being the finance company known for excellence in financial service in its niche market."

MFC recognizes its role not only as a source of funding for consumers and businesses but as a partner to its clients in the improvement of their livelihood.

History and Background

On February 17, 1966 the Company was incorporated as Makati Investment & Finance Corporation (MIFC) under SEC registration number 28788. MFC's commercial operations started with engaging in stock dealership functions, credit line extensions, and acceptance of private placements.

The Philippine economy was in an upswing during the 1990s. Consequently, the Company focused on the growth and expansion of its operations and lending activities. Under the new management, the Company focused on the growth of its loan portfolio to take advantage of the improving Philippine economy. It was during this time when MFC introduced new products and services as well as established additional credit lines with major commercial banks.

In 2005, MFC ventured into motorcycle financing. Seeing that motorcycle financing is a growth area and a profitable market niche, MFC has put considerable effort in developing its MC Financing business line. As part of its efforts to grow this product, the Company has partnered with two motorcycle trading Companies in its Luzon operations; MFC secured a contract which gives the MFC rights of first refusal over the financing of motorcycle sales for the aforementioned locations which is still in effect up to the present.

In the past five years, MFC experienced steady growth in its motorcycle product line. In 2014, the motorcycle financing business still hold the biggest share in total loan portfolio, though it slightly declined from 89% in 2013 to 85.7% in 2014 due to the implementation of a stricter credit scoring system to further improve the quality of its accounts. Successive typhoons in 2014 (Glenda in July, Jose in August and Mario in September), which directly hit the motorcycle trading area also contributed to the decline. RX loan on the other hand increased its share from 4.7% in 2013 to 6.2% in 2014. Also, the share of MFC Factors and Business Loans slightly grew from 6.25% in 2013 to 8.13% in 2014.

Effective collection efforts and recovery of long outstanding accounts resulted to 13.0% increase in net interest income to ₱169.6M in 2014 from ₱150M in 2013, and an increase in net income after tax to ₱41.7M in 2014 from ₱23.1M in 2013, or about 80.4% growth.
In 2015, MFC continued to improve other product lines as part of its efforts to diversify its loan portfolio. Although MC financing loan releases increased by 4% from ₱508.5 million in 2014 to ₱528.8 million in 2015, MC financing loans receivable portfolio slightly dropped from 85.7% in 2014 to 79.42% in 2015. This is mainly due to the increase of Rx Cashline Loan from 6.2% in 2014 to 7.32% in 2015, while MFC Factors and Business Loans increased from 8.13% in 2014 to 13.26% in 2015.

On the other hand, income from operations before share in net income of an associate slightly improved from ₱0.9 million in 2014 to ₱1.3 million in 2015. While net income after tax grew from ₱41.7 million in 2014 to ₱46.0 million in 2015.

In 2016, MFC continued to grow its Business Loan portfolio or the real estate backed loans, which increased by ₱97.6 million from ₱69.2 million in 2015 to ₱166.8 million in 2016 as part of the Company's continued efforts to diversify its loan portfolio.

The company posted a net income amounting to ₱46.3 million in 2016, higher by 0.76% from same period last year of ₱46.0 million. This is mainly due to the increase in share in net income from of an associate by ₱6.4 million from ₱40.8 million in 2015 to ₱47.2 million in 2016 and a one time gain from sale of investment in an associate amounting to ₱84.6 million.

In 2017, the Company posted a net income of P54.4 million or 17.41% higher versus P46.3 million in 2016, mainly due to reduction in total operating expenses by P77.08 million.

Operating Departments and Units

The Company has three (3) main operating units that represent each main business line. The following is a brief description of each:

Rx Cashline Group

The Rx Cashline group is mainly responsible for the Rx Cashline product. This group is tasked with: (i) sales and promotion of the Rx Cashline product to medical professionals (ii) assist in credit application, investigation, evaluation, and recommendation, (iii) collection as well as (iv) research and development.

The Rx Cashline group also has a network of accredited referral agents that bring in qualified loan clients.

MFC Factors Group

The MFC Factors Group is responsible for running the receivables factoring business of the Company. Among its basic tasks are: (i) sales and promotion, (ii) credit application, investigation, evaluation, recommendation, and (iii) collection. The account officers are responsible for the research of businesses that seek to factor their receivables for extra liquidity. Factoring leads come from accredited referral agents as well as current clients.

MC Financing Group

The MC Financing Group is tasked with: (i) sales and promotion, (ii) credit application, investigation, evaluation, recommendation, and (iii) collection for the motorcycle financing business of the Company.

Business Operations

The Company's business operations involve: (a) sales and marketing; (b) evaluation and approval of loan applications; and (c) collection of loan accounts. The following discussion presents the various components of the Company's business operations.

Sales and Marketing

The Company's sales and marketing effort is led by the Account Officers (AO)/Credit Sales Representatives (CSR) of each operating department. The AOs/CSRs are responsible for generating new loan accounts as well as monitoring the existing ones. Moreover, each account officer is tasked with generating and monitoring their accounts in their respective service areas.

In addition to the AOs/CSRs of each operating department, the Company also has a large network of accredited agents that refer loan applicants to the Company. The Company's network of referral agents includes both individuals and accredited institutions, such as medical organizations and distributors of medical and dental equipment.

As part of the Company's marketing efforts, the AOs/CSRs employ the following promotional tools: (i) direct mail; (ii) advertisements in trade publications; (iii) fax and e-mail marketing; (iv) tele-marketing; (v) door-to-door marketing; (vi) attendance of special events/trade shows; (vii) loan renewal program; and (viii) referral network and programs.

Loan Evaluation and Approval Process

For consumer finance companies, there is prime importance in a complete and adequate evaluation and stringent screening process for new loan applications. Given the country's economic environment, assessing credit risk and quality of new loan accounts becomes one of the core processes of finance companies such as MFC.

Along with a proprietary credit scoring system, MFC's in-house loan process evaluation includes business and residential visits and ocular inspections. The Company also verifies new loan applications with the Credit Management Association of the Philippines (CMAP) and the Credit Investigation Bureau, Inc. (CIBI) to determine if there exist negative credit findings on a loan applicant. The AO then thoroughly analyzes the application and makes a recommendation.

The Company's Credit Committee makes the final decision on the application for Rx Cashline and MFC Factors group while the Branch Manager and the Controller approve the application for MC Financing based on the AO/CSR's analysis. The Credit Committee is composed of the Chief Operating Officer (COO), Chief Finance Officer (CFO), Operations Manager and Finance Manager.

Once an application has been approved by the Credit Committee, a check will be prepared for the loan release. The clients are notified of the approval before the loan is released. The clients are also requested to furnish some final documentation prior to the release of the funds. The post-dated checks and other loan requirements from the client are submitted to the cashier. If the required documents are clear and in order, the loan proceeds are then released to the client. Various documents are then provided by the various departments and groups to the AOs to facilitate in account monitoring and collection.

While for MC Financing, once application is approved by the Branch Manager, various documentations are prepared for the release of the motorcycle unit. The borrower pays for the down payment, registration and the insurance, signs the chattel mortgages and other release forms before the units may be released or delivered to the customer.

Loan Collection Process

Monitoring the loan accounts is the responsibility of the AO or CSR of each of the operating departments. The subsidiary ledger of their respective approved clients contains the schedule of the loan amortization payments. Because the Rx Cashline clients have already given their post-dated checks for the loan repayments, the AOs are well advised of the status of each account. AOs are always updated on clients that have completed their amortization payments and those that have incurred returned-check payments. Clients whose checks have bounced are immediately advised by the Account Officer in charge to settle the payment as soon as possible with consequent late payment charges and handling fees. With this, it is important to take note that MFC normally evaluates the circumstances of bounced checks on a case-to-case basis to maintain profitable relations with their clients as much as possible. The CSRs, on the other hand, most often directly and personally collects the loan amortizations of the MC Financing customers. Some customers prefer to pay directly to the branch office.

Customers that do not remit payment on the due date are classified as past due accounts while those that are more than 90 days past due are reclassified as delinquent accounts. Legal action or foreclosure of collateral may be endorsed for accounts that turn delinquent. Motorcycle units are repossessed by MFC from loan accounts which are over 60 days past due. Clients may redeem upon payment of amortization in arrears.

Despite instituting a firm and stringent credit and collection policy, the Company maintains its goal of providing quality service to its clients.

Employees

As of December 31, 2017, the Company accounted for a total of 286 employees, distributed as follows:

Rank	2017 No. of Employees	Projected 2018 No. of Employees
Officers	3	3
Managerial/Supervisory	22	23
Rank and File	151	161
Total	**176**	**187**

Employment Status	No. of Employees
Regular	157
Probationary	19
Total	**176**

The employees of the Company are not subject to any collective bargaining agreement (CBA).

ITEM 2. Properties

As part of its normal operations, the Company acquires or forecloses several properties that are mortgaged to secure customers' loans. There are no other mortgages or liens on these properties except those under the name of the Company. These properties have subsequently been transferred to the Company. The Company tries to eventually dispose or sell these properties. The list of these properties is found in the following table:

List of Foreclosed Properties as of December 31, 2017		
Location	**Size(s.qm)**	**Description**
Santan St., Cityland Cityview II Farm Lot Subdivision, Barangay De Ocampo, Trece martires City(Cavite)	1,410	Transferred
Lot 18 &19 , Blk 2, Psd 64355 ,Angela St., Capitol Homesite Subdivision, Barangay Cotta, Lucena City, Quezon Province	561	Transferred
Blk 23, Lot 1, Montevista Hts., Subd.,Brgy. Dolores, Taytay, Rizal	181	Transferred
Blk 23, Lot 2, Montevista Hts., Subd.,Brgy. Dolores, Taytay, Rizal	198	Transferred
Lot 1-B, Blk 17, No. 26 Sardinia St., San Francisco Village, Barangay Muzon, Taytay, Rizal	157	Transferred
Lot 9, Blk 1, Victoria Ave. Brookside Hills Subd., San Isidro, Cainta, Rizal	279	Transferred
Lot 15-F, Iruhin Central R1, Tagaytay City	2,231	Transferred
TOTAL	**5,017**	

ITEM 3. Legal Proceedings

There are no legal proceedings against the Company, except collection and/or foreclosure cases in the normal course of its operations.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matter that require voting decisions were submitted to the Security Holders in the fourth quarter of the year 2017.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Issuer's Common Equity and Related Stockholder Matters

Share Capital

The Company has an authorized capital of ₱300,000,000, divided into 300,000,000 Common Shares, with a par value of ₱1.00 per share, out of which ₱223,412,301, divided into 223,412,301 shares are issued and outstanding as at December 31, 2017.

Subject to the authorization of the SEC, the Company may increase or decrease its authorized capital with the approval of a majority of the Board of Directors (BOD) and Stockholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the Company.

Amendments to Authorized Capital Stock and Par Value

In year 2000, the BOD and stockholders approved, as part of the quasi-reorganization, the decrease in the Company's authorized capital stock of ₱100,000,000, with a subscribed and paid-up capital of ₱45,149,780 to ₱9,949,040 with a subscribed and paid-up capital of ₱2,487,260. There was no return of capital, thus, the surplus arising from the reduction in the capital amounting to ₱42,662,520 was credited to additional paid-in capital.

On the same date, the BOD and stockholders approved the increase in the Company's authorized capital stock from ₱9,949,040 to ₱127,000,000, divided into 12,700,000 common shares with a par value of ₱10 per share.

On January 23, 2001, the Company issued additional 3,198,535 shares to the shareholders against their deposits for future subscriptions amounting to ₱87,078,288, resulting to an additional paid-in capital of ₱55,092,938.

On the same date, the Securities and Exchange Commission (SEC) approved the quasi-reorganization as described above.

Accordingly, upon such approval, the additional paid-in capital amounting to ₱97,781,211 as of that date was applied against the Company's deficit as of July 31, 2000 amounting to ₱97,781,211.

On December 11, 2001, the BOD and stockholders approved the reduction in the Company's authorized capital stock from ₱127,000,000 to ₱100,000,000 and from par value of ₱10 per share to ₱1 per share. On March 11, 2002, the BOD and stockholders amended the proposed reduction in the Company's authorized capital stock from ₱127,000,000 to ₱90,000,000 and from par value of ₱10 per share to ₱1 per share. The reduction in authorized capital stock was approved by the SEC on May 9, 2002. The reduction in par value resulted in the issuance of 31,025,349 additional shares to existing shareholders.

Also on March 11, 2002, the 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 & Medium Enterprise Board on January 6, 2003 with an offer price of P1.38 per share. Underwriter was Abacus Capital & Investment Corporation.

On November 6, 2007, the Board of Directors and stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Company approved the increase in the Company's authorized capital stock from ₱90,000,000 divided into 90,000,000 shares, with a par value of ₱1.00 per share, to ₱300,000,000, divided into 300,000,000 shares, with a par value of ₱1.00 per share.

Stock Dividends

On July 30, 2015, the BOD and stockholders approved the declaration of 3.075% stock dividends in the amount of ₱6,252,776.85 to stockholders of record as of August 27, 2015 with distribution date not later than September 22, 2015. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,252,776.85. Fractional shares related to this declaration were settled in cash amounting to ₱67.00.

On July 28, 2016, the BOD and stockholders approved the declaration of 3.29% stock dividends in the amount of ₱6,897,073 to stockholders of record as of August 26, 2016 with distribution date not later than September 21, 2016. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,897,073. Fractional shares related to this declaration were settled in cash amounting to ₱61.00.

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of ₱6,949,792 to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,949,792. Fractional shares related to this declaration were settled in cash amounting to ₱47.00.

The movements in the number of shares and capital stock amount for the years ended December 31, 2017, 2016 and 2015 as follow:

	2017		2016		2015	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	**216,462,556**	**₱216,462,556**	209,565,483	₱209,565,483	203,312,773	₱203,312,773
Stock dividends	**6,949,745**	**6,949,745**	6,897,073	6,897,073	6,252,710	6,252,710
Balance at end of year	**223.412,301**	**₱223.412,301**	216,462,556	₱216,462,556	209,565,483	₱209,565,483

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 IPO. On November 6, 2007, the BOD 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.

According to the Philippine Stock Exchange Website, latest available price information on MFC's stock price is ₱2.90 per share as of December 28, 2017. The Company has not gone into a business combination nor any reorganization for the year 2017.

Share Prices:

The latest available price information on Makati Finance's stock price is ₱2.93 per share as of April 5, 2018.

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

	Market Prices	
Quarter Ending	**High**	**Low**
March 2018	2.92	2.92
December 2017	2.90	2.90
September 2017	2.89	2.89
June 2017	3.08	3.07
March 2017	2.93	2.93
December 2016	2.84	2.83
September 2016	3.20	3.20
June 2016	3.30	3.30
March 2016	3.67	3.58
December 2015	3.05	2.81
September 2015	3.31	3.31
June 2015	7.50	6.00

HOLDERS OF COMMON STOCK as of April 5, 2018
TOP 20 Stockholders

There are a total of 103 stockholders as of April 5, 2018.

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	94,488,680	42.29%
MOTOR ACE PHILIPPINES, INC.	FIL	A	56,516,496	25.30%
MF PIKEVILLE HOLDINGS, INC.	FIL	A	15,609,435	6.99%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	9,816,232	4.39%
MICHAEL WEE	FOR	A	9,244,615	4.14%
BORROMEO BROS. ESTATE INC.	FIL	A	7,300,577	3.27%
ERIC B. BENITEZ	FIL	A	6,230,663	2.79%
MELLISSA B. LIMCAOCO	FIL	A	5,592,035	2.50%
GLENN B. BENITEZ	FIL	A	5,324,208	2.38%
RENE B. BENITEZ	FIL	A	5,111,481	2.29%
JOEL FERRER	FIL	A	2,250,578	1.01%
RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	A	1,102,955	0.49%
REYES, MARY GRACE V.	FIL	A	663,389	0.30%
TERESITA B. BENITEZ	FIL	A	434,521	0.19%
MERG REALTY DEVELOPMENT	FIL	A	386,040	0.17%
MELLISSA B. LIMCAOCO ITF DANIELLE B. LIMCAOCO	FIL	A	266,182	0.12%
MELLISSA B. LIMCAOCO ITF MICHAELA LIMCAOCO	FIL	A	266,182	0.12%
GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	266,182	0.12%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	266,182	0.12%
GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	266,182	0.12%
SUB-TOTAL			221,402,815	98.10%
OTHER STOCKHOLDERS (84)			2,009,486	0.90%
GRAND TOTAL (104 stockholders)			223,412,301	100.00%

Currently the Company is compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 10% minimum public float. MFC has 18.28% public float.

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 2015, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱6,252,776.85. Fractional shares were settled in cash. For the year 2016, the BOD and Stockholders approved the declaration of cash dividends amounting to ₱6,897,133.50. Fractional shares were settled in cash. For the year 2017, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱6,949,792.45. Fractional shares were settled in cash.

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

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

EXEMPTION FROM REGISTRATION CLAIMED

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

ITEM 6. Management's Discussion and Analysis or Plan of Operation.

<u>Plans and Prospects for 2018</u>

MFC shall continue to expand and diversify its portfolio in 2018, as it steadily grows existing product lines; Rx Cashline, Business Loan and MFC Factoring portfolio. MFC shall also capitalize opportunities in Car Financing which was introduced during the last quarter of 2017 forging tie ups with its dealer partners; Ford, Mazda and Suzuki cars. The Company will continue to tap the Corporate Salary Loan Market by entering into Memorandum of Agreements with several established Companies to provide multi-purpose loans to their respective employees.

MFC will also explore other product such as Pension Loan, Micro Financing and Corporate Leasing.

MFC reiterates its commitment to providing source of funding for consumers and businesses which are considered partners to their improved livelihood.

MFC positions itself as a player in serving the financing needs of the often neglected middle markets in the Philippines. Because of the vast experience it has gained, MFC's lending activities and loan products will continue to be focused on the niche consumer loan market and SME markets. MFC will also continue and raise the quality of service it provides to its clients.

Funds Generation

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

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

Discussion of Past Financial Performance

<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 Php 77 million and increase in other income by Php 24.15 million.

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

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

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

Net Income

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

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

Results of Operation

Net Income after Tax for the year ending December 31, 2016, as reflected in the audited financial statements had increased by 0.76% to ₱46.33 million in 2016 from ₱45.98 million in 2015. This is mainly due to the increase in share in net income from of an associate by ₱6.4 million from ₱40.78 million in 2015 to ₱47.22 million in 2016 and a onetime gain from sale of investment in an associate amounting to ₱84.63 million.

Total operating income improved from ₱186.32 million in 2015 to ₱273.1 million in 2016, mainly due to onetime gain from sale of investment in an associate as discussed above. Total expenses in 2016 ended at ₱300.33 million, higher versus ₱185million in 2015, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by ₱60.7 million and increase in provision for credit losses by

₱17.47 million. Taxes and licenses also increased by ₱13.84 million due to accrued capital gains tax from sale of investment in an associate amounting to P12 million.

Interest income in 2016 amounted to ₱209.49 million; major breakdown of which is ₱21.2 million from Rx, ₱24.26 million from MFC Factors and Business Loans and ₱163.22 million from MC Financing.

As of December 31, 2016, Earnings Per Share ended at ₱0.21 from ₱0.22 in 2015.

Financial Condition and Capital Resources

Total assets as of December 31, 2016 ended at ₱1,227.6 million, lower versus ₱1,321 million in 2015 mainly due to decrease in repossessed motorcycle inventories by ₱88.0 million and sale of investment in an associate with a book value amounting to P75.35 million. On the other hand, total liabilities also declined by ₱133.3 million, from ₱900.7 million in 2015 to ₱767.5 million in 2016 mainly due to net settlement of notes payable amounting to ₱132.1 million.

Interest Income

The interest income this year ended at ₱209.5 million in 2016 from ₱211.4 million in 2014. This is mainly due to lower loans receivable at the beginning of 2016.

Net Interest Income

Net interest income amounted to ₱164.5 million in 2016 versus ₱166.5 million in 2015. This is mainly due to lower loans receivable at the beginning of 2016.

Other Income

Other income increased by ₱88.7 million, from ₱19.9 million in 2015 to ₱108.6 million in 2016 due mainly to a onetime gain from sale of investment in an associate amounting to ₱84.6 million and higher collections of processing fees from new loan releases and late payment charges collected from past due accounts.

Income Before Income Tax

As of December 31, 2016, the company ended at a loss before share in net income of an associate amounting to ₱27.2 million, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by ₱60.7 million and increase in provision for credit losses by ₱ 17.47 million.

Net Income

The Company posted a net income of ₱46.3 million in 2016, higher versus ₱46.0 million in 2015 or an increase of 0.76%.

<u>As of December 31, 2015</u>

Results of Operation

Net Income after Tax for the year ending December 31, 2015, as reflected in the audited financial statements had increased by 10.3% to P46.0 million in 2015 from ₱41.7 million in 2014. This is mainly due to the increase in income tax benefit by ₱2.6 million.

Total operating income slightly improved from ₱185.2 million in 2014 to ₱186.3 million in 2015. Total expenses in 2015 ended at ₱185.0 million which was 0.36% higher from ₱184.4 million expenses in 2014.

Interest income in 2015 amounted to ₱211.4 million; major breakdown of which is ₱21.2 million from Rx, P9.1 million from MFC Factors and ₱174.4 million from MC Financing.

With higher income in 2015, Earnings Per Share went up at ₱0.22 compared to ₱0.21 in 2014.

Financial Condition and Capital Resources

Total assets increased by ₱60.8 million in 2015 as against that in 2014, from ₱1,260.2 million to ₱1,321.0 million due primarily to the increase in loans receivable as a result of higher loan releases from ₱668.4 million in 2014 to ₱859.8 million in 2015. On the other hand, total liabilities slightly increased by ₱20.1 million, from ₱880.6 million in 2014 to ₱900.7 million in 2015.

Interest Income

The interest income this year ended at ₱211.4 million in 2015 from ₱220.2 million in 2014. This is mainly due to lower loans receivable at the beginning of 2015.

Net Interest Income

Net interest income amounted to ₱166.5 million in 2015 versus ₱169.6 million in 2014. This is mainly due to lower loans receivable at the beginning of 2015.

Other Income

Other income increased by ₱4.3 million or 27.45% from 2014 due mainly to higher collections of processing fees from new loan releases and late payment charges collected from past due accounts.

Income Before Income Tax

Due to the slight increase in total operating income, income before income tax and before share in net income from an associate increased to ₱1.3 million in 2015 from ₱0.9 million in 2014.

Net Income

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

KEY PERFORMANCE INDICATORS:

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

	2017	2016
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	**183.67%**	**94.77%**
Debt to equity ratio	**91.56%**	**166.81%**
Quick ratio	**166.84%**	**114.39%**
PROFITABILITY RATIOS		
Return on assets	**5.60%**	**3.77%**
Return on equity	**10.73%**	**10.07%**
Net profit margin	**18.73%**	**16.97%**
ASSET TO EQUITY RATIO	**191.56%**	**266.81%**
INTEREST RATE COVERAGE RATIO	**1.11**	**1.44**
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	**5.54%**	**0.21%**
Total receivables to total assets	**63.55%**	**69.16%**
Total DOSRI receivables to net worth	**0.00%**	**0.00%**
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	**0.34%**	**0.22%**
Honda Motor World, Inc.	**0.39%**	**0.29%**
Amalgamated Investment Bancorporation	**0.01%**	**0.02%**
MAPI Lending Investors, Inc.	**0.12%**	**0.01%**
Seine Garments Corporation	**0.00%**	**0.01%**

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

The Company had started to implement in April 2009 the geographical expansion for the MC Financing line. This resulted to investment in buying new office equipments, furniture and vehicles as service unit for the CSR.

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON SALES

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

SEASONAL ASPECTS

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

Item 7. Financial Statements

The audited financial statements are herewith attached as "ANNEX A".

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There are none.

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of R.G. Manabat & Co. is the incumbent external auditor of the Company for the calendar year 2017. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Mr. Dennis I. Ilan, the partner in charge, is the lead auditor of the Company. It is expected that R.G. Manabat & Co. will be reappointed as the Company's external auditor for year 2018.

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 R.G. Manabat & Co. with regard to accounting policies and financial disclosures of the Company.

Audit Committee is comprised of the following – Mr. Francisco C. Eizmendi Jr. as Chairman and Mr. Juan Carlos del Rosario, Mr. Robert Charles M. Lehmann and Mr. Lawrence EE as members.

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with R.G. Manabat & Co. with regard to accounting policies and financial disclosures of the Company. Mr. Dennis I. Ilan, the Partner, is the newly appointed auditor of the Company for the Calendar Year ending December 31, 2017, 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 R.G. Manabat & Co. for a service fee of ₱670,000 for 2017 audit period. The Company has not engaged R.G. Manabat & 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.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors and Executive Officers of the Issuer

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:

Dr. Isidro B. Benitez, 90, *Filipino*, is the *Chairman Emeritus*. Dr. Benitez has served as a Director since the Company's incorporation. He is also the Chairman of Obstetrics and Gynecology of the Makati Medical Center, MERG Realty Corporation and Amalgamated Development Corporation. Concurrently, Dr. Benitez is the Vice-Chairman of AIB and a Director of Nationwide Health Systems. He was formerly the Chairman of Obstetrics and Gynecology of the University of the Philippines / Philippine General Hospital where he worked from 1955 to 1988. He is presently the Chairman of the Examining Board of SGOP, Philippines, and a member of the American College of Surgeons, the Philippine College of Surgeons and the Philippine OB-Gyne Society. He obtained his Doctor of Medicine degree from the University of the Philippines, specialized in Obstetrics and Gynecology at John Hopkins University, Baltimore, Maryland and took courses in the Senior Executive MBA Program of the Ateneo de Manila University. He is also a director of Dearborn Motors, Inc. and Vice Chairman of Amalgamated Investment Bancorporation.

Ms. Teresita B. Benitez, *82, Filipino,* is the *Chairman Emeritus*. She has been a Director since 2001. She had previously worked for the Philippine Bank of Commerce as Assistant Personnel Manager and United Coconut Planters Bank as Assistant Corporate Secretary. She had also been a director at Asiatrust Bank and Amalgamated Development Corporation. At present she is the Treasurer and Director of Nationwide Health Systems and FLB Development Corporation and the President of MERG Realty and Development Corporation. Ms. Benitez obtained a Bachelor of Science degree in Commerce from the University of San Francisco.

Mr. Rene B. Benitez, 55, 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. Mr. Benitez is also Chairman, FCA Orbita LLC, a real estate asset management company based in New York. He is Executive Committee Chairman of Amalgamated Investment Bancorporation, and Vice Chairman of the Dearborn Motors Group of car dealerships. Mr. Benitez is a highly experienced director, currently serving in various international boards, among them are FPC 30 Green Energy Fund, a public power generation company in Australia, and the Yale Graduate School Alumni Association in New Haven, CT. 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 O. Borromeo, 68, 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. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Juan Carlos del Rosario, 67, Filipino, has served as a *Director* since 1996. Mr. Del Rosario is currently the Chairman of AIB and Inter Global Alliances Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurance Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was a Director of AIG Investment Corporation (Asia) Ltd., Cosmos Bottling Co., Bacnotan Cement Corporation, Investment Capital Corporation of the Philippines and Science Park of the Philippines Inc. Prior to joining the AIG/Philamlife Group, he had worked for 17 years for Chase Manhattan Bank in New York Head Office, and overseas postings in Saudi Arabia, Brazil and the Philippines. He is a graduate of De La Salle University, Manila with Bachelor of Arts (History) and Bachelor of Science (Commerce) degrees. He received his MBA (Finance and Marketing) from Columbia University, New York City and also completed the Executive Development Program at Cornell University Graduate School of Management Ithaca, New York and the Strategic Business Economics Program at the University of Asia and the Pacific, Manila.

Mr. Joel S. Ferrer, 64, 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 managing interests in real estate and agribusiness. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Francisco C. Eizmendi Jr., 81, Filipino, is one of the Independent Directors of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently an Independent Director of Sun Life Grepa Financial and Member of Board Advisers of East West Seed (Philippines). Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He also had been a member of the Advisory Board of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

Mr. Eric B. Benitez, 50, 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 Pricewaterhouse Coopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

Mr. Lawrence Hock Leong Ee, 75, Singaporean, has been a Director since 2014. He is currently Senior Adviser and Board of Director of Amalgamated Investment Bancorporation and lifetime member of the Institute of Singapore Chartered Accountants.

Mr. Maxcy Francisco Jose R. Borromeo, 44, Filipino, is the Company's President. He was elected as Director last July 28, 2016. Aside from being a President of the Company, Mr. Borromeo is also a Director of Honda Motor World, Inc., HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation and Borromeo Brother's Estate, Inc. 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 completed the following courses from the Asian Institute of Management, Professional Management Development Course, Strategic Management, Operations Management, and

Financial Management. 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, 46, Filipino, he was elected as Director last July 27, 2017. He is the President and General Manager of Honda Motor World, Inc. , HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, 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., Cebu Maxi Management Corp., Maxi Agricultural Corporation and Cebu Parkland Inc. He is the Corporate Planning Officer of Dearborn Motors, Inc. He graduated in Business Management degree major in Marketing from Hampshire College, New Hampshire, USA.

Mr. Alan Michael R. Cruz , 55, Filipino, he was elected as Independent Director last July 27, 2017. He was the President and General Manager of Northpine Land, Inc. from June 2011 to December 2016. He was also the Real Estate Development Manager of San Miguel Properties, Inc. from March 2007 to June 2011. He also served as Vice President and Division Head of United Coconut Planters Bank (UCPB) from 2004-2007 and Vice President and OIC – Asset Management Division from 2000-2003. He graduated in 1985 from University of the Philippines with the degree of B.S. Architecture. He was also 10th placer in 1985 board examination.

Mr. Robert Charles "Bob" M. Lehmann, 62, Filipino, he was elected as Director last October 20, 2017. He is currently the President and CEO of Amalgamated Investment Bancorporation (AIB). Also, Mr. Lehmann is concurrently a Director of Philippine Eagle Foundation. He has served 24 years in the banking industry in various senior positions here and abroad. His last position being the Executive Vice President of Security Bank. Prior to that, he was with Standard Chartered Bank in the region for many years, after several Philippine Country Manager positions with American and U.K. banks. A graduate of Ateneo High School, he has an undergraduate degree in B.S. International Business and a Masters in Business Administration from the University of San Francisco.

Independent Directors

Among the Directors, Messrs. Francisco C. Eizmendi Jr. and Allan Michael R. Cruz were elected as the two (2) Independent Directors of the Company at the 2017 Annual Stockholders' Meeting.

Senior Management

Mr. Marcos E. Larosa, CPA – *Chief Finance Officer, 39, 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*, 49, Filipino. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer Ang-Co & Gonzales Law Offices. He is also a Director, Legal Counsel, Corporate Secretary and/or Asst. Corporate Secretary of several other Philippine corporations, such as Art Provenance Philippines Inc., Amalgamated Investment Bancorporation, Anvaya Cove Beach and Nature Club, Concepts Unplugged: Business Environment Solutions (CUBES), Inc., Dearborn Motors Co., Inc., Kalayaan College Inc., Now Corporation, 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

Dr. Isidro B. Benitez and Ms. Teresita B. Benitez are spouses, and Mr. Rene B. Benitez and Eric B. Benitez are their sons. Mr. Maxcy Francisco Jose R. Borromeo and Mr Jose Jose Daniel R. Borromeo are sons of Mr. Max O. Borromeo.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers was involved during the past five years up to in any bankruptcy proceedings up to April 12, 2018. 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.

ITEM 10. Executive Compensation

The Company has an existing management contract with Cebu Maxi Management Corporation for advice and assistance in the MC Financing product assisted by Mr. Max O. Borromeo, Vice Chairman and with Pikeville Bancshares, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Chairman. Each of the directors receives per diem amounting to ₱50,000 for every Board meeting they attend.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE				
YEAR	**NAME AND PRINCIPAL POSITION**	**SALARY/MANAGEMENT FEE**	**BONUS**	**OTHER COMPENSATION**
2018 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,383,400	3,854,678	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,383,400	5,370,997	2,050,000
2017 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,383,400	3,854,678	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,383,400	5,370,997	2,050,000
2016 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,682,640	2,211,493	650,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,682,640	5,134,204	2,250,000
2015 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,375,920	1,376,191	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,375,920	4,063,003	2,200,000

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.

Item 11. Security Ownership of Certain Beneficial Owners and Management

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	94,488,680	42.2900%
Common	Motor Ace Phils. Inc. MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	56,516,496	25.3000%
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	15,609,435	6.9900%

Security ownership of BOD and Officers with Direct Ownership

Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	6,230,663	2.7900%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	5,111,481	2.2900%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	266,182	0.1190%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	266,182	0.1190%
Common	Rene B. Benitez ITF Matias Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	255,549	0.1100%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,250,578	1.0100%
Common	Maxcy Francisco Jose R. Borromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,096	0.0000%
Common	Max O. Borromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	450,326	0.2014%
Common	Juan Carlos Del Rosario Unit 9 17-A, Mckinley Road, Forbes Park, Makati City	Beneficial owner	Filipino	29	0.00000%
Common	Francisco C. Eizmendi, Jr. 34 Celery Drive, Valle Verde 5, Pasig City	Beneficial owner	Filipino	15	0.00000%
Common	Alan Michael R. Cruz 410 madrigal Avenue, Ayala Alabang, Muntinlupa	Beneficial owner	Filipino	1	0.00000%

Common	Jose Daniel R. Borromeo Mandaue, Cebu City	Beneficial owner	Filipino	2,097	0.00000%
Common	Lawrence Ee Hock Leong Residence 34, Dunbar Walk, Singapore	Beneficial owner	Singaporean	1	0.00000%
Common	Robert Charles M. Lehmann 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.00000%

Makati Finance Corporation complied with the minimum percentage requirements of listed securities held by the public of 10% of the listed company's issued and outstanding share. The Company will endeavor to increase its public float.

ITEM 12. Certain Relationships and Related Transactions

Dr. Isidro B. Benitez and Ms. Teresita B. Benitez are spouses, and Mr. Rene B. Benitez and Eric B. Benitez are their sons. Mr. Maxcy Francisco Jose R. Borromeo and Mr. Jose Daniel R. Borromeo are sons of Mr. Max O. Borromeo.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 21 OF THE AUDITED FINANCIAL STATEMENTS

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. For the details on the related party transactions, refer to Note 21 of the audited financial statements.

PART IV – CORPORATE GOVERNANCE

ITEM 13. Corporate Governance

Please refer to the ACGR herein attached as “ANNEX C”

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

MFC 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 up to the present. To monitor compliance, the board of directors designated Mr. Marcos E. Larosa as Compliance Officer. 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, MFC is already adopting the Philippine Accounting Standards in the presentation of its financial statements.

PART V - EXHIBITS AND SCHEDULES

ITEM 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The Company’s audited financial statements are hereby attached as “ANNEX A”.

(b) Reports on SEC Form 17-C

The reports on SEC Form 17-C filed during the last six months ended December 31, 2017 are hereby attached “ANNEX B”.

Quarterly Financial Reports ending March 31, 2017 were submitted to the SEC on May 15, 2017; quarterly ending June 30, 2017 on August 14, 2017 and for the quarter ending September 30, 2017 on November 16, 2017.
`

Pursuant to the requirement of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on APR 13 2018 ..

SIGNATURES

RENE B. BENITEZ **Chairman of the Board**	MAX O. BORROMEO **Vice-Chairman**
FRANCISCO C. EIZMENDI JR. **Independent Director**	ALAN MICHAEL R. CRUZ **Independent Director**
MAXCY FRANCISCO JOSE R. BORROMEO **President**	MARCOS E. LAROSA **Chief Finance Officer**

SUBSCRIBED AND SWORN to before me this _______ day of APR 13 2018 20__ , affiant(s) exhibiting to me their __________________, as follows:

NAME/NO.	GOVT.I.D.	PLACE OF ISSUE
RENE B. BENITEZ	TIN:137-438-326	
MAX O. BORROMEO	TIN: 108-479-305	
FRANCISCO C. EIZMENDI JR.	TIN: 119-132-505	
ALAN MICHAEL R. CRUZ	TIN : 103-569-603	
MARCOS E. LAROSA	TIN : 206-361-568	
MAXCY FRANCISCO JOSE R. BORROMEO	TIN : 153-065-629	

NOTARY PUBLIC

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018 – ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0026676/4-11-2018
IBP O.R No.705762 LIFETIME MEMBER JAN. 29, 2007
PTR No. 6607619 JAN 03, 2018 MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER

Doc No. 406
Page No. 83
Book No. 310
Series of 2018

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 8 7 8 8

COMPANY NAME

MAKATI FINANCE CORPORATION

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

3rd Floor, Mazda Makati Bldg
2301 Chino Roces Avenue,
Barangay Magallanes, Makati
City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
105		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	896-0221/ 897-0749	+639175309923

CONTACT PERSON's ADDRESS

3F 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.

2: 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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

FINANCIAL STATEMENTS
December 31, 2017 and 2016

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Makati Finance Corporation
3/F Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City 1231

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Makati Finance Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' 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 judgement, 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.

Adequacy of Allowance for Credit Losses on Loans and Receivables (P119.89 million)
Refer to Note 9 to the financial statements.

The risk
The Company's loans and receivables are significant as they represent 64% of the total assets as at December 31, 2017. The adequacy of the allowance for credit losses on these loans and receivables is a key area of judgment for management. The Company determines the allowance for credit losses on an individual basis for individually significant loans and receivables, and collectively for loans and receivables that are not individually significant. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors. This includes timing of expected future cash flows, probability of collections, observable market prices and expected net selling prices of the collateral. The use of assumptions could produce significantly different estimates of allowance for credit losses.

Our response
We obtained an understanding of the Company's impairment testing process, including the identification of loans and receivables to be subjected to specific impairment testing. For loans and receivables subjected to specific impairment testing, we selected samples of impaired loans and obtained an understanding of the borrower's business and financial capacity and assessed if there is any objective evidence of impairment that exists as of the reporting date. We also tested the assumptions underlying the impairment identification and quantification of the allowance for credit losses. This was done by assessing whether the forecasted cash flows are based on the borrower's current financial condition, checking the payment history of the borrower including payments made subsequent to yearend, agreeing the value of the collateral to the appraisal reports, checking whether the discount rate represents the original effective interest rate (EIR) or the current EIR of the loan, and re-performing the impairment calculation.

For loans and receivables subjected to collective impairment testing, we tested the underlying information used in the impairment calculation by comparing the details to the Company's records and subsidiary ledgers. We tested the assumptions used in the impairment calculation, such as likelihood of default and loss rates based on historical data, validating the delinquency age buckets of the loans and loan groupings and re-performing the calculation of the allowance for credit losses.

Valuation of Motorcycle Units (P74.53 million)
Refer to Note 13 to the financial statements.

The risk
Upon default of the borrower, the Company acquires the motorcycle units which served as collateral. The motorcycle units are carried at the lower of cost and net realizable value ("NRV"). The cost of inventories may not be recoverable if those repossessed motorcycle units are aged and damaged, if they have become obsolete, or if their selling prices have declined.

Management determines the lower of cost and NRV of the motorcycle units by considering the ageing profile, physical condition of the units and estimated selling price of individual items. This requires the use by the management of significant judgments and assumptions and, various uncertainties resulting from customer demand and competitors' actions that may result in material misstatement if inappropriate. As such, we have identified the determination of the NRV of motorcycle units as a key risk to focus on in our audit.

Our response
Our audit procedures in relation to management's assessment on NRV and obsolescence of motorcycle units included:

- Understood and assessed the control procedures performed by management, including its procedures in estimating the NRV of the motorcycle units and conducting periodic review of the motorcycle units obsolescence;

- Observed physical counts to identify any damaged or obsolete motorcycle units;

- Tested on a sampling basis, the accuracy of the ageing profile of individual motorcycle units by checking to the underlying documents upon repossession; and

- Tested on a sampling basis, the NRV of selected motorcycle units, by compairing the selling price subsequent to the reporting date, against the carrying values of these individual motorcycle units.

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, 2017, but does not include the financial statements and our auditors' report theron. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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 PFRSs, 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.

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those markets 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 auditors' 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 Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of 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.

The engagement partner on the audit resulting in this independent auditor's report is Dennis I. Ilan.

R.G. MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN
Partner
CPA License No. 089564
SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2017
Issued September 5, 2017; valid until September 4, 2020
PTR No. 6615137MD
Issued January 3, 2018 at Makati City

April 12, 2018
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Makati Finance Corporation
3/F Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City 1231

We have examined the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated April 12, 2018.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has a total number of eighty eight (88) stockholders owning (100) or more shares each.

R.G. MANABAT & CO.

DENNIS I. ILAN
Partner
CPA License No. 089564
SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2017
Issued September 5, 2017; valid until September 4, 2020
PTR No. 6615137MD
Issued January 3, 2018 at Makati City

April 12, 2018
Makati City, Metro Manila

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **Makati Finance Corporation** (the "**Company**") is responsible for all information and representations contained in the Annual Income Tax Return for the year endedDecember 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements as at and for the years ended December 31 2017 and 2016,and the accompanying Annual Income Tax Return are in accordance with the books and records of Company, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signed under oath by the following:

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

BEFORE ME personally appeared

NAME | ID NUMBER | DATE/PLACE ISSUED

Rene B. Benitez
Chairman of the Board

Maxcy Francisco Jose R. Borromeo
President/ Chief Operating Officer

APR 12 2018

Known to me and to me known to be the same person who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed.

Marcos E. Larosa
Chief Finance Officer

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-98
UNTIL DECEMBER 31, 2018 – ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0005973/4-11-2016
IBP O.R No. [illegible] LIFETIME JAN. 29, 2007
PTR No. [illegible] JAN 03, 2018 MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER

Signed this 24 day of April 2018j

DOC NO. 50
PAGE NO. 11
BOOK NO. 309
SERIES NO. 2018

Note: The SMR of companies covered under Part II of the SRC Rule 68, As Amended should be SIGNED UNDER OATH.

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, 2017 and 2016, 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, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends 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.

R.G. Manabat & 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 management, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

Rene B. Benitez
Chairman of the Board

Maxcy Francisco Jose R. Borromeo
President/ Chief Operating Officer

Marcos E. Larosa
Chief Finance Officer

Signed this 12th day of April 2018

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

BEFORE ME personally appeared APR 12 2018

NAME | NUMBER | DATE/PLACE ISSUED

Known to me and by me known to be the same person who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018 – ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0016673/4-11-2018
IBP O.R No. 706702 LIFETIME MEMBER JAN. 29, 2007
PTR No. 6607 [illegible] JAN 03, 2018 - MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER

DOC NO. 476
PAGE NO. 85
BOOK NO. 309
SERIES NO. 2018

3/F Mazda Makati Building, 2301 Don Chino Roces Avenue, Brgy. Magallanes, Makati City 1231 Philippines
Telephone Nos. (632) 751-8132
website: www.makatifinance.ph

BAUTISTA ACCOUNTING
We continue when other accountants have finished

To Management of Makati Finance Corporation

I have compiled the accompanying financial statements of **Makati Finance Corporation** based on information you have provided. These financial statements comprise the statement of financial position of **Makati Finance Corporation.** as at December 31, 2017 and 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period ended December 31, 2017 and 2016, and notes, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), *Compilation Engagements*.

I have applied our expertise in accounting and financial reporting to assist in you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRSs). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRSs.

AVELITO T. BAUTISTA
CPA No. 0099255
TIN No. 205-710-848-000
PTR No. 1021598, January 10, 2018, Dagupan City, Pangasinan
BOA Reg. No. 4227
CDA Reg. No. 1102
BIR AN 01-004607-001-2015 (November 15, 2015 to 2018)

MAKATI FINANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2017	2016
ASSETS			
Cash and Cash Equivalents	*8*	**P126,800,064**	P97,617,641
Loans and Other Receivables - net	*9*	**616,946,052**	849,023,273
Investment in an Associate	*10*	**-**	94,962,090
Property and Equipment - net	*11*	**10,850,897**	14,823,832
Investment Properties - net	*12*	**53,825,871**	2,604,468
Deferred Tax Assets - net	*20*	**77,825,999**	57,706,296
Other Assets - net	*13*	**84,539,417**	110,848,563
		P970,788,300	P1,227,586,163
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	*14*	**P427,338,890**	P711,186,458
Accounts payable	*21*	**16,463,258**	15,717,788
Accrued expenses	*15*	**19,672,053**	37,550,118
Income tax payable		**89,119**	1,489,950
Retirement benefits liability	*18*	**436,790**	1,549,370
		464,000,110	767,493,684
Equity			
Capital stock	*17*	**223,412,301**	216,462,556
Additional paid-in capital		**5,803,922**	5,803,922
Retained earnings		**273,833,971**	233,334,355
Remeasurement gains on defined benefit obligation		**3,737,996**	4,491,589
Share in other comprehensive income of an associate		**-**	57
		506,788,190	460,092,479
		P970,788,300	P1,227,586,163

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Note	2017	2016	2015
		Years Ended December 31		
INTEREST INCOME	*8, 9*	**P157,661,732**	P209,486,415	P211,417,274
INTEREST EXPENSE	*14, 21*	**32,913,687**	44,983,569	44,966,237
NET INTEREST INCOME		**124,748,045**	164,502,846	166,451,037
OTHER INCOME				
Gain on foreclosed assets	*12*	**10,526,725**	-	-
Service charges		**4,404,252**	5,318,829	4,575,355
Miscellaneous	*19*	**15,019,422**	18,644,061	15,297,738
TOTAL OTHER INCOME		**29,950,399**	23,962,890	19,873,093
TOTAL OPERATING INCOME		**154,698,444**	188,465,736	186,324,130
OPERATING EXPENSES				
Loss from sale and write-down of motorcycle units	*13*	**56,557,271**	104,700,890	44,002,083
Salaries and employee benefits		**56,006,403**	75,142,379	66,891,192
Taxes and licenses		**28,846,766**	30,334,036	16,496,293
Provision for credit losses	*9*	**27,279,895**	36,699,617	19,227,999
Occupancy costs	*23*	**16,435,820**	19,233,030	9,434,067
Commission		**7,997,697**	5,455,875	2,814,857
Management and professional fees		**7,336,159**	9,211,200	9,338,660
Travel and transportation		**6,038,986**	5,863,569	6,400,814
Depreciation and amortization	*11,12, 13*	**5,677,458**	4,014,009	2,810,151
Entertainment, amusement and recreation		**729,938**	608,917	235,719
Miscellaneous	*19*	**10,346,249**	9,074,614	7,374,395
TOTAL OPERATING EXPENSES		**223,252,642**	300,338,136	185,026,230
NON-OPERATING INCOME				
Gain on sale of investment in an associate	*10*	**102,801,839**	84,634,527	-
INCOME (LOSS) BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX		**34,247,641**	(27,237,873)	1,297,900
SHARE IN NET INCOME OF AN ASSOCIATE	*10*	**2,252,071**	47,222,206	40,787,135
INCOME BEFORE INCOME TAX		**36,499,712**	19,984,333	42,085,035
INCOME TAX BENEFIT	*20*	**17,899,431**	26,347,616	3,895,856
NET INCOME		**54,399,143**	46,331,949	45,980,891

Forward

	Note	2017	2016	2015
			Years Ended December 31	
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified to profit or loss				
Remeasurement gains on defined benefit obligation, net of deferred tax of P0.32 million, P0.76 million, and P0.27 million in 2017, 2016, and 2015 respectively.		**P753,593**	P446,193	P934,404
TOTAL COMPREHENSIVE INCOME		**P55,152,736**	P46,778,142	P46,915,295
Basic/Diluted Earnings Per Share	22	**P0.24**	P0.21	P0.22

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)	Remeasurement Gains on Defined Benefit Obligation (Note 18)	Share in Other Comprehensive Income of an Associate	Total Equity
Balance at January 1, 2017		**P216,462,556**	**P5,803,922**	**P233,334,355**	**P4,491,589**	**P57**	**P460,092,479**
Stock dividends	17	**6,949,745**	-	**(6,949,745)**	-	-	-
Cash dividends	17	-	-	**(6,949,839)**	-	-	**(6,949,839)**
Total comprehensive income							
Net income		-	-	**54,399,143**	-	-	**54,399,143**
Other comprehensive income		-	-	**57**	**(753,593)**	**(57)**	**(753,593)**
		-	-	**54,399,200**	**(753,593)**	**(57)**	**53,645,550**
Balance at December 31, 2017		**P223,412,301**	**P5,803,922**	**P273,833,971**	**P3,737,996**	**P -**	**P506,788,190**
Balance at January 1, 2016		P209,565,483	P5,803,922	P200,796,673	P4,045,396	P57	P420,211,531
Stock dividends	17	6,897,073	-	(6,897,073)	-	-	-
Cash dividends	17	-	-	(6,897,194)	-	-	(6,897,194)
Total comprehensive income							
Net income		-	-	46,331,949	-	-	46,331,949
Other comprehensive income		-	-	-	446,193	-	446,193
		-	-	46,331,949	446,193	-	46,778,142
Balance at December 31, 2016		P216,462,556	P5,803,922	P233,334,355	P4,491,589	P57	P460,092,479
Balance at January 1, 2015		P203,312,773	P5,803,922	P167,321,336	P3,110,992	P57	P379,549,080
Stock dividends	17	6,252,710	-	(6,252,710)	-	-	-
Cash dividends	17	-	-	(6,252,844)	-	-	(6,252,844)
Total comprehensive income							
Net income			-	45,980,891	-	-	45,980,891
Other comprehensive income		-	-	-	934,404	-	934,404
		-	-	45,980,891	934,404	-	46,915,295
Balance at December 31, 2015		P209,565,483	P5,803,922	P200,796,673	P4,045,396	P57	P420,211,531

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2017	2016	2015
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P36,499,712**	P19,984,333	P42,085,035
Adjustments for:				
Provision for credit losses	*9*	**27,279,895**	36,699,617	19,227,999
Depreciation and amortization	*11, 12, 13*	**5,677,458**	4,014,009	2,810,151
Retirement benefits expense (income)	*18*	**(2,189,142)**	2,147,236	1,939,618
Gain on foreclosed assets	*10, 12*	**(10,526,725)**	-	-
Gain on disposal of property and equipment	*11*	**-**	(14,047)	-
Share in net income of an associate	*10*	**(2,252,071)**	(47,222,206)	(40,787,135)
Gain on sale of investment in an associate	*10*	**(102,801,839)**	(84,634,527)	-
Operating (loss) income before changes in working capital		**(48,312,712)**	(69,025,585)	25,275,668
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Loans and other receivables		**164,150,166**	26,061,832	(86,130,373)
Other assets		**26,200,018**	85,397,962	(11,853,124)
Increase (decrease) in:				
Accounts payable		**745,470**	(12,252,711)	6,110,135
Accrued expenses		**(17,878,065)**	8,985,107	1,332,025
Net cash provided by (used in) operations		**124,904,877**	39,166,605	(65,265,669)
Income taxes paid		**(3,298,135)**	(1,699,178)	(6,898,473)
Net cash provided by (used in) operating activities		**121,606,742**	37,467,427	(72,164,142)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	*11*	**(1,434,292)**	(15,159,421)	(557,664)
Software costs	*13*	**(208,620)**	(346,817)	(161,043)
Cash dividends received	*24*	**-**	36,000,000	36,000,000
Proceeds from sale of:				
Property and equipment	*13*	**-**	226,536	-
Investment in an associate	*10*	**200,016,000**	159,984,000	-
Net cash provided by investing activities		**198,373,088**	180,704,298	35,281,293

Forward

	Note	2017	2016	2015
		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable		**P240,696,640**	P214,421,609	P289,046,219
Settlement of notes payable		**(524,544,208)**	(346,484,618)	(273,879,455)
Cash dividends paid - including fractional shares	*17*	**(6,949,839)**	(6,897,194)	(6,252,844)
Net cash provided by (used in) financing activities		**(290,797,407)**	(138,960,203)	8,913,920
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**29,182,423**	79,211,522	(27,968,929)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*8*	**97,617,641**	18,406,119	46,375,048
CASH AND CASH EQUIVALENTS AT END OF YEAR	*8*	**P126,800,064**	P97,617,641	P18,406,119
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		**P156,200,648**	P209,594,473	P227,133,408
Interest paid		**40,124,997**	49,790,761	32,575,849

See Notes to the Financial Statements.

1. General Information

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

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

Amalgamated Investment Bancorporation (AIB) owns 42.46% of the Company as at December 31, 2017 and 2016.

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

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the 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 P1.38 per share.

The Company's principal place of business is at 3/F Mazda Makati Bldg., 2301 Chino Roces Avenue, Barangay Magallanes, Makati City 1231.

As at December 28, 2017, the Company's closing price at the PSE amounts to P2.85 per share.

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

These financial statements have been prepared using the historical cost basis, except for retirement benefits liability which is measured at present value of the defined benefit liability less fair value of plan assets.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, which is the functional currency of the Company. All financial information has been rounded off to the nearest peso unless otherwise indicated.

Approval of Issuance of Financial Statements
The accompanying financial statements of the Company were approved by the Audit Committee on April 12, 2018, as authorized by the BOD.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to the comparative years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Amendments to PAS 7, Statement of Cash Flows - Disclosure Initiative*
  The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The Company has provided the required information in Note 24 to the financial statements. As allowed under the transition provisions of the standards, the Company did not present comparative information for the year ended December 31, 2017.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

Financial Instruments

Date of Recognition

Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial Instruments

Financial instruments are recognized initially at fair value, which 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 of a financial instrument on initial recognition is normally the transaction price (e.g., the fair value of the consideration given or received). If a financial asset is not subsequently accounted for at fair value through profit or loss (FVPL), the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables, and available-for-sale (AFS) financial assets. The Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets are acquired or the financial liabilities are incurred, and whether the instruments are quoted in an active market, and for HTM investments, the ability and intention to hold the investment until maturity.

As at December 31, 2017 and 2016, the Company has no financial assets and financial liabilities at FVPL, HTM investments, and AFS financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses. 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 (EIR). Gains and losses are recognized in the statements of profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables consist of cash and cash equivalents, loans and other receivables, and security deposits' presented under "other assets" account in the statements of financial position. Cash includes cash on hand, cash in banks and cash equivalents which is stated at face amount. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in value.

Client's equity represents amount withheld by the Company in order to cover the merchandise returns associated with the factored receivables until the privilege to return the merchandise expires. This is equivalent to 30% of the receivables factored and is diminished proportionately as the receivables from factoring are collected.

Unearned interest income is shown as a deduction from "Loans and receivables" in the statements of financial position.

Other Financial Liabilities
This category pertains to financial liabilities not designated at FVPL where the substance of the contractual arrangements result in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other 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 EIR.

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Included in this category are notes payable, accounts payable and accrued expenses (excluding payable to government).

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in or economic conditions that correlate with defaults.

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of such credit risk characteristics as type of borrower, collateral type (if any), credit and payment status, and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original EIR. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. Any impairment loss determined is recognized in the statements of total comprehensive income under profit or loss as part of "Provision for credit losses".

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to the statements of total comprehensive income under profit or loss to the extent that the resulting carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized.

Financial assets carried at amortized cost, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' presented under "Miscellaneous income" in the statements of total comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is 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 an 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, thus, the related assets and liabilities are presented on a gross basis in the statements of financial position.

As at December 31, 2017 and 2016, the Company did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

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 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 asset and either has: (a) 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 an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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, with the difference in the respective carrying amounts recognized in the statements of profit or loss.

Determination of Fair Value
When measuring the fair value of assets or liabilities, the Company uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable market inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy, when applicable, is recognized at the end of the reporting period during which the change has occurred.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statements of profit or loss in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized in the statements of profit or loss in the period 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.

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

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

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

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

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

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value, then recognizes the loss as net of 'Share in net income of an associate' in profit or loss.

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

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which these are incurred.

Depreciation and amortization is calculated using the straight-line basis over the estimated useful lives of the property and equipment, as follows:

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

The useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in profit or loss.

When an item of property and equipment is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in profit or loss.

Investment Properties

Investment properties primarily consist of foreclosed real estate properties. These are measured initially at cost, including transactions 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. Any 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 15-20 years.

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

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

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Motorcycle Units

This pertains to motorcycle repossessed units upon default of the borrower. These are carried at cost, which is the fair value at recognition date. The Company recognizes motorcycle units at the lower of cost and net realizable value (NRV) based on its assessment of the recoverability of the repossessed motorcycles. In determining the recoverability of the units, management considers whether those units are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. The cost of motorcycle units is determined using specific identification. The excess of the cost over the NRV is recognized as a loss from write-down of motorcycle units in profit or loss. Motorcycle units is presented under '"Other assets" account in the statements of financial position.

Software Costs

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

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

All other expenditure is expensed as incurred.

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

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

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that its property and equipment, investment properties and other assets (excluding prepaid expenses and security deposits) may be impaired. When an indicator exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

An impairment loss is charged against operations in the year in which it arises.

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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account.

Retained Earnings

Retained earnings represent accumulated profits or losses of the Company, net of dividend distributions, if any, to stockholders and other capital adjustments.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity once declared by the BOD. Stock dividends are recognized as addition to capital stock once approved by the BOD and stockholders. Dividends approved after the reporting date are treated as an event after the reporting date.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

Income is recognized to the extent that it is probable that economic benefits will flow to the Company and that income can be measured reliably. The Company consistently applies the following specific recognition criteria:

Service charges are recognized as revenue as the services are provided.

Expenses

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in an asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably.

Interest Income and Interest Expense

Interest income are accrued using the effective interest method. The EIR is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the EIR, the Company estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes all fees, transaction costs, and all other discounts or premiums that are an integral part of the EIR. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset or financial liability.

Unearned interest discount is recognized as income over the terms of the financial asset using the effective interest method.

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.

Employee Benefits

Defined Benefit Plan

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets, if there is any.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI . The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in 'Salaries and employee benefits' in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss at the earlier of the following:

- when the related restructuring costs are recognized;
- when the related termination benefits are recognized; or
- when the plan amendment or curtailment occurs.

The Company recognized gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Leases
Company as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Income Taxes
Income tax expense comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

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

Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes, the carry-forward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The amount of deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when these reverse, based on the tax rates enacted at or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recorded as a separate asset only when the reimbursement is virtually certain.

Contingent Assets and Contingent Liabilities
Contingent assets are not recognized in the statements of financial position but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the statements of financial position but are disclosed in the notes to the financial statements unless the possibility of an outflow of assets embodying economic benefits is remote.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have dilutive potential common shares.

Segment Reporting
The Company's operating businesses are organized 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 7 to the financial statements.

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

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

To be Adopted January 1, 2018

- PFRS 9 *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39 Financial Instruments: Recognition and Measurement and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company is assessing the potential impact on its financial statements resulting from the application of PFRS 9. As at December 31, 2017, the Company has not yet arrived on a reasonable estimate of the potential impact.

- *Transfers of Investment Property (Amendments to PAS 40 Investment Property)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

  The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

- *PFRS 15, Revenue from Contracts with Customers replaces PAS 11, Construction Contracts, PAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 18, Transfer of Assets from Customers and SIC-31, Revenue* - Barter Transactions Involving Advertising Services. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  Management believes that PFRS 15 will not significantly impact the financial statements due to very limited transactions involving transfer of goods or services.

To be Adopted January 1, 2019

- PFRS 16 *Leases* supersedes PAS 17 Leases and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until FRSC has adopted IFRS 15. Once adopted, earlier application of PRS 16 is permitted if the entity has adopted the new revenue regulation standard. The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

  The Company is currently assessing the potential impact of PFRS 16 and will adopt this new standard on the required effective date.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9).* The amendments cover the following areas:

  - *Prepayment features with negative compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

  - *Modification of financial liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

    If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

    The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

    The amendments were approved by the FRSC on November 8, 2017 but is still subject to the approval by the Board of Accountancy.

4. Significant Accounting Judgments and Estimates

The preparation of the financial statements in conformity with PFRSs requires the Company to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements follows:

Judgments

(a) *Going Concern Assumption*
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue its business in the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements were prepared on the going concern basis.

(b) *Classification of Financial Instruments*
The Company classifies financial instruments, 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 the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statements of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

(c) *Operating Leases*
Company as a Lessee
The Company has entered into a contract of lease for its office space and warehouses it occupies. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the lessor (see Note 23).

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

(e) *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, 2017 and 2016, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimates

(a) Impairment of Loans and Other Receivables

The Company reviews its loans and other receivables at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposure which, although not specifically identified as requiring a specific allowance, has a greater risk of default than when originally granted. This takes into consideration the length of relationship with the counterparty, credit status of counterparty based on third party reports, and historical experience.

The Company assessed that allowance for credit losses necessary for its loans and receivables as at December 31, 2017 and 2016 amounted to P119.89 million and P92.61 million, respectively (see Note 9).

The carrying value of loans and receivables amounted to P616.93 million and P849.02 million as at December 31, 2017 and 2016, respectively, net of allowance for credit losses (see Note 9).

(b) Impairment of Investment in an Associate, Property and Equipment, Investment Properties and Software Costs

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, 2017 and 2016, the Company did not recognize impairment on investment in an associate, property and equipment, investment properties and software costs.

The carrying values of investment in an associate, property and equipment, investment properties and software costs are disclosed in Notes 10, 11, 12 and 13.

(d) *Write-down of Motorcycle Units to NRV*
The Company recognizes loss on write-down of motorcycle units at a level considered adequate to reflect the excess of cost of motorcycle units over their NRV. NRV of units are assessed based on the estimated selling prices less the estimated cost necessary to sell. Increase in the NRV will increase the carrying amount of units but only to the extent of their original acquisition cost.

As at December 31, 2017 and 2016, the carrying value of motorcycle units amounted to P74.53 million and P103.18 million, respectively (see Note 13).

(e) *Recognition 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 deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 20 to the financial statements.

(f) *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 to the financial statements.

(g) *Valuation of Retirement Benefits Liability*
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 18 to the financial statements.

As at December 31, 2017 and 2016, the net retirement liability amounted to P0.44 million and P1.55 million, respectively (see Note 18).

5. Fair Value Measurement

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

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

Loans and Other Receivables
The carrying amounts of loans and receivables approximates 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.

Security Deposits
The carrying amount of security deposits approximates fair value at year end.
The management believes that the effect of discounting and future cash flows of this instrument using the prevailing market rate is not significant. They are classified as current assets when they become collectible within twelve (12) months from the reporting date.

Other Investments
Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology

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

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

6. 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 for 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.

	2017			2016		
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	P126,259,754	P -	P126,259,754	P96,800,856	P -	P96,800,856
Receivable from customers:						
Consumer	577,376,962	450,759,438	126,617,524	770,797,008	746,006,867	24,790,141
Services	141,770,354	23,880,130	117,890,224	151,855,672	7,155,357	144,700,315
Other receivables	17,690,772	-	17,690,772	18,982,734	-	18,982,734
Security deposits**	3,149,779	-	3,149,779	3,384,627	-	3,384,627
	P866,247,621	P474,639,568	P 391,608,053	P1,041,820,897	P753,162,224	P288,658,673

*Excluding cash on hand
**Presented under 'Other assets - net'

The tables below show a comparison of the credit quality of the Company's financial assets (net of unearned interest income and client's equity).

	2017					
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Loans and Other Receivables						
Cash and cash equivalents*	P126,259,754	P -	P -	P -	P -	P126,259,754
Receivable from customers:						
Consumer	325,447,820	-	31,533,408	112,057,211	108,338,523	577,376,962
Services	10,823,815	-	92,709,481	19,777,047	18,460,012	141,770,354
Other receivables			17,690,772			17,690,772
Security deposits	-	-	3,149,779	-	-	3,149,779
Other investments**	-	-	80,000	-	-	80,000
	P462,531,389	P -	P145,163,440	P131,834,258	P126,798,535	P866,327,621

* Excluding cash on hand
**Includes investments in golf shares which is presented under 'Other assets - net'

	2016					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Loans and Other Receivables						
Cash and cash equivalents*	P96,800,856	P -	P -	P -	P -	P96,800,856
Receivable from customers:						
Consumer	490,990,459	-	13,924,086	165,398,649	100,483,814	770,797,008
Services	-	-	121,621,267	-	30,234,405	151,855,672
Other receivables	-	-	18,982,734	-	-	18,982,734
Security deposits	-	-	3,384,627	-	-	3,384,627
Other investments**	-	-	80,000	-	-	80,000
	P587,791,315	P -	P157,992,714	P165,398,649	P130,718,219	P 1,041,900,897

** Excluding cash on hand*
***Includes investments in golf shares which is presented under 'Other assets - net'*

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:

	2017					
	1-30 Days	**30-60 Days**	**61-90 Days**	**91-120 Days**	**More than120 Days**	**Total**
Consumer	**P52,290,445**	**P22,024,781**	**P12,923,558**	**P11,815,373**	**P13,003,054**	**P112,057,211**
Services	**9,228,773**	**3,887,167**	**2,280,887**	**2,085,303**	**2,294,917**	**19,777,047**
	P61,519,218	**P25,911,948**	**P15,204,445**	**P13,900,676**	**P15,297,971**	**P131,834,258**

	2016					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	P70,240,018	P26,315,422	P22,606,684	P8,442,800	P37,793,725	P165,398,649
Services	-	-	-	-	-	-
	P70,240,018	P26,315,422	P22,606,684	P8,442,800	P37,793,725	P165,398,649

Impairment Assessment
The Company recognizes impairment/credit losses based on the results of specific (individual) and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the payment of obligation by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days).

These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

<u>Liquidity Risk</u>
Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment for asset purchases. The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Company maintains a level of cash on hand and in banks deemed sufficient 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.

		Contractual Maturities					
		2017					
	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	P126,800,064	P126,800,064	P -	P -	P -	P -	P126,800,064
Loans and other receivables							
Receivable from customers:							
Consumer	577,376,962	136,051,732	117,193,510	184,439,377	270,427,738	49,093,618	757,205,975
Services	141,770,354	106,296,461	14,425,257	25,182,449	62,248,541	-	208,152,708
Other receivables	17,690,772	-	-	21,825,829	-	-	21,825,829
Security deposits	3,149,779	-	-	-	-	3,149,779	3,149,779
Other investments*	80,000	-	-	-	-	80,000	80,000
	866,867,931	369,148,257	131,618,767	231,447,655	332,676,279	52,323,397	1,117,214,355
Financial Liabilities							
Notes payable	427,338,890	40,239,093	36,239,093	330,063,601	20,797,103	-	427,338,890
Accounts payable	16,463,258	16,463,258	-	-	-	-	16,463,258
Accrued expenses**	17,224,745	17,224,745	-	-	-	-	17,224,745
	461,026,893	73,927,096	36,239,093	330,063,601	20,797,103	-	461,026,893
Net liquidity gap	P405,841,038	P295,221,161	P95,379,674	(P98,615,946)	P311,879,176	P52,323,397	P656,187,462

**Includes investments in golf shares which is presented under 'Other assets - net'*
***excluding government payable*

	Carrying Amount	Contractual Maturities 2016 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	P97,617,641	P97,617,641	P -	P -	P -	P -	P97,617,641
Loans and other receivables							
Receivable from customers:							
Consumer	770,797,008	164,121,114	145,715,459	261,538,969	467,306,510	31,965,890	1,070,647,942
Services	151,855,672	125,865,817	14,019,601	24,617,913	44,192,353	12,533,948	221,229,632
Other receivables	18,982,734	4,943,263	4,943,263	9,886,527	-	-	19,773,053
Security deposits	3,384,627	-	-	-	-	3,384,627	3,384,627
Other investments*	80,000	-	-	-	-	80,000	80,000
	1,042,717,682	392,547,835	164,678,323	296,043,409	511,498,863	47,964,465	1,412,732,895
Financial Liabilities							
Notes payable	711,186,458	64,476,724	82,776,724	543,933,010	20,000,000	-	711,186,458
Accounts payable	15,717,788	15,717,788	-	-	-	-	15,717,788
Accrued expenses	21,785,506	21,785,506	-	-	-	-	21,785,506
	748,689,752	101,980,018	82,776,724	543,933,010	20,000,000	-	748,689,752
Net liquidity gap	P294,027,930	P290,567,817	P81,901,599	(P247,889,601)	P491,498,863	P47,964,465	P664,043,143

**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 (currency 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 profitability 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 loan 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	**2017**	2016
Cash in bank and cash equivalents	*8*	**P126,259,754**	P96,800,856
Loans and receivable - net	*9*	**616,925,617**	849,023,273
Notes payable	*14*	**(427,338,890)**	(711,186,458)
Net exposure		**P315,846,481**	P234,637,671

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
2017	+100bps	P3,158,465
	-100bps	(3,158,465)
2016	+100bps	2,346,377
	-100bps	(2,346,377)

7. Segment Information

Operating Segments

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

Rx Cashline Group

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

MFC Factors Group

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

MC Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other Segments

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

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

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

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

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

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

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

Financial information about operating segments follows:

	2017				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P118,275,453	P253,140,942	P581,487,644	P34,280,473	P987,184,512
Results of operation					
Revenues					
Interest income	P19,537,997	P32,147,331	P101,544,196	P4,432,208	P157,661,732
Other income	2,650,408	3,984,746	7,454,834	118,662,250	132,752,238
	22,188,405	36,132,077	108,999,030	123,094,458	290,413,970
Expenses					
Interest expense	2,002,116	6,678,942	24,227,409	5,220	32,913,687
Provision for credit losses	809,670	-	26,470,225	-	27,279,895
Operating expenses	14,972,843	24,382,100	73,553,071	80,812,662	193,720,676
	17,784,629	31,061,042	124,250,705	80,817,882	253,914,258
Net operating income (loss)	4,403,776	5,071,035	(15,251,675)	42,276,576	36,499,712
Less: Income tax (expense) benefit	(1,367,564)	(2,226,971)	(6,718,067)	(7,586,829)	(17,899,431)
Net income (loss)	P5,771,340	P7,298,006	(P8,533,608)	P49,863,405	P54,399,143
Statement of financial position					
Total assets	P64,724,751	P241,137,958	P475,396,141	P189,529,450	P970,788,300
Total liabilities	P53,112,221	P110,605,096	P264,835,105	P35,447,688	P464,000,109
Other segment information					
Capital expenditures	P -	P -	P -	P1,434,292	P1,434,292
Depreciation and amortization	P587,949	P1,258,367	P2,890,481	P622,913	P5,359,710

	2016				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P112,327,760	P275,429,083	P904,120,731	P19,773,053	P1,311,650,627
Results of operation					
Revenues					
Interest income	P21,177,295	P24,260,173	P163,215,346	P833,601	P209,486,415
Other income	5,122,861	4,932,221	10,634,450	135,130,091	155,819,623
	26,300,156	29,192,394	173,849,796	135,963,692	365,306,038
Expenses					
Interest expense	3,852,324	9,445,948	31,007,173	678,124	44,983,569
Provision for credit losses	8,225,600	-	26,258,203	2,215,814	36,699,617
Operating expenses	8,350,016	14,752,327	219,581,788	20,954,388	263,638,519
	20,427,940	24,198,275	276,847,164	23,848,326	345,321,705
Net operating income (loss)	5,872,216	P4,994,119	(102,997,368)	112,115,366	19,984,333
Less: Income tax (expense) benefit	4,229,345	1,498,236	(66,374,551)	34,299,354	(26,347,616)
Net income (loss)	P1,642,871	P3,495,883	(P36,622,817)	P77,816,012	P46,331,949
Statement of financial position					
Total assets	P81,051,356	P238,327,335	P887,670,838	P20,536,634	P1,227,586,163
Total liabilities	P56,166,608	P173,371,098	P523,657,014	P14,298,964	P767,493,684
Other segment information					
Capital expenditures	P992,231	P2,863,837	P10,619,705	P1,350,958	P15,826,731
Depreciation and amortization	P230,942	P666,560	P2,471,743	P314,436	P3,683,681

	2015				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P100,827,484	P106,060,386	P1,074,691,884	P122,533,940	P1,404,113,694
Results of operation					
Revenues					
Interest income	P21,166,205	P9,148,621	P174,244,436	P6,858,012	P211,417,274
Other income	1,607,058	2,578,232	15,687,803	40,787,135	60,660,228
	22,773,263	11,726,853	189,932,239	47,645,147	272,077,502
Expenses					
Interest expense	4,164,611	2,614,794	36,480,099	1,706,733	44,966,237
Provision for credit losses	2,506,270	1,950,760	14,770,969	-	19,227,999
Operating expenses	4,380,847	1,716,527	159,700,857	-	165,798,231
	11,051,728	6,282,081	210,951,925	1,706,733	229,992,467
Net operating income (loss)	11,721,535	5,444,772	(21,019,686)	45,938,414	42,085,035
Less: Income tax expense (benefit)	4,268,341	2,218,660	(11,928,241)	1,545,384	(3,895,856)
Net income (loss)	P7,453,194	P3,226,112	(P9,091,445)	P44,393,030	P45,980,891
Statement of financial position					
Total assets	P64,132,978	P71,449,222	P930,113,391	P255,269,894	P1,320,965,485
Total liabilities	P64,681,910	P68,038,872	P689,426,339	P78,606,833	P900,753,954
Other segment information					
Capital expenditures	P -	P -	P673,561	P44,275	P717,836
Depreciation and amortization	P -	P -	P1,021,301	P1,393,892	P2,415,193

8. Cash and Cash Equivalents

This account consists of:

	Note	**2017**	2016
Cash on hand		**P540,310**	P816,785
Cash in banks		**26,472,729**	22,246,834
Cash equivalents	*21*	**99,787,025**	P74,554,022
		P126,800,064	97,617,641

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2017 and 0.02% to 0.56% per annum in 2016. Interest income on cash in banks amounted to P74 thousand, P28 thousand, and P40 thousand in 2017, 2016, and 2015, respectively.

As at December 31, 2017, cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from three (3) to 90 days at 10.5% and 6.25% interest per annum. Interest income on cash equivalents amounted to P3.75 million, P0.26 million, nil in 2017, 2016, and 2015, respectively (see Note 21).

9. Loans and Other Receivables

This account consists of:

	Note	2017	2016
Receivable from customers:			
Consumer		**P757,205,975**	P1,070,647,942
Services		**208,152,708**	221,229,632
Other receivables	21	**21,825,829**	19,773,053
		987,184,512	1,311,650,627
Unearned interest income		**(223,383,249)**	(337,437,669)
Client's equity		**(26,963,175)**	(32,577,544)
Allowance for credit losses		**(119,892,036)**	(92,612,141)
		P616,946,052	P849,023,273

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

	Note	2017	2016
Motorcycle financing		**P571,358,193**	P895,162,741
Receivables purchased		**89,877,255**	108,591,813
Rx cash line		**117,379,281**	111,172,314
Car loans		**10,619,506**	-
Corporate salary loans		**1,855,573**	-
Business loans		**163,263,687**	166,837,270
		954,353,495	1,281,764,138
Accrued interest receivable		**12,380,291**	10,113,436
Sales contract receivable		**2,135,064**	205,064
Advances to officers and employees		**525,620**	632,061
Due from affiliates		**101,007**	101,007
Miscellaneous receivables	21	**17,689,035**	18,834,921
		P987,184,512	P1,311,650,627

Miscellaneous receivables pertain to receivables from employees, other related parties 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 P153.70 million, P209.20 million, and P211.41 million in 2017, 2016, and 2015, respectively.

Movements in allowance for credit losses follow:

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

	December 31, 2016			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	P8,275,757	P46,687,767	P949,000	P55,912,524
Provisions during the year	8,225,600	26,258,203	2,215,814	36,699,617
At December 31	P16,501,357	P72,945,970	P3,164,814	P92,612,141
Total Impairment	P16,501,357	P72,945,970	P3,164,814	P92,612,141

	December 31, 2015			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	P3,818,727	P31,916,798	P949,000	P36,684,525
Provisions during the year	4,457,030	14,770,969	-	19,227,999
At December 31	P8,275,757	P46,687,767	P949,000	P55,912,524
Total Impairment	P8,275,757	P46,687,767	P949,000	P55,912,524

In determining the allowance for credit losses on loans and receivable, the Company also considered the provisioning requirements of Republic Act (R.A.) No. 8556, *The Financing Company Act.*

Under Section 9 of R.A. No. 8556, a 100% allowance for probable loss should be set up for the following:

a) Clean loans and advances past due for a period of more than six (6) months;

b) Past due loans secured by collateral such as motorcycle units lessor, receivables, equipment and other chattels that have declined in value by more than 50% without the borrower offering additional collateral for the loans;

c) Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;

d) When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;

e) Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and

f) Accounts receivable past due for 361 days or more.

As at December 31, 2017 and 2016, the Company's allowance for credit impairment losses calculated based on requirements of R.A. No. 8556 amounted to P128.14 million and P81.88 million, respectively. The amount of allowance for credit and impairment losses as recognized by the Company is different from these as the financial statements have been prepared and presented in compliance with PFRSs.

10. Investment in an Associate

This account consists of the Company's 20% investment in shares of stock of AIB as at December 31, 2016. The movement relating to this account is as follows:

	Note	**2017**	2016
Cost at the beginning of the year		**P41,666,667**	P75,000,000
Sale during the year		**41,666,667**	(33,333,333)
Cost at the end of the year		**-**	41,666,667
Accumulated equity in net earnings			
Balance at the beginning of the year		**53,295,423**	48,089,357
Share in net income	*21*	**2,252,071**	47,222,206
Sale during the year		**(55,547,494)**	(42,016,140)
Balance at the end of the year		**-**	53,295,423
		P -	P94,962,090

In a BOD resolution dated October 27, 2016, a committee was formed and authorized to negotiate, and enter into agreements, including but not limited to contract to sell, deeds of assignment, and such other documents, for the sale of the shares of stock of AIB owned by the Company, under such terms and conditions as may be mutually acceptable to the parties.

On October 18, 2017, the Company transferred, assigned and conveyed 5.99 million common shares of AIB representing 20% equity interest, in favor of Investivo Holdings Inc., for and in consideration of a total purchase price of P200.02 million which resulted in a gain of P102.80 million. The related capital gains tax amounting to P16.50 million was paid as at December 31, 2017.

On December 19, 2016, the Company transferred, assigned and conveyed 4.80 million common shares of AIB representing 16% equity interest, in favor of AIB, for and in consideration of a total purchase price of P159.98 million which resulted in a gain of P84.63 million (see Note 21). The related capital gains tax amounting to P12.00 million was accrued as at December 31, 2016 (see Note 15).

The following illustrates the summarized audited financial information of AIB as at December 31, 2016:

Total assets	P2,731,865,144
Total liabilities	2,229,499,541
	P502,365,603
Income	P353,583,591
Expenses	193,279,874
Income before income tax	160,303,717
Provision for income tax	33,686,166
Net income	P126,617,551

11. Property and Equipment

The rollforward analysis of this account follows:

	2017			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P14,447,146	P7,476,840	P8,523,396	P30,447,382
Additions	699,292	-	735,000	1,434,292
Disposals	(90,899)	-	(542,001)	(632,901)
At December 31	15,055,538	7,476,840	8,716,395	31,248,773
Accumulated Depreciation and Amortization				
At January 1	10,693,469	1,693,436	3,236,645	15,623,550
Depreciation and amortization	2,105,467	1,461,651	1,340,042	4,907,160
Disposals	(42,500)	-	(90,334)	(132,834)
At December 31	12,756,436	3,155,087	4,486,353	20,397,876
Carrying Amount	P 2,299,102	P4,321,753	P4,230,042	P10,850,897

	2016			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P10,151,694	P1,424,681	P4,854,746	P16,431,121
Additions	4,295,452	6,052,159	5,479,120	15,826,731
Disposals	-	-	(1,810,470)	(1,810,470)
At December 31	14,447,146	7,476,840	8,523,396	30,447,382
Accumulated Depreciation and Amortization				
At January 1	8,908,721	889,099	2,779,560	12,577,380
Depreciation and amortization	1,784,748	804,337	1,094,596	3,683,681
Disposals	-	-	(637,511)	(637,511)
At December 31	10,693,469	1,693,436	3,236,645	15,623,550
Carrying Amount	P3,753,677	P5,783,404	P5,286,751	P14,823,832

Motorcycle units, included under "Other assets" account in the statements of financial position, are transferred to transportation equipment when these are used in the business operations by the employees of the Company (see Note 13). These are valued at the units' carrying amount. In 2016, the Company transferred motorcycle units amounting to P0.67 million (shown as additions). There were no similar transfers in 2017.

In 2017, the Company sold furniture and fixtures and office equipment at its carrying amount, hence no gains or losses on disposal was incurred.

As at December 31, 2017 and 2016, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P2.43 million and P2.28 million, respectively.

As at December 31, 2017 and 2016, there were no property and equipment pledged as collateral for liabilities.

12. Investment Properties

The rollforward of this account in 2017 follows:

	2017		
	Land	**Building**	**Total**
Cost			
At January 1	**P3,544,001**	**P -**	**P3,544,001**
Additions	**41,235,421**	**11,637,000**	**52,872,421**
Disposals	**(1,198,468)**	**-**	**(1,198,468)**
At December 31	**43,580,954**	**11,637,000**	**55,217,954**
Accumulated Depreciation and Amortization			
Depreciation and amortization for the year	**-**	**(452,550)**	**(452,550)**
At December 31	**-**	**(452,550)**	**(452,550)**
Allowance for impairment losses	**(939,533)**	**-**	**(939,533)**
Net Book Value at the End of Year	**P42,641,421**	**P11,184,450**	**P53,825,871**

	2016
	Land
Cost	P3,544,001
Allowance for impairment losses	(939,533)
Net Book Value at the End of Year	P2,604,468

The aggregate fair value of the investment properties of the Company amounted to P59.39 million and P4.33 million as at December 31, 2017 and 2016, respectively.

In 2017, the Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to P10.53 million presented under "*Gain on foreclosed assets*" account in the 2017 statement of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets. There were no repossessions in 2016.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to P4,143 and P2,906 in 2017 and 2016 reported under 'Taxes and licenses' in the statements of comprehensive income.

No income was generated relating to these investment properties in 2017 and 2016.

13. Other Assets

This account consists of:

	Note	2017	2016
Motorcycle units - net	*11*	**P74,531,921**	P103,177,184
Prepaid expenses		**6,122,724**	3,722,630
Security deposits		**3,149,779**	3,384,627
Software costs		**374,993**	484,122
Other investments		**80,000**	80,000
Other properties acquired		**280,000**	-
		P84,539,417	P110,848,563

Motorcycle units pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Loss from sale and write-down of motorcycle units included in the statements of comprehensive income amounted to P56.56 million, P104.70 million and P44.00 million in 2017, 2016, and 2015, respectively.

The movements in software costs follow:

	2017	2016
Cost		
At January 1	**P4,869,996**	P4,523,179
Additions	**208,619**	346,817
At December 31	**5,078,615**	4,869,996
Accumulated Amortization		
At January 1	**4,385,874**	4,055,546
Amortization for the year	**317,748**	330,328
Accumulated amortization	**4,703,622**	4,385,874
Carrying Amount	**P374,993**	P484,122

14. Notes Payable

This account consists of:

	Note	2017	2016
Related parties	*21*	**P230,583,047**	P413,106,895
Banks		**186,555,843**	288,379,563
Individuals		**10,200,000**	9,700,000
		P427,338,890	P711,186,458

Interest rates from borrowings range from 4.00% to 6% per annum in 2017 and 2016.

Interest expense on these notes payable amounted to P32.91 million, P44.98 million and P44.97 million in 2017, 2016 and 2015, respectively.

Notes payable to related parties and individuals 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, 2017 and 2016, 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:

	2017		2016	
	Carrying Amount	**Secured Notes**	Carrying Amount	Secured Notes
Motorcycle financing receivables	**P260,299,462**	**P186,555,842**	P377,519,712	P288,379,563

15. Accrued Expenses

This account consists of:

	Note	**2017**	2016
Accrued occupancy costs		**P5,694,105**	P3,327,362
Accrued interest	*21*	**3,982,795**	11,194,105
Accrued taxes		**2,447,308**	3,769,612
Accrued management and professional fees		**2,213,210**	2,084,266
Accrued administrative expenses		**1,518,195**	893,428
Accrued insurance payable		**379,615**	553,332
Accrued capital gains tax	*10*	**-**	11,995,000
Others		**3,436,825**	3,733,013
		P19,672,053	P37,550,118

Others include accrual on utilities, commission and premium.

16. 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:

	2017			2016		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**P126,800,064**	**P -**	**P126,800,064**	P97,617,641	P -	P97,617,641
Loans and other receivables gross	**605,414,615**	**381,769,897**	**987,184,512**	755,651,926	555,998,701	1,311,650,627
Security deposits, and other investments	**-**	**3,229,779**	**3,229,779**	-	3,464,627	3,464,627
	732,214,679	**384,999,676**	**1,117,494,355**	853,269,567	559,463,328	1,412,732,895
Nonfinancial Assets						
Investment in an associate	**-**	**-**	**-**	-	94,962,090	94,962,090
Property and equipment - net	**-**	**10,850,897**	**10,850,897**	-	14,823,832	14,823,832
Investment properties - net		**53,825,871**	**53,825,871**	-	3,544,001	3,544,001
Deferred tax assets	**-**	**77,825,999**	**77,825,999**	-	57,706,296	57,706,296
Other assets*	**6,122,724**	**75,186,914**	**81,309,638**	106,899,814	484,122	107,383,936
	6,122,724	**217,689,681**	**223,812,405**	106,899,814	171,520,341	278,420,155
Less: Allowance for credit and impairment losses	**(27,279,895)**	**(92,612,141)**	**(119,892,036)**	-	(93,551,674)	(93,551,674)
Unearned interest income	**(136,785,759)**	**(86,597,490)**	**(223,383,249)**	(220,752,554)	(116,685,115)	(337,437,669)
Client's equity	**(26,963,175)**	**-**	**(26,963,175)**	(32,577,544)	-	(32,577,544)
	(191,028,829)	**(179,204,631)**	**(370,238,460)**	(253,330,098)	(210,236,789)	(463,566,887)
	P547,308,574	**P423,479,726**	**P970,788,300**	P706,839,283	P520,746,880	P1,227,586,163
Financial Liabilities						
Notes payable	**406,541,788**	**20,797,102**	**427,338,890**	P691,186,458	P20,000,000	P711,186,458
Accounts payable	**16,463,258**	**-**	**16,463,258**	15,717,788	-	15,717,788
Accrued expenses**	**17,224,745**	**-**	**17,224,745**	11,194,105	-	11,194,105
	440,229,791	**20,797,102**	**461,026,893**	718,098,351	20,000,000	738,098,351
Nonfinancial Liabilities						
Accrued expenses	**2,447,308**	**-**	**2,447,308**	26,356,013	-	26,356,013
Retirement liability	**-**	**436,790**	**436,790**	-	1,549,370	1,549,370
Income tax payable	**89,119**	**-**	**89,119**	1,489,950	-	1,489,950
	2,536,427	**436,790**	**2,973,217**	27,845,963	1,549,370	29,395,333
	P442,766,218	**P21,233,892**	**P464,000,110**	P745,944,314	P21,549,370	P767,493,684

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

17. Equity

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of P6.95 million to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to P6.95 million.

On July 28, 2016, the BOD and stockholders approved the declaration of 3.29% stock dividends in the amount of P6.90 million to stockholders of record as of August 26, 2016 with distribution date not later than September 21, 2016. On the same date, the BOD also approved the declaration of cash dividends amounting to P6.90 million.

On July 30, 2015, the BOD and stockholders approved the declaration of 3.08% stock dividends in the amount of P6.25 million to stockholders of record as of August 27, 2015 with distribution date not later than September 22, 2015. On the same date, the BOD also approved the declaration of cash dividends amounting to P6.25 million.

As at December 31, 2017, the Company has 223,412,301 common shares issued and outstanding which are owned by 105 shareholders.

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

	2017		2016		2015	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	**216,462,556**	**P216,462,556**	209,565,483	P209,565,483	203,312,773	P203,312,773
Stock dividends	**6,949,745**	**6,949,745**	6,897,073	6,897,073	6,252,710	6,252,710
At December 31	**223,412,301**	**P223,412,301**	216,462,556	P216,462,556	209,565,483	P209,565,483

On January 21, 2016, the BOD of AIB resolved to approve the block sale of 25% (52,391,311) common shares of MFC at P1.40 per share to Motor Ace Philippines, Inc. This was approved by the PSE and executed on May 13, 2016.

The block sale effectively reduced AIB's ownership of the Company from 69.42% to 42.46% in 2016.

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 obligation. No changes were made in the objectives, policies or processes in 2017.

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

(a) minimum paid-up capital of P10.00 million; and

(b) additional capital requirements for each branch of P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the years ended December 31, 2017 and 2016, the Company was in compliance 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's shares are traded.

18. Retirement Plan

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

The Company is subject to the minimum retirement benefit under the R.A. 7641, '*The Philippine Retirement Law*', which provides for retirement pay to qualified employees in the absence of any retirement plan. R.A. 7641 requires the Company to provide minimum retirement benefits to employees who have reached the age of sixty (60) years, but not beyond sixty-five (65) years which is considered as the compulsory retirement age, and who have served at least five (5) years in the Company.

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

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

	2017	2016
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**P1,713,951**	P2,117,250
Past service costs - curtailments	**(3,986,449)**	-
Net interest expense:		
Interest expense	**419,877**	320,352
Interest income on plan assets	**(336,521)**	(290,366)
	(2,189,142)	2,147,236
Components of retirement benefit liability recorded in OCI		
Remeasurement loss (gain) on defined benefits obligation	**691,224**	(1,184,373)
Remeasurement loss (gain) on plan assets	**385,338**	(26,714)
	1,076,562	(1,211,087)
Total components of retirement benefit liability	**(P1,112,580)**	P936,149

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

	2017	2016
Present value of retirement benefits obligation	**P6,643,006**	P7,804,403
Fair value of plan assets	**(6,206,216)**	(6,255,033)
Net defined benefit liability	**P436,790**	P1,549,370

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

	2017	2016
Balance at beginning of year	**P7,804,403**	P6,551,174
Current service cost	**1,713,951**	2,117,250
Past service cost - curtailments	**(3,986,449)**	-
Interest expense	**419,877**	320,352
Remeasurement (gains) losses on obligation arising from:		
Changes in financial assumptions	**(416,267)**	(543,030)
Experience adjustment	**1,107,491**	(641,343)
Balance at end of year	**P6,643,006**	P7,804,403

A curtailment during the year significantly reduced the number of employees covered by the plan which resulted in the recognition of past service cost for the year.

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

	2017	2016
Balance at beginning of year	**P6,255,033**	P5,937,953
Interest income	**336,521**	290,366
Remeasurement (loss) gain on plan assets	**(385,338)**	26,714
Balance at end of year	**P6,206,216**	P6,255,033

Changes in the retirement benefit liability follow:

	2017	2016
Balance at beginning of year	**P1,549,370**	P613,221
Current service cost	**1,713,951**	2,117,250
Past service costs - curtailment	**(3,986,449)**	-
Net interest cost on the retirement liability	**83,356**	29,986
Remeasurement loss (gain) on plan assets	**385,338**	(26,714)
Actuarial (gains) on retirement liability arising from:		
Experience adjustment	**1,107,491**	(641,343)
Changes in assumptions	**(416,267)**	(543,030)
Balance at end of year	**P436,790**	P1,549,370

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

	2017	2016
Cash and cash equivalents	**P1,184,578**	P900,725
AFS financial assets	**4,985,936**	5,049,688
Accrued and other receivables	**35,702**	304,620
	P6,206,216	P6,255,033

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	
	2017	2016
Discount rate	**5.70%**	5.38%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**27.7**	28.4

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 a reasonably possible change of each significant assumption 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 Present Value of Obligation
Discount rates	+100 basis point	(1,119,516)
	-100 basis point	1,412,096
Salary increase rates	+100 basis point	1,331,910
	-100 basis point	(1,083,00)

The Company does not expect to contribute to the defined benefit plan in 2018.

The average duration of the defined benefit plan as at the reporting date is 19.1 years and 15.9 years for year 2017 and 2016, respectively.

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

19. Miscellaneous

Miscellaneous income consists of the following items:

	2017	2016	2015
Penalties	**P10,140,631**	P11,735,907	P12,049,746
Recoveries	**4,807,162**	6,812,744	3,150,287
Others	**71,629**	95,410	97,705
	P15,019,422	P18,644,061	P15,297,738

Miscellaneous expenses consist of the following items:

	2017	2016	2015
Communication	**P2,289,744**	P 2,837,607	P1,979,600
Insurance	**2,425,303**	2,494,214	1,914,363
Stationeries and supplies	**1,852,574**	1,653,120	1,823,387
Repairs and maintenance	**1,147,845**	623,579	500,767
Meetings and conferences	**300,172**	518,330	210,934
Training and development	**141,108**	201,748	148,118
Others	**2,189,503**	746,016	797,226
	P10,346,249	P9,074,614	P7,374,395

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

20. Income Taxes

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

The components of the Company's income tax benefit for the years ended December 31, 2017, 2016 and 2015 follow:

	2017	2016	2015
Current:			
MCIT	**P1,897,303**	P2,833,371	P -
RCIT	**-**	-	3,811,044
Deferred	**(19,796,734)**	(29,180,987)	(7,706,900)
	(P17,899,431)	(P26,347,616)	(P3,895,856)

The components of deferred tax assets - net follow:

	2017	2016
Deferred tax assets on:		
Allowance for impairment and credit losses	**P35,967,611**	P27,783,642
Write-down of motorcycle units	**22,372,864**	19,302,690
NOLCO	**18,668,682**	11,135,654
Accrued expenses	**2,022,466**	981,160
Past service cost	**48,352**	80,095
	79,079,975	59,283,241
Deferred tax liabilities on:		
Remeasurement gain on defined benefit obligation	**1,253,976**	1,576,945
	P77,825,999	P57,706,296

The Company did not recognizes deferred tax asset on the MCIT amounting to P4.73 million and P2.83 million as at December 31, 2017 and 2016, respectively.

Details of the Company's NOLCO and MCIT which could be carried over as a deduction from the Company's future taxable income for the next three (3) succeeding taxable years follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2017	P25,110,093	P -	P25,110,093	2020
2016	37,118,846	-	37,118,846	2019
	P62,228,939	P -	P62,228,939	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2017	P1,897,303	P -	P1,897,303	2020
2016	2,833,371	-	2,833,371	2019
	P4,730,674	P -	P4,730,674	

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

	2017	2016
Income before income tax	**P36,499,712**	P19,984,333
Income tax computed at statutory rate (30%)	**10,949,914**	P5,995,300
Additions to (reduction in) income tax resulting from the tax effects of:		
Nondeductible expense	**4,975,980**	4,089,080
Non-deductible interest expense	**473,585**	35,467
Interest income subjected to final tax and dividend income	**(1,148,084)**	(85,982)
Tax exempt income and nontaxable income	**(34,674,191)**	(39,621,496)
Others	**1,523,365**	3,240,015
Effective income tax benefit	**(P17,899,431)**	(P26,347,616)

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as 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 P0.73 million, P0.61 million and P0.24 million in 2017, 2016 and 2015, respectively.

21. Related Party Transactions

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

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

The following transactions have been entered into with related parties:

		2017			2016			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	Ref	Amount of Transactions	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*	P -	P80,514	P -	P -	P80,514	P -	Non-interest bearing, unsecured; no impairment
Notes payable	*b*		-	161,900,000		-	364,900,000	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate
Availments		9,000,000	-	-	53,400,000	-	-	
Settlements		212,000,000	-	-	173,000,000	-	-	
Interest expense		18,867,920.00	-	3,483,367	29,062,864	-	6,030,664	
Share in net income of an associate	*c*	2,252,071	-	-	47,222,206	-	-	Share in income from investee's profit
Dividends		-	-	-	36,000,000	-	-	Cash dividend received from AIB
Gain on sale of AIB shares	*d*	-	-	-	84,634,527	-	-	Gain on sale of 4,800,000 shares sold to AIB for P33.33/share
Short-term placements	*e*	486,700,000	-	-	600,711,817	74,554,022	-	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		528,391	-	-	257,796	-	-	
Entities under common control								
Miscellaneous Receivables	*a*	-	5,223,585	-	-	4,421,397	-	Non-interest bearing, unsecured; no impairment
Availments		2,807,577	-	-	511,880	-	-	
Settlements		2,005,389	-	-	834,978	-	-	

Forward

		2017			2016			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	Ref	Amount of Transactions	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	*f*		P -	P5,852,932		P -	P12,981,050	30-day unsecured, non-interest bearing
Availments		57,558,462	-	-	P272,556,153	-	-	
Settlements		51,705,530	-	-	286,682,683	-	-	
Accounts payable	*h*	-	-	4,868,402	-	-	2,387,994	Non-interest bearing, unsecured
Availments		7,484,447	-	-	-	-	-	
Settlements		5,004,041	-	-	-	-	-	
Short-term placements	*e*	111,508,070	99,787,025	-	-	-	-	Short-term interest bearing placements at 10.5% annual interest rate
Interest income		3,224,328	-	-	-	-	-	
Notes payable	*b*	-	-	44,406,271	-	-	13,000,000	Unsecured, interest-bearing placement at 10.0% annual interest rate
Availments		31,406,271	-	-	13,300,000	-	-	
Settlements		-	-	-	13,300,000	-	-	
Interest expense		1,439,709	-	-	1,496,306	-	726,917	
Professional fees		-	-	-	1,102,080	-	-	
Directors and other stockholders								
Notes payable	*b*			24,276,776			35,206,895	Unsecured, 1-year interest bearing placement at 5.5% annual interst rate
Availments		8,790,369	-	-	19,771,610	-	-	
Settlements		19,720,488	-	-	50,218,078	-	-	
Interest expense		1,592,548	-	-	2,539,861	-	1,054,752	
		-	-		4,379,191	-	-	
Professional fees and other management fees		2,683,498	-	-	5,481,271	-	-	Payment of professional fees for consultancy
TOTAL			P105,091,124	P244,787,748		P79,055,933	P436,288,272	

a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement.

b. As at December 31, 2017 and 2016, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P230.58 million and P413.11 million, respectively and P3.48 million and P7.81 million, respectively. Interest expense from these borrowings amounted to P21.90 million and P32.37 million in 2017 and 2016, respectively.

Borrowings availed from related parties amounted to P49.20 million and P73.17 million in 2017 and 2016, respectively. Settlement from borrowings amounted to P231.72 million and P236.52 million in 2017 and 2016, respectively. Interest rates from borrowings range from 5.5% to 5.75% and from 5.5% to 10% in 2017 and 2016, respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Gain on sale of AIB shares resulted from the buy-back transaction of AIB of its own 6.0 million shares with a cost of P33.33 million and accumulated equity in net earnings of P42.02 million

d. Share in net income of an associate is the share of the Company in the net income of its associate (see Note 10).

e. The Company had short-term placements with related parties amounting to P598.21 million and P600.71 million in 2017 and 2016, respectively. As at December 31, 2017 and 2016, P99.79 million and P74.55 million of these placements remain outstanding. Interest income from these placements amounted to P3.75 million P0.26 million in 2017 and 2016, respectively (see Note 8).

f. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

g. This involces receivable pertaining to the billing of the Company for the shared operational expenses.

h. 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 P17.80 million, P17.07 million and 15.64.million in 2017 ,2016 and 2015, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

22. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

		2017	2016	2015
a.	Net income	**P54,399,143**	P46,331,949	P45,980,891
b.	Weighted average number of outstanding common shares	**223,412,301**	216,462,556	209,565,483
c.	Basic/diluted earnings per share (a/b)	**P0.24**	P0.21	P0.22

The weighted average number of outstanding common shares in 2017 and 2016 was recomputed after giving retroactive effect to stock dividends declared on July 27, 2017, July 28, 2016 and July 30, 2015 (see Note 17).

23. Lease Commitment

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense included under 'Occupancy cost' account in the statements of comprehensive income, incurred in 2017, 2016 and 2015 amounted to P16.44 million, P14.89 million, and P7.14 million, respectively.

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

	2017	2016	2015
Less than one year	**P9,853,666**	P8,836,109	P7,360,000
Between one and five years	**18,543,031**	24,795,708	3,577,728
	P28,396,697	P33,631,817	P10,937,728

24. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for the year ended December 31, 2017:

Notes payable, December 31, 2016		**P711,186,458**
Cash flows during the year		
Proceeds from loans payable	**P240,696,640**	
Payment of loans payable	**(524,544,208)**	**(283,847,568)**
Notes payable, December 31, 2017		**P427,338,890**

Cash Dividends

Cash dividends received in 2016 and 2015 pertain to the dividends declaration by AIB in 2015.

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the 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 PFRSs.

The following are the tax information required for the taxable year ended December 31, 2017 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 2017 consist of the following:

Capital gains tax (CGT)	**P16,496,600**
Gross receipts tax (GRT)	**8,503,036**
Documentary stamp tax (DST) on loan instruments	**2,388,793**
License and permit fees	**1,458,337**
	P28,846,766

As at December 31, 2017, accrued GRT and DST amounted to P0.58 million, and P0.27 million, respectively.

B. Withholding taxes

Details of the withholding taxes as at December 31, 2017 follow:

Expanded withholding taxes	**P7,427,255**
Withholding taxes on compensation and benefits	**6,323,040**
	P13,750,295

C. Tax Cases

As at December 31, 2017, the Company has no pending tax court cases.

D. Tax Assessment

As at December 31, 2017, the Company has no pending tax assessment.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Makati Finance Corporation
3/F Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City 1231

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2017, and have issued our report dated April 12, 2018.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of Conglomerate
- Schedule of Philippine Financial Reporting Standards

These supplementary information are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and are not a required part of the basic financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN
Partner
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BIR Accreditation No. 08-001987-28-2017
 Issued September 5, 2017; valid until September 4, 2020
PTR No. 6615137MD
 Issued January 3, 2018 at Makati City

April 12, 2018
Makati City, Metro Manila

MAKATI FINANCE CORPORATION
SCHEDULE OF ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs) [WHICH CONSIST OF PFRSS, PHILIPPINE ACCOUNTING STANDARDS (PAS) AND PHILIPPINE INTERPRETATIONS] EFFECTIVE AS OF DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments		✓*	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments		✓*	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓

* *The Company will adopt this new or amendment to standard effective January 1, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle Clarifications of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓*	
PFRS 16	Leases		✓*	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

* *The Company will adopt this new or amendment to standard effective January 1, 2018.*
** *The Company will adopt this new or amendment to standard effective January 1, 2019.*

PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Properties	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transaction and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01 (Revised)	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)	✓		
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&A - Cycle 2016			✓
PIC Q&Q 2017-01	Conforming Changes to PIC Q&A - Cycle 2017			✓
PIC Q&A 2017-02	PAS 32 and PAS 38 – Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2017-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 – Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✓
PIC Q&A 2017-06	PAS 2, 16 and 40 – Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 – Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✓		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	✓		
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓**
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓**
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓**
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓**
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓**
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓**
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓**
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓**
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓**

***** *These standards will be effective subsequent to January 1, 2017 and were not adopted early by the Company.*
***These interpretations are approved by PIC and FRSC but pending the approval of BOA.*

Legends:

Adopted - means a particular standard or interpretation is relevant to the operations of the entity, (even if it has no effect or no material effect in the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

Not adopted - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity deviated or departed from the requirements of such standard or interpretation; 2) The standard provides for an option to early adopt it but the entity decided otherwise.

Not applicable - means the standard or interpretation is not relevant at all to the operations of the entity

EXHIBIT II
MAKATI FINANCE CORPORATION
SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2017

UNAPPROPRIATED RETAINED EARNINGS – BEGINNING AS PREVIOUSLY PRESENTED		**P78,739,551**
ADD: NET INCOME ACTUALLY EARNED DURING THE YEAR		
Net income during the period	P54,399,143	
Deferred tax benefit during the year	(19,796,734)	
Unrealized gain on foreclosure of investment properties	(10,526,725)	**24,075,684**
LESS: DIVIDENDS DECLARED DURING THE YEAR		**(13,899,584)**
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS		**P88,915,651**

EXHIBIT IV
MAKATI FINANCE CORPORATION
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
December 31, 2017

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Short-term placements *MAPI Lending Investors, Inc.*	N/A	P13,229,644	P1,020,856
Short-term placements *HMWII Lending Investors, Inc.*	N/A	P86,557,381	P2,203,471

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Motor Ace Philippines, Inc.	1,903,297	492,554	285,553	-	492,554	1,617,743	2,110,298
Honda Motor Word, Incl.	2,446,093	25,120	71,883	-	25,120	2,374,211	2,399,331
Alvares, Jesus B.	94,380	1,093,952	74,441	-	1,093,952	19,939	1,113,891
MAPI Lending Investors, Inc.	53,950	2,347,868	1,649,658	-	752,160	-	752,160
Lumongsod, Rommel	340,829	-	-	-	-	340,829	340,829
Dela Cruz, Marialyn S.	225,206	-	13,338	-	-	211,868	211,868

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

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

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Accounting Sytem QnE	P 7,824	P-	P7,823	P-	P-	P1
Windows 7 Professional OEM License	42,477	-	42,476	-	-	1
Other Software Cost	140,764	-	99,011	-	-	41,753
Web hosting domain	1	-	-	-	-	1
Web hosting domain services	1,989	-	1,704	-	-	285
HRIS Support	3,111	-	3,109	-	-	2
Sophos router Firewall License	257,903	-	99,833	-	-	158,070
Access point 55C 34900	30,053	-	11,633.00	-	-	
Central end point intercept x-cix	-	88,800	22,201	-	-	66,599
Central end point advanced-cea	-	119,820	29,958	-	-	89,862
TOTAL	**P484,122**	**P208,620**	**P317,748**	**P -**	**P -**	**P374,994**

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position	Interest rate	Maturity Date
Notes Payable *Land Bank of the Philippines*	P35,000,000	P18,260,870	P6,086,957	5%	February 1, 2019
Notes Payable *Land Bank of the Philippines*	15,000,000	7,500,000	1,875,000		
Notes Payable *Land Bank of the Philippines*	20,000,000	9,230,769	1,538,462		

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

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options,warrants,conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	63,493,204	63,493,204	-	63,493,204		
COMMON	56,516,496	56,516,496	-	56,516,496		
COMMON	48,520,862	48,520,862	-			48,520,862
COMMON	9,244,615	9,244,615	-		9,244,615	
COMMON	7,900,281	7,900,281	-	7,900,281		
COMMON	7,300,577	7,300,577	-			7,300,577
COMMON	6,230,663	6,230,663	-		6,230,663	
COMMON	5,592,035	5,592,035	-			5,592,035
COMMON	5,324,208	5,324,208	-			5,324,208
COMMON	5,111,481	5,111,481	-		5,111,481	
COMMON	2,250,578	2,250,578	-		2,250,578	
COMMON						

	1,102,955	1,102,955	-			1,102,955
COMMON	663,389	663,389	-			663,389
COMMON	434,521	434,521	-			434,521
COMMON	386,040	386,040	-			386,040
COMMON	266,182	266,182	-			266,182
COMMON	266,182	266,182	-			266,182
COMMON	266,182	266,182	-			266,182
COMMON	266,182	266,182	-		266,182	
COMMON	266,182	266,182	-		266,182	
COMMON	266,182	266,182	-			266,182
COMMON	266,182	266,182	-			266,182
COMMON	255,549	255,549	-			255,549
COMMON	248,005	248,005	-			248,005
COMMON	224,679	224,679	-			224,679
COMMON	160,724	160,724	-			160,724
COMMON	74,305	74,305	-			74,305
COMMON	30,200	30,200	-			30,200
COMMON	22,176	22,176	-			22,176
COMMON						

	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,175	22,175	-			22,175
COMMON	30,389	30,389	-			30,389
COMMON	20,650	20,650	-			20,650
COMMON	17,959	17,959	-			17,959
COMMON	16,971	16,971	-			16,971
COMMON	15,853	15,853	-			15,853
COMMON	15,389	15,389	-			15,389
COMMON	14,426	14,426	-			14,426
COMMON	8,811	8,811	-			8,811
COMMON						

	7,532	7,532	-			7,532
COMMON	6,424	6,424	-			6,424
COMMON	6,414	6,414	-			6,414
COMMON	6,392	6,392	-			6,392
COMMON	6,322	6,322	-			6,322
COMMON	4,933	4,933	-			4,933
COMMON	2,442	2,442	-			2,442
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-		2,097	
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON						

	2,097	2,097	-			2,097
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-		2,096	
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	1,341	1,341	-			1,341
COMMON	1,164	1,164	-			1,164
COMMON	871	871	-			871
COMMON	664	664	-			664
COMMON						

	655	655	-			655
COMMON	452	452	-			452
COMMON	347	347	-			347
COMMON	240	240	-			240
COMMON	97	97	-			97
COMMON	97	97	-			97
COMMON	97	97	-			97
COMMON	97	97	-			97
COMMON	63	63	-			63
COMMON	29	29	-			29
COMMON	29	29	-			29
COMMON	29	29	-		29	
COMMON	29	29	-			29
COMMON	29	29	-			29
COMMON	15	15	-		15	
COMMON	15	15	-			15
COMMON	15	15	-			15
COMMON	15	15	-			15
COMMON						

	13	13	-			13
COMMON	1	1	-		1	
COMMON	1	1	-		1	
COMMON	1	1	-			1
TOTAL	**223,412,301**	**223,412,301**	**-**	**127,909,981**	**23,373,940**	**72,128,380**

EXHIBIT V
MAKATI FINANCE CORPORATION
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

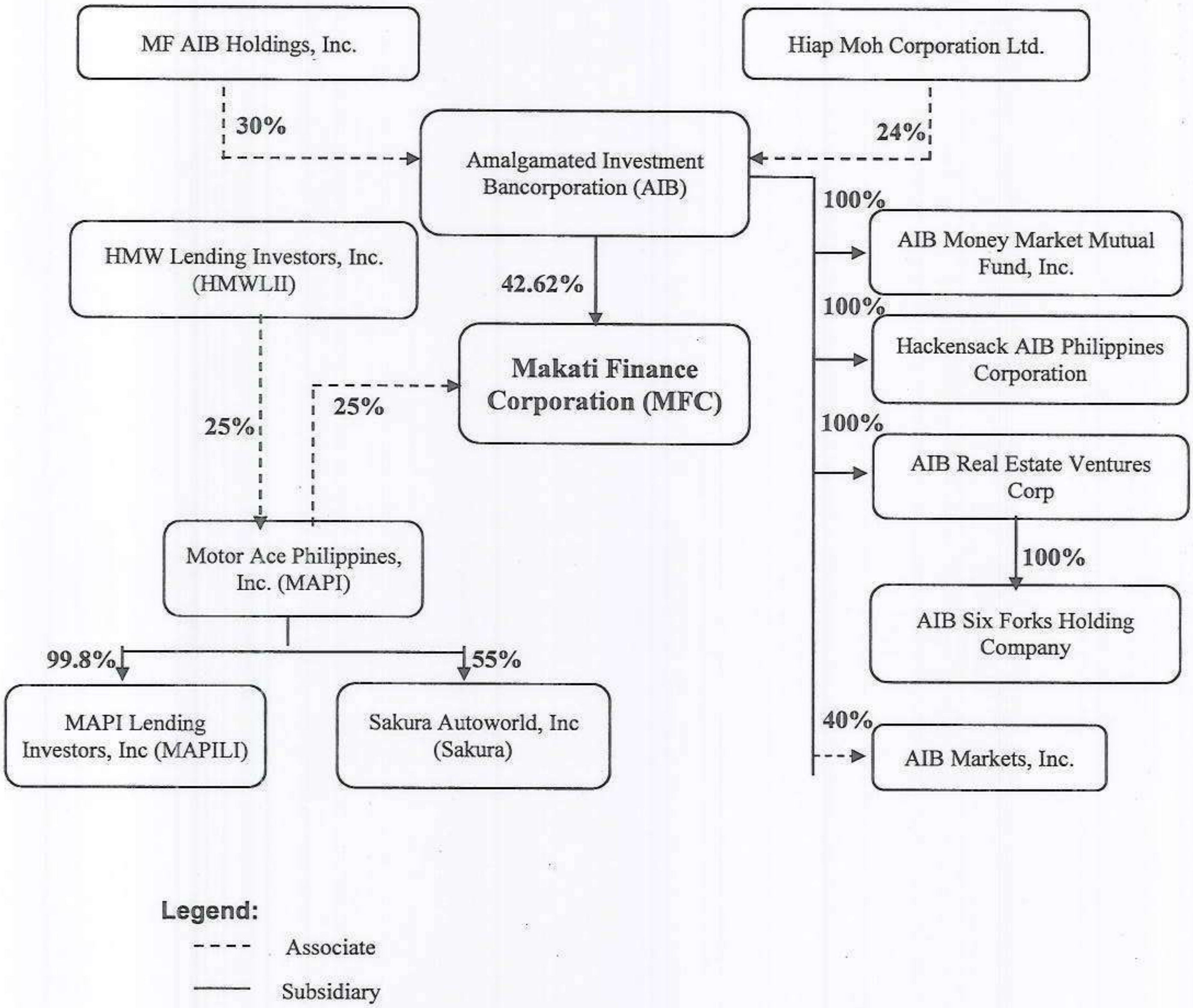

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

	2017	2016
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	183.67%	94.77%
Debt to equity ratio	91.56%	166.81%
Quick ratio	166.84%	114.39%
PROFITABILITY RATIOS		
Return on assets	5.60%	3.77%
Return on equity	10.73%	10.07%
Net profit margin	18.73%	16.97%
ASSET TO EQUITY RATIO	191.56%	266.81%
INTEREST RATE COVERAGE RATIO	1.11	1.44
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	5.54%	0.21%
Total receivables to total assets	63.55%	69.16%
Total DOSRI receivables to net worth	0.00%	0.00%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.34%	0.22%
Honda Motor World, Inc.	0.39%	0.29%
Amalgamated Investment Bancorporation	0.01%	0.02%
MAPI Lending Investors, Inc.	0.12%	0.01%
Seine Garments Corporation	0.00%	0.01%

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

REPORTS ON SEC FORM 17-C

ANNEX B

112132017002708

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

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Receiving Officer/Encoder : Jojit Licudine
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Company Representative

Doc Source

Company Information

SEC Registration No.	0000028788
Company Name	MAKATI FINANCE CORP.
Industry Classification	FINANCING COMPANY OPERATIONS
Company Type	Stock Corporation

Document Information

Document ID	112132017002708
Document Type	LETTER/MISC
Document Code	LTR
Period Covered	December 13, 2017
No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	

COVER SHEET

Nature of Application

Advisement Letter on the attendance of directors in board meetings held in 2017

S.E.C. Registration Number

2 8 7 8 8

Company Name

M A K A T I F I N A N C E

C O R P O R A T I O N

Principal Office (No./Street/Barangay/City/TownProvince)

3 R D F L O O R M A Z D A

M A K A T I B L D G . 2 3 0 1

C H I N O R O C E S A V E . B R G Y .

M A G A L L A N E S , M A K A T I C I T Y

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number's	Company's Facsimile Number's
	584-1026 to 27	

CONTACT PERSON INFORMATION

Name of Contact Person	Email Address	Telephone Numbers	Facsimile Numbers
Danilo Enrique O. Co	legal_services@cfa-law.com	584-1026 to 27	584-1026 to 27

Contact Person's Address

1105 Atlanta Centre, 31 Annapolis St., Greenhills, San Juan Metro Manila

To be Accomplished by CRMD Personnel

	Date	Signature
Assigned Processor:		

Document I.D:

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Green Lane Unit
- [ ] Financial Analysis and Audit Division
- [ ] Licensing Unit

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY
WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

13 December 2017

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

ADVISEMENT LETTER ON DIRECTORS' ATTENDANCE

Gentlemen,

Pursuant to SEC Memorandum Circular No. 1 Series of 2014, we respectfully advice this honorable Commission of the attendance record of each Director of Makati Finance Corporation for Board meetings held in 2017, summarized as follows:

Name of Director	18 Jan	21 Apr	27 Jul	*27 Jul	20 Oct
Rene B. Benitez	P	P	P	P	P
Max O. Borromeo	P	P	P	P	P
Juan Carlos Del Rosario	P	P	P	A	P
Joel S. Ferrer	P	P	P	P	P
Francisco C. Eizmendi Jr.	P	P	P	P	P
Michael Wee	A	A	A	N	N
Eugenio E. Reyes	A	A	P	N	N
Jose V. Cruz	P	P	P	P	N
Robert Charles M. Lehmann	N	N	N	N	P
Eric B. Benitez	P	P	P	P	P
Lawrence Ee	P	P	A	A	P
Maxcy Francisco Jose R. Borromeo	P	P	P	P	P
Jose Daniel R. Borromeo	N	N	N	P	P
Alan Michael R. Cruz	N	N	N	P	A
Legend: P – Present; A – Absent; N – Not a Director * - Organizational Meeting					

The foregoing are based on the records in my possession.

We trust that the foregoing are in order. Should you have any further questions, please do not hesitate to communicate with us.

Very truly yours,

D. ENRIQUE O. CO
Corporate Secretary

111272017002502

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Ramon L. Legaspi
Receiving Branch : SEC Head Office
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Company Representative

Doc Source

Company Information

SEC Registration No.	0000028788
Company Name	MAKATI FINANCE CORP.
Industry Classification	FINANCING COMPANY OPERATIONS
Company Type	Stock Corporation

Document Information

Document ID	111272017002502
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	November 27, 2017
No. of Days Late	0
Department	CFD
Remarks	

November 27, 2017

The Corporate Governance and Finance Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, Mandaluyong City

Attention : **DIR. JUSTINA F. CALLANGAN**
Head, Corporate Governance and Finance Department

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

Attention: **MR. JOSE VALERIANO B. ZUÑO**
OIC, Head of Disclosure Department

Gentlemen:

We are sending herewith SEC form 17-C Certificate of Attendance in 4th SEC-PSE Corporate Governance Forum of Makati Finance Corporation.

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

COVER SHEET

2	8	7	8	8

S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

3RD FLOOR MAZDA MAKATI BUILDING 2301 CHINO ROCES BARANGAY MAGALLANES AVENUE MAKATI CITY 1231

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

MARCOS E. LAROSA
Contact Person

(02) 751-8132
Company Telephone Number

Month	Day
12	31

Fiscal Year

2017

SEC Form 17-C
FORM TYPE

Financing
Secondary License Type, If Applicable

Month	Day
07	

Annual Meeting

Every last Thursday of July

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

104
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(b)(3) THEREUNDER

1. **November 27, 2017**
   (Date of earliest event reported)

2. SEC Identification Number: __**28788**___

3. BIR Tax Identification No.: __**000-473-966**___

4. **MAKATI FINANCE CORPORATION**
   Exact name of registrant as specified in its charter

5. **Makati City. Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

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

8. **(0632) 751-8132**
   Registrant's telephone number, including area code

9. **7823 Makati Avenue, Makati City**
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**223,412,301**

11. Indicate the item numbers reported herein: **Item 9 – Other Matters**

Item 9 – Other Events

In compliance with SEC Memorandum Circular No.2, Series of 2015, No.1, Series of 2014 and No.20, Series of 2013, we inform the Honorable Commission that the following officers of the Company attended the 4th SEC-PSE Corporate Governance Forum - a forum was organized by the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) in partnership with USAID's Integrity for Investments Initiative (III) and International Finance Corporation (IFC) - on 22 November 2017, Wednesday, 8:30 a.m. to 4:00 p.m. at the Summit Hall C and D, Philippines International Convention Center, PICC Complex, Pasay City.

1. **MAXCY FRANCISCO JOSE R. BORROMEO - Director/President**
2. **MARCOS E. LAROSA – Chief Finance Officer/Compliance Officer/CIO**
3. **JOEL S. FERRER- Director/Treasurer**
4. **JUAN CARLOS DEL ROSARIO- Director**
5. **JOSE DANIEL R. BORROMEO- Director**

Please see attached for your reference the Certificate of Attendance of the Directors/Officers who attended the said seminar.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
CHIEF FINANCE OFFICER/
Chief Information Officer

Date: 27 November 2017

cc: *Disclosure Department*
Listing and Disclosure Group
Philippine Stock Exchange

Securities and Exchange Commission
PHILIPPINES

pse
THE PHILIPPINE STOCK EXCHANGE INC.

Certificate of Attendance

awarded by the

Securities and Exchange Commission

to

Maxcy Francisco Jose R. Borromeo

for participating in the

4th SEC-PSE Corporate Governance Forum

Philippine International Convention Center, Pasay City
November 22, 2017

Teresita J. Herbosa
Chairperson
Securities and Exchange Commission

Securities and Exchange Commission
PHILIPPINES

THE PHILIPPINE STOCK EXCHANGE INC.

Certificate of Attendance

awarded by the

Securities and Exchange Commission

to

Marcos E. Larosa

for participating in the

4th SEC-PSE Corporate Governance Forum

Philippine International Convention Center, Pasay City
November 22, 2017

Teresita J. Herbosa
Chairperson
Securities and Exchange Commission

Securities and Exchange Commission
PHILIPPINES

pse
THE PHILIPPINE STOCK EXCHANGE INC.

Certificate of Attendance

awarded by the

Securities and Exchange Commission

to

Joel S. Ferrer

for participating in the

4th SEC-PSE Corporate Governance Forum

Philippine International Convention Center, Pasay City
November 22, 2017

Teresita J. Herbosa
Chairperson
Securities and Exchange Commission

Certificate of Attendance

awarded by the

Securities and Exchange Commission

to

Juan Carlos Del Rosario

for participating in the

4th SEC-PSE Corporate Governance Forum

Philippine International Convention Center, Pasay City
November 22, 2017

Teresita J. Herbosa
Chairperson
Securities and Exchange Commission

Securities and Exchange Commission
PHILIPPINES

THE PHILIPPINE STOCK EXCHANGE INC.

Certificate of Attendance

awarded by the

Securities and Exchange Commission

to

Jose Daniel R. Borromeo

for participating in the

4th SEC-PSE Corporate Governance Forum

Philippine International Convention Center, Pasay City
November 22, 2017

Teresita J. Herbosa
Chairperson
Securities and Exchange Commission

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY
WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

July 27, 2017

The Markets & Securities Regulation Department
<u>SECURITIES AND EXCHANGE COMMISSION</u>
SEC Building, Mandaluyong City

Attention : **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

JUL 28 2017

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

Attention : **Mr. Jose Valeriano B. Zuño**
OIC, Head of Disclosure Department

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting and Annual Stockholders' Meeting. Held today, July 27, 2017 at Makati Shangri-la, Makati City.

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 / 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) 751-8132
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17-C	0 7	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2017

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

103		
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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **July 27, 2017**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

4. **MAKATI FINANCE CORPORATION**
   Exact name of registrant as specified in its charter

5. **Metro Manila, Philippines** — 6. (SEC Use Only)
   Province, country or other jurisdiction of incorporation — Industry Classification Code:

7. **3/F Mazda Makati Bldg. 2301 Chino Roces Ave., Brgy.Magallanes, Makati City 1231**
   Address of principal office — Postal Code

8. **(632) 751-8132**
   Registrant's telephone number, including area code

9. **7823 Makati Avenue, Poblacion, Makati City 1210**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**216,462,556**

11. Indicate the item numbers reported herein:..

I. The Regular Meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held on 27 July 2017. The following were approved by the Board of Directors:

a. Minutes of the Regular Board Meeting held on **21 April 2017.**

b. Stock Dividends amounting to **3.2106210323%** of the outstanding capital stock equivalent to a maximum of **6,949,792.35** shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of **24 August 2017** with a payment date not later than **19 September 2017**. Fractional shares of **47.35** shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares, as of **24 August 2017**.

c. Cash Dividends in the amount of **Php6,897,133.65** or an equivalent of **P0.03210621323** per share **(3.2106210323%)** to stockholders of record as of **24 August 2017** with a payment date of **19 September 2017**. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2016.

d. The Board approved to amend its Manual of Corporate Governance in accordance with SEC regulations.

e. The Next Board meeting was scheduled on **October 20, 2017 (Friday) at 2:00 p.m.**

II. The Annual Stockholders' Meeting was held after the Regular Board of Directors meeting. The following were approved by the Stockholders of the Corporation:

a. Minutes of the Annual Stockholders' Meeting held on 28 July 2016.

b. The 2016 Annual Report and 2016 Audited Financial Statements.

c. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the immediately previous Annual Shareholder's Meeting of 28 July 2016.

d. Elections of Directors of the Corporation. The following were elected as Directors of the Corporation for a term of one (1) year or until their successors shall have been elected:

JUAN CARLOS DEL ROSARIO
MAX FRANCISCO JOSE O. BORROMEO
RENE B. BENITEZ
FRANCISCO C. EIZMENDI, JR.
JOEL S. FERRER
JOSE V. CRUZ
ERIC B. BENITEZ
LAWRENCE EE
MAXCY FRANCISCO JOSE R. BORROMEO
JOSE DANIEL R. BORROMEO
MICHAEL WEE

Mr. Lawrence Ee, and Mr. Francisco C. Eizmendi, Jr. were elected as independent directors.

e. Appointment of R.G. MANABAT & CO. as the Corporation's External Auditor for the Year 2017.

f. Stock Dividends amounting to **3.2106210323%** of the outstanding capital stock equivalent to a maximum of **6,949,792.35** shares of stock, to stockholders of record as of **24 August 2017** with a payment date not later than **19 September 2017**. The stock dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2016 and shall be issued out of the un-issued capital stock. Fractional shares of **47.35** shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares, as of **24 August 2017.**

g. Cash Dividends in the amount of **P6,949,792.35** or an equivalent of **PHP0.03210621323** per share **(3.2106210323%)** to stockholders of record as of **24 August 2017** with a payment date of **19 September 2017**. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2016.

h. During the said meeting, the stockholders also duly approved the amendment of the Articles of Incorporation, amendment of primary and secondary purpose to conform with the Financing Act of 1998 (R.A.. 8556).

III. **The Organizational Meeting of the Board of Directors was held immediately after the Annual Stockholders Meeting.**

During the Organization Meeting of the Board of Directors, the Chairman advised the Board that Michael Wee had just informed him that his health condition will not permit him to serve as a Director of the Corporation, and that he respectfully declines the position. In view of this development, the Nomination Committee proposed Mr. Alan Michael R. Cruz to be elected as Director to fill the vacancy. After further discussion on his qualifications, the Board unanimously elected him to fill the vacant Board seat effective upon his qualification as such and for a term of one (1) year or until his successor is duly elected.

Mr. Cruz was elected as Independent Director.

The following officers and committee chairmen/members were elected.

a. OFFICERS:

Mr. Rene B. Benitez – Chairman
Mr. Max Francisco Jose O. Borromeo – Vice Chairman
Mr. Maxcy Francisco Jose R. Borromeo - President
Mr. Joel S. Ferrer - Treasurer
Atty. Danilo Enrique O. Co - Corporate Secretary
Mr. Marcos E. Larosa – Chief Finance Officer / Chief Information Officer/ Compliance Officer
Mr. Servando B. Alvarez, Jr. - Assistant Treasurer

b. COMMITTEES:

Executive Committee	Audit Committee
Mr. Max Francisco Jose O. Borromeo, Chairman Mr. Juan Carlos del Rosario Mr. Jose V. Cruz Mr. Rene B. Benitez Mr. Lawrence Ee *	Francisco C. Eizmendi Jr.*, Chairman Mr. Jose V. Cruz Mr. Juan Carlos del Rosario Mr. Lawrence Ee *
Compensation Committee	**Nomination Committee**
Mr. Joel S. Ferrer, Chairman Mr. Juan Carlos Del Rosario Mr. Alan Michael R. Cruz Mr. Eric B. Benitez	Mr. Eric B. Benitez, Chairman Mr. Rene B. Benitez Mr. Jose Daniel R. Borromeo
	* Independent Directors

SIGNATURES

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

Very truly yours,

Makati Finance Corporation
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer / CIO

Date: July 27, 2017

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY
WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

October 20, 2017

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

Attention : **DIR. JUSTINA F. CALLANGAN**
Head, Corporate Governance and Finance Department

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

Attention : **MR. JOSE VALERIANO B. ZUÑO III**
OIC, Head of Disclosure Department

Gentlemen:

We are submitting herewith SEC 17- C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting. Held today, October 20, 2017 at Makati Shangri-la Hotel, Makati City.

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 / 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
Contact Person

(02) 752-8132
Company Telephone Number

1 2	3 1	SEC Form 17-C	0 7	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2017

Financing
Secondary License Type, If Applicable

Annual Meeting

Every last Thursday of July

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

104
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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(b)(3) THEREUNDER

1. **October 20, 2017**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

4. **MAKATI FINANCE CORPORATION**
   Exact name of registrant as specified in its charter

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

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

8. **(0632) 751-8132**
   Registrant's telephone number, including area code

9. **7823 Makati Avenue, Makati City**
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**223,412,301**

11. Indicate the item numbers reported herein: **Item 9 – Other Matters**

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held on October 20, 2017, at which at least a majority of the members of the Board of Directors was present and acting throughout.

During the Board Meeting, the Chairman advised the Board that he received the resignation of Jose V. Cruz as a member of the Board of Directors. The Board formally accept his resignation. Thereafter, Mr. Robert Charles M. Lehmann was nominated and elected as Director for the unexpired term of Mr. Cruz.

The next Board meeting was later set on January 26, 2018 at 2 o'clock in the afternoon.

SIGNATURE

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

Makati Finance Corporation
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer / CIO

Date: 20 October 2017

ANNEX C

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
Contact Person

(02) 751-8132
Company Telephone Number

1	2		3	1

Month *Day*

Fiscal Year

2017

ACGR

FORM TYPE

Secondary License Type, If Applicable

0	7			

Month *Day*

Annual Meeting

Every last Thursday of July

C	G	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

105
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2017**

2. Exact Name of Registrant as Specified in its Charter **MAKATI FINANCE CORPORATION**

3. **3/F Mazda Makati Building 2301 Chino Roces Ave. Brgy.Magallanes, Makati City** **1231**
   Address of Principal Office Postal Code

4. SEC Identification Number **28788**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **000-473-966**

7. **(632) 751-8132**
   Issuer's Telephone number, including area code

8. **7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210**
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11

Actual number of Directors for the year	11

(a) Composition of the Board (Definitive Information Statement)

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Lawrence Ee	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	31 July 2014	27 July 2017	Annual Meeting	3 years
Juan Carlos Del Rosario	(NED)	Amalgamated Investment Bancorpo ration (AIB)	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	1996	27 July 2017	Annual Meeting	21 years
Rene B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	1996	27 July 2017	Annual Meeting	21 years
Max O. Borromeo	(ED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	9 Mar. 2000	27 July 2017	Annual Meeting	17 years
Maxcy Francisco R. Borromeo	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	26 July 2016	27 July 2017	Annual Meeting	Less than 1 year
Jose Daniel R. Borromeo	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	27 July. 2017	27 July 2017	Annual Meeting	Less than 1 year
Joel S. Ferrer	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998	27 July 2017	Annual Meeting	19 years
Eric B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates f the Nomination Committee	25 Mar. 1998 up to 28 Mar. 2001, and 23 Jun. 2011 up to present	27 July 2017	Annual Meeting	9 years
Francisco C. Eizmendi Jr	(ID)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee; No relation to nominator	14 June 2007	27 July 2017 served as ID for 8 years	Annual Meeting	10 years
Alan Michael R. Cruz	(ID)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee; No relation to nominator	27 July. 2017	27 July 2017	Annual Meeting	Less than 1 year
Robert Charles M. Lehmann	(NED)	Amalga-mated Investment Bancorpo-ration (AIB)	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	20 October. 2017	20 October. 2017	October 20, 2017 BOD Meeting	Less than 1 year

[1] Mr. Jose Daniel R. Borromeo replaces Mr. Michael Wee effective July 27, 2017 , Mr. Alan Michael R. Cruz replaces Atty. Eeugenio E. Reyes effective July 27, 2017, and Mr. Robert Charles M. Lehmann replaces Mr. Jose V. Cruz effective October 20, 2017.

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Corporation's Manual of Corporate Governance embodies the general policy that The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible. The Manual is aimed at increasing transparency and accountability in a company's operation. It prescribes standards for board governance, qualifications and responsibilities of the board chairman, chief executive officer and the board of directors.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders (Creditors, Industry, Customers, Community and Employees). The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets. It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

(c) How often does the Board review and approve the vision and mission?

The Board of Directors conducts regularly reviews the Company's vision and mission, strategies and corporate governance practices on an annual basis.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
LAWRENCE EE	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
MAXCY FRANCISCO JOSE R. BORROMEO	MOTOR ACE PHILIPPINES, INC	NON EXECUTIVE DIRECTOR
RENE B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR/CHAIRMAN
MAX O. BORROMEO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
ERIC B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
ROBERT CHARLES M. LEHMANN	AMALGAMATED INVESTMENT BANCORPORATION	EXECUTIVE DIRECTOR
JOSE DANIEL R. BORROMEO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
JUAN CARLOS DEL ROSARIO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
N/A	N/A	N/A

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
N/A	N/A	N/A

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	NONE	NONE
Non-Executive Director	NONE	NONE
CEO	NONE	NONE

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
RENE B. BENITEZ	5,899,394	219,374	2.74%
ERIC B. BENITEZ	6,230,663	4,154	2.79%
JOEL S. FERRER	2,250,578	-	1.01%
MAX O. BORROMEO	450,326	906,184	0.61%
JUAN CARLOS G. DEL ROSARIO	29	-	0.00%
FRANCISCO C. EIZMENDI JR.	15	-	0.00%
LAWRENCE EE HOCK LEONG	1	-	0.00%
MAXCY FRANCISCO JOSE R. BORROMEO	2,096	-	0.00%
JOSE DANIEL R. BORROMEO	2,097	-	0.00%
ALAN MICHAEL R. CRUZ	1	-	0.00%
ROBERT CHARLES M. LEHMANN	1	-	0.00%
TOTAL	**14,835,201**	**1,129,712**	**7.15%**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ■ No ☐

Identify the Chair and CEO:

Chairman of the Board	Rene B. Benitez
President	Maxcy Francisco Jose R. Borromeo

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role Deliverables	*The Chairman of the Board is responsible for setting the overall business direction. He shall:* *1. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary.* *2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;*	*The Chief Executive Officer is in charge of preparing executing the business plan as outlined by the Chairman. He shall:* *1. Exercise general supervision over all officers of the corporation;* *2. Exercise general supervision over all contracts and agreements which the corporation may enter into;* *3. Submit an annual report of the*

	3. *Maintain qualitative and timely lines of communication and information between the Board and Management.*	*operations to the Board of Directors;* 4. *Sign, indorse and deliver all checks, drafts, bills of exchange, promissory notes and orders of payment of sums of money in the name and in behalf of the corporation;* 5. *Exercise such other powers and perform such other duties as the Board of Directors may fix or delegate.*
Accountabilities		

3) Explain how the Board of Directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Directors, with the guidance of its Executive Directors and the Compensation Committee, constantly evaluates the top officer-level requirements of the Corporation. To this end, the Board of Directors reviews the qualifications of various candidates for top executive and corporate positions. This practice has enabled the Board of Directors to elect new officers to the following positions during the 2017 Organizational Board Meeting: Chairman, Vice Chairman and President, without any disruption in its operations.

4) Other Executive, Non-Executive and Independent Directors

The Board of Directors, with the guidance of its Executive Directors and the Compensation Committee, constantly evaluates the top officer-level requirements of the Corporation.

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.
Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. ***Yes***.

The Nomination Committee is responsible for annually reviewing all nominees for Directors to ensure that the diverse experience and background of the members of the Board, particularly in the Corporation's industry. Under the Corporation's Manual of Corporate Governance, the Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.

The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- *The nature of the business of the Corporation which he is a director or an officer;*
- *Age of the director;*
- *Number of directorships/active memberships and officerships in other corporations or organizations; and possible conflict of interest.*

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role			

Accountabilities			
Deliverables			

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Corporation complies with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulations Code which defines an independent director as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:

A. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

B. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;

C. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

D. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

E. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;

F. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or

G. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Corporation complies with SEC Memorandum Circular No. 9-2011, and limits terms of independent directors to five (5) consecutive years. In addition, should the Corporation desire to re-elect the independent director after the two (2) – year "cooling off" period, the ID may serve for another five (5) consecutive years pursuant to SEC MC No. 9-2011, or such other period as may be prescribed by the Securities and Exchange Commission. At this time, the Corporation's independent directors have not yet exceeded the term limits prescribed under SEC MC No. 9-2011.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Atty. Eugenio E. Reyes	Director	July 27, 2017	End of Term
Michael Wee	Director	July 27, 2017	Health Condition
Jose V. Cruz	Director	October 20, 2017	Early retirement

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Screening by the Nomination Committee *The Nomination Committee is responsible for annually reviewing all nominees for Directors to ensure that the diverse experience and background of the members of the Board, particularly in the Corporation's industry. Under the Corporation's Manual of Corporate Governance, the Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee pre-screens and shortlists all candidates nominated to Become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.* *The Directors are elected annually during the Annual Stockholders' Meetings.*	*Qualifications* o *Holder of at least one (1) share of stock of the Corporation;* o *He shall be at least a college graduate or have sufficient experience in managing businesses to substitute for such formal education;* o *He shall be at least twenty one (21) years old;* o *He shall have proven to possess integrity and probity; and* o *He shall be assiduous.*
(ii) Non-Executive Directors	Same as Executive Director	Same as Executive Director
(iii) Independent Directors	Same as Executive Director	*The Corporation complies with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulations Code which defines an independent director as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent*

		judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who: *A. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;* *B. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;* *C. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;* *D. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;* *E. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;* *F. Is not retained, either personally or through his firm or any similar entity,*

		as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or *G. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.* *An independent director shall have the following qualifications:* *(i) He shall have at least one (1) share of stock of the corporation;* *(ii) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;* *(iii) He shall possess integrity/probity; and* *(iv) He shall be assiduous.*
b. Re-appointment		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	*same as Appointment of Directors*	*same as Appointment of Directors*
c. Permanent Disqualification		
(i) Executive Directors	*The Committee pre-screens and shortlists all candidates nominated to Become a member of the board of directors in accordance with the qualifications and*	○ *Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or*

	disqualifications under the Manual. *The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.*	*sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;* o *Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.* *The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court*

		or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, articipation or association with a member or participation of the organization; o *Any person convicted by final judgment or order by a court or competent administrative body of any offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;* o *Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or BSP, or any of its rule, regulation or order;*

		○ *Any person judicially declared as insolvent;* ○ *Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;* ○ *Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment .*
(ii) Non-Executive Directors	Same as Executive Director	Same as Executive Director
(iii) Independent Directors	Same as Executive Director	*In addition to the disqualifications of a regular Director, Independent Directors have the following disqualifications.* *Disqualification under the Manual of Corporate Governance: Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;* *Disqualification under the Amended IRR of the SRC: No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:* *(i) He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated*

		under Section II (5) of the Code on Corporate Governance; *(ii) His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director;* *(iii) Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family.* *(iv) Such other disqualifications which the covered company's Manual on Corporate Governance provides.*
d. Temporary Disqualification		
(i) Executive Directors	*The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.* *A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.*	*The Board may provide for the temporary disqualification of a director for any of the following reasons.* o *Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.* o *Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.* o *Dismissal or termination for cause as director of any corporation covered by this Code. The*

		disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. o *If any of the judgments or orders cited in the ground for permanent disqualification has not yet become final.*
(ii) Non-Executive Directors	*Same as Executive Directors*	*Same as Executive Directors*
(iii) Independent Directors	*Same as Executive Directors*	*In addition to the grounds for disqualification of a regular Director, the Independent Directors may likewise be temporarily disqualified on the following grounds:* *If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.*
e. Removal		
(i) Executive Directors	*The Corporation abides by Sec. 28 on Removal of Directors, as follows:* *Any director of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders of a corporation for the purpose of removal of directors, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or*	*A director may be removed from office if he is disqualified under the Manual of Corporate Governance, SEC Rules and Regulations, the Securities Regulations Code, the Corporation Code, or under any other grounds provided under the law.*

	holding at least a majority of the outstanding capital stock. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under Section 24 of this Code.	
(ii) Non-Executive Directors	*Same as Executive Directors*	*Same as Executive Directors*
(iii) Independent Directors	*Same as Executive Directors*	*Same as Executive Directors*
f. Re-instatement		
(i) Executive Directors	*Directors who were removed may be reinstated by their election by the Stockholders in its Special or Annual Meeting.*	*The Nominations Committee is responsible for short-listing and screening all candidates for the Board of Directors, including those to be reinstated.*
(ii) Non-Executive Directors	*Same as Executive Directors*	*Same as Executive Directors*
(iii) Independent Directors	*Same as Executive Directors*	*Same as Executive Directors*
g. Suspension		
(i) Executive Directors	*Any suspension of a Director shall be made pursuant to the same procedures for their removal under Sec. 28 of the Corporation Code. The suspension of a Director produces the same effect of depriving said Director, and the shareholders who elected him, from participating and voting during the meetings of the Board and hence, the application of the aforesaid Sec. 28, absent any other procedures under the Corporation Code or other regulations or laws.*	*A director may be suspended from office if he is disqualified under the Manual of Corporate Governance, SEC Rules and Regulations, the Securities Regulations Code, the Corporation Code, or under any other grounds provided under the law.*

(ii) Non-Executive Directors	*Same as Executive Directors*	*Same as Executive Directors*
(iii) Independent Directors	*Same as Executive Directors*	*Same as Executive Directors*

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Mr. LAWRENCE EE	195,648,330
Mr. JUAN CARLOS DEL ROSARIO	195,648,330
Mr. MAX O. BORROMEO	195,648,330
Mr. RENE B. BENITEZ	195,648,330
Mr. ERIC B. BENITEZ	195,648,330
Mr. FRANCISCO C. EIZMENDI, JR.	195,648,330
Mr. JOEL S. FERRER	195,648,330
Mr. ALAN MICHAEL R. CRUZ	195,648,330
Mr. DANIEL JOSE R. BORROMEO	195,648,330
Mr. MAXCY FRANCISCO JOSE R. BORROMEO	195,648,330

6) Orientation and Education Program (Director's Profile)

(a) Disclose details of the company's orientation program for new directors, if any.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

As of November 22, 2017, four members of the Board and one of the Key Officers have attended an accredited corporate governance training program certified by Securities Exchange Commission.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Board of Directors(3)			
Maxcy Francisco Jose R. Borromeo	November 22, 2017	4rth SEC-PSE Corporate Governance Forum	SEC
Joel S. Ferrer	November 22, 2017	4rth SEC-PSE Corporate Governance Forum	SEC
Juan Carlos del Rosario	November 22, 2017	4rth SEC-PSE Corporate Governance Forum	SEC
Jose Daniel R. Borromeo	November 22, 2017	4rth SEC-PSE Corporate Governance Forum	SEC
Management Key Officers (4)			
Marcos E. Larosa	November 22, 2017	4rth SEC-PSE Corporate Governance Forum	SEC

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Company policy prohibits employees from directly engaging in any activity, practice, or act, in conflict with the interests of MFC, which include but are not limited to the following: (1) Acceptance of outside employment in an organization that does business with, or is a competitor of MFC; (2) Financial interest in a firm that does business with MFC, and the interest is sufficient to affect his decisions or actions, except as specifically approved by the President or Senior Managing Director; (3) Acceptance of gifts from any person or firm doing business with MFC under circumstances which might influence you in the conduct of business with the donor; (4) Conduct (employment, disloyal, and/or prejudicial to MFC).		
(b) Conduct of Business and Fair Dealings			
(c) Receipt of gifts from third parties			
(d) Compliance with Laws & Regulations			
(e) Respect for Trade Secrets/Use of Non-public Information			
(f) Use of Company Funds, Assets and Information			
(g) Employment & Labor Laws & Policies			
(h) Disciplinary action	MFC adopts a positive approach in disclining erring employees. Positive discipline is primarily a "corrective" approach in maintaining discipline among its employees. The following progressive actions shall serve as guide in initiating disciplinary actions against erring employees: (i) VERBAL WARNING : a verbal reprimand calling the attention of an employee about an infraction/s against company rules and regulations. Normally given for first offenses; (ii) WRITTEN WARNING : a written formal reprimand calling the attention of an employee about serious and or habitual infraction/s against company rules % regulations. This puts the employee under observation for 30 days; (iii) SUSPENSION: Having the employee not report to work and go without pay for serious or habitual infraction/s against company rules & regulations. This puts an employee under observation for 60 days; (iv) DECISION LEAVE: a one-on-one session between the employee and his immediate superior to discuss the problem/s with the end view of making the employee decide on whether or not he would continue working with the company. A one		
(i) Whistle Blower	MFC has established business integrity channels that serve as communication facilities such as telephone, email, fax, website and face to face meetings, enabling individuals to freely report fraud, violation of laws, rules and regulations, or misconduct to people at authority without fear of retaliation.		
(j) Conflict Resolution			

2) **Has the code of ethics or conduct been disseminated to all directors, senior management and employees**? *YES*

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

There is an ongoing monitoring by HR Department and the Management.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	*Any and all transactions with possible conflict of interest should be with prior disclosure and done on an arms length, market based parameters*
(2) Joint Ventures	*Same*
(3) Subsidiaries	*Same*
(4) Entities Under Common Control	*Same*
(5) Substantial Stockholders	*Same*
(6) Officers including spouse/children/siblings/parents	*Same*
(7) Directors including spouse/children/siblings/parents	*Same*
(8) Interlocking director relationship of Board of Directors	*Same*

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Amalgamated Investment Bancorporation
Group	Lending rate is compared with other financial institution's rate

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Amalgamated Investment Banking Corp	*Lender of Funds*	*MFC borrows funds from AIB which is covered by a PN*

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

It has never been happened and if with conflict a disclosure will be made.

	Alternative Dispute Resolution System
Corporation & Stockholders	*N/A*
Corporation & Third Parties	*N/A*
Corporation & Regulatory Authorities	*N/A*

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Board of Director's meetings is scheduled three months before the date of next meeting.

January 19, 2017 (Thursday 9:00 am)
April 20, 2017 (Thursday, 2:00 pm)
July27, 2017 (Thursday 9:00 am, immediately after the Annual Stockholder's Meeting)
October 20, 2017 (Friday, 2:00 pm)

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Rene B. Benitez	07/27/17	4	4	100
Member	Juan Carlos Del Rosario	07/27/17	4	3	75
Member	Jose V. Cruz	07/27/17	4	3	75
Treasurer	Joel S. Ferrer	07/27/17	4	4	100
Vice Chairman	Max O. Borromeo	07/27/17	4	4	100
Member	Eric B. Benitez	07/27/17	4	4	100
Member	Michael Wee	07/27/17	4	0	0

Independent	Francisco C. Eizmendi, Jr.	07/27/17	4	4	100
Independent	Eugenio E. Reyes	07/27/17	4	1	25
President	Maxcy Francisco Jose R. Borromeo	07/27/17	4	4	100
Independent	Alan Michael R. Cruz	07/27/17	4	1	25
Member	Daniel Jose R. Borromeo	07/27/17	4	2	50
Member	Robert Charles M. Lehmann	07/27/17	4	1	25

3) **Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

Yes, these meetings are the Organizational meetings, Nomination Committee meetings, Audit Committee meetings, Executive Committee meetings and Compensation Committee meetings.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Yes

5) Access to Information

(a) **How many days in advance are board papers[5] for board of directors meetings provided to the board?**

The board papers for the Board of Directors meetings have been provided seven (7) days in advance.

(b) **Do board members have independent access to Management and the Corporate Secretary?**

Yes

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary performs the following duties:

a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
b. Be loyal to the mission, vision and objectives of the corporation;
c. Work fairly and objectively with the Board, Management and stockholders;
d. Have appropriate administrative and interpersonal skills;
e. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
f. Have a working knowledge of the operations of the corporation;
g. Inform the members of the Board, in accordance with the bylaws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
i. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
j. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer.

(d) **Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.**

The Corporate Secretary is a lawyer by profession and obtained his law degree from the University of the Philippines. He is also well-versed in accountancy, having obtained his BS Business Administration, cum laude*,*

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

from the same University. He is currently legal counsel, director and/or corporate secretary of several Philippine Corporations.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ■ No ☐

Committee	Details of the procedures
Executive	*Pursuant to policies on transparency and to minimize procedural barriers, all of the Committee Members have free and direct access to the Corporate Secretary, President, Chief Executive Officer, Chief Operating Officer, Treasurer and other officers of the Corporation. They may also freely request for data or other information which may be needed to enable them to prepare in advance for their respective meetings. Communications may be made through personal meetings, mobile numbers, landline numbers and email addresses.*
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The corporation may create a Board of Advisers which shall be composed of such numbers, who may or may not be a stockholder of the corporation, to be fixed and appointed by the Board of Directors.	*The Board of Advisers shall advise the Board of Directors and the Executive Committee on such matters as the Board of Directors and the Executive Committee may require.* *The Board of Advisers shall be entitled to such compensation or per diem as may be fixed by the Board of Directors.*

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
N/A	N/A	N/A

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	*NONE*	*YES*
(2) Variable remuneration	*NONE*	*NONE*
(3) Per diem allowance	*NONE*	*NONE*

(4) Bonus	*YES*	*YES*
(5) Stock Options and other financial instruments	*NONE*	*NONE*
(6) Others (specify)	*NONE*	*NONE*

2) Remuneration Policy and Structure for Executive and Non-Executive Directors
Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Remuneration and increase in remuneration is decided by the Compensation Committee every year based on performance of the corporation.		
Non-Executive Directors	*NONE*	*NONE*	*NONE*

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
N/A	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	*7,588,400*	*NONE*	*NONE*
(b) Variable Remuneration	*NONE*	*NONE*	*NONE*
(c) Per diem Allowance	*600,000*	*1,350,000*	*100,000*
(d) Bonuses	*2,855,372*	*1,179,359*	*336,959*
(e) Stock Options and/or other financial instruments	*NONE*	*NONE*	*NONE*
(f) Others (Specify)	*NONE*	*NONE*	*NONE*
Total	*11,043,772*	*2,529,359*	*436,959*

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			

(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
Total	*NONE*	*NONE*	*NONE*

Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	*N/A*	*N/A*	*N/A*	*N/A*

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	*N/A*	*N/A*

4) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
MARCOS E. LAROSA	*Php 5,628,542*
ALDRIN FRANCIS B. PONTANARES	
WILMA P. FUNDAN	
NAPOLEON B. MALONG JR.	
KAMILLE ILENE MAE O. CUTCHON	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	*1*	*4*					
Audit		*3*	*1*				
Nomination	*1*	*3*					
Remuneration		*3*	*1*				
Others (specify)							

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	*Maxcy Francisco Jose R. Borromeo*	07/27/17	2	2		
Member (NED)	*Jose V. Cruz*	07/27/17	1	1		
Member (NED)	*Juan Carlos Del Rosario*	07/27/17	2	2		
Member (NED)	*Rene B. Benitez*	07/27/17	2	2		
Member (NED)	*Lawrence Ee*	07/27/17	2	2		
Member (NED)	**Robert Charles M. Lehmann*	10/20/17	1	1		

** Mr. Robert Charles M. Lehmann replaces Mr. Jose V. Cruz effective October 20, 2017*

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	*Francisco C. Eizmendi, Jr.*	07/27/17	*2*	*2*		
Member (NED)	*Jose V. Cruz*	07/27/17	*1*	*1*		
Member (NED)	*Lawrence Ee*	07/27/17	*2*	*2*		
Member (NED)	*Juan Carlos Del Rosario*	07/27/17	*2*	*2*		
Member (NED)	**Robert Charles M. Lehmann*	10/20/17	1	1		

** Mr. Robert Charles M. Lehmann replaces Mr. Jose V. Cruz effective October 20, 2017*

Disclose the profile or qualifications of the Audit Committee members.

The Audit committee shall be composed of at least three (3) members of the Board, the Chairman of which should be one (1) whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

Describe the Audit Committee's responsibility relative to the external auditor.

Duties and responsibilities:

- *Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;*
- *Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;*
- *Perform oversight functions over the corporation's internal and external auditors. It should ensure*

that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

- *Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;*
- *Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;*
- *Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;*
- *Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;*
- *Review the reports submitted by the internal and external auditors;*
- *Review the quarterly, half year and annual financial statements before their submission to the Board, with particular focus on the following matters:*
    - *Any change/s in accounting policies and practices*
    - *Major judgmental areas*
    - *Significant adjustments resulting from the audit*
    - *Going concern assumptions*
    - *Compliance with accounting standards*
    - *Compliance with tax, legal and regulatory requirements*
- *Coordinate, monitor and facilitate compliance with laws, rules and regulations;*
- *Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.*

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Eric B. Benitez	07/27/17	1	1		
Member (NED)	Rene B. Benitez	07/27/17	1	1		
Member (NED)	Jose Daniel R. Borromeo	07/27/17	1	1		

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Joel S. Ferrer	07/27/17	1	1		
Member (NED)	Juan Carlos Del Rosario	07/27/17	1	1		
Member (ID)	Alan Michael R. Cruz	07/27/17	1	1		
Member (NED)	Eric B. Benitez	07/27/17	1	1		

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of	No. of	No. of	%	Length of

		Appointment	Meetings Held	Meetings Attended		Service in the Committee
Chairman	*NONE*	*NONE*	*NONE*	*NONE*		*NONE*
Member (ED)						
Member (NED)						
Member (ID)						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	*N/A*	
Audit	*N/A*	
Nomination	*N/A*	
Remuneration	*N/A*	
Others (specify)	*N/A*	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	*Review process & control measures*	*Strategy to reduce repo inventory*
Audit	*Review provisioning process*	*Sufficient provision for bad debts*
Nomination	*Identify directorship candidates*	*Directorship comply with policies set*
Remuneration	*Performance based review*	*Comply with policy & reward performance*
Others (specify)		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	*CARAVAN / SALE*	*REDUCTION OF MC INVENTORY*
Audit	*DOING ACCRUAL & PROVISIONING*	*ACCRUAL METHOD*
Nomination	N/A	N/A
Remuneration	N/A	N/A
Others (specify)	N/A	N/A

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Quarterly, during the Board of Directors's meeting, the directors identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability. Periodically evaluate and monitor the implementation of policies and strategies, including the business plans, operating budgets and Management's overall performance.

(b) **A statement that the directors have reviewed the effectiveness of the risk management system and**

commenting on the adequacy thereof;

The board discussed the proposal by management to explore new product lines to include financing of trucks, collateralized business loans, personal loans of employees of related companies and other options. The board encouraged the management to diversify its portfolio and identify areas for growth since bulk of existing portfolio pertains to Motorcycle Financing.

(c) Period covered by the review;

January – December 2017

(d) **How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness**;

Quarterly, during the Board of Directors' meeting, the directors review risk exposure with the help of aging of accounts analysis for each product line plus financial and liquidity ratios.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	Setting limits for borrowers based on credit worthiness. Obtaining security, where appropriate and limits duration of exposure. Credit applications go through a rigid process of screening before the granting of credit. Tools like aging of receivables are used to assess impairment.	Choosing markets & borrowers which has better capacity to repay their loan, reduces probable loss. If parties fail to discharge their obligations, loss exposure is managed. Collaterals coupled with rigid screening lessen risk and loss exposure.
Interest rate risk	A prudent policy on managing the assets and liabilities to ensure that exposure to interest rate fluctuations are kept within acceptable limits. The interest rates are benchmarked against market interest rates.	Ensure level of profitability is sufficient to cover for overhead expenses and expected profit. Too high interest rates discourage clients to avail of loans from products offered.
Liquidity risk	Maintain, continually identify & arrange for level of funds sufficient to finance capital & operational requirements.	Regularly evaluate projected (budgeted) and actual cash flows. Continually source fund raising activities.
Human risk	Employee screening & interview, orientation & training and background checks are implemented. Annual drug test is done. Install strict controls on monies, accountable forms and meticulous review of proper documentation and authority for each transaction is a must.	Exposure to losses due to employee incompetence, theft, fraud & embezzlement is to be kept at minimum.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Same as Company as we are not a Group of Companies	*Same as Company as we are not a Group of Companies*	*Same as Company as we are not a Group of Companies*

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
The rights of the Minority Shareholders are fully protected and kept intact in the manual. The Shareholders have the right to elect, replace and remove directors and vote on certain corporate acts in accordance with the Corporation Code. They also have pre-emptive rights and the right to information and dividends.
The Board gives minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	*Limits loan grants based on credit worthiness: capacity to pay, historical paying habits , employment status or number of years in business, reputation in industry & neighborhood, number of years in residence. Obtaining security/collateral, where appropriate and limiting duration of exposure is another tool we employ in granting loans.*	*At least three (3) people evaluates and signs off on the merit of the borrower based on documents submitted and background investigation done before any release or approval is triggered. Monthly, aging of accounts are analyzed and used to gauge the collectivity and impairment index.*
Interest rate risk	*Financial ratios are generated regularly and contribution margins per product line offered are computed to determine extent of profitability.*	*Interest rates on funds sourced are externally benchmarked on market, therefore additional measures to ensure profitability is cost cutting, low wastage and asset/supplies losses.*
Liquidity risk	*Regularly evaluate projected (budgeted) and actual cash flows. Monitor trend of actual collections and disbursements. Monitor market interest rates vis-à-vis actual interest rates on existing borrowings. Continually source fund raising activities.*	*To monitor funds availability and control, daily cash count is made while matching of deposit slips versus collections received as per OR issued is diligently done. Daily monitor of OR issued by collectors are done. Monthly cash flow analysis is done compared with budget. Good credit standing with existing lending institutions is maintained to ensure operating funds availability.*
Human risk		*Annual drug testing. Regular lifestyle check. Conduct internal audits. Constant review on control system and ensure adherence in implementation.*

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as Company as we are not a Group of Companies	Same as Company as we are not a Group of Companies	Same as Company as we are not a Group of Companies

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Periodic review of FS and discussion with external audit outfit.	*Discussed thoroughly in Section E.2.b*
Nomination Committee	Ensure nominees are qualified to monitor and give valued added inputs to the operations of the Company.	*Discussed thoroughly in Section A.5*
Executive Committee	Regular Management Committee meetings with review of operational and financial performance.	Reviews frequently and regularly the performance and activities of the Corporation and makes recommendations and approvals as needed

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Makati Finance Corporation (MFC) promulgates and adopts Audit Committee Charter as a framework and blueprint to ensure accurate and transparent financial disclosures and the observance of adequate risk controls. The Audit Committee shall assist the MFC Board of Directors and Management by providing oversight functions over the following:

- *Integrity of the Corporation's financial reporting process*
- *Internal Controls and risk management system*
- *Statutory audit of the annual financial accounts*
- *Independence of external audit firm*
- *Effectiveness of anti-fraud, ethics and compliance systems.*

The Audit Com is composed of at least three (3) directors, who shall have adequate understanding of the company's financial management systems and environment. The Chairman of the Audit Com shall be an independent director.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Com has the specific responsibility of assisting and providing oversight functions over Management and in monitoring the integrity of the financial statements of the Company and any other financial reports. If the Audit Com is not satisfied with any aspect of the financial reporting by MFC, such concerns shall be brought to the attention of the Board of Directors or Management, at the discretion of the Audit Com. Provide oversight Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities. Review the reports submitted by the internal and external auditors; Review the quarterly, semi-annual and annual financial statements before their submission to the Board.

(c) **Period covered by the review;** Annually

(d) **How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and**
The Audit Com shall, from time to time, review the following practices:
1.1 Revenue recognition – timing on recognition of sale
1.2 Changing estimates – altr basis of estimates to make the numbers
1.3 Abuse of materiality concept – argument on what is significant or non-significant to the bottom line
1.4 Capitalization and deferral of expenses

The Audit Com shall prepare an Audit Committee self-assessment chart to gauge its performance against its purpose.

(e) **Where no review was conducted during the year, an explanation why not.**

2) **Internal Audit**

(a) **Role, Scope and Internal Audit Function**

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Ensure effective, appropriate and complied with organizational and procedural controls	Nature and complexity of business; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology and the extent of regulatory compliance	In-house	NAPOLEON MALONG	Reporting to the Audit Committee

(b) **Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

YES

(c) **Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor** have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

YES

(d) **Resignation, Re-assignment and Reasons**

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
none	

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	
Issues[6]	
Findings[7]	
Examination Trends	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Revenue Recognition	
Changing Estimates	
Abuse of Materiality concept	
Capitalization and deferral of expenses	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Perform oversight functions over the corporation's internal and external auditors. It must ensure that the internal and external auditors act independently from each other, and that			

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit and ensure proper coordination. External auditor should be rotated or changed every five (5) years or earlier. Organize an internal audit department and discuss terms and conditions of engagement and removal.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

MR. RENE B. BENITEZ – Chairman
MR. MAXCY FRANCISCO JOSE R. BORROMEO - President

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare		
Supplier/contractor selection practice		
Environmentally friendly value-chain		
Community interaction		
Anti-corruption programmes and procedures?		
Safeguarding creditors' rights		

The Board shall respect the rights of the stockholders as provided for in the Corporation Code:

(a) Right to vote on all matters that require their consent or approval;
(b) Pre-emptive right to all stock issuances of the corporation;
(c) Right to inspect corporate books and records;
(d) Right to information;
(e) Right to dividends; and
(f) Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholder's meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

YES

3) **Performance-enhancing mechanisms for employee participation.**

(a) What are the company's policy for its employees' safety, health, and welfare?

The company required all employees to undergo an annual medical examination to ensure their physical condition and suitability for the job. The periodic check-up shall be paid for by the company, according to the plan chosen.

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

(b) Show data relating to health, safety and welfare of its employees.

Annual Physical Examination – May 2017
Group Life Insurance – enrolled/renewed yearly
Personal Accident Insurance – cover all employees doing field work
Group Medical Insurance – enrolled/renewed yearly
Drug Testing – random on a regular basis

(c) State the company's training and development programs for its employees. Show the data.

The company provides training to its personnel, which are classified as Functional Training, Orientation and General Training, and Career Training. They are:

1. Monthly Orientation for New Hires
2. IFCA Training for Newly Hired Employees
3. Accounting Processes for Field Staff
4. IFCA for Managers
5. IFCA for Accountants
6. Refresher Course for All Field Staff
7. Refreshers Course for Accounting Processes for Field Managers and Staffs
8. Credit Process for Credit Sales Representatives
9. Advance Excel for Accountants
10. Leadership Trainings for Managers
11. Handling Difficulty for Managers
12. Customer Service Training for All Field Staffs

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The company shall have the prerogative to grant performance bonuses to its employees. Amount of bonuses *is upon the discretion of management, but in general, basis of the performance bonus shall be the over-all performance of the company for the fiscal year and the employee's individual performance and contribution during the particular period.*

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.**

The HR Department is the one handling all complaints coming from clients. HR Dept. will require the complainant a written affidavit thru fax or email. After identifying concerned party or employee, he/she will be given a notice to explain. Upon verification and thorough study of the HR regarding the case, disciplinary or positive actions shall be initiated or imposed.

I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure**

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Amalgamated Investment Bancorp.	94,,488,680	43.65%	Record and Beneficial Owner
Pikeville Bancshares, Inc.	15,609,435	6.99%	Record and Beneficial Owner
Motor Ace Philippines, Inc.	56,516,496	25.30%	Record and Beneficial Owner
TOTAL	**166,614,611**	**75.94%**	

2) **Does the Annual Report disclose the following:**

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	In separate report
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee

R. G. MANABAT & CO. (KPMG)	***P750,400**	***P75,040**

**vat inclusive*

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

Company website www.makatifinance.ph
Annual Report
PSE and SEC disclosure

5) **Date of release of audited financial report**: April 04, 2017

6) **Company Website**

Does the company have a website disclosing up-to-date information about the following?

Business operations	**Yes**
Financial statements/reports (current and prior years)	**Yes**
Materials provided in briefings to analysts and media	
Shareholding structure	**Yes**
Group corporate structure	**Yes**
Downloadable annual report	**Upgrading of website on-going**
Notice of AGM and/or EGM	
Company's constitution (company's by-laws, memorandum and articles of association)	

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Amalgamated Investment Bancorporation	Parent	Unsecured, 30-day non-interest bearing receivable	P101,006
Amalgamated Investment Bancorporation	Parent	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate	P161,900,000
Amalgamated Investment Bancorporation	Parent	Interest payment for Notes Payable	P21,436,786
Amalgamated Investment Bancorporation	Parent	Broker's fee payable to Parent	None
Amalgamated Investment Bancorporation	Parent	Sale of Amalgamated Investment Bancorporation(AIB) shares owned by MFC	P200,016,000
Motor Ace Philippines, Inc..	Principal Stockholders	Unsecured, 30-day-non-interest bearing	P2,110,298

		accounts receivable	
Motor Ace Philippines, Inc..	Principal Stockholders	Unsecured, 30-day-non-interest bearing accounts payable	P4,363,429

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

The annual meeting of the stockholders shall be held on the last Thursday of July in each year, if not a legal holiday, and if a legal holiday, then on the next business day following. The stockholders owning or representing a majority of the subscribed capital stock shall elect by a plurality vote a Board of Directors and shall transact such other business as may properly be brought before such meeting.

Special meetings of the stockholders for any purpose or purposes may be called at any time by the President or by order of the majority of the members of the Board of Directors, or upon request of any stockholder owning at least ten percent (10%) of the outstanding capital stock.

Quorum Required	At least two-third (2/3) of the number of directors

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting
Description	At every meeting of stockholders, each stockholder with voting privilege shall be entitled to one vote for each share of the stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder with voting privilege shall be entitled to cumulate his votes in the manner provided by law. Each stockholder may vote by proxy provided the proxy has been appointed in writing by the stockholder himself or his duly authorized attorney. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. This instrument appointing a proxy shall presented to and lodge with the Secretary at or prior to the time of the meeting. Except as otherwise provided by law, all corporate actions requiring the approval of the Stockholders shall be decided by the affirmative vote of the majority of the issued and outstanding capital stock of the corporation.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Rights of Investors/Minority Interests	

Voting Right	
Pre-emptive Right	
Power of Inspection	
Right to Information	
Right to Dividends	
Appraisal Right	

Dividends

Declaration Date	Record Date	Payment Date
July 27, 2017	August 24, 2017	September 19, 2017

(d) Stockholders' Participation

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Measures Adopted	Communication Procedure

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

   The Company sends out notices to the AGM at least fifteen business days in advance of the date for which the meeting is called.

   a. **Date of sending out notices:** July 05, 2017

   b. **Date of the Annual/Special Stockholders' Meeting**: July 27, 2017

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

5. **Result of Annual/Special Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

   July 28, 2017 or one day after the Annual Stockholders Meeting

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
N/A	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Rene B. Benitez	27-Jul-17				
Annual	Max O. Borromeo	27-Jul-17				
Annual	Joel S. Ferrer	27-Jul-17				
Annual	Francisco C. Eizmendi, Jr.	27-Jul-17				
Annual	Jose V. Cruz	27-Jul-17				
Annual	Eric B. Benitez	27-Jul-17				
Annual	Maxcy R. Borromeo	27-Jul-17				
Annual	Jose Daniel R. Borromeo	27-Jul-17				
Annual	Alan Michael R. Cruz	27-Jul-17				
Annual	Danilo Enrique O. Co	27-Jul-17				
Annual	Marcos E. Larosa	27-Jul-17				
Special	N/A	none				

(ii) **Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

NONE. But required the external auditor to observe the voting.

(iii) **Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

Yes, only one class of share.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	
Notary	
Submission of Proxy	

Several Proxies	
Validity of Proxy	
Proxies executed abroad	
Invalidated Proxy	
Validation of Proxy	
Violation of Proxy	

Each stockholder may vote by proxy provided the proxy has been appointed in writing by the stockholder himself or his duly authorized attorney. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. This instrument appointing a proxy shall presented to and lodge with the Secretary at or prior to the time of the meeting.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notices will be send to shareholders 21 business Days prior to actual Annual Meeting	*Written notice of every meeting of the stockholders starting the date, time and place of the meeting, accompanied by the agenda of the matters to be take up and by the proxy or information statement and/or materials as may be required by law or regulation shall be sent by personal delivery or by mail to each qualified stockholder thereat at such addresses as it appears in the books of the corporation or by publication in a newspaper of general circulation within such period as may from time to time to be required by law or regulation.*
	When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	103
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	July 05, 2017
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	July 05, 2017
State whether CD format or hard copies were distributed	Distributed Hard copy and link to website were made available

If yes, indicate whether requesting stockholders were provided hard copies	Hard copy

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Stated
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Stated
The auditors to be appointed or re-appointed.	Stated
An explanation of the dividend policy, if any dividend is to be declared.	Stated
The amount payable for final dividends.	Stated
Documents required for proxy vote.	Stated

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
The Board shall be committed to respect the following rights of the stockholders: 2.a.1 Voting Rights 2.a.2 Pre-emptive Right 2.a.3 Power of Inspection 2.a.4 Right to information 2.a.5 Right to Dividends 2.a.6 Appraisal Right	
Directors' Duty to Promote Shareholder Rights It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person . The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.	

(b) Do minority stockholders have a right to nominate candidates for board of directors?

The shareholders have the right to elect, replace and remove directors and vote on certain corporate act in accordance with the Corporation code. They also have pre-emptive rights and the right to information and dividends.

K. **INVESTORS RELATIONS PROGRAM**

1) **Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

The Executive Committee has the responsibility for the review and approval of any major company announcements.

2) **Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
(1) Objectives	
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary

M. **BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors		
Board Committees		
Individual Directors		
CEO/President		

N. **INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First Violation	Reprimand
Second Violation	Suspension
Third Violation	Maximum penalty or removal from office

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on APR 16 2018, 20___.

SIGNATURES

RENE B. BENITEZ Chairperson of the Board	**MAXCY FRANCISCO JOSE R. BORROMEO** President
FRANCISCO C. EIZMENDI, JR. Independent Director	**ALAN MICHAEL R. CRUZ** Independent Director
MARCOS E. LAROSA Chief Finance Officer/Compliance Officer	**DANILO ENRIQUE O. CO** Corporate Secretary

APR 16 2018

SUBSCRIBED AND SWORN to before me this ________ day of __________________ 20__ , affiant(s) exhibiting to me their __________________, as follows:

NAME/NO.	GOVT.I.D.	PLACE OF ISSUE
RENE B. BENITEZ	TIN:137-438-326	
MAXCY FRANCISCO JOSE R. BORROMEO	TIN : 153-065-629	
FRANCISCO C. EIZMENDI JR.	TIN: 119-132-505	
ALAN MICHAEL R. CRUZ	TIN : 103-569-603	
MARCOS E. LAROSA	TIN : 206-361-568	
DANILO ENRIQUE O. CO	TIN : 134-866-959	

NOTARY PUBLIC

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018 - ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0026676 /4-[illegible]-2018
IBP O.R No. 706762-LIFETIME MEMBER JAN. 29, 2007

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